

LEP Assurance Framework: Working Draft

Introduction

1. We asked all LEPs as part of their Growth Deal to sign up to working with us to develop a single assurance framework covering all Government funding flowing through LEPs, to ensure all LEPs have robust value for money processes in place. The purpose of this LEP assurance framework is to support the developing confidence in delegating funding from central budgets and programmes via a single pot mechanism to LEPs. It should be viewed in the context of the Accountability Systems Statements for both Local Government and the Local Growth Fund which provide assurance to the Public Accounts Committee for how Local Growth Funds and wider funding routed through Local Government are allocated, and that there are robust local systems in place which ensure resources are spent with regularity, propriety, and value for money.
2. It is one of 4 key related Growth Deal implementation documents which should be viewed together. The other documents are:
 - (i) the Growth Deal **grant offer letter** which will set out the degree of flexibility on offer and any limited conditions around use of that funding
 - (ii) the **monitoring and evaluation framework** which will establish a suite of monitoring metrics to support Growth Deal monitoring and reporting, and our expectations around proportionate evaluation that we would like you to implement
 - (i) **Implementation summary report** which will capture all the key implementation milestones, and actions etc for each LEPs Growth Deal.
3. This document, informed by LEPs and their accountable 151 officers sets out **what** we expect LEPs to cover in their local assurance frameworks, building on the existing Local Government system, the LTB assurance framework, and SFA support offer. We have kept it light touch, focused only on those key practices and standards which are necessary to provide Government and your local partners with assurance that decisions over funding are proper, transparent, and that they deliver value for money. LEPs will have considerable freedom to determine **how** to implement the key practices and standards articulated in this national framework through their own local assurance framework.
4. Work on developing each LEP's local assurance framework is a core element of their Growth Deal, and as such will be picked up as a key action in their implementation summary which Central Lead and Relationship Managers will be working with LEPs to agree. We expect that many LEPs will already be doing much of what is outlined already, and may want to use their existing Local Transport Board assurance frameworks as the basis for what we articulate in this document.
5. The Accountable Body, through the Section 151 Officer, will have responsibility for ensuring that a local assurance framework is in place, that it meets the standards set out in this document, and that all funding decisions are made in accordance with it.

Part 1: LEP Governance and decision making

6. LEPs have rightly established and structured themselves in very different ways, reflecting the differing needs and demands of each area, and we are not seeking to change that. We want to ensure however that for all 39 LEPs, Government and local areas are clear about how the LEP operates, and how and when decisions are taken, and by whom. We therefore ask that LEPs local assurance frameworks are clear and unambiguous about who has authority for decision making. The local assurance framework should set out:

- Who is on the LEP board, and what, if any sub boards there may be, including the employment and skills board and a description of how the LTB is being integrated within the LEP.
- A clear description of the roles and responsibilities of the various boards with a particular focus on who is responsible for what types of decisions including schemes of delegation and clarity on which body or person is responsible for final sign off on funding decisions. There should also be clear lines of reporting back to the LEP board, or in some cases the accountable section 151 officer
- A clear description of the relationship between the LEP board and the supporting local authority arrangement and where appropriate arrangements for cross LEP working
- Description of the arrangements for supporting the effective delivery and implementation of projects, including relationships with delivery bodies

Part 2: Strong supportive local authority partnership working across the LEP

7. We want to be confident that there are strong underpinning local authority partnership arrangements in place to facilitate joint decision making and collaboration on growth and economic development between all local authorities in each LEP area. It's important that local authorities across the LEP area don't just 'support' growth priorities but actively play a part in ensuring their delivery – by aligning strategic plans, through use of their powers and competencies and through pooling and aligning of local resources and efforts.
8. How LEP areas approach this will vary considerably given the differing local circumstances. However, areas should seek to develop an arrangement which enables collective engagement of local authority leaders in decision-making on growth priorities, ideally with the LEP represented, supported by strong collaboration and joint delivery at executive level.

Part 3: Transparent decision making

9. It is important that LEPs have clear arrangements in place which enable effective and meaningful engagement of local partners and the public, and have transparent practices in place which give people confidence that decisions made are proper, based on evidence and capable of being independently scrutinised.
10. We expect LEPs to take a proportionate approach to sharing and publishing information, using the prompts set out below as the basis for determine what they release. We fully expect that there will be information which is not appropriate for publication – including information that is commercially confidential, and expect LEPs to use their own discretion in determining what shouldn't be published. Our expectation however is that the public should see that the LEP is applying similar standards of transparency as other public sector organisations over decisions it makes over public funding. Within reason we would therefore expect LEPs to:
 - Have a dedicated website through which local partners and the public can keep in touch with progress on implementing the Growth Deal, access key documents etc
 - Publish their arrangements for making, and recording decisions, and for ensuring that papers, decisions, minutes, agendas etc are published in line with existing local authority rules and regulations [access to information, Schedule 12A of the LGA 1972, as amended by the FOI 2000]

- Adhere to the local government transparency code, and through their accountable local authority ensure that Freedom and Information and Environmental Information Regulation requests are dealt with in line with relevant legislation.
- Have a published conflicts of interest policy, register of interests covering any decision makers, and published complaints policy.
- Ensure that there is appropriate local engagement – both with public and private stakeholders to inform key decisions and with the general public around future LEP strategy development
- Publish arrangements for developing, prioritising, appraising and approving projects, with a view to ensuring that a wide range of delivery partners can be involved (see also Part 5 on value for money below).
- Clearly set out the LEP's priorities and mechanisms for maximising the social value of its investment funding and activities so that partners and beneficiaries can play an active role in the programme.

Part 4: Accountable decision making

- 11.** Local Growth Fund resources will be paid via a section 31 grant determination to a lead local authority (accountable body) in all cases regardless of the differing legal set ups that exist. The proper use and administration of this funding will be set out through the grant funding letter/agreement (a draft of which has been published alongside this document), this assurance framework and the wider implementation plan. It is important to note that it is the Government's expectation that accountable bodies cannot use this funding for their own purposes, or without any clear mandate from the LEP.
- 12.** The lead local authority (through their Responsible Financial Officer - the Section 151 Officer), will be accountable for the proper use and administration of funding, all of which fall under the annual audit of the local authorities accounts, and for ensuring that decisions are made in accordance with the local LGF assurance framework.
- 13.** The LEP have a vital leadership role to play, responsible for developing and maintaining the Strategic Economic Plan and determining the key funding priorities to which LGF and other resources should be directed. Democratic accountability for the decisions made by the LEP are provided through local authority leader representation, with accountability to the business community flowing through the business leaders. In places where not all local authorities are represented directly on the LEP board, it is important that their representatives have been given the mandate – through an underpinning Local Authority arrangement, such as a Joint Committee or Combined Authority or other similar arrangement, which brings all the local authorities together in the area.
- 14.** The complementary roles of both parties – the legal and financial responsibilities of the lead section 151 officer and the leadership role and democratic accountabilities of the LEP need to be supported by a set of agreed systems and practices expressed in the LEP local assurance framework. It is important that these practices/ systems support both the 151 officer role in ensuring proper, transparent decisions which deliver value for money but also support timely, informed decision making by the LEP. As part of these ways of working, we would expect the local assurance framework to set out the circumstances under which the accountable body

would not comply with a LEP decision and the process for resolving that. We would also strongly encourage LEPs to make use of independent scrutiny arrangements, either through the accountable body or via a collaborative peer challenge approach.

15. We expect the local assurance framework to:

- Confirm accountable body arrangements for the Local Growth fund and other funding sources received from Government
- Confirm that use of resources are subject to the usual local authority checks and balances – including the financial duties and rules which require councils to act prudently in spending, which are overseen and checked by the Responsible Chief Finance Officer – the 151 Officer, and to ensure transparency that annual accounts and spend over £500 is published
- Confirm the responsibilities of the accountable Local Authority and Section 151 Officer including:
 - ensuring decisions and activities of the LEP conform with legal requirements with regard to equalities, social value, environment, State Aid, procurement etc
 - ensuring (through their Section 151 Officer) that the funds are used appropriately.
 - ensuring that the local LEP assurance framework is adhered to
 - maintaining the official record of LEP proceedings and holding copies of all relevant LEP documents relating to LGF funding
 - responsibility for the decisions of the LEP in approving projects (for example if subjected to legal challenge)
 - ensuring that there are arrangements for local audit of funding allocated by LEPs at least equivalent to those in place for Local Authority spend
- Confirm that the LEP and accountable body have agreed timescales and operating practices to support the effective implementation of decisions. This should include for example a means for monitoring delivery and to provide clarity about and what information it would expect to receive from scheme promoters and delivery agents. When the LEP awards funding for a project there should be a clear written agreement between the accountable local authority and the delivery agent clearly setting out the split of responsibilities and include adequate provisions for the protection of public funds (e.g. arrangements to suspend or claw back funding in the event of non-delivery or mismanagement).

Part 5: Ensuring value for money -prioritisation, appraisal and business case development

16. Building on the arrangements which LEPs put in place for Growing Places Fund, Growth Deals, and drawing on the experience of Local Transport Boards, it is important that all LEPs have robust arrangements in place to ensure value for money and effective delivery, through strong project development, project and options appraisal, prioritisation, and business case development. There are two main aspects to this.

17. Part 5a addresses what LEPs will need to consider in deciding how to allocate their funding to projects and prioritise between proposals. Given the considerable variation in types and sizes of projects which LEPs may want to support, and acknowledging that many LEPs already have effective practices in place, our intention is not to establish any rigid ‘rules’ about the methods which LEPs must use, to prioritise between projects, but rather establish a set of guiding principles.
18. Part 5b considers the more detailed business case work we would expect a LEP to undertake once a project has been identified for funding, to ensure that the proposal is optimised and represents a value for money and realistically deliverable solution.
19. Across both of these aspects, LEPs should ensure that they have robust processes in place which ensure all funding decisions are based on impartial advice. The arrangements set out in the local accountability framework will need to ensure a clear separation between those acting as scheme promoters and those advising decision makers will be maintained, so that the LEP is acting on impartial advice on the merits of (potentially competing) business cases.

Part 5a: Options appraisal and prioritisation:

20. LEPs should have a clear and transparent basis, (published on their website) against which projects and programmes are initially identified / commissioned, appraised and prioritised. LEPs local accountability frameworks should set out:
 - The evidential basis on which the need for intervention is based and how the LEP will ensure rigour and data quality and programmes and projects are identified based on need/opportunity and clear application of best practice;
 - The methodology used to assess overall value for money of the LEP’s programme, and to produce a list of prioritised projects, ensuring that the full range of options which enable the strategic objective to be met/ problem addressed, are considered. Particular attention should be given to how different types of projects will be compared and assessed. Typically this would include consideration – at a level proportionate to the scale of funding required for the proposal – of whether:
 - there is a clear rationale for the interventions linked with the strategic objectives identified in the Strategic Economic Plan
 - the proposal has clearly defined inputs, activities, outputs and anticipated outcomes, which are additional, ensuring that factors such as displacement and deadweight have been taken into account where appropriate
 - the benefits exceed the costs of intervention
 - deliverability and risks have been appropriately considered and if there are likely to be clear mitigations for those
 - How the evidence will be used to inform decisions and how the LEP will ensure rigour and data quality.

Part 5b: Value for Money and Business Case Development for Prioritised/Funded Proposals

21. The methodology used to assess value for money and the degree of detail to which business cases are developed in support of particular projects or programmes should be proportionate to

the funding allocated and in line with established Government guidance including the [HM Treasury Green Book](#). Typically we would expect business cases to address, in a proportionate manner, the 5 cases set out in [supplementary guidance to the Green Book](#).

- 22.** We do not envisage this being a significant new burden as LEPs may for example have already adopted LTB practices for transport projects, and SFA practices for skills capital projects. [A list of the minimum requirements for different types of specific project appraisal are attached at Annex A.]
- 23.** Given their importance to achieving local growth, the Government is keen to ensure that LEPs do not focus purely on the value for money aspects of business cases but also ensure that the commercial, financial and management arrangements are appropriate for quick and effective delivery. To assist with this, Infrastructure UK have produced a checklist [insert hyperlink once available] for LEPs to consider when they review these aspects of business cases. LEPs will wish to ensure that they refer to this when considering capital infrastructure projects.
- 24.** For all projects and programmes LEPs will need to ensure that there is a named individual with overall responsibility for ensuring value for money and that named individuals (not necessarily the same person) should be responsible for scrutiny and recommendations on each business case. These responsible individuals should ideally be independent of the promoting organisation or where this is impractical, should sit outside the management unit responsible for developing and promoting the business case.

Transport schemes

As previously outlined, the funding allocated to Local Transport Bodies (LTBs) in July 2013 will now be paid to LEPs. How LEPs choose to incorporate the LTB function within the LEP structure is a matter for local discretion. We are aware that Local authorities and some LEPs are already working within the assurance framework set out for Local Transport Bodies, which will stand them in good stead, as the expectations and principles outlined in this new LEP framework are in keeping with what was articulated in the earlier LTB assurance framework. We would therefore anticipate LEPs continuing to follow the guidance on value for money previously issued by DfT.

Paragraphs 67- 79 of part 3 of the [guidance to LTBs](#) set out the minimum requirements on value for money assessment and assurance of transport projects. LEPs are expected to follow these minimum requirement for transport schemes funded through the Local Growth Fund (including through pre-allocated funding).

LEPs will wish to note that DfT's guidance to LTBs promotes the use of proportionate appraisal and that there is some significant discretion in the level of detail that is appropriate depending on the nature of the transport scheme concerned.