



National Audit Office

Report

by the Comptroller
and Auditor General

Department for Communities and Local Government

Investigation into the governance of Greater Cambridge Greater Peterborough Local Enterprise Partnership

What this investigation is about

1 In March 2017, Mr Stephen Barclay MP wrote to the Comptroller and Auditor General, raising concerns about the Greater Cambridge Greater Peterborough Local Enterprise Partnership (GCGP LEP).¹ Mr Barclay also shared his concerns with the Department for Communities and Local Government (the Department). These included:

- the way GCGP LEP managed conflicts of interest;
- a perceived lack of transparency about the way GCGP LEP made decisions on investment; and
- a perceived lack of clarity about GCGP LEP's relationship with local developers and lobbying groups.

2 The Department carried out an internal review in response to the concerns raised by Mr Barclay. In March 2017, it temporarily withheld funds from GCGP LEP, pending the completion of a more extensive review.

3 In this investigation we have considered the concerns raised about GCGP LEP. We have also used Mr Barclay's concerns to test and investigate the extent to which the Department can rely on the Local Enterprise Partnership National Assurance Framework (the national framework) to manage delegated government funding effectively. Our remit under the National Audit Act 1983 (as amended) does not extend to scrutinising the activities of individual Local Enterprise Partnerships (LEPs), but GCGP LEP has cooperated with this work.

4 We undertook our investigation between March and July 2017. The Summary sets out our findings; Part One sets out the background; Part Two the local assurance framework; and Part Three the governance of GCGP LEP. Our methods are set out in Appendix One.

¹ Available at: www.gcgp.co.uk/

What is a Local Enterprise Partnership?

5 LEPs are business-led partnerships between the private sector and local authorities that are established to drive economic growth in local areas. There are 38 LEPs in England. Each operates across more than one local authority, and is designed to cover a local functional economic area.² Through the Local Growth Fund, the government is committing £12 billion to local areas in England between 2015 and 2021. The government has awarded £9.1 billion of this through Growth Deals with LEPs. The remaining £2.9 billion is being awarded via separate funds.³

6 The Department relies on the national framework to assure itself that funds allocated to individual LEPs are being managed appropriately.⁴ The national framework is designed to guide local decision-making to support accountability, transparency and value for money. It sets out what the government expects LEPs to cover in their own local assurance frameworks. Its purpose is to "...ensure LEPs have in place the necessary systems and processes to manage delegated funding from central government budgets effectively".

7 We have previously assessed the effectiveness of LEPs' own assurance frameworks. Our March 2016 report, *Local Enterprise Partnerships* set out a number of concerns about the operations and accountability of LEPs. We recommended specifically that the Department:

- "tests the implementation of local assurance frameworks before confirming future funding allocations, and works with LEPs to ensure that the required standards of governance and transparency are being met."⁵

The Department put in place actions to meet our recommendations including revising the national framework in November 2016.

8 In **Figure 1** on pages 6 and 7, we set out a timeline of key events from July 2016 to November 2017.

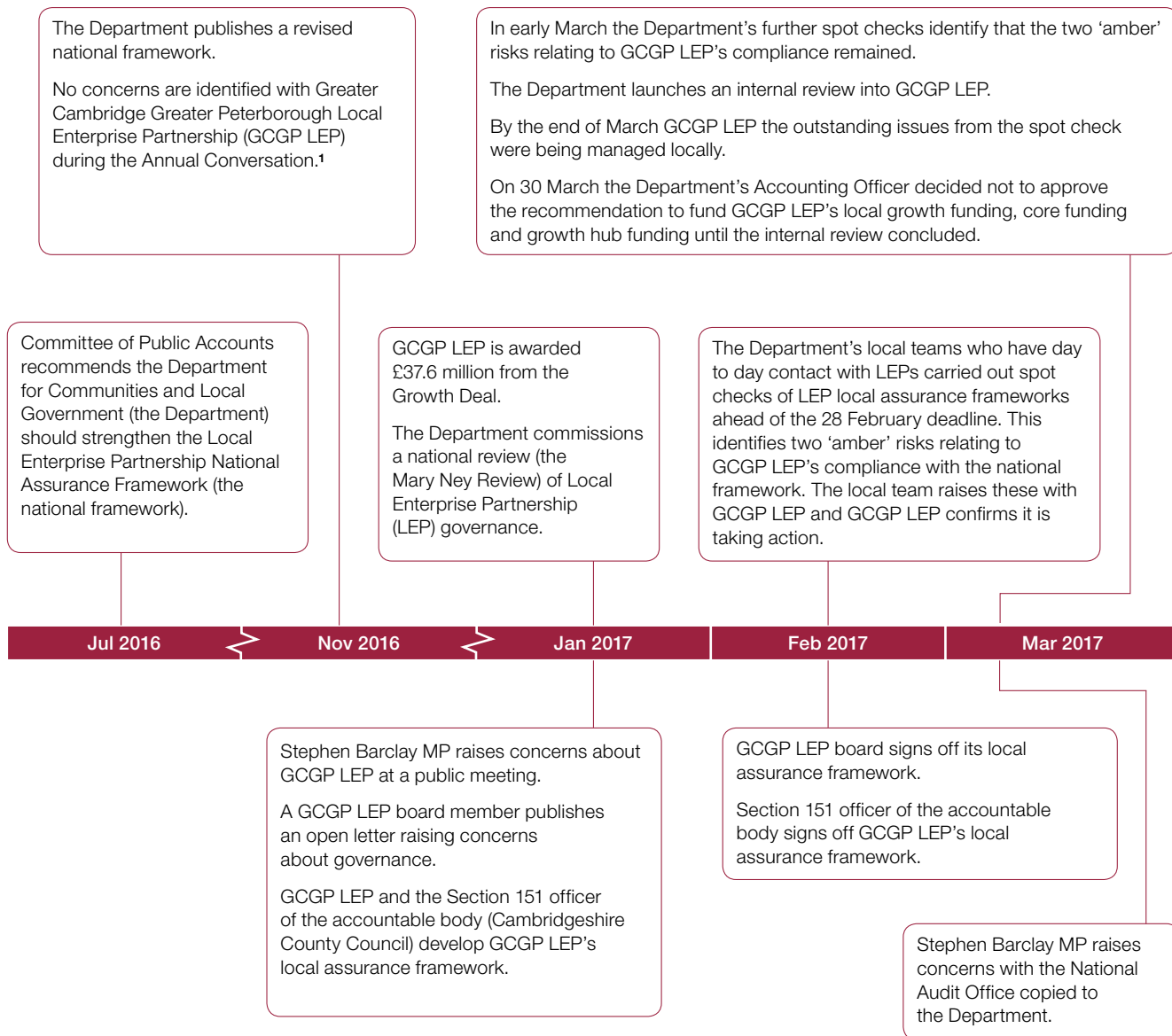
2 A functional economic area is one which covers a relatively coherent and cohesive network of trade.

3 The Local Growth Fund is a single pot of funding that draws together existing government skills, housing and transport budgets from 2015-16 onwards. Central government asked LEPs to develop multi-year strategic plans detailing funding proposals for the Local Growth Fund (and EU structural funds) covering 2015-16 to 2020-21. These plans are used as the basis for negotiating Growth Deals between central government and each LEP. The Growth Deal is the partnership between central government and each LEP that aims to achieve economic growth.

4 Department for Communities and Local Government, *Local Enterprise Partnership National Assurance Framework*, November 2016, available at: www.gov.uk/government/publications/local-enterprise-partnership-national-assurance-framework

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

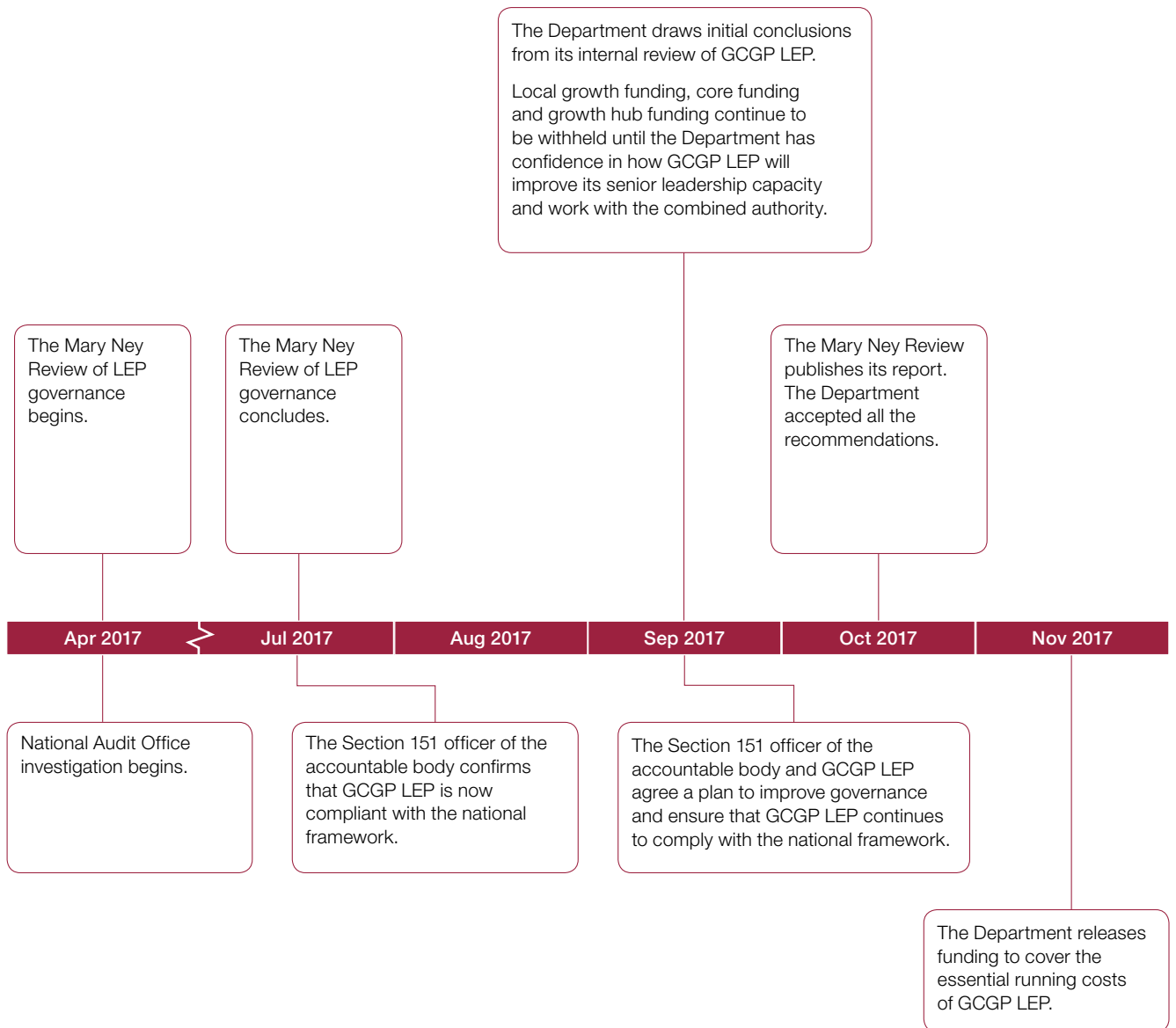
Figure 1
Timeline of key events



Note

¹ Annual Conversations are a formal discussion between government and each LEP to review performance and discuss priorities and challenges for the year ahead.

Source: National Audit Office analysis of Department for Communities and Local Government documents



Summary

Key findings

On the Local Enterprise Partnership National Assurance Framework

1 The Department for Communities and Local Government (the Department) has taken a 'light touch' approach to working with Local Enterprise Partnerships (LEPs) because its intention was to devolve funding decisions to local areas.

The Local Enterprise Partnership National Assurance Framework (the national framework) is designed to be 'light touch' and the Department relies on practices and standards designed to ensure that LEPs spend their funding with regularity and propriety and that they achieve value for money. The Department carries out spot checks of the local assurance frameworks. It relies on its local relationship managers to manage emerging risks and issues. (paragraphs 2.6 to 2.10).

2 The national framework sets out the key tasks that accountable bodies and statutory officers must carry out when certifying that LEPs have complied with the national framework. However, the framework does not set out how the accountable body and statutory officer should fulfil their roles in terms of the level of detail required. In addition, the national framework does not set out what a Section 151 officer should do if they have concerns about the way an LEP is operating, nor how they should escalate any concerns they may have. (paragraphs 2.11 to 2.17).

3 The Department does not have the same intervention powers for LEPs as it does for local government. As LEPs are private bodies, the Department's powers do not extend to them and so the government's ability to respond to failure is limited. The government's main sanction over LEPs is to put conditions on funding, or to withhold it. (paragraph 3.16).

On the governance of the Greater Cambridge Greater Peterborough Local Enterprise Partnership

4 Concerns about the governance of Greater Cambridge Greater Peterborough Local Enterprise Partnership (GCGP LEP) had been raised locally in January 2017. In early 2017, a public sector member of the GCGP LEP board raised concerns about deficiencies in GCGP LEP's local assurance framework. Mr Stephen Barclay MP also raised concerns about the management of conflicts of interest in January 2017. (paragraph 3.2).

5 In February 2017, the Section 151 officer of the accountable body (Cambridgeshire County Council) certified GCGP LEP’s local assurance framework as compliant with national requirements, without fully checking all supporting documentation. In February 2017 the GCGP LEP Executive considered the local assurance framework was compliant with the national framework and could be approved by the board. On this basis the Section 151 officer of the accountable body certified the local assurance framework as meeting the requirements of the national framework, but did so without reviewing the adequacy of all supporting documentation. Before Growth Deal funds can be released, the Section 151 officer of the relevant accountable body has to write to the Department certifying that its LEP’s local assurance framework has been agreed by the LEP board, is being implemented, and meets the standards set out in the national framework. (paragraphs 3.3 to 3.5).⁶

6 The Department carries out spot checks of LEP’s local assurance frameworks to ensure that they comply with the national framework. In early March 2017, the Department’s spot check identified that GCGP LEP had two ‘amber’ risks. The Department asked its local team, which has day-to-day contact with GCGP LEP, to work with the LEP to ensure compliance over time. (paragraphs 3.6 to 3.10).

7 In early March 2017, Mr Stephen Barclay MP wrote to the Comptroller and Auditor General, the Minister of State at the Department, and select committee chairs raising concerns about governance in GCGP LEP. Foremost among Mr Barclay’s concerns was that the chair of GCGP LEP might have benefited from investment in GCGP LEP’s area of operation. The chair is a shareholder and chairman of the board of directors of a construction company that secured a contract for constructing and designing a new facility in one of GCGP LEP’s enterprise zones. The LEP obtained independent legal advice. This concluded that there was no conflict of interest within the scope of the enquiry but the chair’s commercial interest may have been disclosable as a private interest under the Nolan Principles, which set out the ethical standards expected of public office holders. (paragraphs 3.11 to 3.13).⁷

8 The Department carried out a full internal review of GCGP LEP and found that its local assurance framework did not comply with the national framework and that it was unable to respond effectively to the concerns raised by Mr Stephen Barclay MP. Mr Barclay’s concerns were the main trigger for the Department conducting an internal review of GCGP LEP’s local assurance framework. GCGP LEP was unable to rely on its policies, procedures and records to respond to the concerns raised by Mr Barclay. The Department was also concerned about the timeliness and availability of board papers and the management of conflicts of interest. The internal review is ongoing, however, the initial findings of the review found no evidence that public funds had been misused. (paragraph 3.17).

6 GCGP LEP has been allocated three tranches of money through Growth Deals: Growth Deal One (July 2014): £71.1 million, Growth Deal Two (January 2015): £38 million, Growth Deal 2017-18 allocation (January 2017): £37.6 million, total: £146.7 million.

7 Committee on Standards in Public Life, *The principles of public life*, May 1995, available at: www.gov.uk/government/publications/the-7-principles-of-public-life

9 Following a review of Mr Barclay’s concerns and an internal review of the operations of GCGP LEP, the Department withheld funding from the LEP.

Although the Department had assessed GCGP LEP’s local assurance framework as not meeting the national framework’s requirements, the initial findings of the Department’s internal review did not find evidence that public funds had been misused, albeit that this had not been the focus of the concerns raised by Mr Stephen Barclay MP. On 30 March 2017, the Department’s Accounting Officer decided not to approve the recommendation to fund GCGP LEP’s 2017-18 Growth Deal allocation, growth hub funding nor the LEP’s core revenue funding until the internal review concluded. Before releasing the funding, the Department required GCGP LEP to demonstrate that it was improving its transparency and had developed a comprehensive conflict of interest policy. It also required GCGP LEP’s board members to demonstrate that they are complying with the roles and responsibilities set out in the national framework. Finally, the Department asked the chair to respond formally to allegations of a personal conflict of interest. (paragraph 3.17).

10 GCGP LEP have published a revised local assurance framework and conflicts of interest policy, and has updated the board members’ conflicts of interest declarations.

In April 2017, GCGP LEP published a revised conflicts of interest policy.⁸ And in May 2017, the LEP published a revised local assurance framework.⁹ To support the revised policy it delivered conflicts of interest training to directors prior to the June 2017 board meeting. The LEP has also updated and published its board member register of interests.¹⁰ The Section 151 officer of the accountable body wrote to the Department on 25 July 2017 to state that GCGP LEP was now compliant with the national framework. (paragraph 3.19).

11 The Section 151 officer of the accountable body and GCGP LEP have developed an implementation plan to ensure the LEP’s ongoing compliance with the national framework.

They are also working with the Department to ensure that the LEP continues to comply with the national framework. (paragraph 3.21).

12 The Department asked Mary Ney, one of its non-executive directors to carry out a national review of LEP governance and transparency (the Mary Ney Review).

This was to assess whether the Department’s systems provide sufficient assurance to the accounting officer and ministers. The Mary Ney Review began in April 2017 and was completed in July 2017. The Department published the review on 26 October 2017. It has accepted all the recommendations and is producing guidance to implement the recommendations. (paragraph 1.6).

8 GCGP, *Greater Cambridge Greater Peterborough LEP: Register of Interests and Conflicts of Interest Policy, April 2017*, available at: www.gcgp.co.uk/wp-content/uploads/2015/10/GCGP-LEP-Conflict-of-Interest-Policy-FINAL-For-Approval.pdf

9 GCGP, *Greater Cambridge Greater Peterborough Enterprise Partnership: Assurance Framework*, available at: www.gcgp.co.uk/wp-content/uploads/2017/05/GCGP-Assurance-Framework-May-2017.pdf

10 GCGP, *Greater Cambridge Greater Peterborough LEP: Register of Interests, July 2017*, available at: www.gcgp.co.uk/wp-content/uploads/2015/10/GCGP-LEP-Register-of-Interests-190717.pdf