

Combined authorities' governance relationships with Local Enterprise Partnerships

Research report commissioned by the Combined Authorities Governance Network

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About CfPS

CfPS is a national centre of expertise on governance and scrutiny. We passionately believe that better governance and scrutiny leads to more effective decision-making, reduced risk and ultimately improved outcomes. Our work spans corporate decisions impacting on the public, to how tax payers' money is spent. We focus on behaviours and culture, as well as design and delivery.

Since its launch sixteen years ago, CfPS has supported hundreds of organisations and people. through leading research, policy and practical support. With a long-track record helping local councils, we also work with a wide range of others including health bodies, housing organisations, membership organisations, government agencies, regulators and private sector businesses. We deliver large improvement programmes on behalf of the Department for Communities and Local Government (through the Local Government Association) and the NHS.

About CAGN

The Combined Authorities Governance Network is an informal grouping of senior professionals working in governance and scrutiny services within combined authorities in England. The network meets four times a year and is chaired by CfPS, which benefits from funding from the Local Government Association to support this role. In the financial year 18/19 additional funding was made available to carry out research on a range of issues likely to be of interest on combined authority governance. This paper is one of the products of this research.

Overview

Following the Ney Review, the Government carried out a LEP Review to bring about improvements to accountability and transparency arrangements.

In some areas, CAs and LEPs have essentially merged – in others, where more than one LEP overlaps across a CA's area, such mergers have not happened. This could result in tension (creative or otherwise) between two organisations with a critical shared role in supporting local industrial strategies, and economic growth in general. For governance, there are challenges around shared responsibility, about legitimacy and formality and around direction and priority.

In order to make and commit to long-term plans, CAs and LEPs need to be certain of their long-term relationship, and the ongoing nature of the LEP Review (and the uncertainty over the approach of the new Government to LEPs and LEP improvement) makes this a challenge.

Research questions

- What impact might the LEP Review, and its outcomes, have on the way that LEPs and CAs work together?
- What are the governance implications of the LEP Review for CAs in particular?
- How are issues around shared responsibility and accountability for long term economic priorities (and for local industrial strategies) dealt with in consequence?

How our findings were reached

We:

- conducted a survey of CA officers and LEP chief executives (or equivalent role). Fifteen people responded.
- Carried out telephone interviews with a selection of individuals at Monitoring Officer and Chief Executive level at CAs and LEPs. We spoke to nine people.
- Carried out further analysis based on publicly available information: in articles, meeting papers and blogs written by people in senior leadership positions in CAs and LEPs.
- Had regard to discussions at the Combined Authority Governance Network on related topics at recent meetings.

Overall communication and building relationships

For many, relationships still feel quite new. CAs and CA Mayors have been in place for a couple of years at the time of writing, but given the long term, strategic nature of CA and LEP activity it is early days. Tasks have centred on understanding shared priorities, developing local industrial strategies and building and bolstering governance arrangements over major new investments and infrastructure plans.

Generally speaking the sense is that relationships are positive. 92% of respondents to our survey either somewhat agreed or strongly agreed that there is opportunity for constructive challenge in the relationship between the executive of the combined authority and the LEP/s; 62% of respondents gave the communication between their combined authority and their LEP(s) on their local industrial strategy a rating of 10/10. Those to whom we spoke in telephone interviews echoed this view. It was noted that where relationships of trust and mutual respect had been built between LEP and CA, this was a result of hard and continued work.

Survey respondents and interviewees are by and large people close to the CA/LEP interface as members or professionals; this will inevitably have influenced these responses.

Although structures varied, all felt that the LEPs played a vital role in connecting with the business community and feeding in the business/commercial perspective and expertise to the CA. The extent to which LEPs have become “subordinate” to the CA varies from area of area – whether the LEP remains an entirely separate body, whether it is legally separate with its own governance and decision-making arrangements within the CA, or whether it is an advisory body or sub-committee of the LEP.

Those interviewed that were part of a LEP that had merged with a CA felt it was a positive move as it ensured close working between the key elements and oversight and influence in the different areas (eg. housing/transport infrastructure/business growth) that were interdependent in terms of area improvement.

It is not necessarily accurate to say that there is a “direction of travel” for LEPs in CA areas to move to this fully-merged state, or whether this is desirable (as we will note further in the section below on ‘alignment of priorities’). Where they have remained separate some interviewees noted that LEPs have a role in engaging with local businesses who might be sceptical of engaging directly with the CA.

Alignment of priorities

The diversity of needs across a wide geographical area make deciding on priorities for growth and economic development a particular challenge for LEPs and CAs. Added to this, the complication when LEP geography does not match the geography of CAs could also be seen as posing a challenge – although in practice neighbouring LEPs and their respective CAs have found practical ways to reflect this. The LEP Review’s eventual findings and recommendations on boundaries will, presumably, require that these issues are reflected on again. We have not looked at perceptions relating to the move from “functional economic areas” to LEPs to ones that more closely reflect local authority administrative boundaries; it seems clear that this will have both positive and negative effects.

This is supported by mixed results on our survey (although most respondents did say that they welcomed the review)

ANSWER CHOICES	RESPONSES	
Strongly agree	0.00%	0
Somewhat agree	25.00%	3
Neither agree nor disagree	41.67%	5
Somewhat disagree	0.00%	0
Strongly disagree	33.33%	4
TOTAL		12

Fig 1: Agreement with the statement “I welcome the LEP Review’s intention to review LEP boundaries

Over half of respondents felt that their area was likely to be subject to boundary changes in the near future.

None of those we interviewed expressed a wish for boundary changes (or a move towards co-terminous CA and LEP if that was not already the case in their area). Those from CA areas with a number of LEPs overlapping their area felt that the CA had strong relationships with each LEP and each LEP represented their area specifically and had a strong identity. In these cases, it was felt that although current arrangements were complex, they were strong and effective and to change that would result in a significant challenge.

Changes will not necessarily be automatically disruptive but they will require reappraisal and shifts of priorities, with implications for decisions and projects already in the pipeline and a consequent knock on impact on governance and decision-making. According to interviewees, the main governance risks associated with the transition between old LEP areas and new ones included unnecessary duplication of tasks amongst LEPs and loss of certain information streams

It is ironic that this is happening in a landscape where boundary review is being proposed to simplify and streamline governance and decision-making.

It is worth remembering that a clean alignment of priorities across structures should not necessarily be a consistent, positive aim. It is right that different organisations’ priorities should vary and part of the relationships within LEPs and CAs, and between LEPs and CAs, is about recognising these differences and dealing with them; it is about balance.

Evidence from telephone interviews supported the view that it was essential to find a balance between the needs and motivations of different stakeholders (eg. officers, political

leaders, businesses) and this had the potential to be challenging when considering particular plans and strategies. There is a sense that the officer leadership needed to play a key role in managing these relationships in order to find the right balance. In newer CAs the culture is evolving to reach and ensure a clear understanding of where each part of the system fits and how they can work together most effectively in the interests of the region. This does put onus on senior officers to manage complex political dynamics in a high profile environment; how and in what circumstances the roles of officers and members intersect here remains to be seen, and seems quite different in every area.

Different expectations on accountability

LEPs are making significant strides to become more accountable and transparent but national bodies (particularly the Public Accounts Committee and the National Audit Office) are challenging them to do more. The Ney Review in 2017 and the LEP Review which has followed it have intended to tackle this issue. But at its heart lies a shift in expectations of what kind of governance is appropriate for LEPs, and a knock on impact on the accountability and governance arrangements for CAs as well.

Much has been made in general reporting and commentary on LEP governance issues of the different mindset between “private” and “public” sector decision makers and it would be easy to see this as leading to LEP/CA tension. In fact, it seems that expectations vary between public bodies, and that for many private sector organisations (particularly larger ones) there is an expectation and understanding of the need for appropriate oversight and governance arrangements.

The challenge lies in identifying what “appropriate” means and where and how accountability lies. Newer systems have sought to assert accountability back to Government – associated with the management of significant centrally-provided funds. However, national structures and systems may not be able to fully account for differences in local need and approach, and the involvement of democratic CAs means that strong local accountability arrangements looks and feel more effective. For LEPs to successfully operate within this space, however, an understanding and acceptance of public sector practices and norms is needed, however.

It goes without saying that the public need to have confidence in the governance and infrastructure of LEPs and a levelling up in terms of governance and stringency of LEPs across the country, will be of benefit to all LEPs and CAs. This was a particular preoccupation for a number of interviewees.

Scrutiny arrangements

By law, combined authorities must have an overview and scrutiny committee. LEPs must select from one of a number of options for scrutiny – they can make themselves available for scrutiny by local authorities, establish their own scrutiny committee or support the development of joint arrangements – in this case, scrutiny by a scrutiny committee of the combined authority.

Respondents felt that OSCs in combined authorities were able to successfully engage and work with their respective LEPs. We will test this conclusion more widely as part of our annual survey of overview and scrutiny in local government in autumn 2019.

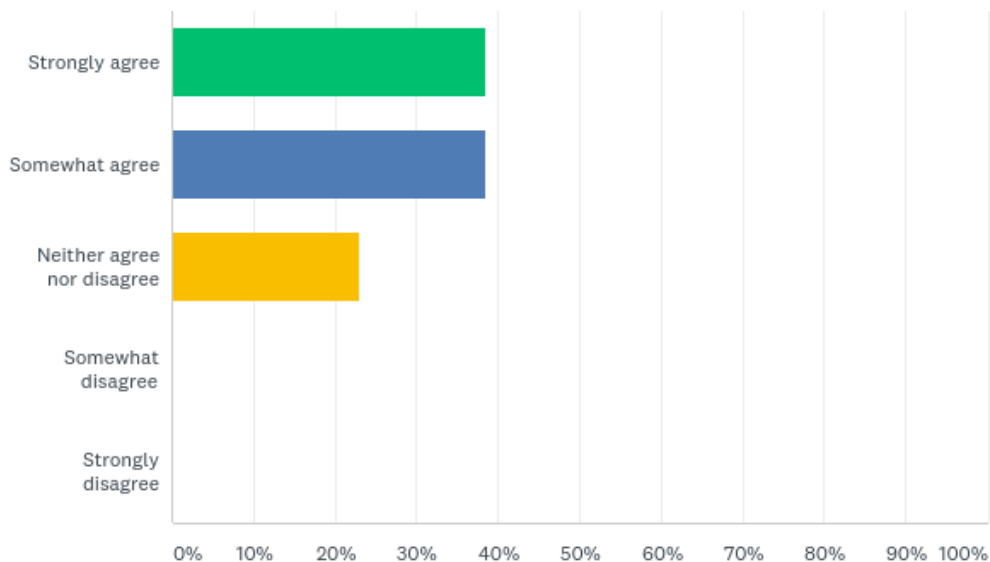


Fig 2: To what extent do you agree or disagree with the following statement: "The overview and scrutiny function in your combined authority can successfully engage and work with your LEP(s)."

There is still a tendency to see scrutiny in traditional terms; as a focus for holding to account rather than as an active mechanism for embedding better performance and improving relationships.

Conclusions

As the LEP Review and CA/LEP relationships continue to develop, the following conclusions are presented for LEPs and CAs to consider:

- Relationships are a firm footing with solid prospects for a deepening of mutual understanding around priorities, risks and so on;
- There remains significant uncertainty about the future of LEPs and of CAs which has an impact on how relationships will continue to develop;
- It is unreasonable to expect that the CA / LEP relationship will remain stable in this context; continued shifts in priorities can be expected which may make the management of project pipelines a challenge, especially for long term and multi-stage projects;
- Local oversight and accountability (rather than a reliance on national systems) may help to bolster and frame how these relationships can develop further.

We are planning to test some of these findings through ongoing discussions with the CAGN and colleagues in the LEP Network. We are also planning to see what support we can provide to LEPs as they explore opportunities and options for scrutiny particularly in light of the continuation of the LEP Review process.