

# Kent and Medway Economic Partnership

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## KENT AND MEDWAY ECONOMIC PARTNERSHIP BOARD

10 November 2014

### ITEM 3

**Subject:** South East LEP review of governance: Draft KMEP response

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### Summary

This paper summarises the recommendations arising from the recent review of governance commissioned by the South East Local Enterprise Partnership and proposes a draft response on behalf of KMEP, addressing each of the recommendations made in the review.

The draft response welcomes the review and the broad direction of travel that it sets out. However, it suggests that the federated principles on which the LEP is based should be strengthened, and it proposes some amendments to the recommendations to minimise the need for central bureaucracy.

The KMEP Board is recommended to consider and comment on this report, so that a formal response on behalf of KMEP can be submitted.

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### 1. Background

- 1.1. During the summer, the South East LEP commissioned Irene Lucas CBE to carry out a review of governance. This aimed to ensure that the LEP has a strong accountability framework in place and that decision-making procedures are clear and transparent. In carrying out the Review, Irene was also asked to ensure that the LEP continues to operate through a 'federated' model, with most substantive activity devolved to KMEP and its equivalents.
- 1.2. Following a series of interviews with LEP Board members, desk research and an analysis of the progress of LEPs nationally, a preliminary overview of initial findings was made to the LEP Board as a presentation in September. This was also discussed by KMEP Board last month. Following this, KMEP Board agreed it should respond to the preliminary recommendations so that this can inform the Review's final report.
- 1.3. The Review makes it clear that a lack of clear governance arrangements are holding back the South East LEP relative to other LEPs. This view has been reinforced by Government. The LEP's lack of clear governance is partly a consequence of its geography, the fact is that the LEP is primary conduit for significant funding at present, and the governance challenges need to be

addressed. Both the LEP Board and KMEP have therefore broadly welcomed the Review's analysis.

## **2. The content of the Review and suggested response**

- 2.1. The Review makes twelve recommendations, following an analysis of the challenges facing the LEP. These are primarily focused on strengthening governance and accountability arrangements. Each recommendation is set out in the paragraphs below, accompanied by a suggested KMEP response.

### Recommendation 1

- 2.2. "Although project prioritisation has been a challenge, the LEP should revisit Shared Intelligence's analysis of the need to identify a handful of pan-LEP projects". This recommendation is based on a view that the LEP's overall strategy is fragmented, and that the LEP would be strengthened through a greater focus on some strategic projects of importance to the whole area.

### Suggested response

- 2.3. It is not surprising that there are few 'pan-LEP' projects. While there are some major infrastructure projects that are genuine shared priorities (such as the Third Thames Crossing), the South East LEP is neither a functional economic area nor a natural planning region. So it is not really clear what a 'pan-LEP' project would be.
- 2.4. Rather than creating artificial projects to justify the geography, it would be better to accept the reality that the LEP is essentially a federation of three county-regions and their sub-county areas. However, there may be some areas in which scale may be helpful, such as in taking forward an infrastructure fund along the lines of the proposed 'SEFUND' concept.

### Recommendation 2

- 2.5. "SELEP should quickly move to an Accountability Framework model to ensure that there are robust processes in place and that progress in prioritisation, assessment and delivery is managed transparently. The Accountability Framework will provide the accountability structure for decision-making within the overarching vision of the LEP Board and will satisfy the accountability processes for the Accountable Body".

### Suggested response

- 2.6. This is a sensible recommendation. It will be important that the Accountability Framework clearly embeds the federated model (as set out in the suggested responses to later recommendations).

### Recommendation 3

- 2.7. "The Accountability Framework model should be led by an Accountability Board (based on a modified Joint Committee model) comprising local authority representation from each of the

federated areas alongside two advisor nominees representing HE or FE and business from each federated area”

Suggested response

- 2.8. The creation of a Joint Committee (as defined under s101 of the 1972 Local Government Act) alongside the LEP is a solution that many areas have adopted in order to ensure democratic accountability, and is straightforward. However, in creating a Joint Committee, a number of issues will need to be addressed, including the composition of the Committee (and which authorities are member authorities) and the operation of scrutiny. Establishing a Joint Committee across Kent and Medway, Essex and East Sussex would also take some time.
- 2.9. Consideration will also need to be given to the specific role of a LEP-wide ‘Accountability Board’. All the Local Growth Fund money is geographically allocated (apart from the Skills Capital funding, which is subject to a separate process already underway). Almost all of the LGF funding is also for transport schemes, most of which will be delivered by the local transport authorities, and the schemes are mostly local – rather than regional – in impact.
- 2.10. It should therefore be straightforward for the accountable body to issue grant agreements with each local transport authority for its share of the funding, passing on all liabilities, flexibilities and monitoring requirements, and requiring the authorities (KCC and Medway in this case) to report to KMEP and to seek its consent to any variance. In this case, programme management and accountability will rest locally, avoiding duplication of effort, with the central LEP (via an Accountability Board) retaining a limited role in collating monitoring data, reporting to Government and perhaps maintaining the ability to reallocate funds above a certain (high) threshold.
- 2.11. To support this, a Kent and Medway Accountability Board on a Joint Committee model could be established alongside KMEP to regularise oversight of the local programme and effectively monitor performance to the standard required by Government.

Recommendation 4

- 2.12. “All other assurance sub-groups requiring performance management should report into the Accountability Board”.

Suggested response

- 2.13. There should be no need for additional assurance sub-groups. Performance management will mostly take place locally and report through local arrangements, with regular reports received by the LEP Accountability Board.

Recommendation 5

- 2.14. “The LEP Accountability Board should be chaired by a Vice Chair of the LEP Board”

Suggested response

- 2.15. This is a good idea, provided it is acceptable to the member authorities of the Accountability Board to be chaired by someone other than an elected member.

Recommendation 6

- 2.16. “The Section 151 Officer of the Accountable Body should be a member of the Accountability Board”.

Suggested response

- 2.17. Formally, the s.151 officer should probably be an advisor to the Accountability Board and attend all meetings, rather than be a member of it.

Recommendation 7

- 2.18. “The LEP Accountability Board should meet quarterly and become the main performance management structure within the LEP”. The Review recommends that the Accountability Board should be responsible for project appraisals and approvals and approve all scheme variations.

Suggested response

- 2.19. This recommendation may require some revision. Within a federated model, the central LEP Accountability Board is not responsible for project appraisals, approvals and variations – the devolved arrangements are. So, the key issue is ensuring that the devolved arrangements (as set out in para. 2.10 above) are sufficiently robust.

Recommendation 8

- 2.20. “As a matter of urgency publish a ‘SELEP guide to governance, delivery and management’, setting out clearly the process by which bids are assessed, risks considered, approvals made and performance managed”.

Suggested response

- 2.21. This is a sensible recommendation. This manual needs to be in place and the contents would be the same throughout the LEP, so it would make sense to prepare a single document for use across the LEP area.

Recommendation 9

- 2.22. “The LEP Senior Officers Group should be formally recognised to serve the LEP Accountability Board and ensure that there is a consistent approach to reporting and performance management”.

Suggested response

- 2.23. It is not clear what ‘formally recognised’ means. But this recommendation should be unnecessary if there is a common performance management standard across the LEP area and if the reporting requirements are set out in grant agreements.

### Recommendation 10

- 2.24. “A neutral Senior Programme and Project Management Officer should be appointed to act as the main contact for Government and federated areas”.

#### Suggested response

- 2.25. This is a sensible proposal. However, it should be clear that this is primarily a monitoring, reporting and coordinating role, not a role as director of a single capital programme.

### Recommendation 11

- 2.26. “A SELEP Employment and Skills Partnership Group should work with the Skills Funding Agency and report to the Accountability Board on approved projects and conduct the necessary risk assessment. A post should be created within the secretariat of Senior Employment and Skills Officer, acting as the interface between the SFA and other partners and overseeing performance reporting to the Accountability Board”.

#### Suggested response

- 2.27. It is illogical to devolve the management of over £400 million in transport funding to each federated area, yet to run £22 million in skills funding as a regional programme. The principle of the federated model is that the funding is devolved – so there is therefore no need for a central Employment and Skills Partnership Group, given that equivalent groups already exist in Kent and Medway and the other county-regions anyway.

### Recommendation 12

- 2.28. “An expert panel should be created to provide independent advice to the Accountability Board on the assessment of bids to ensure transparency of process and assurance”

#### Suggested response

- 2.29. Rather than creating an expert panel, it may be more helpful to put in place a single appraisal framework, perhaps with the programme management officer retaining ownership of it.

## **3. Conclusions**

- 3.1. Overall, the Irene Lucas review is very welcome, and the recommendation for a clearer accountability framework and standard appraisal and monitoring process is to be supported. However, the federated model means that accountability should primarily lie with Kent and Medway and the other federated areas – so while the LEP may set a common framework, management and control should rest locally.
- 3.2. It is therefore suggested that the recommendations of the review are adjusted to take account of the agreed federated model. This should be fairly straightforward.

#### **4. Recommendations**

- 4.1. The KMEP Board is recommended to consider this report in the light of the initial findings of the Irene Lucas Review and to comment on the proposed response.
- 4.2. Following the Board meeting, a draft response will be prepared for submission to the LEP.

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#### **Documents attached:**

Annex 1: South East LEP Delivery Review initial findings