

LIVERPOOL CITY REGION COMBINED AUTHORITY

To: The Metro Mayor and Members of the Combined Authority

Meeting: 12 April 2019

Authority/Authorities Affected: All

EXEMPT/CONFIDENTIAL ITEM: No

REPORT OF THE METRO MAYOR STEVE ROTHERAM, PORTFOLIO HOLDER FOR POLICY RESOURCES, STRATEGY & DELIVERY

LEP REVIEW

1. PURPOSE OF REPORT

- 1.1 To describe a proposal for the better alignment of the Combined Authority (“CA”) with the Liverpool City Region (“LCR”) Local Enterprise Partnership (“LEP”) and, by consequence, the CA’s response to a 2018 ministerial review of Local Enterprise Partnerships.
- 1.2 The paper is split into three parts. Part A describes the rationale and main consequences of better alignment. Part B provides the underlying, technical detail. Part C describes the consequences and risk on the CA.
- 1.3 Leaders and Mayors may wish to read this proposal in conjunction with the submission on the same subject to the LEP Board meeting of 21 March 2019.

2. RECOMMENDATIONS

- 2.1 It is recommended that the Liverpool City Region Combined Authority:
 - (a) Approve the CA-LEP proposal for alignment
 - (b) Agree the draft LEP/CA Assurance Framework as appended to the report (Appendix 1), which includes provision for:
 - a. the LEP Board to assume the legal personality of the CA
 - b. the establishment of a growth delivery group structure with a focus on economic sectors and programmes
 - c. the reduction in public sector representation on the LEP Board
 - (c) Delegate authority to the Liverpool City Region Combined Authority’s Chief Executive to:
 - d. complete the diligence required

- e. propose necessary amendments to the CA's constitution for subsequent approval by the CA
- (d) Delegate authority to the Liverpool City Region's Metro Mayor and Chief Executive to nominate CA directors to the proposed holding and group delivery companies, noting that the holding company shall have political representation and the group delivery company shall have officer representation

3. PART A: RATIONALE AND MAIN CONSEQUENCES

3.1 National Context: LEP Review

3.2 The Liverpool City Region Local Enterprise Partnership launched in 2012 with a mandate to promote economic development in the City Region. The Combined Authority launched in 2015, elected our Metro Mayor in 2017 and has since established capacity to deliver its own mandate in economic development.

3.3 The LEP and the CA together wish to use the opportunity presented by HM Government's recent, national LEP review to consider what opportunities exist to align the roles and responsibilities of each. The objective is to improve the partnership by 1) clarifying respective roles and, where possible, 2) eliminating duplication.

3.4 A positive example of the opportunity for alignment is the recent "one front door" initiative, through which our LAs, the CA and the LEP have simplified the landscape for inward investors, raising the potential to improve LCR performance and eliminate duplication.

3.5 Current LEP Structure

3.6 To grasp the proposal below, it is helpful to recall the LEP's current structure. There are presently three parts, as follows:

1. The LEP Board meets six times a year to provide insight from LCR's business, higher education and third sector communities, and to record its opinions and decisions. Each local authority leader/mayor and the Metro Mayor is a member of the LEP Board. It also maintains seven sub-boards, one for each of the LCR's named growth sectors and an advisory council comprising LCR stakeholders. Together these act as a single body to provide an LCR "voice of business" to the CA, LAs and to central government
2. The LEP Company provides executive and secretariat functions in support of the LEP Board, seven sub-boards and advisory council. The LEP Company employs the LEP staff and is the body the LEP Board and third party organisations mandate to deliver programmes like LCR 4.0, destination marketing, LCR Activate and, now, One Front Door. The LEP Company presently receives its funding from subscriptions (see below), central government, ERDF and other competitive sources.
3. LEP Members are the 68 public, private and third sector organisations that provided approximately £0.7m in funding in 2018. Each of our LAs are LEP

Members. Each LEP members owns a share in the LEP Company by acting as a guarantor. The members also have voting rights.

3.7 Our local authorities have several roles in the LEP: LA leaders/mayor participate in the LEP Board; they therefore commission activity undertaken by the LEP Company and co-fund this activity by being LEP Members.

3.8 **Current Alignment**

3.9 The CA and the LEP Board already cooperate well, with the Metro Mayor attending the LEP Board and the LEP Board chairperson attending the CA (in a non-voting capacity). The CA provides the political voice of the City Region towards government, whilst the LEP Board provides a voice of business.

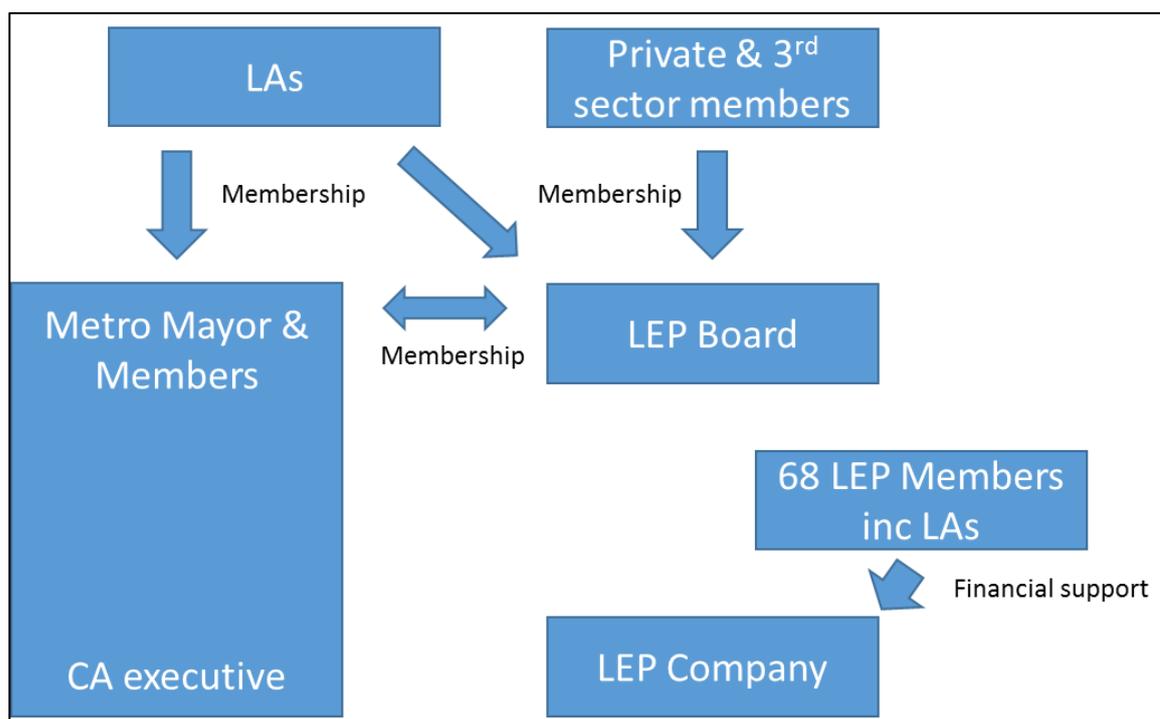
3.10 The CA and the LEP Company also cooperate well. They are co-located in Mann Island and undertake joint work, most notably in the Strategic Investment Fund, where the LEP Company plays an active role in the CA's investment panel and LEP Company sector leads contribute to project prioritisation.

3.11 As the summary table on page below shows, however, the CA executive and the LEP Company in particular continue to have areas of overlap and uncertain responsibility. Areas that could be clarified are:

CA Role	LEP Role	Commentary
Devolved policy development	Growth policy development inc. sector engagement	Risk of duplication and confusion
Investment of certain devolved funds	Investment of certain devolved funds	Risk of duplication mitigated by LEP mandating CA to invest funds on its behalf
Devolved skills and adult education delivery	Delivery of careers hub	Risk of duplication and confusion
Inward investment	Inward investment	Risk of duplication and confusion eliminated by One Front Door initiative
Delivery of CA priorities (e.g. Housing First)	Delivery of sectoral and growth programmes (e.g. LCR 4.0)	LEP Company's role as LCR delivery body needs clarification

3.12 Programme delivery is a key area. The LEP Company has frequently acted as lead partner for LCR wide economic growth initiatives like Local Growth Hub and Destination Marketing. Not all the LEP Company's business comes from the LEP Board, our local authorities or CA. It has also partnered with our universities and other third parties to provide growth related programmes like LCR Activate (for creative and digital tech) and LCR 4.0 (for SMEs in advanced manufacturing). These programmes are usually proposed by the LEP Board / sector boards and funded from subscriptions and external growth funding like ERDF and SIF. .

3.13 The diagram below summarises the current legal structure of the two organisations: each operates its own parallel but separate structure¹, linked by cross membership.



3.14 **Proposal for Further Alignment**

3.15 The CA and the LEP have developed a joint proposal for strategic alignment.

3.16 The proposal contains no changes to the LEP Board's role. It will continue to provide business and third sector **insights** to the CA and our local authorities, mainly through their participation in the board. The LEP Board, and in particular its chair, will continue also to provide a voice of LCR business to central government.

3.17 In order to comply with the national LEP review, however, the CA does propose to act as accountable body for all the LEP Board's activities (extending beyond its current role as accountable body for investing devolved funds) and to permit the LEP Board to acquire its legal personality (thus satisfying the review's requirement for LEP boards to acquire a legal personality). The LEP Board will use the CA's legal personality but continue to operate under its own constitution and therefore at a distance from the CA itself.

3.18 The proposal does seek functional, ownership and governance changes to the LEP Company. The CA will assume sole responsibility for all policy development (but will continue to seek the LEP Board's advice in its development) and will manage all devolved growth funding (with LEP Company's participation in project development and investment panel). This focuses the LEP Company's role away from policy making and onto on sectors and programmes, as follows:

- Sector managers and their teams will continue to service the LEP Board and its sub-boards (the independent secretariat function in government's language)

¹ Except in the SIF, for which the CA already acts as accountable body for the LEP.

- The LEP Company will continue to deliver programmes of activity aimed at economic growth and sector management. These programmes will fall into areas where a) the CA itself is not equipped to deliver and b) the geographical and sectoral nature of the programme make delivery by our LAs less effective. The four areas in which the LEP Company is likely to deliver programmes are: place marketing & inward investment (“One Front Door”); destination marketing & visitor economy (noting the continuation of service delivery by Marketing Liverpool); business growth (working with our local authorities’ nominated growth hubs); and employer led skills / careers. Whilst One Front Door was the priority for 2018, the CA proposes to work with our LAs and the LEP to investigate improvements to LCR’s business growth offer in 2019.

3.19 The LEP Company’s role will be non-exclusive. The CA may choose to commission the LEP Company or another body to deliver its programmes. Likewise, the LEP Company will continue to deliver programmes for third parties like our universities, as well as those identified as priorities by the LEP Board.

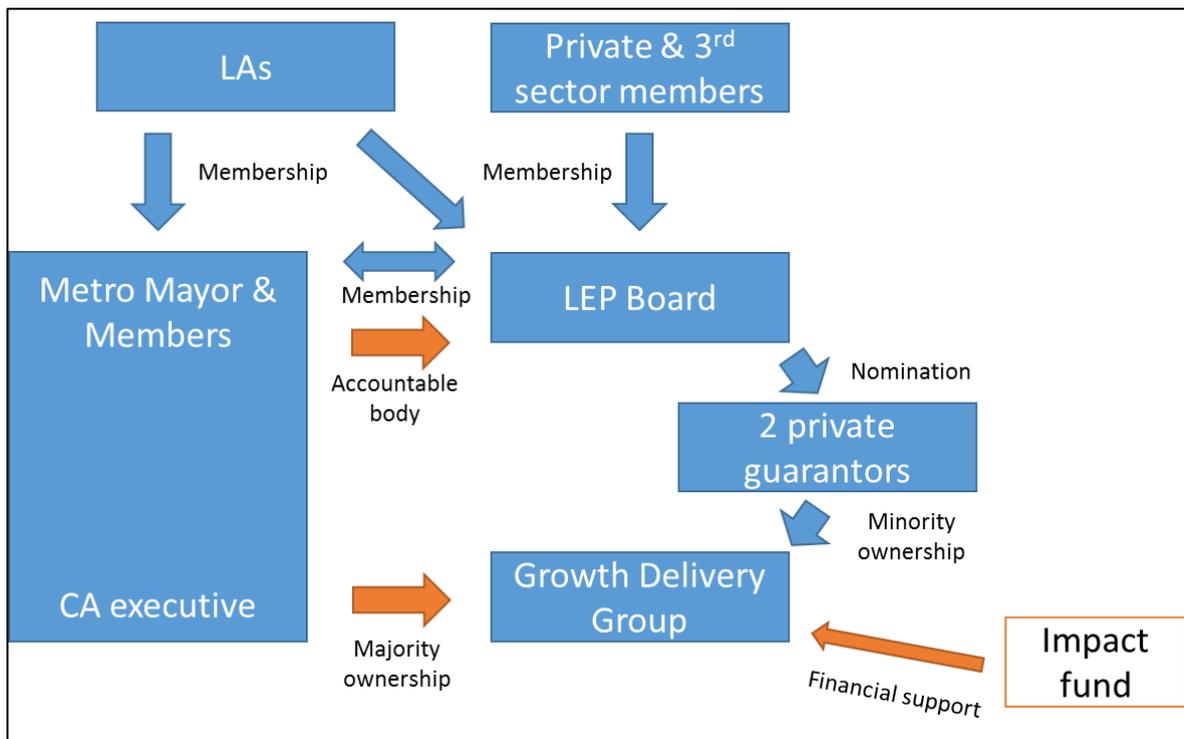
3.20 The LEP Company will become the “Growth Delivery Group”. The legal rationale for this is described below; the name is a working title only.

The graphic below summarises the realignment of roles between the two organisations:

<p>The CA’s role does not change but its alignment with the LEP improves</p>	<p>The LEP no longer develops strategy. The Board continues to provide insights to the public sector and the LEP Company focuses on sectors plus programmes in four agreed areas</p>	
<p>Metro Mayor & Members</p> <p>CA executive</p>	<p>BEFORE</p> <p>LEP Board</p> <ul style="list-style-type: none"> • Insights to CA • A voice of business 	<p>AFTER</p> <p>LEP Board</p> <ul style="list-style-type: none"> • Insights to CA • A voice of business
<p>Political voice of LCR Devolved policy & Commissioning Investment (SIF & One Front Door) Mayoral priorities & programmes Local transport executive</p>	<p>LEP Company</p> <ul style="list-style-type: none"> • LEP Secretariat • Strategy development • Sector programmes • Destination marketing • Growth Hubs & schemes • Inward investment • Careers hub • Third party commissions 	<p>LEP Company > Growth Delivery Group</p> <ul style="list-style-type: none"> • LEP Secretariat • Sector development • Delivery programmes in: <ol style="list-style-type: none"> 1. Destination marketing 2. Business Growth 3. One Front Door 4. Careers hub • Third party commissions

3.21 The CA notes that the changes represent a change in orientation: the LEP Company will go from being a company with a mixed policy and delivery brief to the Growth Delivery Group with an exclusive delivery brief. Its objective will become to deliver economic growth as effectively as it can with a focus on operational excellence. The CA considers this change critical.

- 3.22 The LEP Board wishes to be able to commission the Growth Delivery Group to undertake the above directly, without going out for procurement. This is sensible because procuring services from third parties would take longer and cost more. To commission directly, EU law requires that the Growth Delivery Group to be controlled by the commissioning party. Since the LEP Board is using the CA's legal personality, the CA itself is the commissioning party in this case. The CA must therefore obtain majority control of the Growth Delivery Group.
- 3.23 The proposal does **not** intend to make the Growth Delivery Group an extension of the CA. The Growth Delivery Group will continue to manage its funds independently, though it will raise programme funds externally and from the Strategic Investment Fund. Nothing in this proposal obliges the CA or our LAs to increase their funding to the LEP.
- 3.24 Part B of this paper contains the full legal structure proposed. The Growth Delivery Group comprises a group of four companies and is more complex than the current arrangements. The structure resulted from external legal advice and options analysis. Whilst complex, it has two main benefits: first, it allows CA members to provide strategic input and for officers to provide governance and management input; second, it provides the greatest flexibility for the Growth Delivery Group to receive direct commissions from the LEP Board and the CA, and also to bid to work for third parties.
- 3.25 Finally, note that the national LEP review requires our LEP to delink financial support from any perception of political influence. Whilst it made no suggestion of undue influence in the Liverpool City Region, the LEP will stop its membership model. It will instead raise an impact fund designed to support the Growth Delivery Group's economic growth activities but linked in no way to participation in the LEP Board or its sub-boards. The 68 current members, including our LAs, may choose to continue their support by contributing to this impact fund.
- 3.26 The graphic below summarises the legal changes proposed and can be read as a before and after comparison with the first graphic presented.



3.27 Capturing the Proposal

3.28 One requirement of the national LEP review is for mayoral combined authorities to develop a shared assurance framework with their LEP. Please see Appendix 1 for the draft Liverpool City Region assurance framework and note:

- the draft builds on the SIF assurance framework that received CA approval in December 2018; the provisions of that document are unchanged; the new text meets the requirements of government’s checklist for shared assurance frameworks; and
- the framework foresees a reduction in the number of public sector representatives to the LEP Board from seven to six at most. The change is driven by requirements of the national LEP review. Leaders and mayors will have opportunity to consider their preferred representation, and this paper seeks delegated authority to provide that consideration through the Metro Mayor. Please note that the LEP Board plans to discuss this issue at its meeting of 21 March 2019; leaders and mayors will have the opportunity to participate in discussion there.

3.29 The LEP Board will continue to operate under its own constitution. Any changes to this are a matter for the LEP Board rather than the CA alone.

3.30 The Growth Delivery Group will capture its role in its articles of association and reflect them in its annual business plan.

3.31 Commitment to Review

3.32 The CA believes the proposal represents the optimal alignment and legal structure available at this point. These are likely to evolve over time. The completion of our

Local Industrial Strategy, in approximately 12 months, will provide opportunity to review the arrangements, and the CA commits to this review.

4. PART B: TECHNICAL DETAIL

- 4.1 The Ministry of Housing, Communities and Local Government (“MHCLG”) published in 2018 a review of the operation of LEPs nationally. The review confirmed the benefits HM Government perceives LEPs to have generated since their establishment in 2010. It also aimed to ensure LEPs are ready to support delivery of the Government’s Industrial Strategy and attendant local industrial strategies.
- 4.2 In January 2019, MHCLG also published a new National Local Growth Assurance Framework that applies not only to LEPs but also Mayoral Combined Authorities with a Single Pot funding arrangement. As a consequence, the LEP and LCR CA are required to redraft their respective assurance frameworks². This document will govern the CA’s and the LEP’s relationship with central government and also with each other. It will establish the LEP’s legal status, governance, role and responsibilities and its alignment with the CA. The draft assurance framework is attached to this report for consideration.
- 4.3 The review provides LCR with an opportunity to confirm the LEP’s role and responsibilities and to update them to reflect the 2014 establishment of the CA, the 2017 election of our Metro Mayor and the 2018 increase in the CA’s operating capacity. The opportunity is therefore to agree an integration strategy, provide clarity on respective roles and, in doing so, to improve on-the-ground impact.

5. PROPOSAL FOR CA-LEP ALIGNMENT

5.1 Role and Responsibilities

5.2 The LEP Board and Growth Delivery Group will “do”:

- **Insights** – private, education and third sector input into the public sector’s economic development agenda
- **Sectors** – management and promotion of horizontal, key/high growth economic segments across LCR
- **Programmes** – delivery and commissioning of initiatives and activities aimed at increasing economic and productivity growth

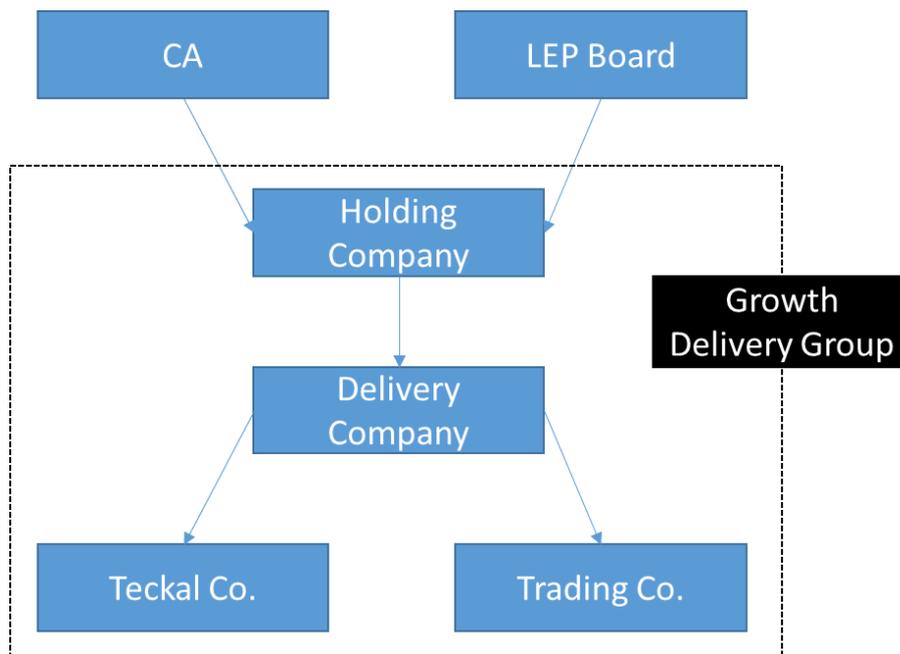
The LEP’s remit, membership and geographical reach give it competitive advantage in these areas, to be captured in the its articles of association and embedded in its annual business plan. In focusing on these, it will leave the substantive policy and investment work to the CA although it will continue to offer insight into their development. The passing of responsibility for executing investment work is already reflected in the CA’s SIF assurance framework.

² It will substantially incorporate the CA’s recent Strategic Investment Fund (“SIF”) assurance framework.

5.3 **Ownership**

- 5.4 The LEP is currently formed of two bodies: first, an unincorporated partnership, which forms the LEP Board comprising leaders and mayors, private sector representatives, education and third sector representatives. This Board has sector sub-Boards that sit below it and an advisory council that provides a sounding board of key stakeholders. Second, it has a company limited by guarantee, the LEP Company, that serves as its delivery company, hiring the staff that service the Boards and delivers the LEP's programmes.
- 5.5 The national review requires LEP Boards to acquire a legal personality. The CA proposes to meet this requirement by hosting it. This will make the LEP Board a formal part of the CA, to be reflected in the CA's constitution. However, in its LEP review, MHCLG made clear that adopting the legal personality of the CA did not lead to its loss of independence: it will have its own constitution and remain accountable for its decisions and for the funds that are awarded to it.
- 5.6 Further, MHCLG requires that LEP boards be supported by an executive secretariat independent of local government. The LEP Company, which provides this executive secretariat (i.e. delivery activities), is owned by its sixty-eight member-guarantors who are drawn from the business community and other sectors including all six constituent local authorities.
- 5.7 If the LEP Board takes the CA's legal personality and wishes to commission without procurement its secretariat activities, the CA needs to hold majority control in the secretariat company. Yet neither the CA nor the LEP Board wish for the CA wholly to own the secretariat company.
- 5.8 The CA proposes to replace the current single LEP Company structure with a group structure that enables direct commissioning and may improve the VAT position. The trade-off for these advantages are structural complexity and the CA's need to take a controlling interest in the structure. Note that this proposed structure has successful precedent and is often deployed to cover local authorities' outsourced and commercial activities.

5.9 Proposed Structure



5.10 The purpose of the entities proposed are:

- Holding Company (HoldCo) – to enable shared ownership of the LCR Group Delivery Company amongst CA guarantors and LEP Board guarantors
- Delivery Company (DelCo) – to employ staff and undertake activity; the existing LEP Company may be updated to fill this requirement
- Teckal Company – to act as contract recipient for CA commissions, enabling direct commissioning rather than procurement. Teckal refers to a landmark case in EU State aid law that now provides for companies that are controlled and perform 80% or more of their activity for a public sector host to receive direct commissions. This case law is now enacted into the Public Contract Regulations 2015
- Trading Company – to act as contract recipient for non-CA commissions, including any commercial activities the LEP may undertake

5.11 Governance

5.12 This proposal does not touch the functions and focus of the LEP Board, which operates under its own constitution is a matter for the LEP alone. The changes to the LEP Company, however, require an update to the governance of the Growth Delivery Group. Since the CA will take majority ownership in the Holding Company, which will be a company limited by guarantee, the proposal is for the CA to nominate a majority of guarantors and for the private/education/third sector to provide a minority of guarantors through election at the LEP Board. In other words, the LEP Board will be asked to nominate guarantors onto the Holding Company to represent its interests and the CA will nominate the majority of the guarantors to reflect the public nature of the re-purposed group.

5.13 The role of Holding Company is limited and its primary purpose is to appoint (and dismiss) company directors who will ensure that Delivery Company and its subsidiaries perform the functions for which they are commissioned and/or have scope to perform in non-commissioned activities. It will also seek assurance that the company structure remains compliant with Teckal requirements.

5.14 **Management and Operations**

5.15 Substantive management of the LEP’s sectors and programmes will occur at the Delivery Company level. The LEP guarantors in the Holding Company will together nominate a small number (four or five) non-executive directors with a mandate to oversee the Delivery Company. The current management team will remain in place.

5.16 **Commissioning**

5.17 The proposal allows the CA to commission the Delivery Company directly both through the LEP Board and the CA. The proposal also allows the Delivery Company to compete for work from other entities on a competitive basis. For example, it receives commissions from universities and can continue to do so by routing this work through the Trading Company rather than the Teckal Company.

5.18 **Financial Resources**

5.19 The LEP Company currently meets the cost of its operations and programmes through HM government funding, LA contributions, private subscriptions and programme based funding, often from European Structural Investment Funds and SIF. The table below shows the 2018-19 values for income and it can be seen that the resources provided for core activities are doubled from other sources.

£'000	Core LEP	Additional Delivery	Total
HMG (Depts and Agencies)	1,333.9		1,333.9
EU (ERDF and Interreg)		803.4	803.4
LA	230.0		230.0
Private subscriptions		443.0	443.0
Other (e.g. sponsorship, trading)	55.0	355.0	410.0
Total	1,618.9	1,601.4	3,220.3

5.20 Private subscriptions are no longer acceptable to MHCLG. The LEP proposes to replace these with an “impact fund” that enables the private sector to continue to support LCR activities financially but decouples this support from perceived influence on the LEP Board.

5.21 The LEP Company currently operates as a not for profit entity and manages its finances balancing its budget or using prior year reserves, and has adapted its offering to fit resource available. Nothing in this proposal will change that approach. The accounts for the company since it assumed the role of supporting the LEP

Board, in March 2012, can be found on the LEP website but the results are summarised below:

Fin. Year ending	Surplus/(Deficit) of income over expenditure	Accumulated Surpluses
31 March 2018	£(290,339)	£350,343
31 March 2017	£ (82,234)	£640,682
31 March 2016	£ 13,686	£722,916
31 March 2015	£ (41,127)	£709,230
31 March 2014	£ (25,512)	£750,357
31 March 2013	£ 38,885	£775,869

5.22 Diligence for the CA's benefit will confirm the LEP's trading position. The proposal does not create a new or increased financial liability to the CA or its constituent councils: the CA can continue to fund the LCR's delivery activities as before and the LAs may continue to provide core funding at their sole discretion. The CA will have no obligation to fund the Growth Delivery Group in the event of its financial difficulty or to fund redundancies. Nevertheless, the proposal does increase the reputational link between the CA and the LEP, such that the actions or omissions of the LEP would reflect on the CA.

5.23 Options Analysis Completed

5.24 In considering options to generate this proposal, the review team adopted a summary matrix as a guide. This considered three options: the above proposal, outsource LEP delivery functions and bring LEP delivery in-house. It tested each option's performance against the following hurdle criteria: ownership and control of the company structure; guarantors and remit (business plan approvals, reserved decisions, funding, accountability and viability); proposed scrutiny arrangements; funding and activity; LEP Board membership; and conflicts of interest; and VAT efficiency. The above proposal performed best. Please see Appendix 2 for the summary matrix.

6. DILIGENCE AND CONSEQUENCES FOR CA

6.1 Diligence

6.2 Should the CA accept the recommendations, both the CA and LEP officers will complete technical diligence on commercial liabilities, legal structure and state aid as applicable, and implications for the LEP staff. The CA will also need to identify guarantors and directors to represent its interest in the new proposal.

6.3 A further report will be submitted to the annual meeting of the CA to outline the constitutional changes necessary to allow:

- Positive engagement by the CA's scrutiny committee
- CA control over an external entity

6.4 Consequences

6.5 The proposal means that the CA will act as accountable body for the LEP Board. It already performs this role in respect of funds awarded to the LEP for investment through SIF.

6.6 It also means that the CA will gain a controlling interest in the Growth Delivery Group alongside a minority of LEP Board selected guarantor(s). Whilst no financial obligations to support the organisation follows, there is a clear reputational risk that financial, operational or probity failure at the delivery level could damage the CA's reputation. This is a necessary trade-off to achieve true alignment between the CA and the LEP, and to secure direct commissioning.

7. RESOURCE IMPLICATIONS

Financial

7.1 The proposal creates no new, recurring financial liability on the CA except for annual accounting and audit costs for consolidation of the Growth Delivery Group (though it will still have an independent external audit of its accounts as required under Companies Act 2006).

7.2 The CA will spend approx. £25k in external advice to complete diligence on the proposal.

7.3 Cost saving was not the driver for this proposal and there is no immediate potential for cost saving, the LEP Company having already optimised its middle and back office functions. The main financial advantage lies in the potential, improved efficiency of the sector and programme services, the ability to improve direct commissioning through the Teckal Company and the potential to optimise VAT arrangements.

Human Resources

- 7.4 There are no HR implications for existing CA staff. The LEP Company's staff will continue under their current terms of employment within the Delivery Company. Over time, the LEP may wish to update certain team members' job description to reflect its renewed remit and alignment with the CA.

Physical Assets

- 7.5 None.

Information Technology

None.

8. RISKS AND MITIGATION

Risk	Description & Mitigation
Failure to heed LEP review	CA fails to respond to LEP review, exposing LCR to non-compliance with central government requirements, risking sanction and reputational damage. However: <ul style="list-style-type: none">- CA and LEP are cooperating actively to complete review requirements in good faith
LEP Board act or omission implicates CA in bad practice	The LEP Board will adopt the CA's legal personality and use it as accountable body, linking the two organisations. The CA has already accepted the principal by acting as accountable body for LEP's devolved funds through SIF. <ul style="list-style-type: none">- A functional separation between LEP Board and CA remains since the LEP Board will continue to operate under its own constitution
LEP breaches shared assurance framework	Shared assurance framework is a MHCLG requirement; breach by the LEP could implicate CA with financial, reputational or legal consequences. The CA will need to understand the new framework in detail. Also: <ul style="list-style-type: none">- The shared assurance framework is a MHCLG requirement- The shared governance provisions make operational requirements clear- The LEP Board continues to work under its own constitution with sole responsibility for its actions
CA majority guarantee over Growth Delivery Group creates significant liability	Ownership implies responsibility. CA majority ownership of the Growth Delivery Group is necessary to CA to satisfy procurement objectives and VAT

	<p>savings. The CA has no intention to make the LEP a wholly integrated operation. The CA can achieve “no new financial liability now or in future” by:</p> <ul style="list-style-type: none"> - completing comprehensive due diligence with external advice before completion and - adopting a clear position that the LEP companies will continue to operate independently without explicit or implied financial support from the CA - continuing to fund LEP activities on a programme-by-programme basis <p>Note that LEP staff will receive no change in terms and conditions of employment.</p>
Growth Delivery Group is complex and commissioning without procurement relies on “Teckal” state aid route	<p>The proposed structure replaces one company with four and thereby adds complexity to the LEP-CA relationship. However:</p> <ul style="list-style-type: none"> - The structure results from external legal advice to the CA and is based on precedent for subsidiary companies in local government - The Teckal commissioning route has UK Government and European Union acceptance - The LEP Company can be adapted to form the Delivery Company which is the core entity of the new structure, i.e. it exists already - The structure can be updated at review
Democratic deficit: LEP Board gain unfair access to political process	<p>No change considered above provides greater access to public sector than the existing arrangement. Rather, the proposal removes subscriptions from the existing LEP model which are no longer acceptable to government.</p>
Proposal proves inefficient or inoperable	<p>This whole proposal can be modified in future review, to which the CA commits.</p>

9. EQUALITY AND DIVERSITY IMPLICATIONS

- 9.1 The CA does not anticipate that the actions identified in this report will have any impact on individuals with protected characteristics. Due diligence will consider this matter further if necessary.

10. COMMUNICATION ISSUES

- 10.1 The contents of this report must receive LEP Board approval to proceed. The next LEP Board is planned for 21 March 2019.

11. CONCLUSION

11.1 MHCLG's 2018 LEP review provides an opportunity and requirement to align CA-LEP roles and responsibilities, and to formalise them in a shared assurance framework. The proposal outlined provides for the LEP to renew its remit to providing insight, sector support and programme delivery in economic growth. It foresees the CA to become sole accountable body for the LEP Board and the creation of a newly formed Growth Delivery Group around the re-purposed LEP Company. This gives it a direct commissioning route for LEP programmes but requires majority ownership of the delivery arm, active participation in governance and consolidation of accounts. No additional financial liability associated with this ownership is envisaged currently or in the future.

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Appendices:

Appendix One – Draft CA/LEP Assurance Framework

Appendix Two – Summary Options Matrix

Appendix 1: Draft Assurance Framework

Please see separate document.

Appendix 2: Options Matrix

FACTOR TO CONSIDER	PROPOSED MODEL – GROUP COMPANY STRUCTURE	PROCURE ALL SERVICES REQUIRED	IN-SOURCE/IN-HOUSE
Meet Government Requirements			
<p><i>Advisory and Challenge function</i></p> <ul style="list-style-type: none"> To ensure that the LEP has a strong, independent voice in the decision making process within LCRCA's to ensure that the LEP Chair and Board are able to draw directly on appropriate support and expertise from staff 	Y	Y	N
<p><i>Accountability</i></p> <ul style="list-style-type: none"> Ensure that the LCRCA is designated as the accountable body for the LEP to handle all public money 	Y	Y	Y
<p><i>Efficiency and Corporate Identity</i></p> <ul style="list-style-type: none"> to demonstrate how the LEP and the LCRCA will work together in their approach to staffing, branding and other resource assets 	Y	Y	Y
<p><i>Overview and Scrutiny</i></p> <ul style="list-style-type: none"> How the Overview and Scrutiny Committee of the LCRCA and Councils will interact with the LEP 	Y	Y	Y
Teckal compliance	Y	Y	Y
Stability for LEP/LCRCA	Y	N	N
VAT efficiency	Y	N	Y