
Coast to Capital Local Enterprise Partnership

Governance Review

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Background

Coast to Capital Local Enterprise Partnership ("LEP") takes responsibility for the correct administration of public funding streams in its region. Although a private company limited by guarantee, it is ultimately accountable to the Accounting Officer of the Ministry of Housing, Communities and Local Government and to Parliament for the decisions which it takes. It operates under a Local Enterprise Partnership Assurance Framework ("AF"), based on guidance which is updated annually by Government and taking into account best practice from the private sector. The AF sets out, amongst other matters, governance arrangements around the Funding that it distributes. It also includes how local growth funded schemes are selected and delivered to ensure maximum impact and best value for money.

The LEP has received capital funding from Government in three separate Local Growth Deals to deliver infrastructure projects in its region. As a result of some of the projects not progressing, the LEP has been able to run three further funding rounds asking for projects to be put forward which would meet specific themes and criteria. It has run open funding rounds, with a detailed application process which should meet the LEP aim of transparency. The website cites the latest version of the AF.

In October 2017 Mary Ney, Non-Executive Director, Ministry for Housing, Communities and Local Government conducted a review of Local Enterprise Partnership Governance and Transparency, her report dated October 2017 made a series of recommendations which informed the government document Best Practice Guidance on Local Enterprise Partnership governance and transparency. As a result the LEP Board approved a number of changes to the Assurance Framework to implement immediately at their meeting on 31 January 2018. In addition, the Ney report recommended that an independent deep dive review process as regards governance and transparency be implemented by a dedicated LEP compliance team established in the Cities and Local Growth Unit who will oversee the deep dive process. Coast to Capital is one of two LEPs which volunteered for a pilot deep dive to help develop the deep dive approach.

In addition, the LEP has commissioned this independent review of compliance with the framework, not only to understand the extent of compliance with that used in 2017, but also to understand the extent of any further practical changes required to ensure ongoing compliance in 2018. The review focused on the most recent funding round undertaken by the LEP – the July 2017 Call for Growth Projects to be funded from unallocated Growth Deals funds.

Limitation of Scope

The scope of work was limited to a review of one particular funding round to avoid duplication with the Government Deep Dive or any Assurance work performed elsewhere. Comments in this report are therefore restricted to this area of the Framework. I have however, included matters highlighted during the course of

fieldwork which I consider should be brought to the attention of the Board. These are not included in the rating analysis, but shown separately for ease of reference.

Executive Summary

The Call for Funds July 2017 round adhered in all respects but one to the AF17:

Templates and Guidance provided to applicants were clear. The process articulated in the flow chart below was followed. Of a total of 41 applications, 2 failed to meet the basic requirements of the initial sift. Following meetings of the review groups at which applicants presented and faced questions, individual members of the review groups scored applications against the criteria advised in the guidance. On summarising of those results, 20 applications stood out and were passed to the Investment Committee. They in turn met with applicants for a presentation and question session. Members of the Investment Committee scored the applications individually on the criteria specific for that review in the guidance. Once the scores were collated 10 applications were then recommended to the Board for consideration. The Board considered these at their meeting in November 2017 and all 10 were approved.

Members of each meeting received details of the applications, save where a conflict of interest had been highlighted by an applicant. These were received with ample time to prepare for the meeting. The meetings were chaired properly, with any conflicts dealt with appropriately, and each applicant given an equal hearing when attending as required.

The only non-compliance with the AF17 was with section 13; providing an opportunity to the public to comment on funding decisions prior to the decisions being made. None of the decisions taken in connection with the Call for Funds July 2017 round were noted in any agenda filed on the website prior to either the October Investment Committee Meeting or the November Board Meeting. Although transparency is improved within the AF18, consideration is needed to as to how section 13 will be complied with for all applications.

I noted a culture of best practice across both staff and board, and understand the LEP is recruiting a governance officer; their role will be key to continuing the consistent approach to quality across both funding, monitoring and ensuring delivery against the LEP objectives. I've summarised the principle actions noted during the fieldwork below and discussed these with the LEP

Leadership and I understand that they will be publishing their plans for responding to my recommendations along with this report.

The majority of these actions are already considered to implement the changes in the AF. The culture that the LEP demonstrated during my fieldwork gave me confidence that even before this work, the organisation was aware of the steps needed. Accordingly I marked such steps as amber/green rather than amber, they do not give rise to concerns around governance.

Conflicts of interest are a particular area where LEPs may face issues; their board members are voluntary and in the main, hold responsible senior positions with either local authorities or businesses in the region. Board members are familiar with the issues and there is culture of highlighting the potential issues and then dealing with it. However, I found a few instances where meeting attendees made comments which related to their personal interests rather than solely that of the LEP. The scoring mechanism for applications negates any potential criticism, but I've highlighted some actions which will mitigate this altogether.

There are two other areas for urgent action which I would highlight separately;

The Deep Dive performed recently noted an action required to improve the S151 line of sight of the LEP's governance, decisions and finances by procurement of the services of 1 Accountable Body. The clarity as to their role and the governance officer as to evidencing adherence to the framework is being established. However, there is a short period whilst there are still four Accountable Bodies. The LEP should clarify urgently what improvements can be made in this period with the existing Accountable Officer to give them confidence for their reporting centrally, and to confirm that there are no additional steps which they require from the s151 perspective, (highlighted in project control below).

I noted during my review that the framework is not clear on the internal monitoring process including dealing with conflicts of interest, amending the classification provided by the gateway review, detailing the timeline for delivery against LEP objectives, and highlighting steps to take to allow adequate time for substitute projects to be found in the event milestones are breached. The LEP needs to detail how it will monitor all projects, agree the circumstances with each project where funding may be withdrawn and draw up contingency plans for alternatives to ensure that funding is not lost and that the LEP fulfils its obligations. The AF needs clarity for such projects urgently, as any replacement

projects will require as much time as possible to ensure maximum impact, given the obvious complexity of such projects. (This is not highlighted below as a review of these projects did not form part of the review.)

	Coast to Capital response to the points above	Deadline
Accountable Body Oversight	The s151 Officer will be initiating a review by their Internal Audit function to ensure adherence to the guidance of the Assurance Framework.	Spring 2018
Project Monitoring	<p>We are committed to accountability in project monitoring and accept the spirit of this recommendation. We will build on the recommendation and make changes at the right time in line with other governance developments.</p> <p>A project is underway which will be confirmed with the Coast to Capital Board in April which will address these points. It will be incorporated into the planned update to the Assurance Framework when the National Assurance Framework is updated in summer 2018.</p>	Summer 2018

Approach to the review

In the background section above, I highlight why this particular funding round was chosen. The independent review took place from 5 – 11 February, and comprised a review of the following;

- Published guidance and templates
- 3 Example business cases submitted to the LEP
- Notes of the initial sift review and subsequent review group meetings
- Papers submitted to the investment committee and notes of their subsequent meeting
- Papers submitted to the board and the subsequent minutes of their meeting
- Master criteria scoring summaries for each of the project review group and investment committee
- The AF17, the Best Practice Guidelines and AF18
- The Coast to Capital draft deep dive report

Discussions were held with LEP officials and project pillar staff, various Board members, the Chair of the Investment Committee, the Chair of the Audit Committee and the Chair of the LEP, as well as with the s151 Accountable Body representative.

I would like to express my gratitude to everyone I've spoken to, particularly the project team who put up with my every question throughout the short time spent at the LEP offices. All of you were helpful, open and honest with me.

For ease of use, I've followed the format of the deep dive report issued to the LEP earlier this month, but amended the themes, rating definitions, and scores as appropriate.

Dashboard

	Individual Item Score	RAG rating defined as:
RED (R)	5	Areas of non- compliance with the AF17. Concerns with the process/ procedures/ structures in not providing clear governance and/or transparency
RED/AMBER (RA)	4	Area of compliance and non-compliance with the AF17, Improvements needed with the process/ procedures/ structures/ Framework to provide clear governance and/ or transparency, to meet AF18 changes, avoid contradiction and meet best practice requirements
AMBER (A)	3	Minor concerns with the process/ procedures/ structures in evidencing compliance with the AF17
AMBER / GREEN (AG)	2	Compliance with the AF17 but adjustments and actions need to comply with the AF18.

GREEN (G)	1	Evidence shows clear compliance with the AF17, good governance and/or transparency and with an embedded culture within the LEP.
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Theme	Green (1)	Amber /Green (2)	Amber (3)	Amber/ Red (4)	Red (5)	Rag Rating Summary
Process Control – adherence to the process as detailed in the guidance and AF	7	3	0	0	0	13
Decision Making – ensuring that applicants are treated equally, fairly and transparently	8	0	0	0	0	8
Conflict of Interest – that all participants have the opportunity to declare such and they are treated properly	1	3	0	0	0	7
Transparency – that the public have the opportunity to comment	1	1	1	1	0	10

as per the AF and see the agenda and papers						
Overall score	17	14	3	4	0	38

If All Green	27
LEP score	38

I identified 27 specific items detailed in the AF, guidance issued to applicants and on the website and have detailed these overleaf, with commentary and actions if required. This is not an exhaustive list of matters for compliance, but represents the key items noted during the course of my review. A “perfect” score showing total compliance would be 27 with all items scoring 1 each. The LEP scores 38, with the only issues on the Funding Round with evidence underpinning the culture of compliance and governance in the LEP. The amber/red and green/amber for transparency are similar, relating to disclosure of information to the public. One highlights that the board agenda did not include details of the projects submitted for approval in advance of the meeting, the other that the Investment committee agenda/minutes don’t highlight all applications, only those discussed post agreement of the scoring boundary. To maintain transparency all projects should be disclosed at investment committee agenda stage (prior to the meeting) – this may require an amendment to the AF18. The subsequent disclosure of projects submitted to the board is already within the AF18.

FINDINGS

1. Process Control

Finding	RAG rating	Actions	Coast to Capital Response	Deadline
The Funding Round was publicised in accordance with the AF17. I've been provided with a copy of the press release, and advised that the website pages showing the funding round for offer exist.		For future reviews the LEP may wish to retain snapshots of the website pages for itself and its partners to demonstrate if required the publication.	Coast to Capital will retain this information in future calls for funding.	Immediate
Guidance provided to applicants was clear and easy to follow. LEP business advisors are available to give generic guidance as to completion of the forms, but do not		No recommendation for action	No comment	-

give individual support to an application.				
The timeline and detail for the process is clearly articulated, with confirmation of assessment criteria at initial sift, review groups, and investment committee.		No recommendation for action	No comment	-
Criteria being scored are different for the review groups and the investment committee, ensuring that projects appearing capable of execution are recommended to the investment committee who in turn assess for strategic fit and impact.		No recommendation for action	No comment	-
Members of each review meeting score independently, and only LEP staff obtain the full set of scores for collation. A master set of criteria scores and comments are retained centrally by the project team and not made available to either the investment committee or the board, who see the summarised average scores and points to clarify if needed.		No recommendation for action	No comment	-

<p>The Investment Committee is provided with a ranked schedule of scores, and decide whether to accept the score threshold, i.e. restrict consideration to those who best meet the review group criteria.</p>		<p>No recommendation for action</p>	<p>No comment</p>	<p>-</p>
<p>The Board retained Approval for all projects this round although half could have been approved under the AF by the Investment Committee.</p>		<p>The Board chose not to delegate its powers on this occasion. This decision did not impact on good governance.</p>	<p>No comment</p>	<p>-</p>
<p>Notes are taken by project staff, and retained by the team for internal purposes. Minutes are only published for the Investment Committee and the board.</p>		<p>These notes for review group meetings are currently named as minutes, but need to be retitled. Minutes of each meeting needs to be produced in a format which can be published in accordance with the AF18 to ensure transparency.</p>	<p>The notes have been renamed as appropriate. Going forward the Governance Officer will implement a consistent method of writing minutes. This will be reviewed at the Annual Conversation.</p>	<p>Immediate Oct 2019</p>
<p>West Sussex County Council specifically has Accountable Body responsibility for the Local Growth Fund. The s151 officer and other staff attend the initial sift discussions, the</p>		<p>No recommendation for action.</p>	<p>No comment</p>	<p>-</p>

review group meetings, Investment committee and Board meetings.				
The LEP is taking steps to reduce its 4 Accountable Bodies to one, but needs to ensure it communicates the practical steps changes it is making to the incumbent s151 officer.		The LEP should share a draft of this review and the deep dive with the s151 officer and obtain her confirmation that the actions to be taken are in her view adequate.	This report, the result of the deep dive pilot and the Accountable Body plan have been shared with the s151 Officer.	Completed

2. Decision Making

Finding	RAG rating	Action	Coast to Capital Response	Deadline
The initial sift highlighted 2 projects which failed to meet the basic criteria identified in the guidance. The project team agreed with the Project Pillar lead that these would not progress.		No recommendation for action	No comment	
The notes to the review group meetings show that scoring was carried out by each attendee at the meeting independently, and that		No recommendation for action	No comment	

scoring was not discussed at the meeting – only in wrap-up whether attendees needed any further clarity on the application.				
The master schedules were only discussed by the Project Pillar team and ranking of applications is based purely on the schedules.		No recommendation for action	No comment	
The scoring threshold was identified by the Project Pillar team, but ratified by the Investment Committee.		No recommendation for action	No comment	-
The Investment Committee have an opportunity to score each applicant based solely on the documentation provided, and then revisit that score following a presentation and answer session. This ensures that committee members give time and thought to each application and what further information they require to make a decision for recommendation.		No recommendation for action	No comment	-
The documents provided clearly show that the LEP Board is the overall decision making body and takes on recommendations from the Investment Committee.		No recommendation for action	No comment	-

<p>There was a clear gap in the average scores between those put to the Investment Committee and those which weren't. The independent scoring process clearly facilitates decision-making allowing a number of individuals to score on agreed clear criteria without influence from others.</p>		<p>No recommendation for action</p>	<p>No comment</p>	<p>-</p>
<p>I reviewed the decision making on 3 decisions, one which failed the initial sift, one which ranked highly in the scoring process and one which didn't. The evidence for the scoring was clear and balanced.</p>		<p>No recommendation for action</p>	<p>No comment</p>	<p>-</p>

3. Conflict of Interest

Finding	RAG rating	Action	Coast to Capital Response	Deadline
<p>The AF states the conflict of interest policy. This has been updated for the Ney recommendations set out in the best guidance. Appendix 1 specifically details how this is applied; at 1.1. the AF states it applies to directors. The policy needs to apply to any staff and any person involved with decision-</p>		<p>Appendix A needs to be widened in reference to others than the directors. This should also be cross-referenced to the main AF, for sub-committees, staff</p>	<p>Application of conflicts will be considered in the planned update to the Assurance Framework when the National Assurance Framework is updated in summer 2018.</p>	<p>Summer 2018</p>

<p>making. Although directors have an obligation to adhere to Nolan principles, they do not see all applications, or undertake management functions; it is incumbent on anyone with involvement with the LEP considers conflicts of interests and behaves appropriately.</p>		<p>and review group meetings.</p>		
<p>Board members (and others) have been asked to complete a bespoke form for filing in the register of interests. The LEP website has a copy of the Register noted as per 1 November 2017 for the Board.</p>		<p>The Chief Executive may pass the maintenance of the register to the governance officer once recruited – but no recommendations for additional action.</p>	<p>The maintenance of the Register of Interest will be the responsibility of the Governance Officer.</p>	<p>-</p>
<p>At each meeting attendees are reminded of the policy and asked to declare any conflicts. These are identified as trivial or not; attendees are allowed to stay and participate in the discussion around the matter identified, but not if a clear conflict is identified. The language used to refer to conflicts is not consistent; whilst not material this could be criticised.</p>		<p>Leadership and the S151 officer should agree a consistent statement to be read out at all decision-taking meetings, reminding attendees of the specifics of the policy, and their obligations generally and in connection with the matters to be discussed. Each attendee should confirm conflicts and non-</p>	<p>The s151 Officer has agreed to prepare a statement to be read out before all meetings which will be agreed by Coast to Capital.</p> <p>A full briefing on the importance of adhering to the conflicts of interest policy and the Board’s responsibility will be given at the April 2018 Board meeting.</p> <p>The minutes of the April Board meeting and future meetings will record conflicts and non-conflicts fully.</p>	<p>April 2018</p>

		conflicts; these and the action taken to deal with each conflict should be recorded in the minutes of the meeting.		
Attendees at review group meetings ask questions to clarify how applications will meet the criteria being scored. I noted at least one question which did not appear articulated against a particular criteria but more to do with that individuals interests outside of the LEP. Whilst not material, this could give rise to criticism.		Leadership should review with the s151 officer the way in which meeting attendees are reminded of their responsibilities and consider how this can be amplified. (see above)	See above	-
Conflicts of Interest will apply to project reviews post-agreement. I consider this further below.		See below	See below	-

4. Transparency

Finding	RAG rating	Action	Coast to Capital Response	Deadline
The AF18 states that board agenda (in full) and papers (redacted where required) will be published 5 days before meetings to allow the public the		The AF18 now includes some detail of the applications. The agenda filed on the website prior to	Coast to Capital will meet the Government best practice guidance and publish papers and minutes of Board meetings and any sub-committees which	Immediate

<p>opportunity to comment. The AF17 advised that Part A agenda only would be published. In both versions at section 12/13 there is clear reference to transparency and provision to the public of the opportunity to comment on decisions to be made. The Funding round reviewed was dealt with at the November Board meeting. I reviewed the website on 13 February 2018 – the agenda for the November is filed, but redacted to just Part A. There are no additional papers which would give transparency prior to the meeting and invite comment. The public does not appear to have been provided with an opportunity to comment on the Local Growth Fund Award Recommendations.</p>		<p>the meeting would now disclose the applications coming before the board.</p> <p>The LEP should consider what further modifications are required to the AF to improve transparency, and give the public the opportunity expressed.</p>	<p>involve decisions about public money; however, commercially sensitive information may be redacted.</p>	
<p>Minutes of board meetings are filed on the website within 10 days of the meeting. I reviewed the website on 13 February and the 31 January minutes are filed and available to the public. The successful projects are named, with the amount of funding and overall</p>		<p>No recommendation for action.</p>	<p>No comment</p>	<p>-</p>

score at the review committee and investment committee noted.				
The October 2017 Investment Committee agenda and minutes are filed on the website. Both are redacted to limit the information provided to the public and comply with the AF17. No detail relating to the Growth Fund Award applications was put on the website prior to the meeting taking place. No detail is provided afterwards as to the applications which did not go forward.		<p>The AF requires further amendment to disclose all applications submitted to allow full compliance with section 13 of the AF.</p> <p>AF18 does allow disclosure of applications heard in investment committee but only those given a hearing.</p>	<p>We are committed to transparency and accept the spirit of this recommendation. We will build on the recommendation and make changes at the right time in line with other governance developments.</p> <p>How best to share project application information with the public will be considered in the planned update to the Assurance Framework when the National Assurance Framework is updated in summer 2018.</p>	Summer 2018
The review group meetings are not disclosed on the website.		The LEP should review its transparency in connection to these meetings given that projects are reviewed at it and recommendations made to the Investment Committee	How best to share project application information with the public at review group stage will be considered in the planned update to the Assurance Framework when the National Assurance Framework is updated in summer 2018.	Summer 2018