



National Audit Office

Report

by the Comptroller
and Auditor General

Ministry of Housing, Communities & Local Government

Local Enterprise Partnerships: an update on progress

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Ministry of Housing, Communities & Local Government

Local Enterprise Partnerships: an update on progress

Report by the Comptroller and Auditor General

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Commons in accordance with Section 9 of the Act

Sir Amyas Morse KCB
Comptroller and Auditor General
National Audit Office

3 May 2019

This report aims to support the Committee of Public Accounts in its examination of the work of Local Enterprise Partnerships and the Ministry of Housing, Communities & Local Government in addressing previous recommendations on issues relating to governance, transparency and value for money.

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What this report is about

1 Local Enterprise Partnerships (LEPs) are private sector-led partnerships between businesses and local public sector bodies. They were established in 2011 to drive economic growth in local areas. There are 38 LEPs in England, each operating across more than one local authority. The government has committed £12 billion to local areas in England between 2015-16 and 2020-21. Of this, £9.1 billion has already been allocated through Growth Deals negotiated between central government and individual LEPs. The Ministry of Housing, Communities & Local Government (the Department) is accountable overall for the Local Growth Fund and the delivery system within which LEPs invest this funding.

2 This report has been prepared to update the Committee of Public Accounts (the Committee) on the work of LEPs and the Department to address previous National Audit Office (NAO) report recommendations that focused on value-for-money issues; and the Committee's recommendations on governance and transparency issues. It will also update the Committee on progress to meet the recommendations set out in the Mary Ney Review of Local Enterprise Partnership governance and transparency.

3 The factual material in this report is based on a review of the Department's documents and interviews with its officials. We have reviewed information from a sample of LEPs to test their compliance with the recommendations set out by the Mary Ney Review. In the time available we have consulted relevant stakeholders, including the Local Government Association, the Chartered Institute of Public Finance and Accountancy and the LEP Network. We have not evaluated the effectiveness of the Department's work or the value for money of local growth funding spent through LEPs.

4 This report sets out:

- changes to the role and remit of LEPs since we last reported in 2016 (Part One);
- the Department's and LEPs' progress with strengthening governance, assurance and transparency (Part Two); and
- funding spent through LEPs to date and future funding arrangements (Part Three).

5 Our audit approach is set out in Appendix One. Past recommendations to the Department are in Appendix Two.

Summary

Clarifying role, remit and leadership

1 The Ministry of Housing, Communities & Local Government (the Department) has clarified the role of Local Enterprise Partnerships (LEPs). In 2016, we reported that LEPs' responsibilities expanded considerably after government announced that it would deliver £12 billion of local growth funding to local areas, including through LEPs. In 2018, the Department tied the future of LEPs to the development of local industrial strategies for their areas, stating that this is a prerequisite to LEPs accessing future funding after 2020-21. The Department also set its expectations for LEPs and all combined authorities to develop and publish agreements over their respective roles and remits within their local areas. It also expects all LEPs to register as legal entities by April 2019 (paragraphs 1.5 to 1.9 and Figure 1).

2 The Department recognises that LEPs' accountability is diluted where their geographical boundaries overlap, and it is working to remove these overlaps by April 2020. In our 2016 report, we found that 37 local authorities were covered by more than one LEP. In 2018, the Department acknowledged that "retaining overlaps dilutes accountability and responsibilities for setting strategy for places." Of the 38 LEPs in 2018, the Department identified 20 with overlapping boundaries. As of March 2019, 11 LEPs have agreed to resolve their boundary overlaps. For the nine remaining LEPs, the Department says the situation is more challenging as it has been more difficult to resolve these issues locally (paragraphs 1.10 and 1.11 and Figure 2).

3 The Department has set out its commitment to strengthening LEP leadership. LEPs are required to have a private sector chair and to draw most board members from the private sector. Given the substantial amount of public funding LEPs manage, the Committee of Public Accounts (the Committee) said in 2017 that it expected all chairs to commit to the standards expected of those serving in public office. With the LEP Network, the Department will offer all new board members training and induction on how to work with government. It will introduce term limits for chairs and deputy chairs by April 2019. It has also committed to supporting LEPs to achieve more diversity on their boards, with a target of equal gender representation by 2023. Currently, on average, 27% of LEP board members are female (paragraphs 1.12 to 1.14 and Figure 3).

Progress with governance, transparency and assurance

4 The Department has implemented the recommendations made by Mary Ney's review into LEP governance. The Ney Review examined whether the system that the Department had in place to assure itself of LEPs' performance and governance was sufficient. It reported in October 2017 with 17 recommendations across eight areas including LEP culture and accountability; structure and decision-making; managing conflicts of interests; and transparency and government oversight. The Department's accounting officer wrote to the Committee in June 2018, confirming that the Department had addressed most of the Ney Review's recommendations through publishing best practice guidance. The Department addressed the remaining recommendations through reissuing a *National Local Growth Assurance Framework*, which set out the new minimum standards for LEP governance and transparency (paragraphs 2.4 to 2.8 and 2.13 and Figure 4 to Figure 7).

5 The Department assesses LEPs' compliance with governance standards but acknowledges that the risk of individual LEPs failing remains. The Department acknowledges that, for strong governance to take hold in LEPs, organisational culture must keep up with the changes that have been introduced, and that there is a chance that it may lag. The Department uses its annual performance reviews, programme of deep dives, and the intelligence it receives from its local area leads to gain an understanding of the organisational and leadership culture of a LEP. It acknowledges that it cannot mitigate entirely the risk of a failure similar to the Greater Cambridgeshire Greater Peterborough (GCGP) LEP (paragraph 2.9).

6 The Department's ability to withhold funding from LEPs remains its main mechanism for correcting LEP underperformance or non-compliance. As LEPs are not statutory bodies, the Department does not have the power to intervene in the same way it does with failing local authorities. To correct governance failings and underperformance in LEPs in 2018-19, the Department withheld core funding in full from two LEPs, and staggered the release of payments to another two until they made progress. The Department expects LEPs to correct any shortfalls in the conduct of any of its board members. It has set out other mechanisms to intervene where it has detected ongoing failure. This includes ministers writing to the LEP board to express a loss of confidence in its leadership. These interventions are weaker than those available to the Department in the case of failing local authorities (paragraphs 2.20 to 2.23 and Figure 8).

7 There has been significant improvement in LEPs' financial transparency since our previous report in 2016. Only 13% of LEPs in 2016 shared financial information, such as salaries, and only 33% published their annual report online. As of February 2019, we found that all LEPs now publish financial information on the individual projects they fund, and 84% of LEPs publish their annual reports online. When a local authority or combined authority acts as the accountable body for a LEP, its Section 151/73 officer's role is to oversee the proper administration of the LEP's financial affairs. The Department, with the support of the Chartered Institute of Public Finance and Accountancy, has set out stronger expectations of the role and remit of Section 151/73 officers in assuring good financial governance in LEPs. Section 151/73 officers now sign off monitoring information reported by LEPs to the Department, as well as their local assurance frameworks confirming their governance arrangements (paragraphs 2.10 to 2.12).

Current and future LEP funding

8 LEPs have been awarded £9.1 billion in local growth funding since 2015-16 in three tranches of Growth Deals negotiated with the Department. To date, the northern region of England, home to 11 LEPs, has received most of the total funding, at £3.4 billion. LEPs have spent this funding on a range of projects, with most funding in 2018-19 spent on transport projects. The Department says it understands the challenges that LEPs face in planning complex projects with annual funding allocations. It says this is a decision for HM Treasury and that it does not expect that annualised funding arrangements will change (paragraphs 3.1 to 3.8 and Figures 9, 10 and 11).

9 The government has announced the creation of a UK Shared Prosperity Fund (the Fund) to replace EU structural funds. LEPs have a say in how to spend more than £5.3 billion of European structural and investment funds between 2014 and 2020. In a written ministerial statement, the government says that the new Fund will be simpler to administer and enable support to be better targeted, based on stronger evidence of what works locally. The Department says that tasking LEPs with developing local industrial strategies provides a "gateway" to accessing future funding after the UK exits the European Union. The Department told us it has delayed a public consultation on the Fund's future design and structure until it has more clarity about the terms on which the UK will leave the EU (paragraphs 3.9 and 3.10).

10 The Department has not evaluated the impact of the local growth funding it has provided to LEPs through Growth Deals. We have previously reported that the Department opted not to set quantifiable objectives for Growth Deals, including, for example, the number of jobs created. The Department does not intend to evaluate the impact of Growth Deals. Instead, it has plans for an "informal evaluation" before the 2019 Spending Review but acknowledges this will not amount to a clear understanding of the effectiveness of Growth Deals. The absence of robust evaluation means the Department and LEPs are less able to learn from what has worked well and ensure that this is reflected in the design or objectives of the new UK Shared Prosperity Fund (paragraphs 2.24 to 2.26).

LEP capacity

11 The Department does not understand individual LEPs' capacity to carry out their work or meet the new governance standards. In our 2016 report, we found that LEPs were highly dependent on local authorities for staff and expertise. In its 2016 report, the Committee recommended that the Department perform a structured assessment of LEPs' capacity. The Department says it assessed this before allocating the third tranche of Growth Deals but it is difficult to see whether – and how – they arrived at an understanding of LEP capacity through that work. The Department has now commissioned research to assess the capability of all LEPs to deliver their local industrial strategies but the results will not be available until June 2019 (paragraph 3.13 and 3.15 and Figure 12).

Conclusion

12 With the significant amount of public funding now delivered through LEPs and the recent failure of the GCGP LEP, there is a clear rationale for more demonstrable good governance in LEPs and better oversight by the Department. We recognise the inherent tension the Department faces in developing a system of governance over a delivery model based on the devolution of funding and responsibilities to ad hoc, business-led partnerships. The Department has responded by implementing the recommendations of the Ney Review and some of those made by the Committee. While the assurance framework is stronger, backed up by checks on compliance, it is not proven yet whether these measures will be effective in detecting and responding to governance failures over significant sums of public money.

13 The Department's accounting officer is accountable for the Local Growth Fund delivered through LEPs. However, the Department has made no effort to evaluate the value for money of nearly £12 billion in public funding, nor does it have robust plans to do so. The Department needs a grip on how effectively these funds are used. It needs to act if it wants to have any hope of learning the lessons of what works locally for future interventions in local growth, including the new UK Shared Prosperity Fund.

Part One

LEPs in the local growth landscape

Background

1.1 The government set out its vision for Local Enterprise Partnerships (LEPs) in its 2010 white paper *Local growth: realising every place's potential*.¹ LEPs followed several different structures and funding regimes to support local economic growth over past decades (**Figure 1** overleaf). The changes that took place in 2010 were distinctive because they almost completely replaced existing structures and funding for local growth, both locally and regionally, and replaced these with new structures and funding, and more devolved funding and responsibilities over time.²

1.2 Following the abolition of regional development agencies, LEPs were established in 2011 as strategic partnerships between the private sector and local authorities. There are 38 LEPs in England, which operate across functional economic areas that reflect labour markets and offer economies of scale. They cross administrative boundaries, covering more than one local authority. Some LEPs operate alongside or within a combined authority.³

1.3 In 2018, following its review of LEPs, the Ministry of Housing, Communities & Local Government (the Department) published a policy paper, *Strengthened Local Enterprise Partnerships*, which set out the role and responsibilities of LEPs. It also committed to working with LEPs to strengthen their leadership, improve accountability and provide clarity about their geography.

1.4 This part of the report sets out the Department's:

- progress with clarifying the role, remit and form that LEPs should take;
- work to resolve boundary overlaps between LEPs; and
- work to strengthen LEP leadership.

¹ HM Government, *Local growth: realising every place's potential*, Cm 7961, October 2010.

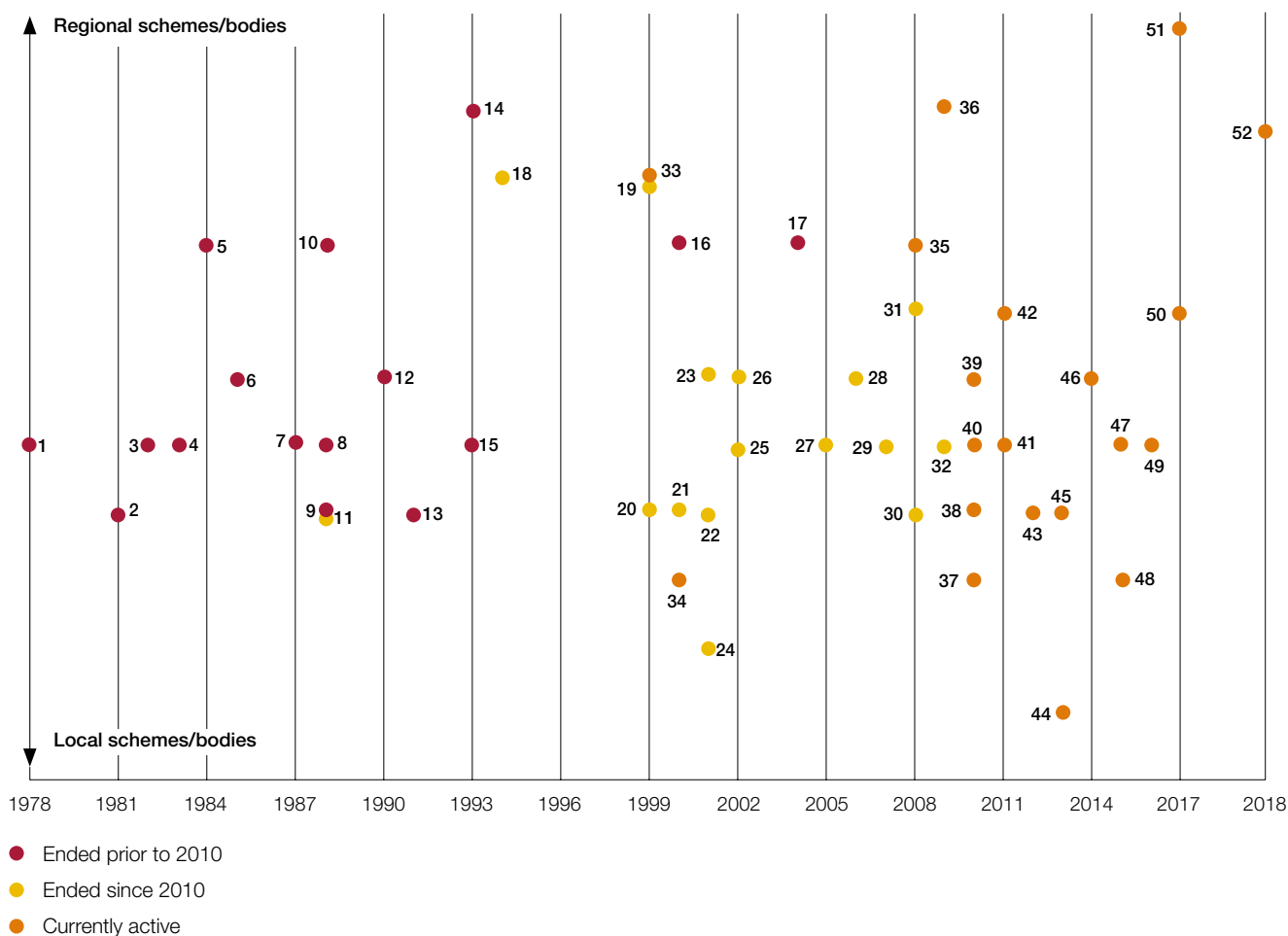
² Comptroller and Auditor General, *Funding and structures for local economic growth*, Session 2013-14, HC 542, National Audit Office, December 2013.

³ Combined authorities are corporate bodies formed of two or more local government areas, established with or without an elected mayor. Combined authorities enable groups of two or more councils to take decisions across boundaries on issues that extend beyond the interests of any one individual local authority.

Figure 1

Regular changes in initiatives for local growth

Successive governments have implemented policies to stimulate growth, swinging between local and regional-level implementation



- | | | |
|---|--|--|
| 1 Urban Programme (expansion) | 19 Regional Development Agencies | 37 Community budgets |
| 2 Urban Development Corporations | 20 New Deal for Communities | 38 Enterprise Zones (new phase) |
| 3 Urban Development Grant | 21 Urban Regeneration Companies | 39 Regional Growth Fund |
| 4 Derelict Land Grant | 22 Neighbourhood Renewal Fund | 40 Local Enterprise Partnerships |
| 5 Regional Development Grant (revision) | 23 Local Strategic Partnerships | 41 Growing Places Fund |
| 6 City Action Teams | 24 Neighbourhood Management Pathfinders | 42 Combined Authorities |
| 7 Urban Regeneration Grant | 25 Local Authority Business Growth incentive | 43 City Deals |
| 8 City Grant | 26 Housing Market Renewal Pathfinders | 44 Business Rates Retention |
| 9 Inner City Compacts | 27 Working Neighbourhoods Fund | 45 Tax Increment Finance |
| 10 Regional Enterprise Grant | 28 Local Area Agreements | 46 Devolution Deals |
| 11 Action for Cities | 29 Local Enterprise Growth Initiative | 47 Local Growth Fund |
| 12 Training and Enterprise Council | 30 City/Economic Development Companies | 48 Coastal Communities Fund |
| 13 City Challenge | 31 Multi-Area Agreements/City Region Pilots | 49 Mayoral Development Corporations (outside London) |
| 14 English Partnerships | 32 Future Jobs Fund | 50 Combined Authority Mayors |
| 15 Single Regeneration Budget | 33 National Coalfields Programme | 51 Industrial Strategy White Paper |
| 16 Enterprise Grant Scheme | 34 Business Improvement Districts | 52 UK Shared Prosperity Fund (announcement) |
| 17 Selective Finance for Investment | 35 Grants for Business Investment | |
| 18 Government Offices for the Regions | 36 Homes and Communities Agency | |

Source: National Audit Office analysis

LEPs role and remit

1.5 The role and remit of LEPs has expanded considerably. In 2014, government announced that it would deliver £12 billion of local growth funding between 2015-16 and 2020-21 to local bodies, including LEPs. To access the funding, LEPs and the Department negotiated three tranches of Growth Deals based on local priorities to promote local economic growth.⁴ This took place against a backdrop of a policy of increased localism, with a range of structures, including combined authorities and mayoral combined authorities (MCAs), forming alongside LEPs to support the devolution of funding and responsibilities from central government.

1.6 In 2016, we reported that LEPs were concerned that the Department had not clarified their role in economic planning and development within the wider and increasingly devolved growth landscape. This was more acute in situations where their functional economic geography did not align with that of a combined authority.

1.7 In its 2018 policy paper, the Department responded by:

- tying the future of LEPs to the development of local industrial strategies that it said would set out a shared course for long-term development in local areas, aligned to the national Industrial Strategy. The Department has asked all LEPs to develop their local industrial strategies by early 2020;
- stating that for areas with MCAs, LEPs would develop a single local industrial strategy with the MCA. For parts of the country without a mayor, the development of the strategy will be led by the LEP; and
- asking LEPs and MCAs to develop and publish agreements that set out their respective roles and remits in a single document.

The formation of LEPs

1.8 Government did not stipulate the form that LEPs should take when they were established in 2011. They therefore adopted varying corporate structures, including companies limited by guarantee, unincorporated voluntary partnerships and unincorporated arrangements and committees. All LEPs had a nominated local authority or combined authority to act as its accountable body.

1.9 In its 2018 policy paper, the Department set out its expectation that all LEPs would have a legal personality, such as by becoming incorporated companies, before April 2019, ahead of any new local growth funding. It made clear that where LEPs were integrated within the combined authorities, they may elect to use the combined authority's legal personality. This will allow LEPs to enter into legal commitments in the future. The Department reports that as of April 2019 all LEPs had adopted a legal personality apart from two LEPs that had requested an extension to the deadline.

⁴ In January 2018, the Department for Communities and Local Government became the Ministry of Housing, Communities & Local Government.

Realigning LEP boundaries

1.10 As LEPs were formed on a voluntary basis and asked to operate across functional economic areas, many overlapped. The situation is exacerbated when the geographies of combined authorities are considered. In our 2016 report, each LEP covered an average of nine local authorities and 37 local authorities were covered by more than one LEP.

1.11 In its 2018 report, the Department concluded that “retaining overlaps dilutes accountability and responsibility for setting strategies for places”. Of the 38 LEPs in 2018, the Department identified 20 with overlapping boundaries. It committed to removing all boundary overlaps by April 2020. As of March 2019, the Department reports that 11 LEPs have realigned their boundaries. It told us that resolving the boundary overlaps for the nine remaining LEPs, involving 11 local authorities, has been more challenging because it has been more complicated to resolve these issues locally (**Figure 2** on pages 14 and 15).

LEP leadership

1.12 From their inception, LEPs have been led by the private sector. They have been required to have a private sector chair, and to draw most board members from the private sector. Our report in 2016 found that this varied in practice, with private sector board membership ranging from 45% to 80%, with an average of 58%. We also found that financial contributions and match-funding from the private sector had not materialised to the extent that the Department and LEPs intended.⁵

1.13 The Committee has previously noted the importance of carrying out checks to ensure senior leaders are fit and proper persons in situations involving significant financial responsibilities.⁶ The Department does not require LEPs to do this, but it has committed to:

- supporting LEPs to advertise opportunities for private sector leaders to become LEP chairs following a consultation with the local business community;
- introducing time limits on the role of chair and deputy chair; and
- in conjunction with the LEP Network, offering an induction and training programme to LEP board members to enable them to understand what is expected of them in working with government.

⁵ Comptroller and Auditor General, *Local Enterprise Partnerships*, Session 2015-16, HC 887, National Audit Office, March 2016.

⁶ HC Committee of Public Accounts, *Converting schools to academies*, Fifty-second Report of Session 2017–2019, HC 697, July 2018.

1.14 The Department also set an expectation that all LEP boards would have a maximum of 20 people; for women to make up at least one-third of LEP boards by 2020; and to achieve gender parity by 2023. We reviewed the size and gender balance of LEP boards in February 2019. The number of LEP board members ranges from 10 to 31 members, with an average of 18. Female participation on LEP boards ranges from one member to 10 members. On average, 27% of LEP board members are female (**Figure 3** on page 16).

Figure 2
The geography of 38 Local Enterprise Partnerships (LEPs)
as of December 2017

Twenty LEPs had overlapping boundaries

- Areas covered by two overlapping LEPs
- Areas covered by a single LEP
- Areas covered by two non-overlapping LEPs

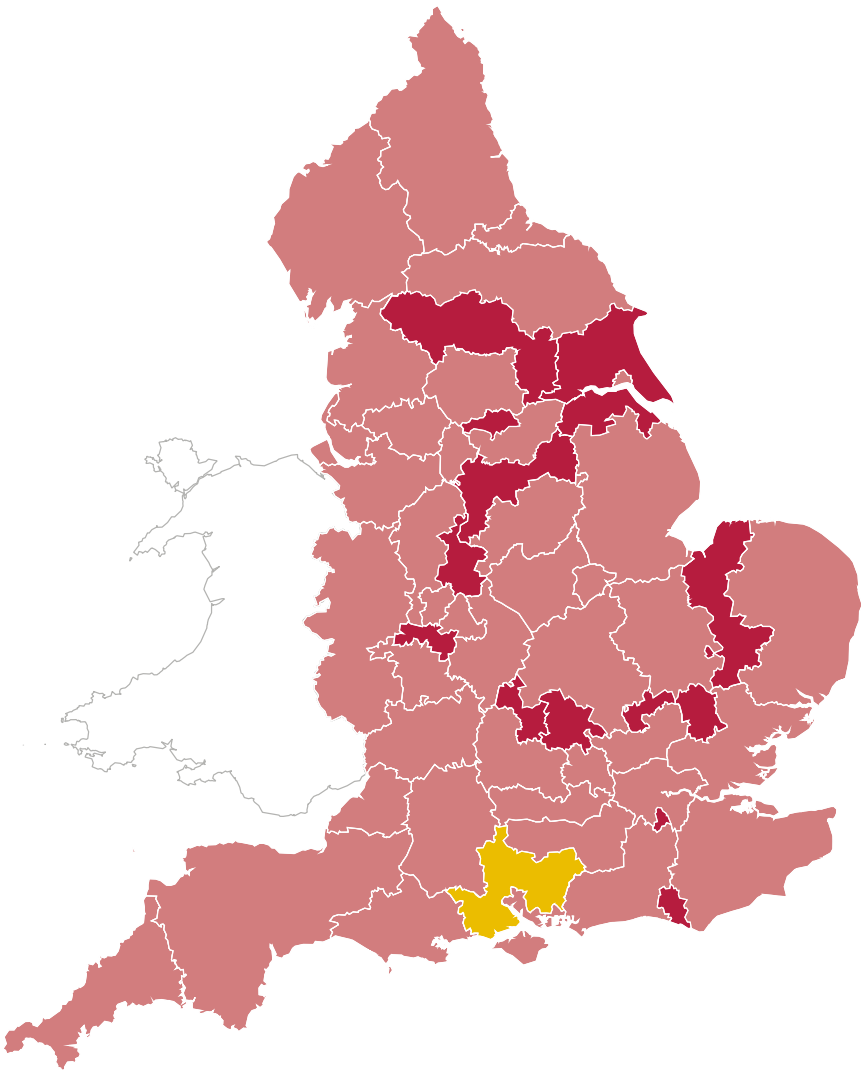
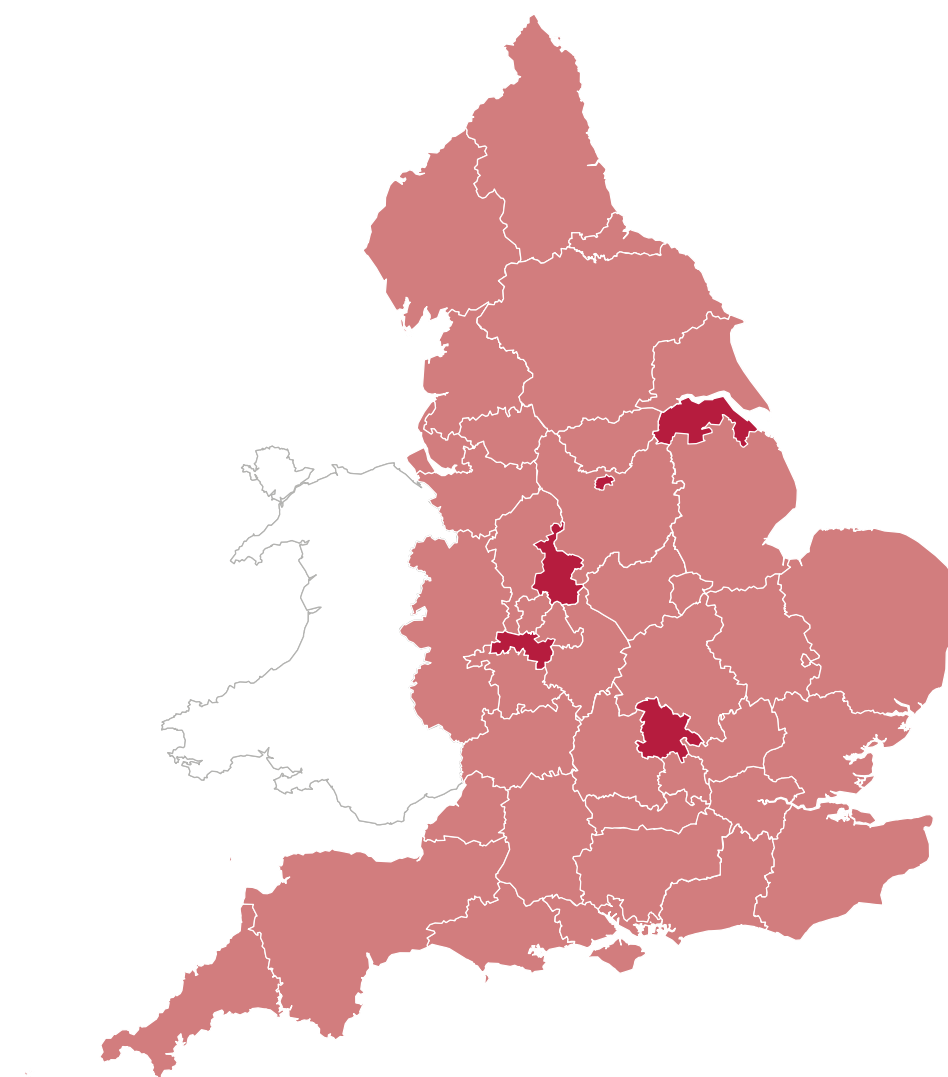


Figure 2 continued

Agreed LEP geographies as of April 2019

Nine LEPs in four areas have yet to resolve their geographical overlaps by April 2020

- Areas covered by two LEPs
- Areas covered by a single LEP

**Notes**

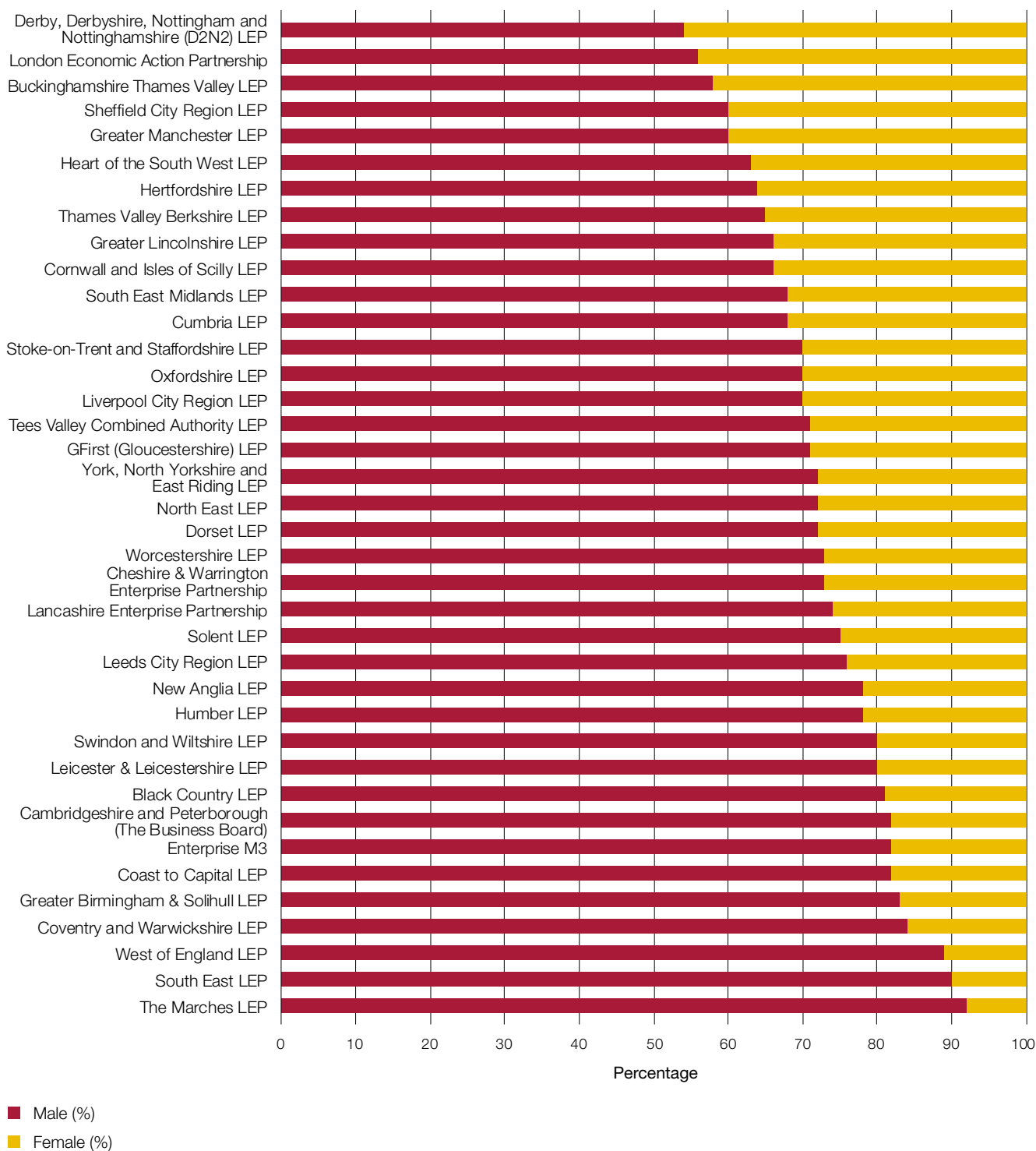
- 1 The Department has reported that as of April 2020, there will be 37 LEPs instead of 38 LEPs due to two LEPs merging.
- 2 There are four areas where a lower tier or unitary authority is covered by two Local Enterprise Partnerships whose geographies do not overlap. This applies to the local authorities of East Hampshire, the New Forest, Tees Valley and Winchester. Despite no geographical overlap, the Department has included these in its commitment to remove realign LEP boundaries by April 2020.

Source: National Audit Office analysis of the Ministry of Housing, Communities & Local Government data

Figure 3

Gender representation on Local Enterprise Partnerships (LEPs) boards as of February 2019

On average, only 27% of LEP board members are female



Source: National Audit Office analysis of information published by Local Enterprise Partnerships

Part Two

LEP governance and transparency

2.1 In 2017, the Committee of Public Accounts (the Committee) published its report and recommendations following an examination of governance and oversight failings at Greater Cambridgeshire Greater Peterborough LEP (now defunct). The Committee recommended that the Ministry of Housing, Communities & Local Government (the Department) strengthen its arrangements to ensure LEPs are more transparent; have stronger, accountable leadership and better governance; and be alive to the ongoing risk of failure in LEPs and have appropriate interventions in place. It also recommended that the Department evaluate the role LEPs have had in promoting economic growth.

2.2 This part of the report sets out:

- the findings of the Ney Review of LEPs' governance and transparency;
- progress in implementing recommendations made by the Committee and the Ney Review to strengthen governance and transparency; and
- the Department's oversight, assurance and evaluation of LEP performance.

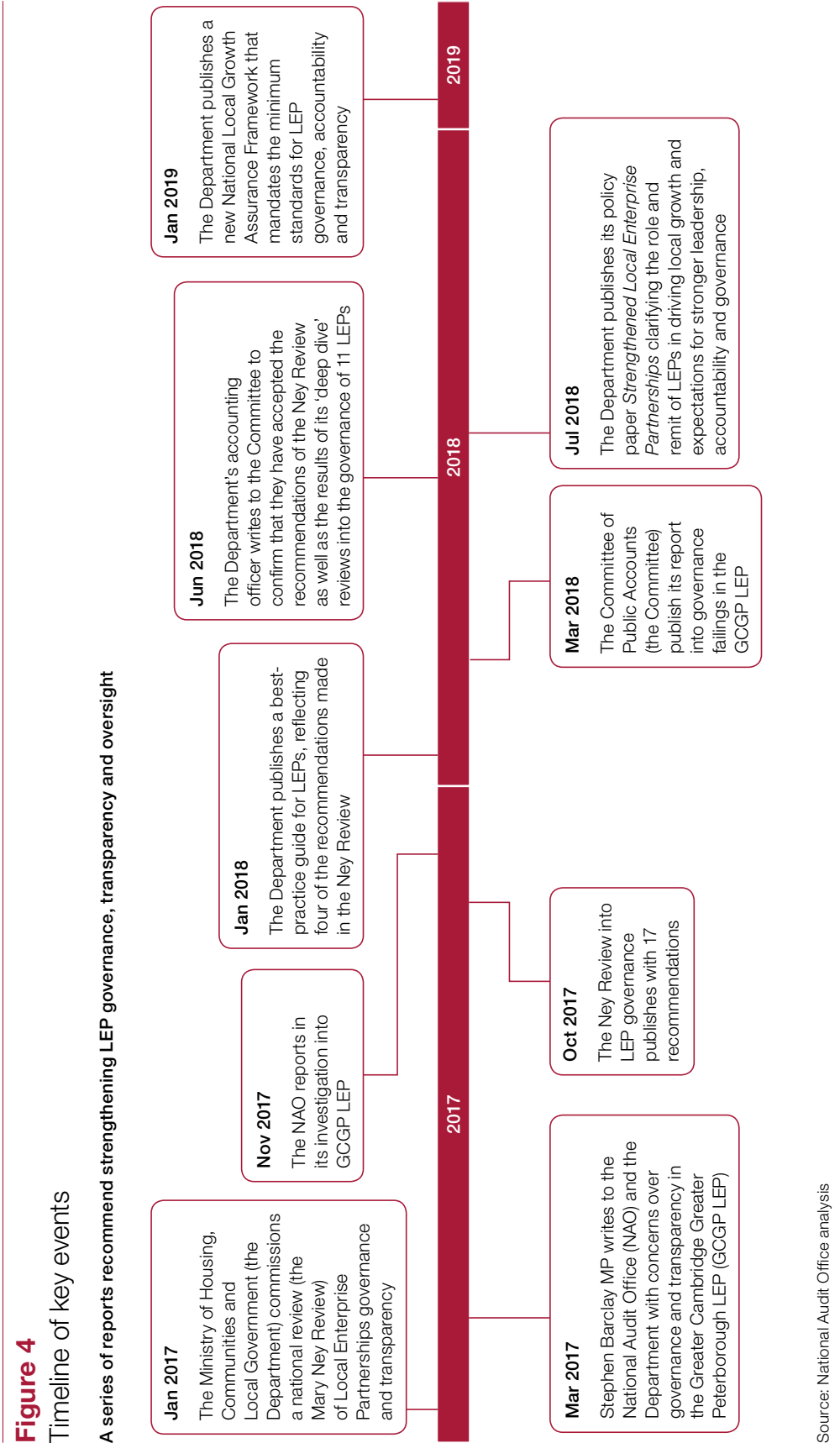
2.3 **Figure 4** overleaf provides an overview of recent events and the Department's response.

Review of LEP governance and transparency

The Ney Review

2.4 In January 2017, the Department's accounting officer asked Dame Mary Ney, a non-executive director from the Department's board, to review LEPs' governance and transparency. The review's terms of reference included:

- examining the current system and whether it provides sufficient assurance to the Department's accounting officer and ministers that LEPs fully implement existing requirements for appropriate governance and transparency;
- considering whether the current governance requirements for LEPs are sufficient; and
- making recommendations for improvements.



2.5 At the time of the Ney Review, the Department set out its expectations of the governance and transparency standards it expected LEPs to comply with in the National Assurance Framework. The Ney Review, published in October 2017, concluded that these requirements could be clearer. It made 17 recommendations across eight main areas, including LEP culture and accountability; structure and decision-making; conflicts of interest; transparency; and government oversight and enforcement.

Work to strengthen LEPs' governance and transparency

LEP compliance with the Ney recommendations

2.6 The Department accepted the Ney Review's recommendations in full. In a letter to the Committee in June 2018, the Department's Accounting Officer reported that most recommendations had been implemented through the publication of best practice guidance in January 2018. The guidance addressed four recommendations, asking LEPs to:

- adhere to codes of conduct based on the Nolan principles of public life;⁷
- make decision-making more transparent by publishing meeting papers and agenda items;
- make clear its procedures for whistleblowing and confidential reporting; and
- make available a register of interests for LEP members.

2.7 The Department reviews individual LEPs' performance and compliance through performance reviews at the end of each financial year. It reviewed LEPs' compliance with best practice guidance in the annual performance reviews at the end of 2017-18 and through a series of 'deep dive' reviews of 11 LEPs that concluded in March 2018. In her letter to the Committee, the Department's accounting officer reported the results of the deep dives (**Figure 5**). The Department will continue a rolling programme of deep dives, starting with another three to complete by March 2019.

Figure 5

Results from the Ministry of Housing, Communities & Local Government's 'deep dive' reviews in March 2018

Rating	Inadequate	Requires improvement	Good	Exceptional
Number of LEPs	1	2	7	1

Note

1 The Department examined 11 LEPs as part of its 'deep dive' review.

Source: Letter from Melanie Dawes, the Ministry of Housing, Communities & Local Government's accounting officer, to the Committee of Public Accounts, June 2018

⁷ The seven Nolan principles of public life are the basis of ethical standards expected of public office holders. They can be accessed here: www.gov.uk/government/publications/the-7-principles-of-public-life

2.8 We reviewed LEPs' compliance with the recommendations of the Ney Review through a structured review of the information available on the website of all LEPs. We found LEP compliance was strongest in setting out conflict of interest policies; a whistleblowing policy; and the structures supporting decision-making in the LEP. We found mixed performance in other areas of compliance and in the quality of the compliance. **Figure 6** sets out LEPs' performance in meeting a sample of three Ney Review recommendations.

2.9 Good governance means that proper arrangements are in place to ensure that an organisation achieves its intended objectives.⁸ In its report in 2017, the Committee noted that "making people properly accountable is more about culture and actual implementation than it is about guidance".⁹ As LEPs work to comply with higher standards and expectations of governance and transparency, there remains a risk that their organisational cultures will not follow suit or that they will lag behind. The Department told us it was aware of this risk and uses its annual performance reviews and 'deep dive' reviews and intelligence from its local area leads to gain a better understanding of the culture of each LEP. Nonetheless, it acknowledges that risks remain.

Figure 6

Performance in implementing three Ney Review recommendations

Ney recommendations	Good	In part	Poor
Transparency of decision-making	32	3	3
Clarity of role of Section 151/73 officer	18	17	3
Published whistleblowing policy	36	2	0

Note

- 1 We used criteria for 'good', 'in part' and 'poor' based on our assessment of how well LEPs had progressed in implementing the three Ney Review recommendations listed above.
- 2 The Local Government Act 1972 requires every local authority to appoint a suitably qualified officer responsible for the proper administration of its financial affairs. For LEPs, the Section 151 or Section 73 officer is typically the chief financial officer of the local authority nominated to be the LEP's accountable body.

Source: National Audit Office review of data available on Local Enterprise Partnerships websites

Financial governance and transparency

2.10 The role of a Section 151/73 officer is to oversee the proper administration of financial affairs within a local authority.¹⁰ This role is extended to include LEPs where the local authority has been nominated as the LEP's accountable body. The Ney Review recommended the strengthening of the role of the Section 151/73 officers in conjunction with stronger assurance by the LEP leadership. It recommended that the Department work with the Chartered Institute of Public Finance and Accountancy (CIPFA) to set out the roles of Section 151/73 officers in relation to LEPs.

⁸ Comptroller and Auditor General, *Local authority governance*, Session 2017–2019, HC 1865, National Audit Office, January 2019.

⁹ HC Committee of Public Accounts, *Governance and departmental oversight of the Greater Cambridgeshire Greater Peterborough Local Enterprise Partnership*, Twenty-Sixth Report of Session 2017–2019, HC 896, March 2018.

¹⁰ The Local Government Act 1972 requires every local authority to appoint a suitably qualified officer responsible for the proper administration of its financial affairs. For LEPs, the Section 151 or Section 73 officer is typically the chief financial officer of the local authority nominated to be the LEP's accountable body.

2.11 In August 2018, CIPFA published five principles that Section 151/73 officers for LEPs should meet when instilling good and proportionate financial governance. The Department's new *National Local Growth Assurance Framework* sets out more expectations of Section 151/73 officers' role in ensuring the good governance, accountability and transparency of LEPs (see paragraph 2.14).

2.12 In our 2016 report, we found that LEPs varied in the extent and quality of the financial information they shared publicly. At the time, only 13% of LEPs had publicly available financial information, and only 33% published their annual report online. We reviewed the financial information published by LEPs on their websites as at February 2019. We found marked improvement:

- all LEPs published financial information on the individual projects they funded;
- 86% of LEPs published their accounts or financial statements;
- 84% of LEPs published their annual reports online;¹¹ and
- 74% of LEPs said their annual report and accounts were externally audited.

Other planned changes

2.13 In its 2018 policy paper, the Department set out other changes it expects LEPs to make with support from the Department. In total, the policy paper lists 13 commitments for the Department and 15 commitments for LEPs to meet with support from the Department, drawing on the Ney Review and the Committee's recommendations. The document sets out the new minimum standards the Department expects all LEPs to follow. **Figure 7** overleaf sets out the Department's view of its progress to date.

Oversight, assurance and evaluation

A new minimum standard

2.14 After publishing its best practice guide and the results of its 'deep dive' reviews, the Department published a new *National Local Growth Assurance Framework*, to come into effect in April 2019. The Department says it reflects the feedback and the conclusions of reviews into LEP governance and contains mandatory requirements for governance, accountability and transparency alongside recommended best practice.

2.15 The Department acknowledges that LEPs vary in the way they interact with mayoral combined authorities (MCAs). It expects LEPs and MCAs to have a single local assurance framework, particularly where they have the same geographical boundaries, or where the Local Growth Fund is part of the single pot,¹² or where the MCA is the LEP's nominated accountable body. Where LEPs decide to have a separate local assurance framework, they must set out their role and responsibilities alongside those of the MCA.

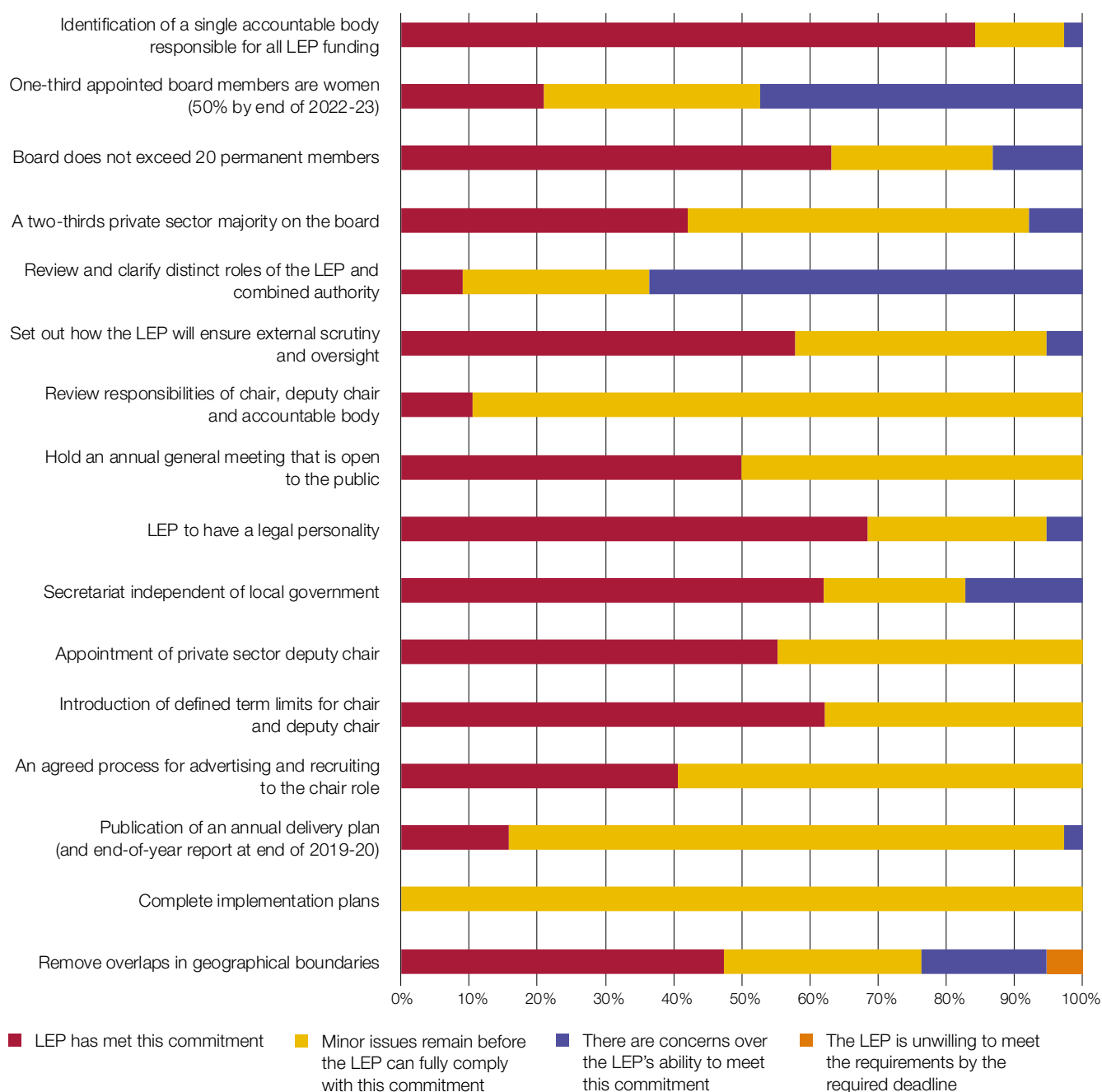
¹¹ Some LEPs are not legally required to publish an annual report. Some LEPs publish their accounts as part of the accounts of its combined authority. The Department says all LEPs will be required to have a delivery plan and end of year report in place from the 2019-20 financial year.

¹² There is variation in the terminology used to refer to the 'single pot' fund within combined authorities. In general, this refers to a fiscal agreement which consolidates the funding available to combined authorities and reduces ring-fences around funding, thereby increasing the flexibility with which the funding is used.

Figure 7

Progress against commitments set out in the 2018 policy paper

The Department's view of Local Enterprise Partnerships' (LEPs') progress against the commitments it set out in July 2018

**Notes**

- 1 Some commitments only apply to a subset of LEPs. For example, only 20 LEPs had geographical boundaries that overlapped. Therefore, the Department's commitment to resolve these overlaps only applies to those LEPs.
- 2 LEPs are required to meet most of the commitments by April 2019, except for four commitments where the deadline is April 2020. This includes: the commitment for a two-thirds private sector majority on LEP boards; that the number of permanent board members does not exceed 20; that one-third of appointed board members are women (moving to 50% by 2022-23); and the identification of a single accountable body responsible for all LEP funding.

Source: National Audit Office analysis of data provided by the Ministry of Housing, Communities & Local Government

2.16 The Department has asked all LEPs to revise their individual local assurance frameworks to conform to the new minimum standards by March 2019. The Department will assess LEPs' compliance with the new standards in its annual performance review of LEPs at the end of the 2019-20 financial year.

How the Department oversees LEPs' performance

2.17 The Department gains assurance over LEP performance in two ways:

- through direct assurance via monitoring information, compliance checks, annual performance reviews and 'deep dive' reviews of individual LEPs;
- through LEP self-regulation, including complying with best practice and peer review provided through the LEP Network; and
- oversight by the accountable body and Section 151/73 officer.

2.18 The *National Local Growth Assurance Framework* is a key element of the wider assurance system of funding to LEPs. The system includes regular reports from LEPs to the Department on agreed output metrics; LEP evaluation frameworks; and annual performance reviews (previously annual performance conversations) between the government and each LEP; and 'deep dive' reviews. For the financial year 2018-19, the Department reviewed LEPs against a more structured annual performance review to assess their progress in delivering their Growth Deals as well as their governance and transparency arrangements.

2.19 In response to the Committee's recommendations, the Department published the results from the 2016-17 annual performance reviews. The Department rated LEPs as inadequate due to reasons such as non-compliance with the National Assurance Framework, or because it found poor or unclear governance arrangements. It required these LEPs to participate in further meetings with senior civil service officials and commit to an action plan to address the areas of underperformance. The Department has committed to publishing the results of its 2018-19 annual assurance reviews.

Managing underperformance

Withholding funding

2.20 We reported in 2017 that the Department does not have the same intervention powers for LEPs as it does for local government. LEPs are private bodies, and the Department's powers do not extend to them. The government's ability to respond to failure is limited (**Figure 8** overleaf).¹³ In 2018, the Committee recommended that the Department needed to be "alive to the ongoing risk of LEP failure and develop a range of interventions, similar to those in place for local authorities".

¹³ HC Committee of Public Accounts, *Governance and departmental oversight of the Greater Cambridgeshire Greater Peterborough Local Enterprise Partnership*, Twenty-Sixth Report of Session 2017–2019, HC 896, March 2018.

Figure 8**The Department's powers to intervene in local authorities and Local Enterprise Partnerships (LEPs)****The Department has stronger powers to address failures in local authorities than it does in the case of LEPs****For local authorities in England****The Department can use informal powers to:**

- engage informally with a local authority to influence and support it; and
- make appointments to bespoke bodies, including independent improvement panels, which support and challenge local authorities and provide the Department with assurance that improvements are being made.

The Department can use statutory intervention powers to:

- remove the control of functions or services from democratically elected local politicians. This quasi-judicial decision is for the Secretary of State; and
- appoint commissioners to take over some or all functions of the council – the breadth of commissioner responsibilities can vary.

For LEPs**The Department can:**

- agree a formal action plan designed to address concerns;
- ask a high-performing LEP to provide advice and support to the underperforming LEPs;
- undertake a risk-based 'deep dive' review to investigate concerns over compliance or underperformance;
- ask senior civil service officials to observe LEP board meetings and recruitment or procurement processes; and
- withhold funding in full or in part.

The Minister can:

- write a letter expressing no confidence in the LEP leadership.

Note

1 Interventions in local authorities take place under section 15 (6) of the Local Government Act 1999.

Source: National Audit Office analysis

2.21 The Department's main sanction over LEPs is to withhold funding, either in full or in part. In 2017-18, the Department withheld core funding in full from two LEPs because of concerns about their governance arrangements. This included the Greater Cambridgeshire and Greater Peterborough (GCGP) LEP. In December 2017, after the Department's decision not to fund it, the LEP entered into voluntary liquidation.

2.22 In addition to GCGP LEP, the Department has worked with three other LEPs to mitigate the risk of failure where concerns about governance, oversight or delivery have been raised. It withheld core funding from one other LEP pending improvements in its governance arrangements. It has entered 'bespoke funding arrangements' with two other LEPs, staggering payments based on LEPs reaching agreed project delivery milestones. The Department says all three LEPs are now demonstrating improved delivery performance or better governance and oversight arrangements and have now received funding in full for the 2018-19 financial year.

Other interventions

2.23 The Department told us that it has no formal role in deciding who can become a LEP board member. Therefore, where members are found to be acting against Nolan principles, it expects the LEP's chair, Section 151/73 officer and board to act to resolve these issues locally. However, if concerns about board members or a chair remain, the Department's interventions can include:

- direct intervention through, for example, senior officials attending LEP board meetings and observing recruitment and procurement processes; and
- expressions of loss of confidence: where ministers write to the LEP to express a loss of confidence in its leadership.

Despite these enhancements, the Department still has weaker powers to intervene in failing LEPs as compared to local authorities.

Evaluation of Growth Deals

2.24 We have previously reported that the Department has opted not to set quantifiable objectives for Growth Deals including, for example, the number of jobs created in a year through the Local Growth Fund. In June 2018, government noted that its analysis shows that every £1 of Local Growth Fund invested could generate £4.81 in benefits. The Department has not evaluated the outcomes of Growth Deals to see whether this is the case.

2.25 Growth Deal grant offer letters are sent to LEPs to confirm their annual allocation. These state that this funding is conditional on LEPs reporting against agreed metrics and outcomes and in line with the national monitoring and evaluation framework. LEPs share this information with the Department after its Section 151/73 officer has signed it off. The Department plans to use some of this information to support an "informal evaluation" of the effectiveness of the Local Growth Fund ahead of the next spending review in 2019. It acknowledges that this falls short of what would be considered a robust evaluation of the programme.

2.26 The Department does not use aggregate information to report on the impact of Growth Deals, but it does use the information LEPs report to hold them to account in their annual performance reviews. LEPs submit data quarterly to the Department along with an indication of each project's delivery risk. This includes data on: financial spend; jobs created; number of apprenticeships created; number of new homes completed; and flood risk prevention. The Department told us that it uses this information as the basis of the annual performance reviews and that area leads use it as a performance management tool.

Part Three

Current and future funding for LEPs

3.1 Lord Heseltine's 2012 report, *No Stone Unturned in Pursuit of Growth*, prompted a significant shift in the role and remit of Local Enterprise Partnerships (LEPs). In response to the report's recommendations, the government announced the creation of a Local Growth Fund comprising £2 billion each year from 2015-16 to 2020-21, totalling £12 billion. To access this funding, LEPs negotiated Growth Deals with central government based on the growth priorities that they had identified through strategic economic plans.

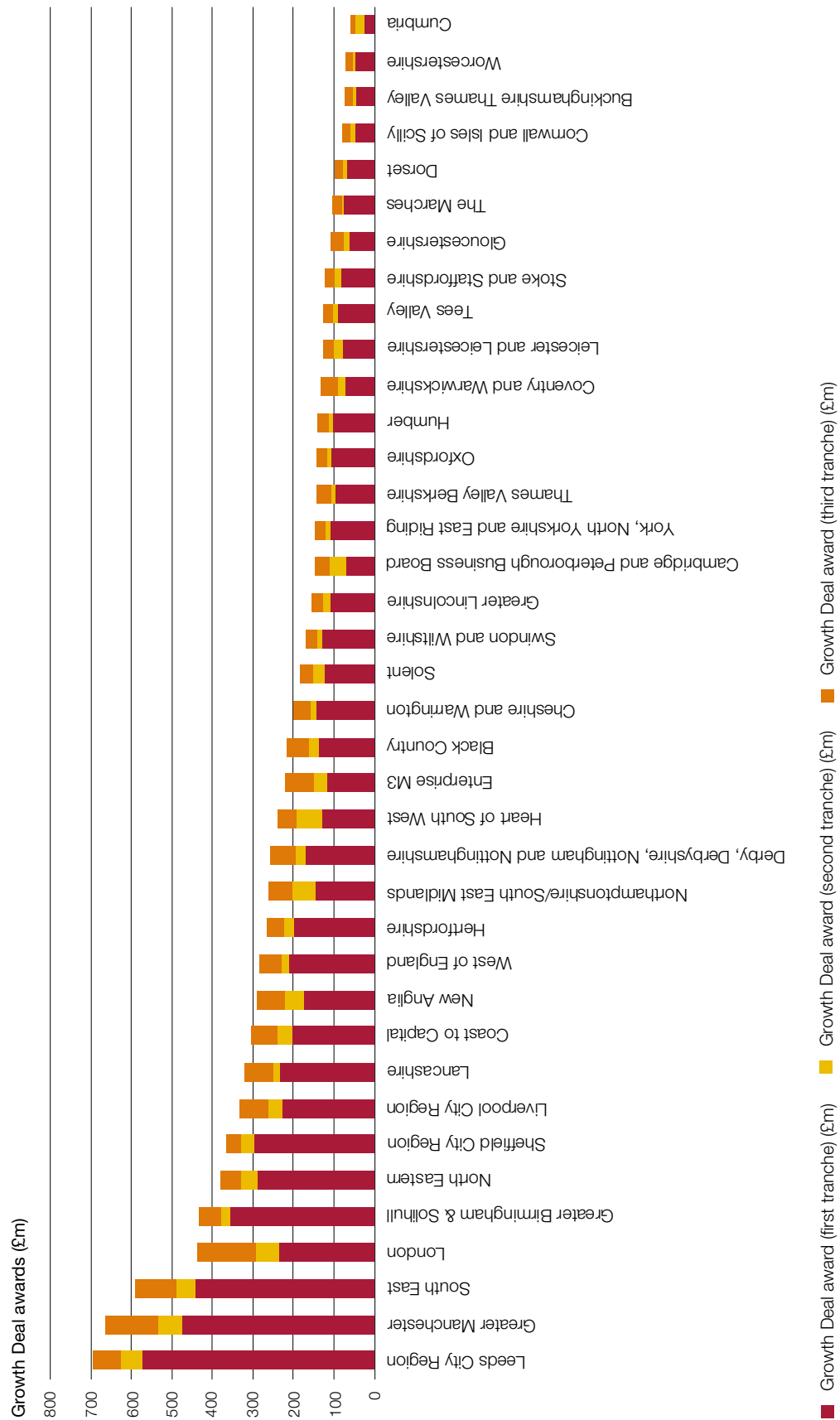
3.2 Growth Deals are the single largest funding allocation to LEPs to date. LEPs are also responsible for funding from the Regional Growth Fund, the Growing Places Fund, and Growth Hub funding, and for managing Enterprise Zones. Additionally, LEPs advise on how to spend more than £5.3 billion of European Structural and Investment funding between 2014 and 2020. The Ministry of Housing, Communities & Local Government (the Department) manages this funding, but LEPs are asked to work with local stakeholders to set local strategies for where to spend it.

3.3 This part of the report sets out:

- LEPs' spending and performance since our previous report in 2016;
- funding for LEPs after the UK exits the European Union; and
- LEPs' capacity to deliver current and future funding.

Growth Deal funding

3.4 From 2015-16 to date, £9.1 billion of the Local Growth Fund has been awarded to LEPs through three tranches of Growth Deals (**Figure 9**). The Department says it considers the population of an area as well as the strength of the LEP's strategic economic plans and projects when deciding Growth Deal allocations. To date, the northern region of England, with 11 LEPs, has received most of the total funding at £3.4 billion. The East of England, with three LEPs, has received the least with £703 million. London, with one LEP, has received £435 million (**Figure 10** on page 28).

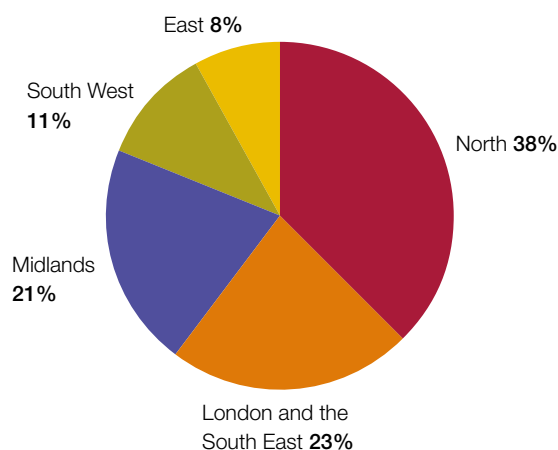
Figure 9**Funding awarded to Local Enterprise Partnerships (LEPs) through three rounds of Growth Deals****From 2015-16 to date, £9.1 billion of the Local Growth Fund has been awarded to LEPs through Growth Deals****Note**

1 The first tranche of Growth Deal funding includes the 'expansion' funding that the Department paid to LEPs in January 2015.

Source: National Audit Office analysis of Ministry of Housing, Communities & Local Government data

Figure 10

Total Growth Deal funding by region

**Note**

1 The figure presents total regional allocations from the three tranches of Growth Deal funding in 2015-16, 2017-18 and 2018-19.

2 Figures do not add up to 100% due to rounding.

Source: National Audit Office analysis of Ministry of Housing, Communities & Local Government data

What LEPs have funded

3.5 For the 2018-19 financial year, LEPs funded a range of projects in support of new housing, skills, economic development and transport. Transport projects have received most LEP funding at 42% of all funding spent by LEPs in 2018-19 (**Figure 11**).

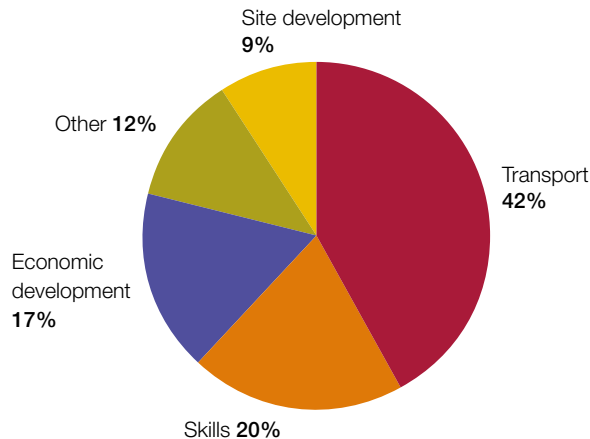
3.6 We previously reported that LEPs indicated that they were under pressure to spend their funding allocation in-year at the risk of not receiving future funding. At the time, LEPs told us that annualised funding and government's preference for projects that can be delivered quickly, prompted them to prioritise projects that were "shovel ready" over those with better long-term prospects for value for money.

3.7 Against the total award for the first tranche of Growth Deals (2015 to 2017), LEPs underspent £789.1 million (an average underspend of £20.2 million per LEP).¹⁴ In the second tranche of Growth Deals for the period 2017-18, LEPs underspent by £333.1 million (an average underspend of £8.8 million per LEP). The Department says that LEPs can use funding flexibilities to fund their long-term projects by reallocating funding locally and then utilising it for projects at a future date. The Department forecasts that LEPs will underspend their total allocations through Growth Deals by £255.9 million by 2020-21. The Department expects that LEPs will use this funding to complete Growth Deal projects after 2021.

¹⁴ During this period, and until December 2017, there were 39 LEPs in England. Calculations for subsequent years are based on a total of 38 LEPs currently operating in England.

Figure 11

Growth Deal projects funded by the end of 2018-19 (by theme)

**Note**

1 Economic development includes broadband infrastructure, regeneration and business support. Site development includes housing.

Source: National Audit Office analysis of Ministry of Housing, Communities & Local Government data

3.8 The 2017 Ney Review also cited the LEPs' challenges in managing long-term programmes with annualised budgets and "sometimes with late notification of resources and year-on-year uncertainty provided by government funding arrangements."¹⁵ The Ney Review noted the potentially negative implications for decision-making, recruiting talent, and LEP governance. It recommended that government considers what flexibility could be given to smooth funding allocations to LEPs over a longer period. The Department has accepted the Ney Review's recommendations in full but says changes to annual funding arrangements are a matter for HM Treasury to decide and that it is unlikely to change soon.

Funding after EU Exit

3.9 LEPs themselves are not funded by the EU, but they are asked to work with local stakeholders to set local strategies for where to spend EU funding. In 2016, the government guaranteed funding for UK organisations that receive EU funds where the projects had been agreed before EU Exit. This was extended in July 2018 to cover the full 2014–2020 programme period and new spending commitments up to 2020. The government is currently negotiating the terms of the UK's withdrawal from the EU and the framework of the UK–EU relationship.

¹⁵ Department for Communities and Local Government, *Mary Ney Review of Local Enterprise Partnership Governance and Transparency*, October 2017.

3.10 The government has also announced the creation of a UK Shared Prosperity Fund (the Fund) to replace EU structural funds, which it says have been difficult to access and that EU regulations have prevented places from coordinating their investments. The government intends for the Fund to be simpler to administer; to better target support and align with place-based challenges; be supported by strong evidence of what works locally; and be administered nationally. The Department, which is accountable for designing the Fund, told us it has delayed a public consultation on the Fund's future design and structure until it has more clarity about the terms on which the UK will leave the EU. The Fund's size, design, operation and priorities will be announced at the next Spending Review.

Setting local industrial strategies

3.11 LEPs and mayoral combined authorities (MCAs) have been tasked with setting local industrial strategies to identify local challenges and priorities “based on clear evidence”. To access the Fund, the Department expects:

- LEPs to gain a legal identity if they do not have one already, as the Department now believes this will support stronger accountability; and
- that LEPs and MCAs will set local industrial strategies to identify local challenges and priorities “based on clear evidence”. The Department expects the first two local industrial strategies to publish in March 2019, with the remainder publishing in early 2020.

3.12 In October 2018, the Department published a policy prospectus that set out its objective and policy rationale for developing local industrial strategies with LEPs and MCAs. It is also working with the What Works Centre and the Local Government Association to provide LEPs with advice on effective strategies based on increasing local productivity, and holding events to support LEPs in delivering local industrial strategies.¹⁶

LEP capacity to manage funded programmes

3.13 In our 2016 report, we found that LEPs were highly dependent on local authority partners for staff and expertise. LEPs and local authorities were concerned about whether this was sustainable given reductions in local government spending.¹⁷ **Figure 12** shows the reductions in local authority net spending on economic development between 2010-11 and 2017-18. In its ensuing report, the Committee of Public Accounts recommended that the Department perform a structured assessment of local capacity at LEP level.¹⁸

¹⁶ The What Works Centre for Local Economic Growth was set up in October 2013 to analyse which policies are effective in supporting local economic growth. It is run by the London School of Economics and Political Science, the Centre for Cities and Arup, and is funded by the Economic and Social Research Council and four government departments.

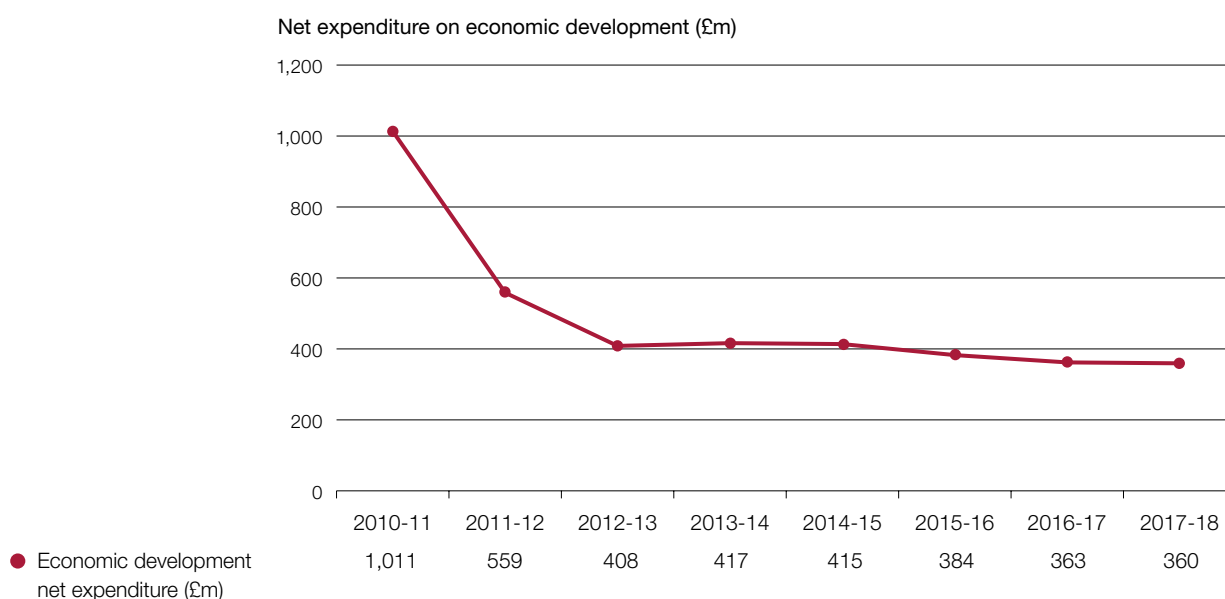
¹⁷ Comptroller and Auditor General, *Local Enterprise Partnerships*, Session 2015-16, HC 887, National Audit Office, March 2016.

¹⁸ HC Committee of Public Accounts, *Cities and local growth*, Sixth Report of Session 2016-17, HC 296, July 2016.

Figure 12

Local authority net expenditure on economic development 2010-11 to 2017-18

There have been significant reductions in local authority net spending on economic development between 2010-11 and 2017-18

**Notes**

- 1 All figures are in 2017-18 prices.
- 2 Only local authorities in England are included in this analysis.

Source: National Audit Office analysis of local authority data

3.14 The Department responded to the Committee's recommendation to assess LEP capacity, stating that it had conducted this assessment before allocating the third round of Growth Deals. We have reviewed the Department's assessments which focus on issues including the strength of the LEP's strategy, private sector support, governance and some delivery metrics. It is not evident how the Department used these assessments to understand what capacity LEPs had to deliver their work. The Department has now commissioned research that will assess whether all LEPs have the resources to deliver their local industrial strategies. This will be completed by June 2019.

3.15 The Department has confirmed core funding of £500,000 for each LEP up to 2019-20. In its 2018 policy paper, the Department announced up to £20 million of additional funding to support LEPs in complying with the new standards and develop their local industrial strategies. This funding has been split into two sections. The first comprises additional capacity funding that LEPs can apply for (up to £200,000 in 2018-19 and up to a further £200,000 in 2019-20). The remaining funding will be managed centrally by the Department on activities including:

- a training and induction programme for LEP board members;
- research to support the development of a framework of the labour market elements of local industrial strategies; and
- a secondees programme to provide LEPs with analytical support to develop their local industrial strategies.

Appendix One

Our audit approach

Scope

1 This update briefing aims to support the Committee of Public Accounts (the Committee) in its examination of the Ministry of Housing, Communities & Local Government's (the Department's) progress in meeting its recommendations and the recommendations set out in the Mary Ney Review, and in particular, those focused on supporting increased governance, transparency, oversight and evaluation. The recommendations are in Appendix Two.

2 This report focuses on:

- changes to the role and remit of Local Enterprise Partnerships (LEPs) since we last reported in 2016;
- the Department's and LEPs' progress with strengthening governance, assurance and transparency;
- funding spent through LEPs to date and future funding arrangements.

3 This report does not evaluate the effectiveness or value for money of the Department's work to respond to the recommendations made by the Committee and the Ney Review. It also does not evaluate the performance of individual LEPs.

Methods

4 In examining these issues, we drew on a variety of evidence sources.

- We interviewed key officials in the Department's Cities and Local Growth Unit;
- We interviewed stakeholders, including the Local Government Association and the Local Enterprise Partnership Network.
- We did not interview individual LEPs. We interviewed officials at Cambridgeshire County Council in relation to developments following the voluntary liquidation of the Greater Cambridgeshire Greater Peterborough LEP in December 2017.

- We reviewed key documents provided by the Department, including implementation and delivery plans; monitoring reports; LEP expenditure reports; and the results of its 'deep dive' reviews and annual performance reviews.
- We conducted an assessment of LEP compliance with the Ney Review recommendations through a review of their websites. We also used LEP websites to understand the degree to which LEPs are transparent with the public for the public funding they manage.

Appendix Two

Past recommendations

This section lists the recommendations from past reports by the Committee of Public Accounts that support improved governance, transparency, oversight and evaluation. It also lists the recommendations included in the Mary Ney Review in full.

Committee of Public Accounts report recommendations, 2016

- 1 As part of the negotiation of the next round of devolution deals and Growth Deals, the Ministry of Housing, Communities & Local Government (the Department) should perform a structured assessment of local capacity at LEP and combined authority level.
- 2 The Department should enforce the existing standards of transparency, governance and scrutiny before allocating future funding to LEPs. LEPs themselves also need to be more transparent to the public by, for example, publishing financial information.

Committee of Public Accounts report recommendations, 2018

- 3 The Department should implement the Mary Ney Review recommendations in full with all possible speed. It should reiterate the obligations of LEP board members under the Nolan principles; set out ways by which LEPs can enhance their openness; and be clear on the training in corporate governance that chairs and chief executives of LEPs should receive.
- 4 The Department should write to us setting out the results of its compliance checks and annual conversations and it should also publish these results.
- 5 The Department should write to us by 1 June 2018 with an update on the implementation of the Mary Ney Review recommendations, and the results of its 'deep dives'. It should set out how this will ensure that concerns unearthed in Greater Cambridgeshire Greater Peterborough LEP are not present in other LEPs, and detail the guidance given to LEPs on corporate governance and transparency.
- 6 The Department's policy review needs to make the role of LEPs absolutely clear, assess whether LEP boundaries are in the right place, evaluate their role in promoting economic growth and set out their place alongside new mayors and combined authorities.

7 The Department needs to be alive to the ongoing risk of failure in LEPs and develop a proportionate range of interventions for LEPs, akin to those it has for local authorities.

Ney Review recommendations

8 It is recommended that the National Assurance Framework requires a brief formal assurance statement on an annual basis from the leadership of the LEP (that is, the chair and CEO), on the status of governance and transparency within their organisation and which can be explored in greater detail during the Annual Conversation process with government. This statement to be published on the website.

9 It is recommended that the current National Assurance Framework requirement for LEPs to have a code of conduct, which all board members and staff sign up to, should explicitly require the Nolan Principles of public life to be adopted as the basis for this code.

10 It is recommended that the National Assurance Framework draws explicit attention to the importance of LEP decision-making structures accommodating these separate components of good governance and that they form an essential part of assurance and ensuring probity.

11 Local assurance frameworks should set out that all decisions must be subject to the normal business case, evaluation and scrutiny arrangements; there must be a written report with the opportunity for the Section 151 officer to provide comments; that the conflicts of interest policy will apply to decision-makers regardless of whether there is a formal meeting; and that decisions should be recorded and published in the normal way, regardless of how they are taken. It is recommended that the National Assurance Framework includes requirements in relation to this.

12 It is therefore recommended that the National Assurance Framework sets out specific requirements on the principles which each LEP must incorporate into its conflicts of interest policy and how it is implemented which include:

- all board members taking personal responsibility for declaring their interests and avoiding perceptions of bias. This should be evidenced by producing and signing their register of interests and publication on its website;
- use of a bespoke proforma for collection and publication of the information, which ensures all categories of interest are systematically considered;
- categories of interest to include employment, directorships, significant shareholdings, land and property, related-party transactions, membership of organisations, gifts and hospitality and sponsorships. Interests of household members to also be considered; and
- action in response to any declared interest applies to any involvement with the work of the LEP and is to be recorded.

- 13** It is recommended that the National Assurance Framework requires LEPs to include in their local statements how scenarios of potential conflicts of interest of local councillors, private sector and other board members will be managed while ensuring input from their areas of expertise in developing strategies and decision-making, without impacting on good governance.
- 14** It is recommended that the National Assurance Framework requires the publication of a whistleblowing policy and arrangements for confidential reporting of allegations of untoward concerns by third parties/the public.
- 15** It is recommended that further clarity is provided in the National Assurance Framework on the role of Section 151 officers and it is suggested that this be developed in consultation with the Chartered Institute of Public Finance and Accountancy.
- 16** It is recommended that the National Assurance Framework sets a requirement for the Section 151 officer to provide a report to the Annual Conversation on their work for the LEP and their opinion, with a specific requirement to identify any issues of concern on governance and transparency.
- 17** It is recommended that government give some thought to what flexibility might be available to smooth funding allocations to LEPs over a longer period.
- 18** It is recommended that the National Assurance Framework provides additional guidance on expectations on publication of agendas, meeting papers and decisions.
- 19** It is recommended that more explicit guidance would be helpful and that this should be developed as part of the work on the role of the Section 151 officer. In addition to the publication of accounts, it is recommended that the LEP maintains on its website a published rolling schedule of the projects funded, giving a brief description, names of key recipients of funds/contractors and amounts by year.
- 20** It is recommended that LEPs report on scrutiny in their annual assurance statement during the Annual Conversation process.
- 21** It is recommended that the annual conversations have strengthened focus and designated time to examine the performance of LEPs in relation to governance and transparency and to discuss the assurance statements and the report of the Section 151 officer.

22 It is 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 is further recommended that this deep dive is undertaken by someone with no direct involvement with the specific LEP.

23 It is recommended that government sets out in the National Assurance Framework its approach to considering delay or withholding of funding for non-compliance so that LEPs have a clear and early understanding of the matters they need to address and the timescale to be met. In considering delay or withdrawal of funding from a LEP, government should consider the impact on the programme and the arrangements for projects to continue where appropriate under alternative mechanisms.

24 It is recommended that the Department continues to support best practice and discusses with the LEP Network how best to take this forward.

Report by the Comptroller and Auditor General

Local Enterprise Partnerships: an update on progress

HC 2139 Session 2017–2019

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CORRECTION

In Figure 2 on pages 14 and 15 of the report, the second of two maps was used in error: (please see pages 40 and 41 for the existing and new corrected versions)

In Figure 3 on page 16 of the report, a Local Enterprise Partnership was wrongly titled; It was referred to as ‘Tees Valley Unlimited’, it should be ‘Tees Valley Combined Authority’, please see page 42 for the corrected Figure 3.

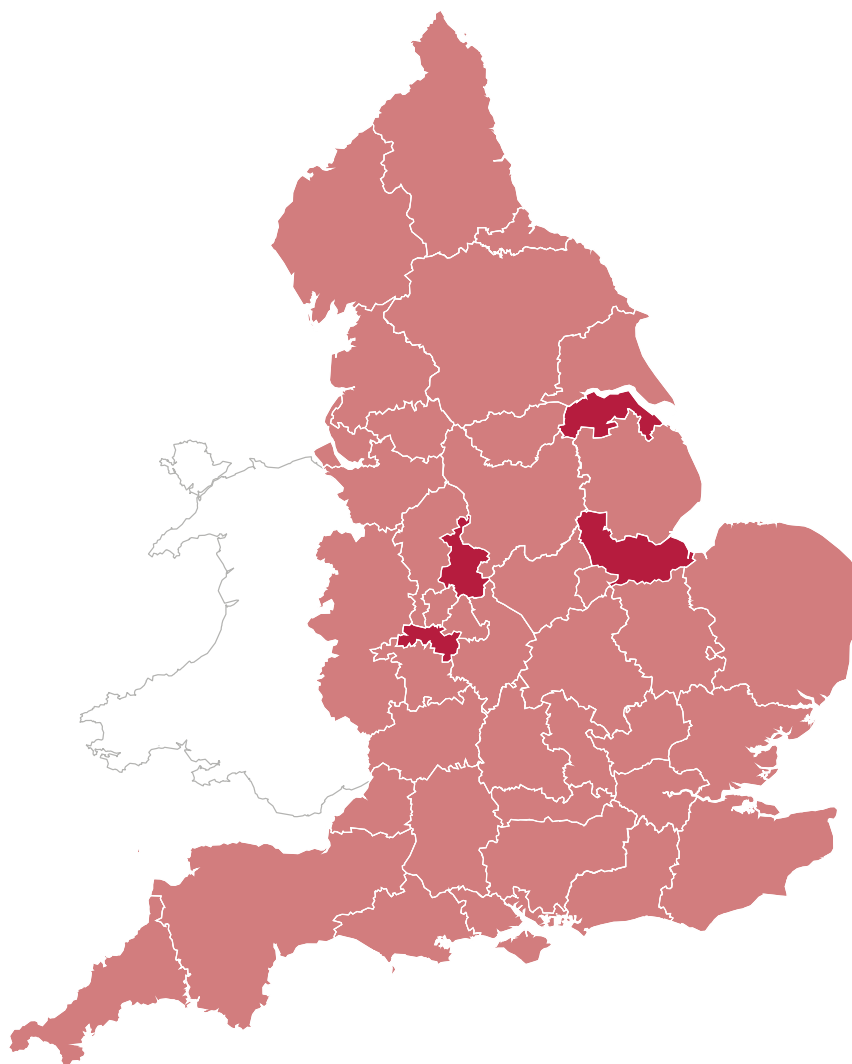
The incorrect map featured on page 15 is below:

Figure 2 *continued*

Agreed LEP geographies as of April 2019

Nine LEPs in four areas have yet to resolve their geographical overlaps by April 2020

- Areas covered by two LEPs
- Areas covered by a single LEP



Note

- 1 The Department has reported that as of April 2020, there will be 37 LEPs instead of 38 LEPs due to two LEPs merging.
- 2 There are four areas where a lower tier or unitary authority is covered by two Local Enterprise Partnerships whose geographies do not overlap. This applies to the local authorities of East Hampshire, the New Forest, Tees Valley and Winchester. Despite no geographical overlap, the Department has included these in its commitment to remove realign LEP boundaries by April 2020.

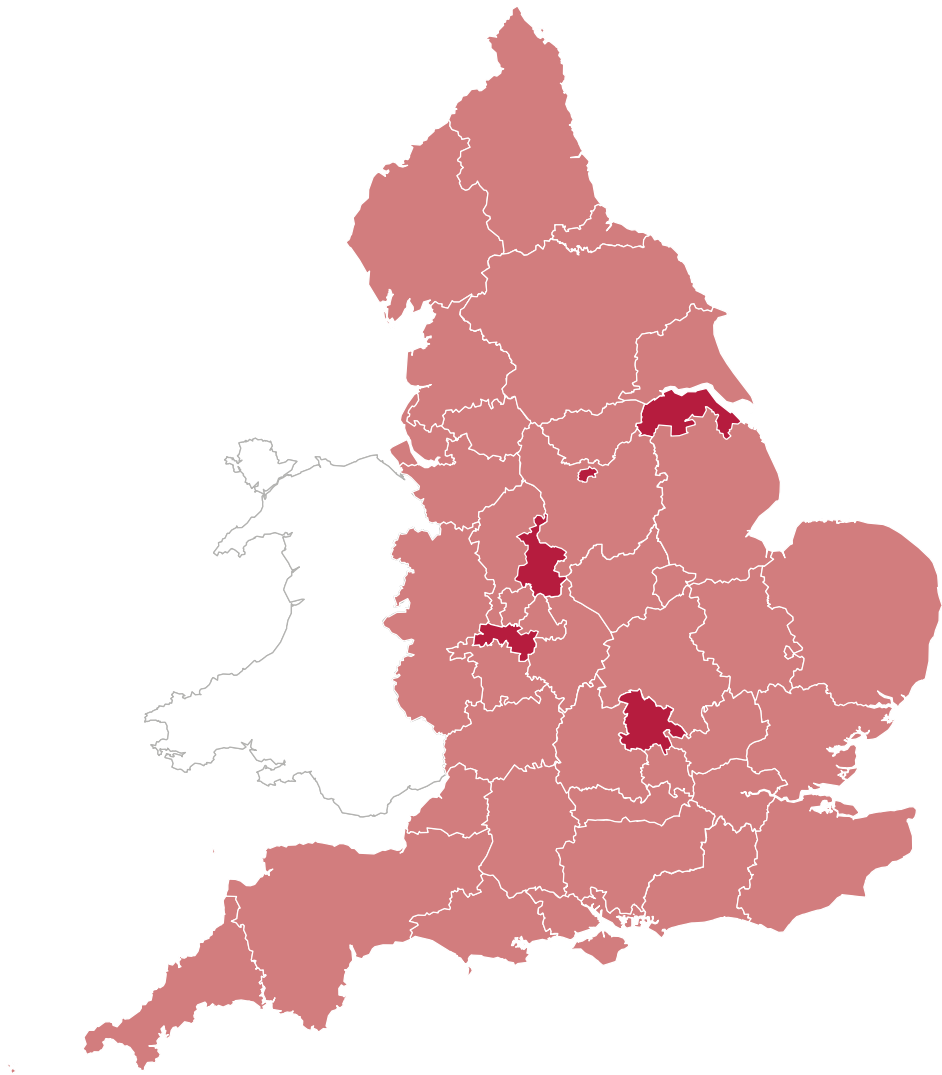
Source: National Audit Office analysis of the Ministry of Housing, Communities & Local Government data

We propose that we use the corrected map, below:

Figure 2 *continued*
Agreed LEP geographies as of April 2019

Nine LEPs in four areas have yet to resolve their geographical overlaps by April 2020

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- Areas covered by a single LEP



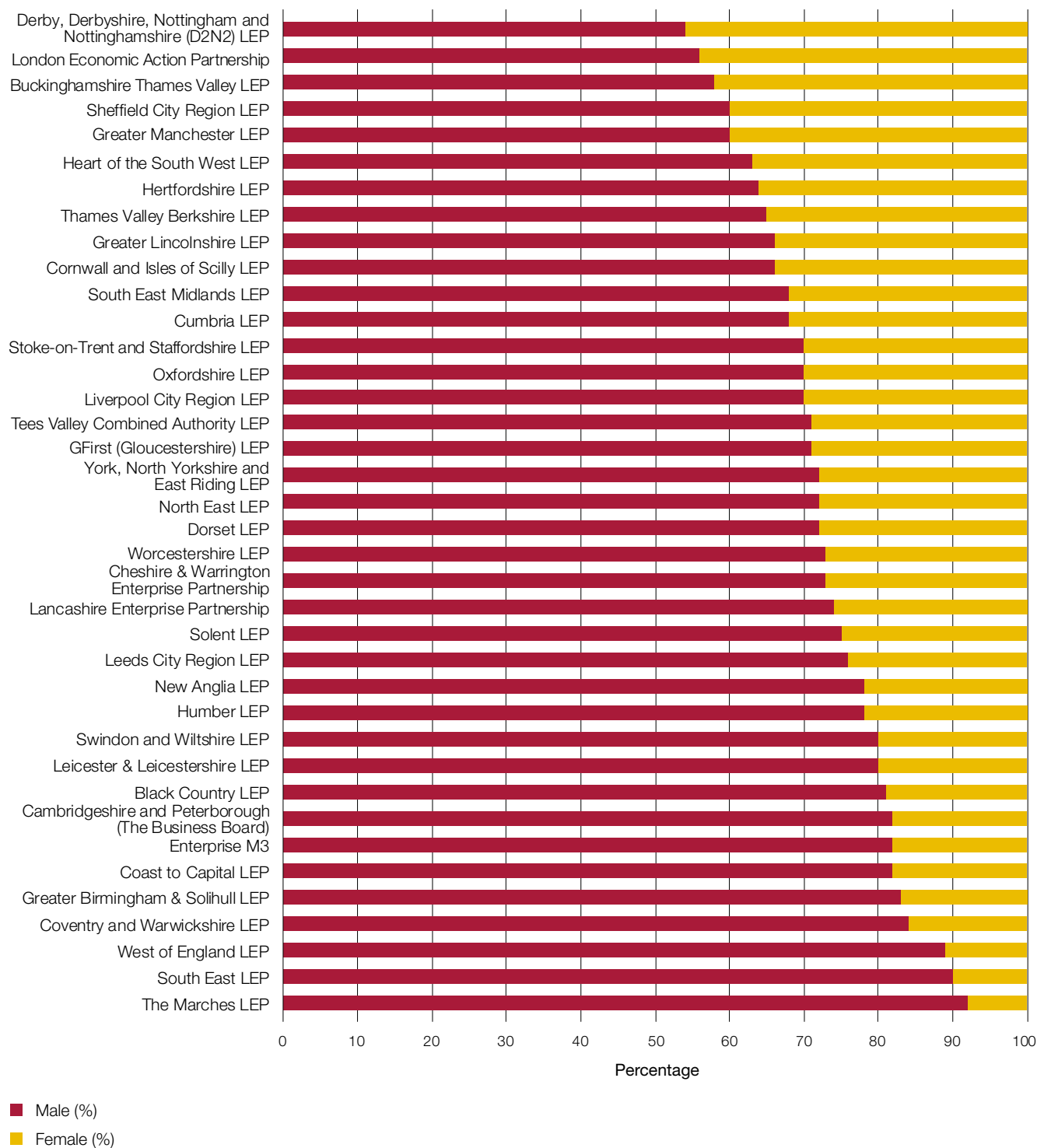
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Source: National Audit Office analysis of the Ministry of Housing, Communities & Local Government data

Figure 3

Gender representation on Local Enterprise Partnerships (LEPs) boards as of February 2019

On average, only 27% of LEP board members are female

Source: National Audit Office analysis of information published by Local Enterprise Partnerships

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