



Department for
Business, Energy
& Industrial Strategy



Ministry of Housing,
Communities &
Local Government

**Cities and Local Growth Unit
1st Floor, Fry Building, 2 Marsham Street,
London,
SW1P 4DP**

15 March 2018

Adam Bryan
Managing Director, South East LEP
By email

Dear Adam,

I am writing to you following the deep dive of the South East Local Enterprise Partnership which took place on 7 and 8 March.

As discussed with you and your team, the findings and recommendations of the deep dive will be the subject of a report from the Government Internal Audit Agency, Ministry of Housing, Communities and Local Government and Department for Business, Energy and Industrial Strategy. We anticipate that the report will be sent to you for review and comment within the next fortnight.

However, given the Strategic Board meeting taking place on 16 March I felt it would be helpful to write to you to give an early indication of the key findings and areas for improvement that the deep dive team identified.

We are extremely grateful for the time that your officers, board members and others associated with SELEP gave to take part in the deep dive. The team were helpful, open and honest and were positive in their approach to the process.

The deep dive was a follow up to the Annual Conversation. It looked at the LEP's local assurance framework assessing compliance with the National Assurance Framework, Mary Ney recommendations and the Local Enterprise Partnership governance and transparency best practice guidance. Interviews with a variety of Board Members and staff as well as project sampling were conducted to assess implementation of the Local Assurance Framework.

The result of the deep dive is that we no longer consider SELEP's governance to be inadequate. This reflects the additional evidence you have provided as part of the deep dive process and confirms that we are satisfied you have taken many of the necessary steps to improve your governance since the Annual Conversation.

However, there are still areas that **require improvement**. Where the deep dive has highlighted additional areas for improvement, we recommend these are added to SELEP's Local Assurance Framework Implementation Plan.

The improvement areas identified through the deep dive are summarised below and more detail will be included in the upcoming report. Please note that implementing the first of those improvements – on open project calls - is a requirement of compliance with the National Assurance Framework and will be an essential action in 2018-19 in order to sustain the improved governance you have shown.

Key areas for improvement include:

- Ensuring open funding calls in all federated areas. It was noted through the deep dive that federated areas use existing networks to disseminate information and promote funding opportunities. Alongside this approach, efforts should be made to advertise funding including on local authority websites, social media and through press notices. **Once you have been able to provide us with assurance that action to address this is being taken forward, we would consider SELEP to be fully compliant with the National Assurance Framework.**
- Recruitment to Federated Boards and decisions on representation at Strategic Board level should operate to an open and transparent process. As outlined in the Annual Conversation letter, there should be a much stronger requirement than currently is in place for the Federated Boards to follow such a process, and this should be actively enforced by SELEP. We note that approval is being sought from the SELEP board on 16 March on a new approach to Federated Board recruitment.
- SELEP should take steps to satisfy themselves that any underspend at a federated level is reallocated to the most promising and best value for money projects. As outlined in the Annual Conversation letter, the 'Investment Panel' should prioritise pipeline projects to ensure that underspends are redistributed in the most effective way possible. We note that work is underway to formalise a new approach to redistributing underspend across the LEP. We await further details on this.
- We recommend that SELEP designs a formal process of induction for new board members.
- Declarations of interest of board members should be reviewed every six months, as per the Mary Ney Review recommendations
- We note positively the steps that are being taken to recruit a Governance Officer and set up a new Investment Committee. These developments should be implemented as quickly as possible.

The deep dive also identified instances of good practice. These include:

- SELEP holds all formal meetings in public, unless confidential matters are under discussion. There is also an opportunity for public questions
- SELEP engages with a broad range of stakeholders outside of its formal decision making processes. This includes working groups on matters such as Coastal Communities, rural issues and tourism.
- SELEP effectively coordinates risk registers across its local authority areas. The team ensures a good flow of information between its Strategic and Accountability Boards including highlighting key risks and RAG ratings on projects.
- The deep dive team were satisfied that the Section 151 Officer has clear line of sight on LEP decisions and is able to provide financial advice where appropriate.
- The SELEP secretariat team works hard to ensure all four federated areas are engaged in the work of the LEP. The team appeared well regarded and respected by the regional and business representatives the deep dive team interviewed.

I hope this letter is helpful in outlining both the instances of good practice and key areas for improvement that were identified through the deep dive.

The central compliance team are currently undertaking a series of spot checks on LEP websites to provide assurance that the requirements of the National Assurance Framework and the LEP best practice guidance have been implemented. Subject to the satisfactory completion of these checks, I can confirm we see no reason for withholding any upcoming payments.

The compliance team will be in contact with the full report shortly and we remain committed to working with you over the coming months to ensure that SELEP has the highest standards in place.

Thank you again for taking part constructively in the process.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'HR' or 'Hannah Rignell'.

Hannah Rignell

Deputy Director, Cities and Local Growth Unit