

**By:** Mark Dance  
Cabinet Member for Economic Development

Barbara Cooper  
Corporate Director – Growth Environment and Transport

**To:** Growth, Economic Development and Communities Cabinet Committee - 22 January 2015

**Subject:** Local Growth Fund: Governance and oversight arrangements

**Classification:** Unrestricted

**Past pathway of paper:** None

**Future pathway of paper:** None

**Electoral Division:** All

### **Summary**

Last year, the Government allocated £442.1 million from the Local Growth Fund to the South East Local Enterprise Partnership (LEP). This funding is primarily for investment in transport schemes to be delivered by the Local Transport Authorities including KCC.

This report sets out proposed arrangements for receipt, governance and oversight of the Local Growth Fund allocation. These include the establishment of a Joint Committee for the South East LEP area (referred to as an 'Accountability Board' and a Joint Committee for Kent and Medway. It is proposed Kent County Council shall be a constituent authority of both.

The Growth, Economic Development and Communities Cabinet Committee is recommended to:

- a) Consider this report;
- b) Recommend that subject to i) receipt of a grant agreement from Government; and ii) the agreement of terms of reference with the Government and with other relevant local authorities, the County Council determines that it shall become a constituent authority of a South East LEP Accountability Board and a Kent and Medway Joint Committee.

## **1. Background**

- 1.1. In July 2014, the Government allocated £442.1 million from the Local Growth Fund (LGF) to capital projects across the South East Local Enterprise Partnership area, which covers Kent and Medway, Essex and East Sussex. Of this, £133 million is specifically allocated to Kent and Medway as follows:

Transport projects	£127.0 million
<i>Kent</i>	<i>£98.4 million</i>
<i>Medway</i>	<i>£28.6 million</i>
Business Growth	£6.0 million
<u>Total</u>	<u>£133.0 million</u>

- 1.2. This funding is allocated to specific individual schemes, most of which will be delivered by the Local Transport Authorities. It is possible that the allocation will be supplemented with additional funds following future rounds of LGF.
- 1.3. To date, no grant agreement from the Government has yet to be received. However, it is expected to set out the degree of flexibility on offer to the LEP, how funds will be transferred and any conditions imposed on the use of the grant.

## **2. Ensuring governance and oversight**

- 2.1. In order to receive funding, the Government will require LEPs to demonstrate that they have effective governance arrangements in place. However, at present, the South East LEP (like many other LEPs) is an informal partnership, with no delegated authority to make decisions regarding the use of public funds.
- 2.2. The South East LEP therefore commissioned a review of governance options, which reported in December. This sought to establish how a clear programme oversight and decision-making framework could be put in place to satisfy the Government's requirements. Following the review, it is recommended that the following bodies should be established:

- a) **A Joint Committee of Kent County Council and Medway Council** established under Section 101 of the Local Government Act 1972. It is envisaged that the Joint Committee will monitor progress in delivering schemes in Kent and Medway that are funded by the Local Growth Fund. Subject to the conditions of the grant agreement with Government, it will also determine the reallocation of funds between projects in the event of scheme delays and changes to spend profile, below a certain threshold, which is to be determined.
- b) An **'Accountability Board' operating across the South East LEP area** and constituted as a Joint Committee of the six Local Transport Authorities (i.e. KCC, Medway, Essex, Thurrock, Southend and East Sussex), with non-voting private sector representation. The Accountability Board will maintain oversight of the whole LEP Local Growth Fund programme and will determine major variances *above* a certain threshold, with the exception of certain major schemes that Government may request are reported directly to the Department for Transport.

- 2.3. Both Committees will be supported by the Section 151 officers of each constituent authority.
- 2.4. The basic model of a Joint Committee operating alongside the LEP has been widely adopted nationally. While a number of other structures have been considered (and are summarised in Annex 1), the Joint Committee model appears to be the most suitable governance arrangement in aligning decision-making with the project risk held by the transport authorities. The existence of Joint Committee structures for Kent and Medway and for the LEP as a whole should ensure that the majority of decisions are made locally, while giving Government confidence that the LEP structure is able to determine major variances of regional significance.
- 2.5. In addition, regular monitoring reports will be made to the Kent and Medway Economic Partnership and the Cabinet Committees for Growth, Economic Development and Communities and for Environment and Transport.

### **3. Drawdown of funding**

- 3.1. The Government intends that funds will be transferred to the South East LEP via a single grant agreement. All funds will be paid from Government to Essex County Council, which acts as the accountable body for the LEP.
- 3.2. Subject to the provisions set out in the grant offer, it is envisaged that Essex County Council will enter into subordinate grant agreements with each county and unitary authority for the schemes within its area. It is intended that these subordinate agreements will pass on all flexibilities and requirements.
- 3.3. It is likely that LGF funds will be made available quarterly in advance of need. However, it may be possible to receive annual advance payments once the Government has confidence in the LEP's governance arrangements.

### **4. Next steps**

- 4.1. It is anticipated that a grant agreement will be received by the end of February. Once a grant agreement has been received and there is clarity regarding the flexibilities and requirements included within it, full terms of reference will be drawn up. Following this, it is envisaged that recommendations for the appointment of Members to both Committees will be considered at Selection and Member Services Committee on 5 March, subject to the decision of County Council on 26 March.
- 4.2. In parallel, the establishment of the Kent and Medway Joint Committee is being considered by Medway Council, and the establishment of the Accountability Board by the other five South East LEP county and unitary authorities.
- 4.3. Subject to approval by all constituent authorities, it is intended that the new Committees will be operational from 1 April 2015.

## **5. Recommendations**

The Cabinet Committee is recommended to:

- a) CONSIDER this report;
- b) RECOMMEND that subject to:
  - i) receipt of a grant agreement from Government; and
  - ii) the agreement of terms of reference with the Government and with other relevant local authorities,

the County Council determines that it shall become a constituent authority of a South East LEP Accountability Board and a Kent and Medway Joint Committee.

Background documents: None

### **Contact details**

Report author:

Ross Gill

Economic Strategy and Policy Manager

03000 417077

[ross.gill@kent.gov.uk](mailto:ross.gill@kent.gov.uk)

Relevant Director:

David Smith

Director of Economic Development

01622 221868

[david.smith2@kent.gov.uk](mailto:david.smith2@kent.gov.uk)