



## Appendix 1 of Item 2.4

<b>CAMBRIDGESHIRE AND PETERBOROUGH COMBINED AUTHORITY BOARD</b>	<b>AGENDA ITEM No: 2.4 Appendix</b>
<b>DATE OF MEETING 20 DECEMBER 2017</b>	<b>PUBLIC REPORT</b>

### **ESTABLISHING A NEW STRONGER PUBLIC AND PRIVATE SECTOR PARTNERSHIP IN CAMBRIDGESHIRE AND PETERBOROUGH**

#### **1.0 PURPOSE**

- 1.1. The Greater Cambridgeshire and Greater Peterborough area has huge economic potential. If this potential is to be realised, a really powerful partnership needs to exist between the public and private sectors. The purpose of this paper is to consider how a series of new arrangements could strengthen the strategic leadership of the area, create a new model of local enterprise partnership and provide best value for the public purse.
- 1.2. These new arrangements will set the standard for best practice models of the future for public and private sector partnerships. At the same time, they will restore trust and confidence, including that of the wider business community, local democratic leaders and central government.
- 1.3. The current Local Enterprise Partnership Board is being asked at its Board meeting on 19th December to agree that Greater Cambridge and Greater Peterborough Enterprise Partnership Limited (the "Company"), that was established in 2010 to lead and manage the Greater Cambridge Greater Peterborough Local Enterprise Partnership (the "GCGP LEP") should be voluntarily wound up on a solvent basis with effect from 31<sup>st</sup> March 2018.
- 1.4. Should the GCGP LEP agree that proposal, this would allow for an effective transition from the current model to new arrangements. This paper sets out how the Combined Authority could work in partnership with a new LEP to deliver a new model of strategic leadership.

<b><u>DECISION REQUIRED</u></b>	
<b>Lead Member:</b>	<b>James Palmer, Mayor</b>
<b>Lead Officer:</b>	<b>Martin Whiteley, Chief Executive</b>
<b>Forward Plan Ref:</b> Not applicable	<b>Key Decision:</b> No
<p>The Combined Authority Board is recommended to:</p> <ol style="list-style-type: none"> <li>1) Note the decisions proposed to the Greater Cambridgeshire and Greater Peterborough Local Enterprise Partnership Board (GCGP LEP) regarding the future of its Company;</li> <li>2) Should the GCGP LEP accept the proposals made to it:               <ol style="list-style-type: none"> <li>a) To note that it is proposed that a new Local Enterprise Partnership will be established in the form of a Business Board;</li> <li>b) To note the future working relationship of the Combined Authority and the new Business Board, and the membership of the new Business Board;</li> <li>c) Agree that the Combined Authority shall become the Accountable Body for the Business Board from 1st April 2018.</li> </ol> </li> <li>3) Provided that the Combined Authority agrees to become the Accountable Body for the new Business Board, to note that periodic reports will be made to the Combined Authority Board from the New Year regarding the arrangements for the future working relationship between the two Boards.</li> </ol>	<p><b>Voting arrangements</b></p> <p>Simple majority of all Members</p>

## 2.0 BACKGROUND

- 2.1. In 2010, the Government set out its plans for local economic growth in the white paper, Local growth: realising every place's potential. This detailed the Government's objective of achieving "strong, sustainable and balanced growth that is more evenly shared across the country and between industries." Business-led partnerships between the private sector and local authorities

known as Local Enterprise Partnerships (LEPs) were established to steer growth strategically in local communities.

2.2. The Government intended LEPs to be strategic partnerships that are not resource-intensive to run, with delivery of growth programmes implemented through partners, supported by the private sector. The structure and form was to be decided locally. Many, including the GCGP LEP set themselves up as a company limited by guarantee, established in 2010.

2.3. The GCGP LEP has held three main specific responsibilities, these relate to:

**European Structural and Investments Funds:** This Programme matches European structural funding with national funding. Working with the Managing Authorities, GCGP LEP have been responsible for the strategy on how the money is to be spent, finding projects and match funding, and ensuring that the projects deliver their objectives.

**Local Growth Deals:** The Local Growth Deals agreed between LEPs generally and Government totalled for GCGP LEP £35m in 2017/18. The money for developing multi-year strategic economic plans then determines the level of funding that they will be allocated and what projects it must be spent on.

**Enterprise Zones:** The Enterprise Zone is hosted by the GCGP LEP, while the GCGP LEP and local authority are entitled to keep all business rates growth generated within the Enterprise Zone.

2.4. In November 2016 the Department for Communities and Local Government (DCLG) produced new guidance for LEP's (*Local Enterprise Partnership National Assurance Framework*) setting out additional practices and standards LEPs needed to introduce to provide Government and local partners with assurance that decisions over funding were proper, transparent and delivered value for money. This was to be a condition of funding future growth deals.

2.5. The guidance also dealt with the approach to be taken in Mayoral devolution deal areas where Combined Authorities and LEPs had agreed to align their funding into a single pot. Many Combined Authorities, both mayoral and non-mayoral, and LEPs began to align their strategic objectives and governance processes as a result.

2.6. During 2017 it became clear that the GCGP LEP had not fully embraced the public accountability requirements of the guidance leading to an investigation of the GCGP LEP by the National Audit Office. Consequently, the Government lost confidence in the leadership of GCGP LEP and funding for its programmes was withheld. Additionally, there is no obvious integration of its work with the Combined Authority, despite this being an agreed objective of the devolution deal, which is resulting in a fragmented approach to local delivery.

2.7. In September 2017, the Mayor of the Combined Authority wrote to the Chair of GCGP LEP making alternative proposals for the delivery of the GCGP LEP's obligations in order to restore the confidence of the Government and secure

future funding. (**Appendix 1**). This report builds upon the terms of that letter to consider the future roles of the Combined Authority and the GCGP LEP.

### **3.0 PROPOSALS MOVING FORWARD**

3.1. There has been a formal request from Government for the GCGP LEP to address:

- how it can restore public sector confidence in its activities and reassure Ministers that it can deliver against its core mission, including through changes to Board Membership, and a list of changes and actions which it will implement in the immediate and medium term;
- how the GCGP LEP will work with the new Mayoral Combined Authority for Cambridgeshire and Peterborough to ensure a shared strategy for growth and efficient ways of working, including the removal of unnecessary executive duplication;
- the sign-off on a comprehensive set of financial accounts covering the operational budget of GCGP LEP.

3.2. This report considers each of these requests and invites the Combined Authority Board to comment on its role within the future proposals.

### **4.0 RESTORING PUBLIC CONFIDENCE**

4.1. With the recent announcement of the Government's Industrial Strategy and the opportunities given in the Budget for substantial investment into our area, it is imperative that the GCGP LEP must move quickly and decisively to restore public confidence. The GCGP LEP is being asked to accept that it must undertake a fundamental rethink of its structure, membership and processes to deliver on the immediate economic opportunities available.

4.2. At its Board meeting on 19th December, certain resolutions will therefore be placed before the GCGP LEP:

- To note that Mark Reeves, the current Chair of the LEP Board, will resign with immediate effect;
- To invite the remaining members of the LEP Board to resign;
- To voluntarily wind up the Company on or before 31 March 2018; and
- To agree proposals for a new framework of partnership working prior to the Company being wound up on a solvent basis, whereby the purposes and operations of the GCGP LEP and any assets will transfer to a new Local Enterprise Partnership;
- All staff will transfer to a single staffing structure under the Combined Authority.

4.3. If the GCGP LEP Board agrees to voluntarily wind up the Company, a plan will be implemented which will ensure that all its current, contingent and future liabilities to creditors are met in full. Pinsent Masons LLP and Grant Thornton UK LLP are asked to advise on the voluntary liquidation process. Pinsent Masons LLP has provided a high-level summary of the solvent voluntary

liquidation process to the GCGP LEP Board for the purposes of its Board meeting on 19 December. A highly effective hand over of responsibilities and funding streams to a new Business Board is therefore planned. The proposals have been discussed with DCLG, and if approved will ensure that all funding streams for the area are protected, and existing projects can continue as planned.

## **A new Business Board**

- 4.4. These proposals envisage that a new Local Enterprise Partnership, to be known as the Business Board, is established with representation from the key sectors that will deliver the national and local Industrial Strategy. The Business Board will comprise a diverse, respected and powerful group focused on strategy and programmes that will make a real difference to the growth of the area.
- 4.5. The make-up of the Business Board will include senior representation from the following sectors:
  - Digital and Technology
  - Engineering and Manufacturing
  - Agriculture and Food
  - Environment and Water
  - Life Sciences and Pharma
  - Housing
  - Small and Medium Sized Enterprises
  - Education
- 4.6. It will also continue to have Public Sector representation, including local authority representatives.
- 4.7. The membership will reflect a strong private and public partnership with a distinct role as a vitally important part of the business support landscape over the wider geography of the GCGP LEP area. To reinforce that distinct role, it would therefore be incorporated as a new company limited by guarantee, with strengthened corporate governance arrangements to provide the necessary openness and transparency in accordance with DCLG requirements.
- 4.8. The purpose of the Business Board will be to deliver strategic advice to the Combined Authority. Its Chair will continue to have representation on the Combined Authority Board with prescribed voting rights. In addition, it is proposed that the vice Chair of the Business Board would be a co-opted member of the Combined Authority Board, without voting rights. This will further serve to strengthen the Board and the importance of business. The Board's views are sought on the principle of the Vice Chair being a co-opted member of the Board at this stage, and firm proposals will be brought to a future meeting (see para 5.10).
- 4.9. Reflecting the single pot funding approach, the Business Board would not take direct decisions on the funding of programmes as these will be referred to the Combined Authority Board to approve. Once approved, the implementation of

such programmes will be passed back to the Business Board for implementation.

## **5.0 WORKING WITH THE COMBINED AUTHORITY**

- 5.1. Reflecting the devolution deal agreed in June 2016, it is envisaged that the Mayor will sit as a member of the Business Board. Members of the Business Board will be expected to speak for their sector and beyond the organisation they represent. Democratic leaders from local authorities across the geography of the Local Enterprise Partnership area will sit alongside business leaders as members of the Board to create a shared agenda for delivering the industrial strategy, and determine the core growth priorities.

### **A definitive economic evidence base and strategic economic advice**

- 5.2. The independent Economic Commission that has been established under the chair of Dame Kate Barker would provide an economic evidence base and strategic economic advice for the Combined Authority area and the Local Enterprise Partnership area. This provides a single strategic framework for future economic growth and prosperity. This will strengthen the areas ability to attract further public and private sector investment into the area.

### **Accountable Body and Assurance Framework**

- 5.3. It is proposed that upon creation of the new Business Board, the Combined Authority will become the Accountable Body for all business growth funding streams from 1 April 2018. This responsibility will transfer from Cambridgeshire County Council. It provides a fundamental advantage of ensuring that all financial accountability is rested in a single place. It will improve transparency and understanding of the totality of capital available to the area, and consequently significantly enhance decision making.
- 5.4. These arrangements also enable the transition to a single Assurance Framework. This supports the revised governance arrangements set out by the Government in its Local Enterprise Partnership National Assurance Framework guidance. A single pot funding approach allows Local Growth Funding streams to remain separately identified and targeted at business growth whilst complementing the investment of consolidated, multi-year transport settlements and allocations of grant-based investment funds by the Combined Authority. The real strength of this arrangement would lie in being able to assess the totality of funding available to the area, and to ensure there is an integrated approach to investment across Cambridgeshire and Peterborough and the wider GCGP LEP area.
- 5.5. Should the Combined Authority agree to undertake the role of accountable body for the new Business Board, this will place it in a monitoring role in relation to that new Board. The responsibilities assumed by the Combined Authority are set out in Local Enterprise Partnership National Assurance Framework guidance. These can be summarised as follows:

- ensuring decisions and activities of the Local Enterprise Partnership conform with all relevant law (including State Aid and public procurement) and ensuring that records are maintained so this can be evidenced
- ensuring that the funds are used in accordance with the conditions placed on each grant;
- ensuring that the Local Enterprise Partnership's local assurance framework is adhered to;
- maintaining the official record of Local Enterprise Partnership proceedings and holding copies of all relevant Local Enterprise Partnership documents relating to Local Growth Fund and other funding sources received from Government funding;
- responsibility for the decisions of the Local Enterprise Partnership in approving projects (for example if subjected to legal challenge);
- ensuring that there are arrangements for local audit of funding allocated by Local Enterprise Partnerships at least equivalent to those in place for local authority spend.

5.6. The Combined Authority will recognise that these duties are broadly similar to those, which apply to the Combined Authority itself and can be addressed through constitutional arrangements in place within the new LEP. In order to deliver on these responsibilities, it is proposed that the Combined Authority would enter into an agreement with the LEP Board detailing how these responsibilities are to be delivered. This will be detailed in a report to a future board meeting.

### **A shared approach to Spatial Planning**

5.7. The area's Local Industrial Strategy complemented by the Combined Authority's non-statutory spatial plan will act as a framework for planning across Cambridgeshire and Peterborough.

### **A single administration**

5.8. The new arrangements provide the opportunity to create a single officer structure to support both the objectives of the Combined Authority and the new Business Board. This will be more efficient and effective, provide better value for money for the tax payer, deliver a more coherent and joined up response to businesses, and demonstrate public service reform. Proposals for the officer structure will be developed over the coming weeks and brought back to the Combined Authority Board for consideration in the New Year.

### **Local Authorities outside Cambridgeshire and Peterborough**

5.9. The geography of the current GCGP LEP has historically been determined as a functioning economic area. It has included eight Local Authorities that are not in Cambridgeshire and Peterborough. A full list of these is contained in **Appendix 2**. The position provides an opportunity to reassess the functioning economic geography and to identify the benefits of authorities working together where they share the same ambitions for growth and they are focused on the same strategic objectives. Any addition to the size and scale of the Combined

Authority area is likely to strengthen the areas ability to attract further investment.

- 5.10. It is proposed that discussion about the relationship between Authorities in the wider geography and the Combined Authority will start in the New Year. There are a number of strategic issues that need to be considered. It is intended that a paper will be brought to the Combined Authority in February 2017 that develops this position and provides recommendations on future arrangements.

## **6.0 OPERATIONAL BUDGET OF THE GCGP LEP**

- 6.1. Given the support of Government to the new proposals, all liabilities of the current LEP will be met through the voluntary solvency process with protection for current funding streams being guaranteed.
- 6.2. There are no financial implications arising to the Combined Authority from the recommendations in this report. Should the Combined Authority agree to become the Accountable Body from April 2018 an estimate of the costs for meeting the requirements of this role will be detailed in a future report to the Combined Authority. It is anticipated that all costs will be met from LEP funding.

## **7.0 INTERIM ARRANGEMENTS**

- 7.1. Should the GCGP LEP Board accept the proposals, work will need to begin to agree the proposals with Government for the new Business Board. A key element to driving forward the new Board will be the immediate appointment of a Shadow Board with an interim Chair. Given the historical corporate governance issues, an interim Chair with both private and public-sector experience is considered essential. An interim Chair will be in place for up to six months to facilitate a successful migration to the new operation. A summary of the respective board responsibilities is set out in **Appendix 3**.
- 7.2. Establishing the new arrangements will also require a short-term injection of additional resource and skills. The Chief Executive will also assess the technical skills that are required, including finance, legal and change management. A programme team will be formed in consultation with Government. It is expected that Government will release funds to support the new interim programme team.

## **8.0 FINANCIAL IMPLICATIONS**

- 8.1. These are dealt with in the report.

## **9.0 LEGAL IMPLICATIONS**

- 9.1. The legal implications are set out in this report.

## 10.0 APPENDICES

Appendix 1 – Letter from Mayor to GCGP LEP Chair

Appendix 2 – Geographical boundaries of the GCGP LEP

Appendix 3 – Decision making structure

<u>Source Documents</u>	<u>Location</u>
<i>(Local Enterprise Partnership National Assurance Framework)</i>	List location of background papers

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**CAMBRIDGESHIRE  
& PETERBOROUGH**  
COMBINED AUTHORITY

28<sup>th</sup> September 2017

Dear Mark,

**An immediate proposal for the Greater Cambridge Greater Peterborough Local Enterprise Partnership Board**

I am greatly concerned by the position the Greater Cambridgeshire Greater Peterborough Local Enterprise Partnership finds itself in. I understand that the significant growth funding that has been secured for the area is frozen and regrettably the organisation appears to have the lost confidence of local and national stakeholders.

It is clear, that GCGPLEP is no longer able to fulfil the purpose for which it was established and specifically to provide much needed help and financial support for local businesses. Furthermore, the current position is creating reputational damage and will inhibit the ability of the area as a whole to attract inward investment at a time when we face such a huge deficit in our infrastructure.

It is important that we provide leadership and act urgently and decisively to restore trust, including that of the wider business community and central Government.

My offer is to work with you to create a new model of local governance that will have at its centre a really powerful relationship between business and local democratic leadership. This will enable Cambridgeshire and Peterborough to deliver the substantial dividends it is capable of achieving.

I should like you to call an urgent, extraordinary meeting of your Board and I would expect to attend that meeting to present the proposals in this letter. These proposals envisage that the LEP Board and the Combined Authority will retain their distinct legal identity and business focus whilst acting under a single umbrella to deliver shared strategic objectives. The features of a new governance structure would include:

- **Strong Business leadership** – specifically I envisage a Business Board with representation from the key sectors that will deliver the national and local

industrial strategy. A more diverse, respected and powerful group focused on strategy and the programmes that will make a real difference to the growth of the area;

- **Democratic leaders working together with Business** – Leaders would sit alongside business leaders as part of a rejuvenated Business Board to create a shared agenda for delivering the industrial strategy, and agree the core growth priorities;
- **A definitive economic evidence base and independent economic advice** – the independent Economic Commission that we have established under the chair of Dame Kate Barker can provide an economic evidence base and strategic economic advice for the Combined Authority area and the Local Enterprise Partnership area;
- **One Assurance framework** – revised governance arrangements leading to a single pot approach to funding as outlined by Government in its Local Enterprise Partnership National Assurance Framework guidance. A single pot funding approach allows Local Growth Funding streams to remain separately identified and targeted at business growth whilst complementing the investment of consolidated, multi-year transport settlements and allocations of grant-based investment funds by the Combined Authority. The real strength of this arrangement would lie in being able to assess the totality of funding available to the area, and to ensure there is an integrated approach to investment across Cambridgeshire and Peterborough, and the wider LEP area;
- **A shared approach to spatial planning** – the area's local industrial strategy complemented by the Combined Authority's non-statutory spatial plan will act as a framework for planning across Cambridgeshire and Peterborough
- **A single administration** – shared officer structure of the Combined Authority and LEP, whilst keeping of the operational independence of the Combined Authority and LEP. This will be more efficient and effective, provide better value for money for the tax payer, deliver a more coherent and joined up response to businesses, and demonstrate public service reform.

I have considered the geographical issues, and while co-terminosity would be advantageous I do not see this as an impediment. I believe that business and democratically elected leaders will be able to operate seamlessly across boundaries.

Let me re-iterate that there is a need for us to act urgently. Democratic Leaders and I envisage a future where the Combined Authority and the Local Enterprise Partnership operate under a single umbrella, presenting ourselves to businesses and residents with shared ambition, objectives and delivery focus. We can shape and

implement a new generation of Local Enterprise Partnership that residents and businesses expect and deserve.

I am copying this letter to all members of the GCGP LEP Board, the Rt Hon Sajid Javid MP Secretary of State for Communities and Local Government, the Rt Hon Greg Clark MP Secretary of State for Business, Energy and Industrial Strategy, and the Jake Berry MP Minister for the Northern Powerhouse and Local Growth.

Yours sincerely,

**James Palmer**

Mayor

Cambridgeshire and Peterborough Combined Authority

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## Appendix 2 – Geographical boundaries of the GCGP

	<b>District</b>	<b>Areas</b>	<b>Council</b>	
	Cambridgeshire		Cambridgeshire County Council	Member of CA and GCGP LEP Board
	<a href="#">Cambridge</a>		Cambridge DC	Member of CA and Board Observer on GCGP LEP Board
	<a href="#">East Cambridgeshire</a>	Ely, Littleport and Soham	East Cambs DC	
	<a href="#">Fenland</a>	Wisbech, March Wittlesey & Chatteris	Fenland DC	
	<a href="#">Huntingdonshire</a>	Huntingdon, St Ives & St Neots	Huntingdonshire DC	Member of CA and GCGP LEP Board
	<a href="#">South Cambridgeshire</a>	Cambourne	South Cambs DC	
	<a href="#">Peterborough</a>		Peterborough City Council	Member of CA and GCGP LEP Board
	<a href="#">North Hertfordshire</a>	Royston	North Hertfordshire DC'	
	South Kesteven (Lincs)	Grantham, Stamford, Bourne and Market Deeping.	South Kesteven DC	
	<a href="#">Rutland</a>	Oakham	Rutland County Council	Member of GCGP LEP Board
	<a href="#">St Edmundsbury</a> (W Suffolk)	Bury St Edmunds and Haverhill	St Edmundsbury Borough Council	
	<a href="#">Forest Heath</a> (W Suffolk)	Newmarket & Mildenhall	Forest Heath District Council	Member of GCGP LEP Board
	<a href="#">Uttlesford</a> (Essex)	Saffron Walden, Great Dunmow, Stansted Mountfitchet and Thaxted,	Uttlesford DC	
	<a href="#">West Norfolk &amp; King's Lynn</a>	Spalding, Crowland, Donington, Holbeach, Long Sutton and Sutton Bridge	BC of Kings Lynn and West Norfolk	
	South Holland (Lincs)		South Holland DC	

### Appendix 3 – Structure – Board Responsibilities

