

## Annex A: Annual Conversation Preparation November 2017

**LEP Name:** Stoke-on-Trent & Staffordshire

Please answer each question by providing appropriate detail and using examples where possible to demonstrate where things have gone well and where they could have been better. Unless otherwise stated keep answers to **300 words**.

### GOVERNANCE

1. How effectively have the accountability and decision making arrangements in your LEP's Local Assurance Framework operated over the last 12 months, including engagement with the Section 151/73 officer?

Set out here:

- whether the arrangements in the Local Assurance Framework remain current?
- how effectively have they worked and how were any issues dealt with (give examples)?
- what steps were taken to ensure changes made at the start of the year were communicated and understood by staff and board members?
- arrangements for publication of Minutes and Board Papers.
- arrangements for publication of conflicts of interest policies and updating arrangements.
- the nature of engagement of the S151/73 officer in LEP processes.
- plans to review or improve LEP assurance processes.

- Following the National Guidance / Revised framework that was published in October 2016 a revised local assurance framework was presented to and approved by the Executive Group in February 2017; and subsequently endorsed by the Partnership Board in March 2017. The revised local assurance framework was produced following a series of workshops to review the framework, which included representation from the Section 151 Officer.
- The S151 Officer formally confirmed compliance with the assurance framework to DCLG on 17<sup>th</sup> February 2017.
- The current assurance framework is available on SSLEP website - <https://www.stokestaffslep.org.uk/about-us/governance/>
- The assurance framework has been very effective in aiding better decision making. Officers now have clear guidance to follow within the project approval process and there is a route for "non-progression" and the re allocation of resources
- An annual review of assurance framework is programmed for February 2018.
- As part of the process of continual review, some changes to the City Deal Growth Deal Strategic Programme Management Board role have been agreed and will be included in the next assurance framework update
- Board Minutes and papers are published on the SSLEP website following approval
- All Agendas include an item relating to declarations of interest are subsequently published on the SSLEP website
- The S151 Officer attends CDGD PMB and provides a monthly summary of the financial position of the SSLEP to the Executive Group. A representative of the S151 officer also attends the Assurance Board, the SSLEP Funding Management Group, ESIF and the Skills Capital Board.
- No payments are made on behalf on the SSLEP unless they have gone through the formal approval processes adopted by the SSLEP, and until appropriate formal signed grant agreements are in place.

- An annual independent audit of the assurance framework is undertaken, with the latest report being issued on 15<sup>th</sup> June 2017. The audit focussed on the decision making and governance arrangements of the SSLEP, in relation to the Government's revised Local Enterprise partnership National Assurance Framework. (The report provided positive assurance in relation to decision making that appropriate governance was in place, decision making was transparent, accountability for decisions was in place together with processes to assess value for money and delivery. The minor recommendations which related to ensuring governance documents are published on the SSLEP website in a timely manner, have been fully implemented
- As part of the Governance framework an overarching risk register is maintained, as well as a risk register relating to individual schemes in the main programmes; these are reviewed on a regular basis at the CDGD PMB and where required escalated as necessary to the SSLEP Executive. A good example of this was the identification of two approved GD schemes where progress was not being made and was identified as a risk in terms of meeting spending targets and outputs. This was escalated to the Executive who approved that the schemes are removed from the programme and replacement schemes brought forward.

2. What are the strengths and weaknesses of the LEP's governance structure? Set out here:

- what are the strengths and opportunities for development of the current LEP governance structure?
- what roles and responsibilities do private sector members undertake within the Board and Sub Board structure? How effective is this and how might it be strengthened?
- what if any changes to the governance arrangements are currently being considered and over what period?
- how well is the succession planning process working in practice and what changes in board membership are anticipated within the next 12 months?
- how appropriate is the level of representation on the Board (i.e. in terms of diversity, knowledge and skills) – how might this be improved?

- All members and support teams have been provided with a copy of the Ney Review and have been asked to take note of it
- Private sector members chair a number of key groups: Finance & Audit Committee; ESIF Committee; CDGD Strategic PMB ; Employment and Skills Board
- Private sector members also lead in key SSLEP policy areas: Agritech, SME, Tourism, Digital
- The recruitment of four new board members in July 2017 has brought about a fresh feel and energy to the Board, improving its diversification across business sectors, gender and ethnicity
- An independent consultant has responsibility for introducing "new ways of working" looking at process mapping to streamline processes, eliminate duplications and identify efficiencies
- Two Executive board members are due to retire in June 2018
- New members are all provided with a briefing on the constitution, and declarations of interest. The declarations training draws on the expertise in Staffordshire County Council Democratic Services.
- Clearly, the introduction of new members brings with it challenges in terms of both a broad understanding of the agenda and environment within which they have to operate, as well as changes to process; this quite rightly takes time and resource to fully bed in
- The weaknesses identified as part of the annual assurance framework audit related to the timely publication / communication of decisions being available via the SSLEP Website. The recommendations for improvement identified are being addressed through the refreshed website.

3. What can Government do to better support your governance?

The Cities and Local Growth Unit wants to support your LEP to improve its governance and transparency arrangements. Please use this section to explain whether there is more we or wider Government can be doing to help facilitate this.

- We value the ongoing role of C&LG unit in acting as a critical friend in an open and honest way. C&LG are invited to attend all of our Executive and Board meetings as well as the relevant sub groups.
- Be aware that newly introduced governance and assurance activity can be resource intensive and an issue for LEPs with limited resources. As a consequence a stable team ensures that this is achieved efficiently so a longer term funding allocation would help.
- Establish and communicate best practice, model versions of common templates e.g. MOUs, business case assessment
- Support the LEP Network in undertaking LEP Peer to Peer sessions on specific issues

## DELIVERY

1. What in your investment programme has gone well?

Set out here:

- what have been some of the main achievements in your local growth programmes in the period 17/18? Please also provide a view of overall investment programme delivery to date.
- for Local Growth Fund, to what extent are you meeting/exceeding planned outputs and spending against the 2017/18 LGF award? Are you on track to deliver overall programme spend/outcomes? If so, please demonstrate. If not, set out the action you are taking to get back on track.
- for other programmes (EZs, City Deal, Growing Places Fund, Devolution Deals **as appropriate**) set out the extent to which you are meeting planned spending/output targets. Set out any good practice or issues in delivery and what you are doing to tackle them.

### City and Growth Deals

- 7 x LGF schemes have been completed: Meaford, Branston Locks, Lichfield Park, Bericote Four Ashes, South Staffordshire College, Stafford College, JCB Academey
- CDGD Outcomes Dashboard – currently forecasting GD target for Jobs to be above target: forecast 5635 jobs by end 20/21 (target 5000 jobs). Currently 41 jobs have been created (Tamworth Enterprise Quarter)
- Housing forecast currently below target at 954 houses by end 20/21(target 1000). Early days in the delivery programme, forecast delivery commences during 2017/18 Q4
- The approved spend profile for GD in 2017/18 was some £4.8m higher than was requested when the GD3 bid was submitted to the DCLG, which has clearly made it difficult to subsequently achieve the approved profile. Actual spend and quarterly profiles of spend are monitored on an on-going basis and are reported regularly to the SSLEP Board. Any identified or potential underspend / slippage is reviewed and mitigating actions put in place to manage any risk in this area wherever possible, including requesting partners to accelerate spend. The current key scheme from a finance spend profile point of view is Stafford Western Access Route (SWAR), due to its value and potential delays around land purchases. Every effort is being made to meet the approved spend profile, including formally bringing other schemes into the programme to mitigate the underspend – an example of this is utilising the GD grant to support the growth and expansion of SME's that would otherwise have been funded from the Growing Places Fund. A similar approach was followed in 2016/17 where the final outcome was an underspend of only £0.24m against a profiled spend of £33.36m. Any underspend at year end is utilised by

the Accountable body so that grant is not lost and a funding switch is agreed to ensure the equivalent funding is returned to the SSLEP in future years. City Deal programmes: Stoke-on-Trent DHN - construction of priority works pipeline has now begun, programme on track; Keele SEND - £8.2m of contracts awarded/to be awarded for main works procurement; main technical advisor procurement; and supply chain development programme procurement; key enabler for meeting forecast 17/18 City Deal investment

### **EU Funding:**

- The ESIF Funds have made significant progress with 74% of the £75M allocation being allocated to key strategic projects across the LEP. Similarly 64% of the £56M of ESF funds have also been allocated and a strong pipeline exists for the ESIF funds in future years. Close working with the Growth Delivery Team continues to ensure that spend and output targets are achieved across programme
- High level of commitment (71%) across ERDF, ESF and EAFRD programmes with nearly £92m set to contribute to the SSLEP Growth Programme
- Key business support and finance programmes including a significant contribution to the Midland Engine Investment Fund
- ERDF is contributing to major infrastructure investment at Keele University pioneering R&D and low carbon energy technologies
- ESF contributing to DWP, SFA and Big Lottery national programmes addressing skills shortages, overcoming barriers to employment and tackling disadvantage and isolation in communities facing significant challenges. To date over 2,500 beneficiaries have been helped during 2017
- So far this year EAFRD and LEADER funding is helping 24 businesses across farming, rural tourism and food and drink sectors to develop and expand

### **Growing Places Fund**

- Over £10m in the form of interest free loans or grants has been issued to date to developers and businesses from the GPF
- GPF Grants to support Etruria Valley and Smithfield Hotel in Stoke on Trent are close to being finalised
- Loans are starting to be repaid which will be recycled to support new projects/development

### **Enterprise Zone**

A separate annual report has been compiled on the Ceramic Valley Enterprise Zone.

2. What has not gone well and what problems have arisen in the last 12 months?

Set out here:

- where issues have been encountered, what has not gone as well as expected in the previous year (e.g. projects not coming to fruition or major programmes hit by delays etc.) and what has created the problems?

- Delays to major programmes, particularly SWAR in 16/17 resulted in a potential underspend; however action was taken to identify alternative schemes that were included in the pipeline, assessed and accepted as Growth Deal schemes enabling almost all of the approved investment to be achieved
- London Mill, Leek scheme has been withdrawn and Rugeley Town Centre Phase 2 scheme has not progressed. The Executive Board has agreed to initiate an open call, with a view to reallocating the investment funding (£1.35m). These schemes have provided an example of lessons learnt in respect of the selection of which schemes are included in GD bids and the subsequent programme. More robust challenge will be put in place to ensure there is more focus on deliverability at the time when proposed schemes are progressed. There is also a lesson around the time taken for formal business cases to be submitted
- GD3 allocation profile clearly presents challenges to the programme in terms of meeting the 2017/18 annual spend (as noted above), however the proven practice in previous

years is being followed to mitigate the underspend against the approved profile as much as possible.

### **EU Funding**

- Uncertainty created by BREXIT and the arrangements to replace EU funding in the UK has reduced confidence particularly across some business support programmes
- Delays in finalising ERDF grants for key infrastructure projects is impacting on progress at Keele USP
- Ongoing changes in EU funding processes and regulations has thwarted smooth delivery of some programmes

### **Growing Places Fund**

- Stringent due diligence requirements of GPF has deterred some developers from accessing GPF
- Repayment of majority of GPF loans not due until beyond 2018 so planning future calls and attracting new projects into the process is difficult

3. How effective have the LEP's performance management processes, as set out in the Local Assurance Framework, been?

Set out here:

- how have you worked with projects to ensure that spend and output performance remained on track?
- what risks/problems have been identified in the last 12 months and might arise in the future?
- whether you foresaw the problems that you experienced? How have you managed risks and what remedial/mitigating actions have you taken?
- have there been situations where the performance management processes have been particularly successful? please give examples.

- Monthly monitoring and dashboard reporting is in place for all CDGD schemes
- Regular monthly progress reports are received for all schemes, including key risks, and are presented to the CDGD PMB
- Programme Dashboards and overview report are presented to the Executive Board on a regular basis
- The key risk / problem that was identified over the last 12 months was achieving the spend profile for GD and therefore ensuring schemes progressed as quickly as possible. This is made more difficult when a significant proportion of total spend is on one major scheme (SWAR). In order to mitigate this, a programme of deep dives was initiated and undertaken by the independent programme consultant. Appropriate recommendations made and actions taken to bring the schemes back on track or for example in the cases of Leek Mill & Rugeley Phase 2 to close the projects / withdraw the LGF allocation
- In addition, the SWAR scheme has been given specific focus to understand timing of delivery, and the Project Manager has been regularly called before the SPMB to explain reasons for delays and changes to profiles
- Future schemes with significant spend allocated are Etruria Valley and the Hanley Bentilee link – early focus on delivery will be undertaken to help avoid further issues with spend profiles.
- A further mitigating factor is the creation and continual review of a project pipeline which can be utilised at relatively short notice to meet future slippage. The original pipeline consisted of schemes which were put forward as part of GD3, but which did not get included in the final approved programme. This is currently being refreshed and an open call for potential new schemes is currently being undertaken to bring new schemes into the programme to utilise the unallocated funding that has arisen following the approval of the Executive to

4. How effective has the LEP been in assessing value for money and strategic fit in business cases and in developing a high quality project pipeline?

Set out here:

- any issues that have arisen in assessing value for money or ensuring that projects supported are of the greatest strategic value to your place.
- to what extent has the pipeline been used to address any gaps in the programme or slippage by projects?
- have you developed any good practice in relation to assessing vfm and developing project pipelines (please give examples)?

- All business cases are independently assessed against a standard template, findings and recommendations made to the PMB and Executive Board. The business cases and the assessment focus on how the proposals help support the strategic targets of the SSLEP e.g. deliver of houses, jobs etc., including a comparison for example, of cost per unit of output for the SSLEP investment, to help demonstrate vfm. The assessment also focusses on the amount of leverage of other funding that the SSLEP funding generates
- The pipeline has been used to overcome the potential 16/17 investment slippage. An open call has been made to refresh the pipeline to identify suitable schemes to replace the two schemes that will not progress
- In the case of ESIF a fundamental element of business cases focusses upon their value for money and strategic fit. The programme works with applicants to ensure that these issues are fully addressed within the early stages of project development. Projects unable to demonstrate strategic fit and value for money will simply not proceed within the ESIF Programme
- The Audit and Finance Chair has recognised the need for there to be more consistency and clarity over value for money across the range of LEP Programmes and reporting processes are currently being reviewed to provide improved performance management information which combines both spend and outcomes

5. What can Government do to better support your delivery?

The Cities and Local Growth Unit wants to support your local growth programmes to deliver. Please use this section to explain whether there is more we or wider Government can be doing to help facilitate this.

- Confirmation of GD3 award was delayed until February 2017 which delayed the formal notification to partners of approved schemes, which has in turn delayed formal business cases being submitted / approved and schemes progressing. Clearly this ultimately impacts on the speed at which outcomes and benefits are achieved – lesson for the future
- GD3 finance profile front end loaded – not helpful !! – can this be alleviated from a national viewpoint

## STRATEGY

We recognise that significant strategic work and information was provided as part of your Growth Deal 3 submission in July 2016. This section provides an opportunity to comment on progress since then.

1. What is the vision for your place to 2030? How is the LEP going to get there? What are your key short term objectives and priorities?

Set out here:

- how effective is your Strategic Economic Plan?
- when was it last refreshed and in what ways has it been kept it under active review

during the last 12 months?

The vision is to develop *an economic powerhouse driven by the transformation of Stoke-on-Trent into a truly competitive and inspiring Core City and enabling the growth of a thriving economy throughout the connected county of Staffordshire where everyone has the opportunity to access a better job.* The SEP is currently being reviewed and is out to consultation. As part of the consultation a number of workshops have been held and the Local Authorities have also reviewed their shared thinking. The various responses have yet to be analysed and reviewed. Analysis to date suggest that the core headings remain current but that there are areas which need more consideration including the opportunities transport connectivity brings for residents, and the importance of place making.

Our short term objectives have been to invest in unlocking employment sites due to a shortage of good quality locations, transport infrastructure which unlocks growth and facilitates sustainable transport, local energy infrastructure, skills equipment particularly for manufacturing and engineering, and local towns. The Enterprise Zones contribute to these objectives as well.

2. How successful has the LEP been at engaging local partners and the wider community in delivering local growth? How successfully have you worked with different political entities in your area?

Set out here:

- how have you engaged local stakeholders about your strategy and ambitions for the LEP?
- how do you work with different political entities (such as MPs, Mayoral Combined Authority, Local Authorities), and do you actively work together on projects or strategies? Are there any examples of good practice?
- how have you implemented the guidance on branding in relation to Growth Deal projects?

We circulate a newsletter widely on a monthly basis, a targeted one to key stakeholders, utilise social media, hold events for a range of activities through the LEP and Growth Hub, attend events across the area, provide speakers, and hold an annual conference which was attended by more than 200 delegates. In addition of course we place all relevant materials on our website. We also hold an annual meeting with MPs. We also engage in the work of the Chambers of Commerce and FSB.

The Local Authorities meet on a regular basis and the relevant Board members provide updates to that meeting as well as seeking nominations as necessary. LA Officers provide support in all areas and also undertook an evidence review and workshop with members in support of the SEP Refresh.

Within our funding agreements there are clauses requiring the appropriate use of Growth Deal and SSLEP branding.

3. How successful have you been in working across borders and project types?

Set out here:

- where you have worked across different functional geographies and whether you actively work together with other areas or bodies on different themes or projects?
- any examples of good practice. Please state any involvement you have had in engaging with the development and implementation of initiatives such as the Northern Powerhouse and Midlands Engine.

In the case of ESIF, SSLEP have had ESF monies transferred from GBSLEP to itself so as single commissions could be procured across the whole SSLEP geography. Similar,

innovation and low carbon themed project led by Wolverhampton and Aston Universities operate within SSLEP. The LEP also partner with GBSLEP on the delivery of a key business support programme which operates cross LEP.

To support the expansion of i54 SSLEP has recently reached a cross boundary agreement with the Black Country to utilise some income to support the development of a further phase.

SSLEP is the lead for the Agri Tech West partnership and has been working with three other neighbouring LEPs and a number of business and academic partners to maximise the impact of the opportunities in this area.

SSLEP is a member of the Constellation Partnership and has provided significant support to the development of the Growth Strategy and associated promotional work.

SSLEP working with other west Midlands LEP's was one of the instigators of the work that has led to the Midlands Engine Investment Fund.

4. How can Government support you in the next 12 months?

The Cities and Local Growth Unit wants to support you to realise the potential of your place. Please use this section to explain whether there is more we or wider Government can be doing to help facilitate this.

By continuing to act as our critical friend and advocate. We continue to need to link up the diverse pattern of initiatives and investment at a local level and C&LG has a key role to play in helping that conversation across Government Departments.

A key area where we need the teams help is improving the impact our collective efforts have on skills.

## Annex B: Section 151/73 Assurance Statement

The Section 151/73 Officer should here provide a report to the Annual Conversation on their work for the LEP over the last twelve months and their opinion with a specific requirement to identify any issues of concern on governance and transparency. In particular, you should focus on any particular issued raised in Annex A. **(max 500 words)**

- The Section 151 has worked closely with the SSLEP over the last twelve months and is constantly engaged with the financial aspects of its key activities, primarily through the attendance at the various SSLEP Boards / Groups. A representative of the S151 Officer produces the financial information which is reported to the Executive (via the Finance Dashboard), and also produces the formal year end accounts of the SSLEP which are included in the SSLEP Annual report.
- An independent annual audit of the financial arrangements relating to CD/GD is undertaken as part of the grant verification process, to confirm all spend incurred has been made in accordance with the relevant grant conditions. The latest audit report dated 20th June 2017 provided positive assurance and identified only two minor areas where partial controls were deemed to be in place and where the process could therefore be improved. The agreed recommendations from the audit have been implemented.
- .
- Due diligence is undertaken by the Accountable body, for example ensuring, appropriate grant conditions are complied with; robust approval processes are in place; funds are used appropriately and agreements are in place which include adequate provisions for the protection of public funds; and decisions and activities of the SSLEP conform with legal requirements with regard to equalities, social value, environment, State Aid, procurement etc.
- The key area of concern relates to the profile of actual spend compared to the profile provided by DCLG. It is recognised that the annual profile provided by DCLG was not in line with the profile submitted by the SSLEP which has resulted in undue pressure to continually re-fine profiles and achieve spend in advance of what was planned. In addition there needs to be a recognition that where a significant proportion of the overall programme relates to major highways schemes, where it is difficult to be accurate in terms of timing due to issues such as CPO's, the management of the cashflow is made even more difficult. This consequently has the impact of the SSLEP focussing on achieving spend targets, rather than the delivery of outputs / outcomes.
- A further issue which exasperates the spend profile problem is the speed / timeliness of business cases being presented to the SSLEP for approval. The SSLEP could set more robust timeframes for business cases to be developed following initial approval of the scheme, and put in place formal guidelines, which includes withdrawing an initial offer if the timeframe is not met. In addition where it has been identified through work by Officers of the SSLEP that a scheme is unlikely to progress there is a tendency to provide continual extensions of time rather than re-direct funding to other schemes.
- No issues of concern in respect of the governance and assurance process have been identified from a financial point of view during the year.
- An audit of the governance arrangements and how the SSLEP complies with the national Assurance framework was undertaken in June 2017 and the SSLEP has implemented all of the recommendations.
- No payments are made on behalf of the SSLEP until they have gone through the all of the SSLEP governance processes and without formal approval being made and recorded e.g. minutes of the Executive formally approving business cases. No payments are also made until appropriate documentation is in place e.g. signed grant agreements.
- All key decisions relating to finance are transparent with a clear audit trail of how decisions were agreed and approved.

### Section 151/73 Sign-off:

Signed:

Name:

Position:

Date

### Annex C: Governance Assurance Statement

The LEP Chair and Chief Executive should here provide a brief formal assurance statement on the status of governance and transparency. In particular, you should focus on any issues raised in Annex A. This statement should also be published on the LEP's website following conclusion of the Annual Conversation process (in April 2018). You should cover any Overview and Scrutiny function undertaken by the Accountable Body. **(max 500 words)**

The Assurance Framework is published at <https://www.stokestaffslep.org.uk/about-us/governance/> . In addition an Annual Report and Annual Accounts are prepared and published <https://www.stokestaffslep.org.uk/delivering-growth/annual-reports/>

SSLEP has a Partnership Board which meets every six months and inputs into the development of the LEP's strategy, governance, and direction with an Executive Group which meets regularly and agrees investment decisions, strategy delivery, and investment programmes. In both of these groups transparency and accountability are highlighted and all members are required to have a current declaration of interest completed as well as being asked to declare any additional relevant interests in the meeting. This structure has the benefit of engaging a wider group of partners at the Partnership Board level whilst having a more compact Executive Group which is accountable for the operational management of LEP business.

Following audits and the annual conversation last year we have appointed a new Board Member with SME responsibilities, in recruiting our new members we have emphasised the need for diversity, have recently revised our website, and have appointed an independent programme consultant for a further two years. In addition we have extended the amount of information on each meeting that is published on our website. The SSLEP has applied its assurance framework and documented decisions on our website. (A separate summary of actions has been prepared)

All members have provided Declarations of Interest and these are also published. Where there is the potential for an alternate in accordance with the constitution these are secured in advance of the participation of that person in a decision.

Where electronic decisions have been taken. These have been recorded on a form and the non confidential ones being uploaded onto the website`. In the last one electronic decision which related to the re-appointment of the Chairman.

The decision making groups are the Executive and Partnership Board. At each meeting all members present are asked to declare any interests relevant to items on the agenda.

Papers and minutes are published on the website at <https://www.stokestaffslep.org.uk/resources/> where necessary confidential items are redacted.

The SSLEP has been the subject of Overview and Scrutiny by Staffordshire County Councils Corporate Review Committee on the 3<sup>rd</sup> April 2017. The City Renewal Overview and Scrutiny Committee considered the LEP at its meeting on the 9<sup>th</sup> November 2017. In addition an annual arrangement for joint scrutiny with Stoke-on-Trent City Council has been

agreed with a meeting scheduled for April 2018. In addition as set out in Annex C financial audits are undertaken annually.

The SSLEP continues to be grateful for the support of Staffordshire County and Stoke-on-Trent City Council's for acting as Accountable Body for programmes and projects as well as providing officer support to the LEP team.

Our overall approach is to harness the skills and knowledge of the partners to improve the economic well-being of Stoke-on-Trent and Staffordshire

**Chair & Chief Executive Sign-off:**

Signed:

Signed:

Name:

Name:

Position:

Position:

Date:

Date: