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 Item 12 Appendix A



**Stoke-on-Trent & Staffordshire Local Enterprise Partnership**

**Governance and Transparency deep dive**

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**Background**

Mary Ney, Non-Executive Director, Ministry for Housing, Communities and Local Government conducted a review of Local Enterprise Partnership (LEP) Governance and Transparency. Her report, dated October 2017, recommended that a risk-based approach should be used to identify LEPs where a deep dive on governance and transparency would be of assistance. It was recommended that this deep dive is undertaken by someone with no direct involvement with the specific LEP. In fully accepting these recommendations a dedicated Oversight and Compliance team has been established in the Cities and Local Growth Unit who will oversee the deep dive process.

The purpose of the deep dive is to assess whether the LEP is operating as described in its Local Assurance Framework and whether this meets the requirements of both the National Assurance Framework (2016) and the Mary Ney recommendations.

The deep dive looks at the LEP’s Local Assurance Framework assessing compliance with the National Assurance Framework, Mary Ney recommendations and the LEP governance and transparency best practice guidance. Interviews with a variety of Board Members and staff as well as project sampling take place to assess implementation of the Local Assurance Framework.

This year the Cities and Local Growth Unit are undertaking a small sample of deep dives testing the Annual Performance Review process and gathering good practice.

## **Executive Summary**

We would like to express our gratitude to the Stoke & Staffordshire LEP Board members and staff for being helpful, open and honest on this deep dive. We have proposed actions to address the findings made from the deep dive and these are set out in this report.

It was noted that the LEP is in a transition period with a new interim Partnership Manager brought in to help the LEP achieve the recommendations arising from the *Strengthened Local Enterprise Partnership* review.

The deep dive noted that on paper it was unclear how the LEP operated, the relationship with the LEP Partnership Board and who was making the final decisions, and how the Strategic Programme Management Group (SPMG) operated between the Exec Board and the Programme Assurance Group. There was also a concern around transparency of information published and whether some papers for the Exec Board really were confidential, it was felt that the LEP erred on the side of caution when marking documents, with a number of documents marked as confidential that did not explicitly contain highly sensitive information that could cause serious damage to Stoke & Staffordshire LEP if released into the public domain.

There were areas where the deep dive noted good practice, these were in relation to the management of Local Growth Funding and the active nature of Board members. The move to invite project sponsors to present to the Strategic Programme Management Group as part of the recommendation process was seen as good practice.

## **Approach**

The Cities and Local Growth Unit’s Oversight and Compliance team and Area team interviewed key members from Stoke & Staffordshire LEP to obtain an understanding of the relevant processes. They also reviewed relevant documentation to determine the governance and process of decision making within the LEP.

The deep dive took place week commencing 4 March with interviews taking place on 5 and 6 March 2019.

LEP Board Members interviewed were:

David Frost – LEP Chair

David Sidaway – LEP Board member & CEO Stoke City Council

LEP Executive officials interviewed were:

Jacqui Casey – Interim Partnership Manager

David Nicholls – Programme Manager

The team also interviewed:

Cathryn Hickey – Independent business representative

Simon Ablewhite– Accountable Body, S151 Officer Staffordshire County Council

John Broad – Accountable Body, Staffordshire County Council

**Dashboard**

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|  | **Individual Theme Score** | **Overall score** | RAG rating defined as: |
| **Inadequate** | **4** | **19 – 24** | The LEP will have fallen short of the expectation of Government and Nolan principles.   For instance, the LEP’s implementation of its Local Assurance Framework poses a risk to a LEP’s governance. A culture of good governance is lacking, and there could be concerns over whether the Nolan principles are being adhered to and embedded. Decisions are taken without discussion or regard to due process, and there is little evidence that the business voice makes a difference.  There is little evidence of collaboration with external stakeholders. LEP Board diversity is negligible and is not representative of the economy of the area. There is resistance to improvement and the LEP has no appetite to reflect and implement improvements until required.  |
| **Requires Improvement** | **3** | **13 – 18** | The LEP in some areas of governance does not yet meet the standards expected by government as set out in the Framework and supportive documents, and/or the Nolan principles but this does not pose a risk to its overall governance.  The LEP will have a Local Assurance Framework which meets departmental guidance, however, one or more areas of implementation could be improved.   Improvements could be made towards a culture of good governance, it may not be evident that the Nolan principles are at the core of the LEP and sufficiently embedded in all aspects of the LEPs work.  There is limited debate/discussion when making decisions or the private sector voice is crowded out.   There may be some evidence of collaboration and engagement with external stakeholders. Diverse representation on the Board is lower than expected. The LEP may have ad hoc improvement which is pursued as a result of external pressure or not undertaken in a timely manner.  |
| **Good**  | **2** | **7 – 12** | The LEP is meeting the requirements as set out by government and may, in some circumstances, go above and beyond these.    The LEP should have a culture of accountable governance, where it is evident that the Nolan principles are embedded throughout. There should be clear and transparent structures and processes in place to ensure decisions are evidence based, with active private sector challenge and engagement throughout the decision-making process.  There should be evidence of good collaboration and engagement with external stakeholders. LEP Board membership should have diverse representation including gender and/or should be taking active steps to address any imbalance. The LEP is reactive to improvement opportunities.  |
| **Exceptional** | **1** | **6** | The LEP is performing above and beyond the guidance set by the government, demonstrating a strong culture of accountable governance, where it is evident that the Nolan principles are embedded throughout.   There should be robust and transparent structures and processes in place to ensure decisions are based on strong evidence and subject to rigorous challenge. Decisions made at LEP Board and sub-boards reflect the business voice.   There should be evidence of active, consistent collaboration and engagement with external stakeholders; demonstrating leadership within the local area and beyond.  The LEP should have a clearly defined culture of proactive, continuous improvement.  |

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| **Theme Assessed in Deep Dive** | **Rag Rating From Deep Dive** |
| **Culture and Accountability** | **3 – Requires Improvement** |
| **Structure and Decision Making** | **3 – Requires Improvement** |
| **Conflict of Interest** | **2 – Good** |
| **Complaints** | **2 – Good** |
| **Section 151** | **2 – Good** |
| **Transparency** | **3 – Requires Improvement** |

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| **Overall RAG Rating** | **15 – Requires Improvement** |

**FINDINGS**

**1. Culture and Accountability**

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| **Government requirements*** Embedded culture of good governance and transparency
* Roles and responsibilities of each Board, sub group and committee to be understood and transparent
* Direct proactive leadership by the Chair and CEx
* A code of conduct which requires the Nolan principles to be adopted and is embedded within the LEP business, staff and board
* A board made up of 50% private membership with a private sector chair
* A commitment to diversity
 |
| **Finding** | **RAG rating** | **Actions** | **Comments** | **Deadline** |
| The deep dive at Stoke & Staffordshire LEP confirmed:The LEP’s Local Assurance Framework was known as a “constitution”. This adds a layer of confusion when national guidance refers to ‘Assurance Framework’. On reading the constitution it was difficult to understand the structure of the LEP; in particular how the Partnership Board operated and whether this was the ultimate decision-making board. On interviewing LEP Board members & staff they confirmed that the Executive Board was the ultimate decision-making board within the LEP.  | 3 – Requires Improvement | The LEP to ensure that when it updates its Local Assurance Framework it undertakes the following:* It is clear that the LEP Board is the ultimate decision-making board.
* That the roles and responsibilities of the Partnership Board are clear particularly in relation to decision making.
* It details all sub boards (including Growing Places Fund and Enterprise Zone) and include their terms of reference, appropriate representative membership (such as VCS and FE representation on the LEP Board and broader representation on the SPMG), and any delegated authority.

The LEP to provide the Area Lead with monthly updates on the implementation of the new Local Assurance Framework. | * SSLEP Constitution now described as an “Assurance Framework” which comprises governance & operational arrangements (constitution) and all policies.
* This clarification included in March 2019 Assurance Framework (AF) Update
* This clarification included in March 2019 Assurance Framework Update
* GPF now included,
* **New Action:** Enterprise Zone to be inserted and rep membership added.
* LEP board membership has been revised and constituted to meet the requirements of the LEP review with 6 Public and 12 Private sector places.
* Sub group review programmed for completion by Sept 2019 completion, subject to outcome of LEP geography discussion with Minister Jake Berry in June.
* **New Action:** Consideration of approach to address diversity in recruitment programmed for June Board meeting.
* Consideration of approach to recruitment programmed for September Board meeting. Example recruitment packs and approaches from other areas being considered now.
* A review of the structure of the SSLEP structure has taken place during April / May 2019 and proposals will be presented to the Board in June.
* Details to be included within the June Board recruitment paper.
 | CompletedCompletedJune 2019Sept 2019June 2019July 2019Sept 2019June 19June 2019 |
| The constitution details the current LEP Executive Board membership of 17: 6 Public sector members (2 members from Staffordshire County Council, 2 members from Stoke City Council, 2 District Council Members), 1 Higher Education member (Keele University and Staffordshire University share this position on a 1-year rotation) and 9 private sector members. There was a lack of clarity about the roles and responsibilities of board members. The LEP is working towards the implementation of a new Local Assurance Framework. The LEP confirmed that once implemented this Framework would enhance the Executive Board further by increasing private sector board members to 12, re-distributing the public sector representation to include additional District representation and reducing County and City Council representation from 2 voting memberships down to 1 voting membership each. This move is seen as a positive step change to ensure strong transparent representation within the Executive Board. The LEP currently has 2 vacancies which have been unfilled for a number of months. The LEP are reluctant to fill both vacancies at this time due to unresolved overlapping geography boundaries.   | The LEP to review the roles and responsibilities of its board members and ensure that the right skills and knowledge complement the structure of the LEP and its sub groups. This should include how the LEP intends to address Diversity within the LEP, particularly at Executive Board level. The LEP to provide the Area Lead with an action plan for the recruitment of the private sector board members.  |
| It was clear that some board members beyond the chair contributed immensely to the LEP. In particular Mohammed Ahmed, Chair of the Audit & Finance Committee, Paul Farmer, SME Representative and Chair of the ESIF Committee, Wendy Deans, SME Representative and Skills Lead) and Alun Rogers, Vice Chair. The LEP confirmed that it felt the new diversity targets were a challenge. The LEP need to develop a plan to address this challenge and could draw on best practice from other LEPs to do this. The LEP confirmed that new board members undergo an induction. It is intended that this practice will continue as new board members are appointed. The LEP confirmed that training and updates with board members are provided. It was confirmed that the Chair provides leadership and is very active in the business community. The Chair manages board attendance well, the board meetings are well attended with active participation. It should be noted that the Chair is remunerated. The Chair is due to stand down in March 2020. No succession planning has taken place to date. As the Chair takes a very proactive leadership role there is a concern the LEP is overly-reliant on the Chair and without thought to succession planning the LEP will lose valuable knowledge and leadership, which could hinder the LEP in its desire to continuously improve. There is no Chief Executive of the LEP, instead there is a Partnership Manager. The Partnership Manager, was in post for the APR meeting and the majority of the 2018-19 year but he had retired by January 2019. An interim Partnership Manager is currently in place until June 2019. Discussions are ongoing as how best to recruit a permanent replacement. Consideration of succession planning is considered good practice and the LEP should consider if its governance requirements can be fulfilled at this time (to June 2019), if no succession planning has taken place. It was noted that the LEP intended to put in place a nominations committee for the recruitment of new board members. This was seen as a positive move.Interviews confirmed that the Nolan principles were understood and there was some evidence that a culture of good governance was embedded, however, due to the points raised in this report, there are some limitations. It appeared in the past, the public voice may have outweighed that of the business community. Interviewees confirmed that the LEP had moved away from that and there was a robust debate between the LEP Board members with all able to have a say. Agreement within the Board is reached with the Chair rarely required to use his casting vote.  | The LEP should start to look at succession planning. An action plan with key milestones should be produced and provided to the Area Lead.The LEP should provide further details on when it expects to have its nominations committee in place and operational.  |

**2. Structure and Decision Making**

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| Government requirements* A clear strategic vision
* Clear decision-making structures
* Open advertising of funding
* A clear published arrangement for developing, prioritising, appraising and approving of projects
* Assessment of bids by a subcommittee or panel
* Independent due diligence and assessment of business case, value for money
* Decisions signed off by panels comprising of board members including local authority representatives,
* Scrutiny arrangements to monitor decision making and the achievements of the LEP
 |
| **Finding** | **RAG rating** | **Actions** | **Comments** | **Deadline** |
| The constitution details the purpose and membership of the LEP Partnership. This partnership allows the LEP to engage twice a year with the wider business community and set strategy. The LEP stated these forums also allow for public scrutiny and challenge, however, it was not evident to what extent this happened. It was stated that the LEP and its Executive Board’s focus was on delivering the Strategic Economic Plan. However, it was not clear how this translated into policies/programmes and it was felt that this could mean that the Exec Board had too much of an operational focus rather than driving the strategic thinking and vision of the LEP. There were no schemes of delegation in place, and therefore, all decisions were taken at the board level, and this therefore, added to the operational focus of the board. It was noted that the Programme Assurance Group (PAG) appeared to operate well at an officer level. The PAG would assess applications for funding from open calls. This group fed into the Strategic Programme Management Group (SPMG) group. However, it was noted that on occasion the SPMG was not always used and the PAG fed direct into the Exec Board. It is unclear from the constitution when SPMG should and should not be utilised. The SPMG appeared to have some thought to Strategy and strategic direction, however, it was felt that their main focus was on the approval of a pipeline of projects to the Exec Board. It is understood that the function of the SPMG was being considered and it was noted that following the most recent open call for projects, it was useful to have projects present to the SPMG as part of the final assessment of the business cases. This is seen as good practice. It was noted that the monitoring of projects took place on a monthly basis with each project sponsor. This is seen as good practice. When the example projects were reviewed, it was found that minutes of meetings were not always accurately recorded. For instance, minutes of the PAG recorded that the decision was taken to fully fund a project, as there were no schemes of delegation it was not appropriate for this decision to be taken at this level. At interview the officers were asked to take the deep dive team through the decision-making process of the project, at which point it was apparent that the PAG was only recommending that the project progress to be considered for full funding by the LEP board. The particular minutes were shown to the officers and they understood the confusion and again confirmed the decision was not taken at this group. The officers were able to take the team to the LEP board papers which recorded the decision to proceed with funding the project. The LEP should ensure that minutes accurately reflect the decisions taken at meetings, and where appropriate indicate whether it is a binding decision or a recommendation.The LEP currently engages an external consultant to provide an opinion on value for money of the business cases submitted against funding calls. The reports are relied upon when considering whether to fund the projects. This contract is due to come to an end shortly, the LEP is considering how best to service the need for independent evaluation. Each sub-board/group is chaired by/has at least one member of the LEP board on it. This is seen as good practice.The S151 Officer commissions audits on compliance of the LEP which is discussed in more detailed below in section 5. This is evidence of going above and beyond expectations. An audit of compliance with the Assurance Framework in March 2018, made 10 recommendations to ensure compliance with the National Assurance Framework. As at March 2019, however, there was some confusion of whether these had been all actioned, as it was not clear from the constitution these had all been in embedded. It was noted that these recommendations were monitored by the PAG and minuted as actions until they were closed, when the action would be removed from the log. However, minutes from these meetings are not available to the public.  | 3 – Requires Improvement | The LEP to consider appropriate schemes of delegation and capacity to support the workings of the LEP within the revised structure to ensure the principle of subsidiarity and that the decisions are taken at the most appropriate level. The LEP to define job descriptions and responsibilities of key positions within the structure e.g. Chair, Chief Executive, responsible officer for risk, VfM, ensuring conflict of interest is managed appropriately. The revised local assurance framework should set out clearly the circumstances when the SPMG can be bypassed and the PAG would report directly to the Exec Board and/or define the SPMG further after consideration of its function. The LEP to consider what systems are needed to ensure minutes accurately reflect the decisions taken at meetings, and where appropriate indicate whether it is a binding decision or a recommendation. This could include training for those drafting minutes, or system to approve minutes. The LEP to provide the Area Lead with a table indicating where each of the recommendations from the March 2018 Compliance Audit can be located, if still applicable, within the new local assurance framework | While Partnership meetings are an opportunity for business scrutiny of LEP work and debate (in the same way as the regular Network of Network meetings are), there is also a formal bi-annual joint scrutiny committee, which all local authorities are represented on. It is a 2-3 hour session, open to public, to which Chair & Partnership Manager are invited. Opportunity to bring other LEP Board Members is also offered.* . Scheme of delegation is now included in the local Assurance Framework however this is currently under review for consideration at June LEP Board.
* **New Action:** Work underway and will go to Board in sections for sign off between June and September.
* A review of the sub groups, in particular the SPMG and PAG is currently being undertaken and also links with the review of the scheme of delegation. Links to procurement exercise for independent technical evaluator. Completion by end of July.
* **New Action**: Review terminology in ToRs, Brief note takers on governance position an appropriate terminology..
* The actions from the 2018 audit have been embedded in the new local assurance framework. A further audit has been undertaken in May 2019 and the results and actions will be reported to the Board in June and those accepted will be incorporated into the APR improvement planning process.
 | June 19Sept 19July 19June 19June 19 |

**3. Conflict of Interest**

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| Governance requirements* A published conflict of interest policy
* A clear understanding of how conflict of interests is managed
* A clear understanding of what action is taken when a conflict arises
* Publication of registers of interest, which are regularly updated and registered on the proforma issued by Government
 |
| **Finding** | **RAG rating** | **Action** | **Comments** | **Deadline** |
| The deep dive found:The LEP has a conflict of interest policy that is understood by its board members. There was an understanding of how conflicts of interest are managed by both board members and executive staff. Examples of the actions taken when conflicts of interest arise were described and appeared appropriate, but care needs to be taken to ensure that the LEP’s Assurance Framework is adhered to in all cases. The LEP has published its Executive Board members’ register of interest in line with the best practice guidance. | 2 - Good | The LEP to ensure that it complies with the New National Local Growth Assurance Framework (Jan 2019) which requires registers of interest for all members within the LEP structure and the senior management of the LEP. | * Declarations paper work reviewed in March for Board Members and staff.
* Declarations made at start of board and sub group meetings.
* **NEW ACTION:** Written brief/ reminder to all Chairs on process to follow during course of meetings.
 | **Completed****Ongoing****June 19** |

**4. Complaints**

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| Governance requirements* A published complaints policy
* A published whistleblowing policy
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| **Finding** | **RAG rating** | **Action** | **Comments** | **Deadline** |
| The deep dive found:The LEP has a published complaints policy.The LEP has a published whistleblowing policy. The LEP has received complaints in relation to funding decisions and a particular project not receiving funding. The complaints were managed in accordance with the LEPs complaints policy and discussed at an Executive Board meeting. This policy meets government guidance.  | 2 - Good | The LEP to ensure that the new local assurance framework complies with the National Local Growth Assurance Framework and includes a complaints and whistleblowing policy. | * S151 Officer has commissioned external audit on this to report to June Board meeting.
* Actions will be incorporated into the APR Improvement Plan
 | June 19 |

**5. Section 151 Officer**

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| Governance requirements* The S151 officer must be able to provide reassurance on the activity of the LEP
* The S151 officer to have line of sight of all decisions with the ability to provide financial advice
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| **Finding** | **RAG rating** | **Action** | **Comments** | **Deadline** |
| The deep dive confirmed that the LEP and the Accountable Body have a good working relationship. The Accountable Body understands its roles and responsibilities and does not appear to deviate from these. The LEP is fully aware of the roles and responsibilities of the Accountable Body and asks for advice and guidance when appropriate. The S151 Officer and/or deputy attends all of the PAG and SPMG meetings. They are also invited to all Executive Board meetings, attending those where appropriate, for example, where discussions relating to finance matters take place. The Accountable Body has representation at the Audit & Finance committee, Growing Places group, ESIF committee and skills group. The Accountable Body provides all financial information including the Dashboards that are sent to the Executive Board. The Accountable Body commissions two annual audits, the first on grant compliance and the second on compliance with the National Assurance Framework. This is good practice As referenced above, the S151 officer confirmed all of the recommendations, within the audit report if still applicable, will be addressed in the new Local Assurance Framework.  | 2 – Good |  | * Following the incorporation of the SSLEP the S151 officer now attends all Executive Board meetings.
* All May 2018 recommendations have been addressed in the new local assurance framework.
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1. **Transparency**

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| Governance requirements* Publication of agendas, minutes and papers within the timeframes set by the best practice guide
* Publication of annual accounts
* Publication of projects being delivered in the area providing a brief description, names of key recipients in receipt of funds and amounts by year.
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| **Finding** | **RAG rating** | **Action** | **Comments** | **Deadline** |
| The deep dive found that:Although the LEP has a “constitution” which details the different boards and their purpose and membership; it is difficult to understand how the LEP operates and who makes the ultimate decision. At first read it could be perceived that the Partnership was the overall decision-making board. However, interviews with both the LEP Executive and board members confirmed that this is not the case and the ultimate decision-making board is the Executive Board. Although the LEP had a number of policies and procedures not all of these could be found in the constitution. The LEP constitution details the LEPs classification scheme which determines their circulation restriction. It was felt that the LEP always erred on the side of caution when marking documents, with a number of documents marked as confidential that did not contain highly sensitive information that could cause serious damage to SSLEP if released into the public domain. The category was never challenged at board level. All LEP staff have County Council email addresses. This can give the impression that work being conducted by the LEP is associated back to the County Council and not the LEP. The only minutes available on the website were those of the LEP Executive Board. An example of going above and beyond would be to publish papers for all groups. This was echoed by an interviewee, who felt the LEP could publish more in the spirit of being open and transparent, especially in consideration of the fact the LEP spends public money. There was some information on LEP projects found on the LEP website, however it was felt that this information could be enhanced and needed to comply with the Mary Ney recommendations.  | 3 – Requires Improvement | The LEP should ensure that its local assurance framework clearly details how the LEP operates, this should be easy for a member of the public who knows nothing about the LEP to understand. The LEP should also ensure that the local assurance framework contains links and references to all policies and procedures operated by the LEP. The LEP to review its approach to confidential and redacted information and provide the Area Lead with an update.The LEP to ensure that its staff operate with LEP email addresses.The LEP to consider which Boards and sub boards could publish their minutes and to set this out in their assurance framework. The LEP should detail when this could be achieved by. The LEP needs to ensure it has on its website a rolling schedule of projects, outlining a brief description of the project, names of key recipients of funds/contracts and amounts of funds designated by year. This should be updated every quarter or more frequently if relevant (e.g. when new projects are signed-off).  | * SSLEP Constitution now described as an “Assurance Framework” which comprises of governance & operational arrangements (constitution) and all policies.
* **NEW ACTION:** Review of AF document to be undertaken when revising sub groups, with clarity and ease of understanding for the public in mind.
* A more open, transparent approach to be in place for June Board.
* Request made to IT and action underway.
* **NEW ACTION:** to be considered as part of sub group review and actioned by September 2019.

This is already available [here](https://www.stokestaffslep.org.uk/delivering-growth/strategy/)* **NEW ACTION:** review project & programmes information on website in line with requirements listed (left).
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