

Forward Plan reference number: (N/A)

Report title: SELEP Operations Update	
Report to Accountability Board	
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Date: 18 th September 2020	For: Information
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SELEP Partner Authority affected: Pan-LEP	

1. Purpose of Report

- 1.1. The purpose of this report is for the Accountability Board (the Board) to be updated on the operational activities within the Secretariat to support both this Board and the Strategic Board. The report includes details on risk management and updates on items of governance. The financial update is in a separate report.

2. Recommendations

- 2.1. The Board is asked to:
- 2.1.1. **Agree** to call-off the Bloom consultancy framework and award the ITE contract directly to Steer on a 1+1 years basis;
 - 2.1.2. **Note** the proposed updates to the Assurance Framework and the updated Assurance Framework monitoring; and
 - 2.1.3. **Note** the Risk Register at Appendix C.

3. ITE Contract Decision

- 3.1. Steer, previously known as Steer Davies Gleave, provide services to SELEP in undertaking the Independent Technical Evaluation (ITE) of project business cases submitted by local partners and makes recommendations to the Accountability Board for the award of funding. It is a requirement of the National Assurance Framework that all LEPs engage an Independent Technical Evaluator to carry out this work. This work includes the assessment of project changes, where there are changes to parameter such as project cost, scope, timescales and/or benefits.
- 3.2. An open, OJEU compliant procurement exercise was completed in 2016 and which involved officers from across local partner authorities to assess the bidders to the contract. The original contract awarded covered the period from April 2016 – March 2021. The end of the contract was due to coincide with the completion of the Local Growth Fund programme.

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- 3.3. The public health response to the COVID-19 pandemic has had a negative impact on the delivery of the Local Growth Fund programme resulting in project delays and cost increases. It is expected that a number of project changes may be submitted or projects removed from the programme entirely and new projects brought forward in their place. This will increase the resource requirements for the ITE assessment of new or revised business cases.
- 3.4. SELEP has also been allocated a £85m capital Getting Building Fund (GBF) grant from HM Government to support new projects, for spend in 2020/21 and 2021/22. This funding has the primary aim of supporting the economic recovery. This funding must be spent by the end of 2021/22 or risks being clawed back. ITE support is required through the delivery of the GBF.
- 3.5. Specifically the tasks in 2021/22 for the programme will include the assessment any project changes and/or assessment of any new projects which are included within the programme, where other existing schemes are unable to proceed.
- 3.6. Steer are familiar with the specific requirements in relation to the existing capital programme requirements.
- 3.7. The GBF is capital grant only and has no revenue provision that would fund the operational overhead with the Secretariat. There is no capacity within the current resource base to carry out a full procurement within the timelines available.
- 3.8. There is also uncertainty over future funding streams from Government. Beyond 2021/22, there is currently no capital funding allocated to SELEP by Central Government. As such, it would be very challenging to complete a tender exercise for a longer term contract when the scope of the contract cannot be closely defined.
- 3.9. Based on trends in the annual spend on the ITE contract over the last four years, the value of the contract is estimated at £100,000 p.a. but may increase or decrease depending on whether future capital funding is allocated to SELEP by Central Government between April 2021 and March 2023.
- 3.10. The options presented by the Procurement team of the Accountable Body are:
 - 3.10.1. ECC & SELEP re-procure as per the original process. This would require a tender process being completed by October 2020 in order to give SELEP and the successful supplier time to transition and commence services. The incumbent will be required to provide an exit plan by December 2020. Further time would likely to be required if the incumbent deems TUPE to be applicable. At present there is no clarity concerning funding and projects beyond 31/03/2020 so it would not be cost-effective or viable to conduct an open procurement process at this stage, which would require significant resources.

- 3.10.2. Procure through an existing consultancy framework and directly award a call-off contract for 1+1 years. Bloom services is a consultancy framework where a 3rd party manages the 'tender' process. Users have the option of conducting a mini-competition or directly awarding to a contract. In terms of direct award there needs to be an audit trail of how this option was picked, such as through the agreement of this option by the Board.. This will reduce the impact on SELEP and ECC in terms of managing the tender process and can be completed in a much shorter timescale.
- 3.11. The recommendation to the Board is for the use of the Bloom consultancy framework to issue a direct award to Steer on a 1+1 year basis, with an open procurement process to be completed in Autumn 2022.
- 3.12. It is expected that by Autumn 2022 there will be greater clarity from Central Government regarding any further funding streams. This will enable the SELEP Secretariat to complete an open procurement exercise in Autumn 2022, to align when the call-off contract with Steer (via Bloom) comes to an end in March 2023, and when there is greater certainty over the scope work to be completed under the contract.

4. Assurance Framework update

- 4.1. The SELEP Framework Agreement requires this Board to be consulted on any changes to the Assurance Framework before they are presented for approval by the Strategic Board.
- 4.2. The Assurance Framework has been updated to reflect recent changes concerning COVID-19 Recovery Funding and the new Getting Building Fund introduced by Government in response to the COVID-19 pandemic.
- 4.3. The necessary changes are:
 - 4.3.1. the addition of details regarding the new Getting Building Fund and COVID-19 Recovery Funding;
 - 4.3.2. wording has been edited to reflect a generic approach to cover all capital funding in order to future proof the document ahead of any further releases of funding; and
 - 4.3.3. the addition of information regarding the Power of Attorney granted to the CEO and COO by the SELEP Ltd
 - 4.3.4. immaterial changes to working or grammar to increase clarity or consistency
- 4.4. A more detailed table of changes can be seen below, none of the changes are a fundamental deviation from current processes:

Section	Changes
Section 2: Guide to SELEP documents and policies	Mention of the new list of exceptions to the National Assurance Framework
Section 3: Aims and Objectives	Addition of the Getting Building Fund and COVID-19 Recovery Funds in the list of current funding.
Section 4: Who we are	<p>Some changes to wording to make the statements less specific to a particular funding stream for future-proofing.</p> <p>Information added regarding the Power of Attorney granted to the CEO and COO by the SELEP Ltd.</p> <p>Correction of “Skills Advisory Group” to “Skills Working Group”.</p>
Section 5: How we work	Some changes to wording to make the statements less specific to a particular funding stream for future-proofing.
Section 6: How we make decisions	<p>The Power of Attorney has been added to the publishing requirements.</p> <p>The paragraph around conflicts (R.8.) has been clarified to include SELEP Ltd.</p>
Section 7: How we manage our programmes	<p>Some changes to wording to make the statements less specific to a particular funding stream for future-proofing or generally clearer.</p> <p>Added statement that there may be flexibility in the prioritisation process if there are significant time restraints.</p> <p>Clarified that the Investment Panel delegation can be revoked by the Strategic Board.</p> <p>Updates added to the SSF section (U.3.) to reflect new possible focuses</p>

	around leaving the EU and the pandemic. Addition of details around the COVID-19 Recovery Funds (U.4.).
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- 4.5. A tracked changes copy of the Assurance Framework can be found at Appendix A.
- 4.6. Government have provided LEPs with a list of exceptions to the National Assurance Framework in light of the COVID-19 pandemic which can be found here.
- 4.7. There have been no updates to the National Assurance Framework and there have been no indications from Government that an update is in the pipeline.

5. Assurance Framework Monitoring

- 5.1. It is the role of the Accountability Board to oversee the implementation of the requirements of the Local Assurance Framework (LAF). To receive grant funding from central Government, SELEP must have in place a LAF which demonstrates full compliance with the National Assurance Framework, published by central Government in January 2019.
- 5.2. An assessment has been made of compliance to the requirements of the current Assurance Framework. The following actions are required:

Increasing gender diversity to 50/50 by 2023	This has been indicated by Government as a target in the National Assurance Framework, further consideration of how this target can be reached will be made at the December meeting of Strategic Board.
LIS	The LIS is still awaiting detail from Government around adoptions given the current circumstances around COVID-19.
A formal agreement between SELEP Ltd and the Accountable Body for services provided	The Service Level Agreement is in development but completion has been delayed due to resourcing and prioritising during the Covid-19 Crisis. It is not anticipated that the lack of this agreement will create any issues in the operations of the LEP. The agreement is expected to be completed in quarter 3 of 2020/21.

2020/21 Delivery Plan	The Delivery Plan will be presented to the October Strategic Board meeting.
2019/20 Annual Report	The Annual Report will be presented to the October Strategic Board meeting, with the AGM taking place on the same day.

- 5.3. The Board will be updated on progress against these actions at each meeting. There are ongoing actions that involve keeping deadlines relating to publishing or maintaining up-to-date information, which will continue to be reviewed. More detail can be found at Appendix B.

6. Key Performance Indicators

- 6.1. We are tracking a number of KPIs to ensure there is compliance with the governance requirements in the Assurance Framework. Key Strategic/Accountability Board deadlines are being met and progress has been made with publishing papers for Federated Board meetings, but there is still improvement needed with some of the Federated Boards. More detail can be found at Appendix C.

7. Risk Register

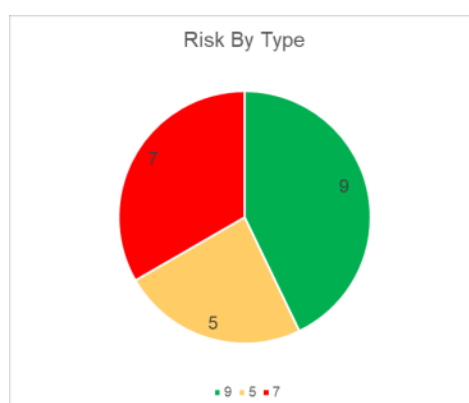
- 7.1. Since the last report to Board one risk has been removed from the register and one risk added. There has been some downgrading of risks as remote working becomes the norm and the first wave of the pandemic has passed. Should a second wave hit the UK or the region these risks could again increase but mitigations are in place as far as possible.
- 7.2. Risks related to a no—deal Brexit were downgraded last year but the position is being monitoring as the deadline for reaching a deal with the EU comes closer.
- 7.3. The risk removed associated to the final third of Local Growth Fund (LGF) grant not being received. We were successful in providing assurances to HM Government that the grant would be utilised in this year and the funding has now been released.
- 7.4. A risk has been added that the Getting Building Fund may not be delivered by 31st March 2022. Further details can be found below.
- 7.5. There are currently seven red-rated risks, details of which can be found below.
- 7.6. Risks Related to the Team/Service Delivery
- 7.6.1. **Increased workloads (RR reference 9)** Workload continues to outstrip available resources due to changes in programmes.

- 7.6.2. An additional 34 projects have been notionally added to the capital programme as part of the Getting Building Fund all of which require Accountability Board approval by the end of this calendar year. HM Government continues to provide additional funding for Growth Hubs that requires administration and monitoring but prevents these costs being recovered from the grant. Much additional effort has been needed to develop the COVID19 Recovery Funds.
- 7.6.3. To mitigate some of these pressures an additional Capital Programme Officer role has been created for a fixed term to cover the GBF projects. Strategic Board will also be requested to approve using part of the COVID19 Recovery Funds to support a further fixed term resource to oversee that programme.
- 7.7. Risks Related to Outcomes/Outputs of Programmes
 - 7.7.1. **Capital Programme Outcomes/Outputs not achieved (RR reference 19)** – the delays to projects and financial implications of the lockdown mean that some projects may not be able to complete. the worsened economic situation means that there is a significant risk that programmes will be unable to deliver the outcomes that were set out businesses cases even if they are able to complete.
 - 7.7.2. This is being closely monitored by the Capital Programme team with issues flagged as soon as possible to both Board and HMG officials.
 - 7.7.3. **Getting Building Fund delivery (RR reference 40)** – The GBF is required to be fully spent by 31 March 2022. This is a very short timeline for some quite substantial projects. Every effort is currently being made to get the 34 projects through the approval process as quickly as possible. HM Government has not provided details yet on the terms and conditions of the GBF grant. Until this is provided the Accountable Body and SELEP Ltd, we will be unable to enter into contract with any delivery organisation, this may create delays.
 - 7.7.4. There is a major reputation risk to the partnership if the fund can't be fully delivered and this may impact on future allocations of funding.
 - 7.7.5. The Capital Programme team are working closely with partners to ensure that the tight deadlines on the approvals are met. A reserve list being developed that will allow other projects to come forward if projects on the current list can't come forward in line with the timeline. Projects on the reserve list will need to be of smaller scale to be able to be delivered in the time available. It is not yet clear whether funding can be swapped to a reserve list, this will be dependent on the grant conditions and pressure is being exerted on HM Government to release this as soon as possible.
- 7.8. Risk Relating to Funding or Financial Position

- 7.8.1. **GPF Repayment (RR reference 12)** At the 17 April meeting of Strategic Board, it was agreed that a flexible approach would be taken to the changing of repayment schedules for GPF Projects that are being adversely affected by the Crisis. In addition, where the delaying of repayments should incur interest charges, these charges will be waived for a period of 12 months starting from 1 April 2020.
 - 7.8.2. Whilst the economy has now restarted to an extent there is likely to still be a significant economic impact for at least the remainder of this financial year raising the risk of default and non delivery of outputs and outcomes. The Capital Programme team are working closely with delivery organisations to identify the risks on individual projects. Information will continue to be provided to the Board on the impact of defaults on the future viability of the revolving fund.
 - 7.8.3. **Uncertainty of future capital funding (RR reference 20)** – Uncertainty surrounding the future of LEPs and funding for their activities continues. A White Paper on devolution and local recovery is due shortly that may make this clearer.
 - 7.8.4. With no future investment funding beyond the GBF identified it is unclear how the partnership will be able to deliver on strategies such as the Local Industrial Strategy or any economic recovery strategy that may be developed.
 - 7.8.5. **Future viability of the operational budget (RR reference 38)** There is now a very large risk to the operating budget in future years beyond 2021/22. A large proportion of the operational budget is supported via the interest earned on capital balances held and the cut of base rates to 0.1% at the start of the Crisis means the level of receipts will be much lower than assumed at the time of budget setting.
 - 7.8.6. Strategic Board agreed in June to the establishment of a revenue reserve to support the Operational budget in financial years 2021/22 and 2022/23.
- 7.9. Risks related to service design and reputation
- 7.9.1. **HMG Expectations (RR reference 37)** - Government has already made a number of requests of LEPs to gather information and intelligence via the Growth Hubs. The role for LEPs to play in the Recovery phase is still unclear but given the already over-extended team and reduced funding there is a reputational risk that the partnership won't be able to deliver to Government's expectations. We have been informed that the Local Industrial Strategy (LIS) policy has been put on hold and there is a risk that as we move into the Recovery phase, large amounts of the evidence base will need to be recut and reconstructed to cover a wider set of indicators and information than just productivity. Again, there is a risk to the

reputation of the partnership if we are not able to do this in line with Government's requirement.

- 7.9.2. Government may also raise local businesses expectations on what support can be offered by LEPs in both the Respond and Recovery phases, potentially damaging our reputation with our local business base if we can't deliver due to restrictions in capacity and/or capability.
- 7.9.3. This risk is best mitigated through working with the LEP Network to ensure that ministers and officials understand how LEPs can respond and the resource implications of additional asks. The team is also begin to gather intelligence on the impact of the Crisis that can be used to both add to the evidence base and to formulate and guide Government in shaping a role for LEPs in the Recovery phase and beyond.
- 7.10. In total the Management Team of the Secretariat are tracking a total of 21 risks. A breakdown in the rating of those risks can be seen below and details on the high and medium risks can be found in the Risk Register extract at Appendix C.



8. Accountable Body Comments

- 8.1. It remains a requirement for SELEP to have an assurance framework in place that complies with the requirements of the National Local Growth Assurance Framework.
- 8.2. The purpose of the Assurance Framework is to ensure that SELEP has in place the necessary systems and processes to manage delegated funding from central Government budgets effectively.
- 8.3. A requirement for the release of the Local Growth Fund (LGF) grant to SELEP for 2020/21, was that the S151 officer of the Accountable Body had to provide confirmation to the Government, by the 28th February 2020, that the SELEP has the following in place:

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- 8.3.1. the processes to ensure the proper administration of its financial affairs;
 - 8.3.2. compliance with the minimum standards as outlined in the National Assurance Framework (2016) and the Best Practice Guidance (2018); and
 - 8.3.3. whether or not SELEP was expected to be compliant with the new National Local Growth Assurance Framework (2019) by 1 April 2019.
- 8.4. This confirmation was provided to the Government, by the S151 Officer on the 28 February 2020.
- 8.5. The S151 Officer of the Accountable Body is required to ensure that their oversight of the proper administration of financial affairs within SELEP continues throughout the year.
- 8.6. In addition, the S151 Officer is required to provide an assurance statement to Government as part of the Annual Performance Review and, by 28 February each year, they are required to submit a letter to the MHCLG's Accounting Officer. This must include information about the main concerns and recommendations about the arrangements which need to be implemented in order to get the SELEP to be properly administered.
- 8.7. At present, no significant issues are arising with regards to the financial affairs of SELEP, however a number of risks to the future financial position of SELEP which are noted in this report and will be considered further as part of the budget setting process for 2021/22.

9. Financial Implications (Accountable Body comments)

- 9.1. The procurement of the Steer contract from April 2021 on a 1 + 1 year(s) basis is anticipated to cost up to £100,000 per annum, in line with the existing spend profile. It is possible that pricing may be impacted in the award of the contract through the Bloom framework, in comparison to the current contract. An assessment will be made in this respect, through the award process, to ensure that value for money can be secured.
- 9.2. As is indicated in the risks section 7.8, the future financial position for SELEP remain uncertain, with budget challenges identified from 2021/22; it is therefore, necessary to ensure that all costs are contained as far as possible, including those relating to the ITE. Future budget modelling that has been undertaken has indicated that additional ITE costs over the £100,000 per annum currently budgeted, would not likely be affordable from 2021/22 without additional revenue funding being made available.
- 9.3. Where additional resource capacity is being sought by the Secretariat to support the additional requirements in relation to the GBF and the Covid

Recovery funds, funding has been identified for these on a short term basis, up to 12 months, but this resource is not sustainable on an on-going basis without additional revenue funding being made available for this pressure as well.

- 9.4. A longer term funding risk for SELEP also remains relating to the receipt of future funding from Government and the continued confirmation of funding on an annual basis, often after the outset of the financial year; this undermines future planning and is counter-intuitive to the expectations of Government within the National Assurance Framework for planning and prioritisation of investment. This risk regarding uncertainty of future funding is now exacerbated in light of the Covid-19 Crisis and the subsequent economic impact.
- 9.5. Essex County Council, as the Accountable Body for the SELEP, is only able to meet funding commitments made by the SELEP, where it is in receipt of sufficient funding to do so and any spend is in line with the requirements of the Local Assurance Framework and any conditions associated with individual funding allocations.

10. Legal Implications (Accountable Body comments)

- 10.1. The Bloom Consultancy Framework is a framework agreement that is available for the Accountable Body to call-off contracts for the provision of ITE services. Any call-off will be in accordance with the provisions set out in the Framework and the services will be subject to the terms and conditions set out in the Framework Agreement.

11. List of Appendices

- 11.1. Appendix A – tracked-changes copy of revised Assurance Framework
- 11.2. Appendix B - LAF Implementation Plan
- 11.3. Appendix C – Governance and Transparency KPIs
- 11.4. Appendix D – Extract of Risk Register

12. List of Background Papers

- 12.1. None

(Any request for any background papers listed here should be made to the person named at the front of the report who will be able to help with any enquiries)

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Role	Date
Accountable Body sign off Peter Shakespear (On behalf of Nicole Wood, S151 Officer, Essex County Council)	10/09/20