

Report to: Lead Member for Strategic Management and Economic Development
Date of meeting: 28 July 2020
By: Director of Communities, Economy and Transport
Title: Updated Local Growth Fund Service Level Agreement with South East Local Enterprise Partnership
Purpose: To seek approval to enter into an updated Local Growth Fund (LGF) Service Level Agreement between South East LEP Limited (SELEP Ltd.), Essex County Council (ECC), and East Sussex County Council (ESCC).

RECOMMENDATIONS: The Lead Cabinet Member is recommended to:

- 1. Approve entering into the updated Service Level Agreement with South East LEP Limited (SELEP Ltd.) and Essex County Council (ECC) as the Accountable Body for the SELEP to fund the delivery of the Local Growth Fund (LGF) programme in East Sussex;**
 - 2. Delegate authority to the Director of Communities, Economy and Transport and the Chief Finance Officer to agree the terms of, and enter into the Service Level Agreement, and to take all other necessary actions in respect of the recommendation 1 of this report.**
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1. Background Information

1.1 The South East Local Enterprise Partnership (SELEP) was established in 2011 and comprises businesses, local authorities and education leaders across East Sussex, Essex, Kent, Medway, Southend and Thurrock. One of SELEP's functions is to manage the Local Growth Fund (LGF) programme following various Growth Deals with Government in 2014, 2016 and 2017. Through these Growth Deals, East Sussex has secured over £80m LGF towards various transport and economic infrastructure projects.

1.2 On 2 June 2015 the Lead Member for Strategic Management and Economic Development delegated authority to the Director of Communities, Economy and Transport (CET) and the Chief Finance Officer to agree the terms of and enter into the original funding agreement with the South East LEP to devolve and manage the Local Growth Fund monies allocated to schemes in East Sussex; the SELEP Service Level Agreement (SLA).

1.3 In July 2018 the government published its 'Strengthened Local Enterprise Partnerships' document, referred to as the LEP Review. It included a series of recommendations and requirements for LEPs including reviewing the composition of their Board, in terms of reducing the number of board members, adjusting the public / private-sector ratio and increasing diversity, and their Legal Personality (becoming a limited company) which needed to be implemented by the end of March 2020.

1.4 This revised structure was agreed by SELEP on 6 October 2019 and approved by the East Sussex Lead Member for Strategic Management and Economic Development at his decision making meeting on 11 February 2020. Consequently, SELEP has changed its structure from an unincorporated partnership to a limited company (South East LEP Ltd) and was incorporated on 2 March 2020. In addition, a new Board of Directors has been established with 20 permanent board members and a further 5 co-opted members. East Sussex is proportionally represented with four Directors, with a further Board Director from East Sussex representing the south east Voluntary and Community Sector (VCS) as a co-opted member on the SELEP Ltd Board until April 2021. The first meeting of the Board was held on 17 April 2020 at which the new Terms of Agreements, Articles of Association and Assurance Framework Agreement were approved.

2. Supporting Information

Assurance Framework Agreement and the updated Service Level Agreement

2.1 The purpose of the LEPs Assurance Framework Agreement is to set out the systems and processes in place that are necessary to manage the delegated funding from Central Government

Budgets effectively. It is intended to provide Government and partners with the assurance that decisions over funding are proper, transparent and deliver value for money. This Assurance Framework Agreement reflects the expectations of Government as set out in the LEP Governance and Transparency Best Practice Guidance, published in January 2018 and the National Local Growth Assurance Framework published January 2019.

2.2 The Assurance Framework Agreement is supported by Service Level Agreements (SLAs) with Local County/Unitary Councils to devolve project funding and accountability. As an unincorporated partnership SELEP had not previously been party to the SLA's, with the agreements being between Essex County Council, as SELEP's Accountable Body, and each Upper Tier Local Authority, as the Local Accountable Body. However, following the incorporation of SELEP as a limited company in February 2020, the SLA's need to be updated to reflect SELEP's updated status. As a consequence, the SLA's will be tripartite between Essex County Council (as Accountable Body), SELEP Ltd. and East Sussex County Council as the Upper Tier Local Authority.

Ministry of Housing Communities and Local Government (MHCLG) LGF Review and changes to the SLA

2.3 In May 2020, MHCLG wrote to SELEP advising that Government had amended how Local Growth Fund (LGF) grant monies were to be allocated in 2020/21 and that initially only two thirds (£51.915m) of the LEPs LGF allocations for 2020/21 would be transferred. In relation to the final third, MHCLG have proposed a period of joint working and review with the LEP over the Summer 2020 on contractual commitments and likely spend over the remainder of the financial year. Subject to the outcome of the later, and Ministerial confirmation, then the remaining £25.958m of LGF funding would be released to the SELEP. Consequently, this has created increased risk to the overall SELEP LGF programme and has presented an additional layer of complexity to the way in which the SELEP funds are managed.

2.4 In June 2020, SELEP Ltd endorsed amendments to the SLAs with partner authorities under which the LGF is transferred in order for SELEP Ltd to make the strongest possible case to Government for the remaining £25.958m of LGF monies. Moreover, this will mitigate the risk this potential funding shortfall presents to project delivery across the SELEP geography.

2.5 The MHCLG letter to SELEP Ltd refers to the review of LEP's 'contractual commitments', which are generally defined by MHCLG as "the full amount of the LGF aspect of the contract – when the contract is actually signed e.g. the contract to deliver project A with company X (worth £10m) was actually signed in 2019". For SELEP to provide greater assurance to MHCLG, the SLAs have been strengthened to provide further details of the specific LGF projects for which the funding is being transferred and to demonstrate that the LGF monies, approved by the SELEP Accountability Board, have been contractually committed.

2.6 In light of the new format of these SLAs, the Agreement will need to be updated following each Accountability Board meeting where changes to the projects or changes to the LGF allocation for each project set out within the schedule are agreed. The altered provisions within the updated SLA are set out in appendix 1. A draft of the updated SLA including the East Sussex LGF project schedule (schedule 2) can be found in appendix 2.

3. Conclusion and Reasons for Recommendations

3.1 Following the incorporation of SELEP as a limited company in March 2020, there is a requirement to update the previous Service Level Agreement between Essex County Council, as the SELEP's Accountable Body, and the County Council to now also include SELEP Ltd. In addition, entering into the updated Service Level Agreement will give greater assurance to Government that the Local Growth Fund (LGF) monies approved by the LEP's Accountability Board to specific LGF projects is contractually committed. In turn, this will support the LEP's case for receipt of the final third of their LGF monies for 2020/21, and thereby enable East Sussex to continue delivering its LGF funded infrastructure projects to support the local economy.

3.2 It is recommended that the Lead Member approves entering into the updated Service Level Agreement with South East LEP Limited (SELEP Ltd) and Essex County Council (ECC) as the

Accountable Body for the SELEP to fund the delivery of the Local Growth Fund (LGF) programme in East Sussex.

3.3 It is also recommended that authority be delegated to the Director of Communities, Economy and Transport and the Chief Finance Officer to agree the terms of, and enter into the Service Level Agreement and to take all other necessary actions in respect of the recommendation 1 of this report.

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Local Members

All

BACKGROUND DOCUMENTS

None