



Department for
Business, Energy
& Industrial Strategy



Ministry of Housing,
Communities &
Local Government

Cities and Local Growth Unit
1st Floor, Fry Building, 2 Marsham Street,
London,
SW1P 4DP

20 February 2018

Adam Bryan
Managing Director, South East LEP
By email

Dear Adam

I am writing to you following your Annual Conversation on 7 December 2017 to communicate formally the outcome of the process and to set out the next steps and immediate actions that are required. The agreed note of the Annual Conversation is attached.

With the increasingly important role that LEPs have, it is important to Ministers and our Permanent Secretary Melanie Dawes, as Accounting Officer, that there is a strong emphasis on ensuring that LEPs have the highest standards in place and are able to effectively act as key drivers of growth in their places. This is a point reinforced by the Public Accounts Committee in their recent hearing.

Performance Review

As set out in the 2017 Annual Conversation Guidance, following the Annual Conversation officials in the Cities and Local Growth Unit undertook a Performance Review to look at the performance of each LEP across the three themes; governance, delivery and strategy. The review also sought to highlight any areas where there may be need for further development or where there is good practice to be shared. This involved reviewing the information provided for the Annual Conversation along with other sources including, Growth Deal data submissions and LEP governance processes and policies. Following the conclusion of the Annual Conversation process we have determined that overall the LEP is not performing adequately on a number of measures. Feedback under each theme is set out below:

Governance

It is good to see that the LEP has demonstrated clear improvements to its Terms of Reference and Assurance Framework, and there is a good relationship with the Accountable Body. It is noted that the LEP is actively seeking to implement best practice as set out in the Mary Ney review. However, the LEP has also acknowledged some areas for improvement, particularly in relation to the operation of the Federated Boards, and our spot-checks revealed some problems with the LEP website and areas of non-compliance with the Assurance Framework.

Taking account of this, the LEP's governance is currently considered inadequate. I note that the LEP's agreement to action assurance and transparency recommendations from the Mary Ney Review will help to address this, but additionally there are some specific areas where improvements could be made:

- the LEP relies on the Federated Boards to nominate private sector board members. The LEP currently requires only that the Federated Boards 'consider' selecting members through an open, transparent and non-discriminatory recruitment process. There should be a much stronger requirement for the Federated Boards to follow such a recruitment process and this should be actively enforced by the LEP. This should improve the diversity of the Board. In addition, as referenced in the LEP's Annual Conversation submission, a clear process for succession planning should be established, which may include limiting the terms of Board members;
- it is noted that the LEP intends to appoint a dedicated governance officer, with recruitment to begin imminently, and is establishing an 'Investment Panel' to sit between the Federated Boards and the Strategic Board to better manage the project pipeline. Both these developments are welcome and should be actioned as soon as possible;
- promptly updating the LEP's website with meeting papers, especially the minutes of Strategic Board meetings, and ensuring that registers of interest are up to date;
- the S151 officer was not in attendance at the Annual Conversation as outlined in the guidance shared with the LEP. It was also unclear during the Annual Conversation the extent to which the S151 officer has a line of sight over the wider business of the LEP, including attendance at board meetings. Further investigation suggests that the S151 officer has not been attending board meetings. The importance of administrative leadership, oversight and accountability is a prerequisite for functional LEPs and we would like to discuss the line of sight of the s151 officer over decision making in more detail with you;
- the S151 assurance statement identified four further areas for improvement: transparency of representation from the Federated Boards, succession planning for Strategic Board membership, the process for declaring interests,

and requiring the Federated Boards to comply with the Assurance Framework requirements pertaining to transparency and accountability. These improvements should be made as soon as possible.

Given the concerns outlined above with respect to the current governance arrangements, **we will be undertaking a deep dive to review the LEP's governance and transparency arrangements before the end of March. This will result in a time-limited Action Plan to address areas where governance practice is considered inadequate.** The Cities and Local Growth Unit LEP Compliance Team will be in touch shortly to confirm the timings of the visit. I hope that you will view the deep dive as an opportunity for review and self-reflection on the processes and systems in place and we are committed to support you through this process to improve.

Delivery

Good progress has been made on many of the LEP's projects, with a reported 17 projects completed at the time of the Annual Conversation. I note that the LEP's programmes are broadly spending to budget, though it is noted that the LEP will need to manage its budget carefully in 2019-20 and 2020-21 given the profile of its award. Some projects are experiencing slippage and there is a continued reliance on the use of capital swaps so, overall, we judge that there are a number of areas where improvement is required, in particular:

- developing a stronger pipeline of quality projects to draw upon when underspends or slippages emerge. The 'Investment Panel' should prioritise pipeline projects to ensure that underspends are redistributed in the most effective way possible;
- better demonstrating the private sector's role in developing and prioritising projects;
- better capturing and communicating project outputs.

To provide assurance that delivery issues are being addressed **I ask that you hold a meeting with the CLoG Area Director by the end of March alongside the Section 151 officer from the Accountable Body and your delivery lead.** This meeting will allow us to work with you to identify and agree issues where improvement is required.

Strategy

I understand the LEP has made significant efforts to determine strategic priorities across a large area. The active input to the Thames Estuary 2050 Growth

Commission is welcome. The LEP has also engaged with neighbouring LEPs, for example on the Thames Estuary Production Corridor work.

Notwithstanding that good work, overall we judge that the LEP requires improvement in this area, and we recognise that the LEP is seeking to make improvement by refreshing its evidence base, reviewing priorities, and engaging with stakeholders to deliver a refreshed Strategic Economic Plan (SEP). We encourage and will support this process. Particular areas that we consider required attention are:

- ensuring that the refreshed SEP is underpinned by a robust evidence base;
- gaining strong buy-in to the refreshed SEP from across the LEP, in particular that there is strong coherence between the federated areas' priorities and the LEP's strategic priorities;
- ensuring that local partners actively promote the LEP's priorities, including using the appropriate branding guidelines where necessary.

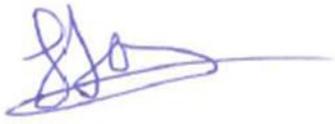
Next Steps

Key actions that require attention are set out above and your local Area Lead will be in touch to follow-up on this letter. If you have not already done so you should now upload the joint assurance statement you wrote with the LEP Chair ahead of your Annual Conversation to the LEP website. **Please ensure this is done by the 28 February.**

As I am sure you are fully aware, your Accountable Body's Section 151 Officer is required to write to the Ministry of Housing, Communities and Local Government Permanent Secretary by this date, confirming compliance of your Local Assurance Framework with the National LEP Assurance Framework (updated Nov 2016) and that the best practice guidance has been implemented. This is to ensure that the recommendations contained in the Mary Ney Review best practice guidance **have been implemented by the 28 February.**

I also wanted to take this opportunity to thank you, the LEP Chair, and the Accountable Body for participating positively in the process. As part of the Annual Conversation preparation we asked you to provide us with information on where Government could better support you to fulfil the ambitions of your place. We will continue to work with you to explore these issues over the coming months.

I am aware that LEPs are already doing good work to ensure they have the highest standards in place. As this letter sets out, we are committed to working with you to support this work over the coming months.

A handwritten signature in blue ink, appearing to be 'S. Jones', with a long horizontal line extending to the right.

STEPHEN JONES
DIRECTOR, CITIES AND LOCAL GROWTH UNIT