



Ministry of Housing,
Communities &
Local Government

Accounting Officer System Statement

November 2020

Ministry of Housing, Communities and Local Government



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November 2020

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1. Introduction

1.1. Principal Accounting Officers in government departments are accountable to Parliament for the proper stewardship of the resources allocated to their departments. Details of the requirement to ensure regularity and value for money are set out in the HM Treasury guide *Managing Public Money*. The *Accounting Officer System Statements guidance*¹ published in April 2017 sets out how central government departments should construct an Accounting Officer System Statement covering all of their relevant accountability relationships. This should include relationships with Arm's Length Bodies (ALBs) and third-party delivery partners.

1.2. The Ministry of Housing, Communities and Local Government (MHCLG) has documented and published details of local accountability systems for a number of years. The first was the Local Government Accountability System Statement published in 2012. We then published the Local Growth Fund (LGF) Accountability System Statement in 2015. The Accounting Officer System Statement was first published in July 2018.

1.3. The purpose of this Accounting Officer System Statement is to provide Parliament with a single statement setting out all of the accountability relationships and processes within MHCLG and across the system for which we are responsible.

1.4. A review of the department's governance structures and performance for 2019-20 is published in the Governance Statement within the department's 2019-20 Annual Report and Accounts. The Governance Statement covers accountability for all public money and other public resources which fall within the department's responsibilities. It outlines standard processes which apply within the department and any significant bespoke arrangements which apply.

1.5. The Accounting Officer System Statement complements the Governance Statement. The Governance Statement charts how, in my role as Principal Accounting Officer, I have carried out responsibilities to manage and control the resources used in the department over the course of the latest financial year. The Accounting Officer System Statement charts the accountability relationships in place now and for the future. It will be updated as systems change.

¹ HM Treasury: [Accounting Officer System Statements guidance](#)

2. Statement of Accounting Officer responsibilities

2.1. I am the Principal Accounting Officer for MHCLG. This system statement sets out all of the accountability relationships and processes within the department, making it clear who is accountable at all levels of the system.

2.2. As Principal Accounting Officer, I am personally responsible for safeguarding the public funds for which I have been given charge under the MHCLG Estimate and the Business Rates Retention and Non-Domestic Rates Trust Statement. Where I have appointed additional Accounting Officers, their responsibilities are also set out in this system statement.

2.3. This system statement covers the core department, its ALBs and other arm's length relationships such as local authorities and Local Enterprise Partnerships (LEPs). It describes accountability for all expenditure of public money through the department's Estimate, all public money raised as income, and the management of shareholdings, financial investments and other publicly owned assets for which I am responsible. This system statement describes the system which I apply to fulfil my responsibilities as an accounting officer in accordance with Treasury guidance set out in *Managing Public Money*, and ensure that spending is carried out with regularity, propriety and achieves value for money.

2.4. This system statement describes the accountability system which is in place at the date of this statement, and which will continue to apply until a revised statement is published.

Jeremy Pocklington

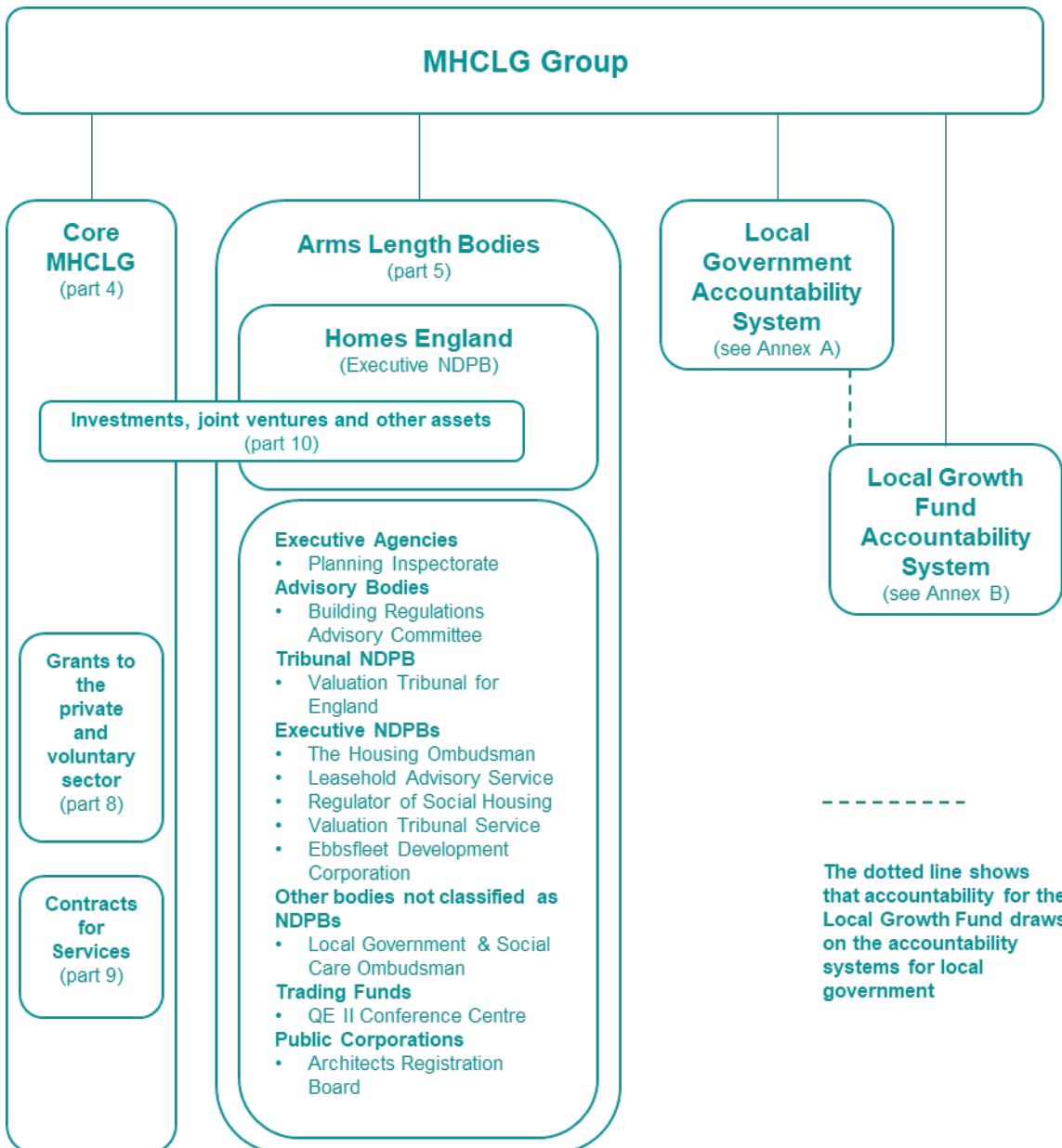
Principal Accounting Officer and Permanent Secretary

3. The accountability system

3.1. The diagram below shows how accountability flows from the department to its ALBs and delivery partners and references where in this document each part of the accountability system is described. There are three distinct accountability systems:

- funding distributed directly through MHCLG and our ALBs;
- the Local Government Accountability System; and
- the Local Growth Fund Accountability System.

3.2. The department has two finance Directors – one for spending through the core department and ALBs, and one overseeing the funding provided to local government.

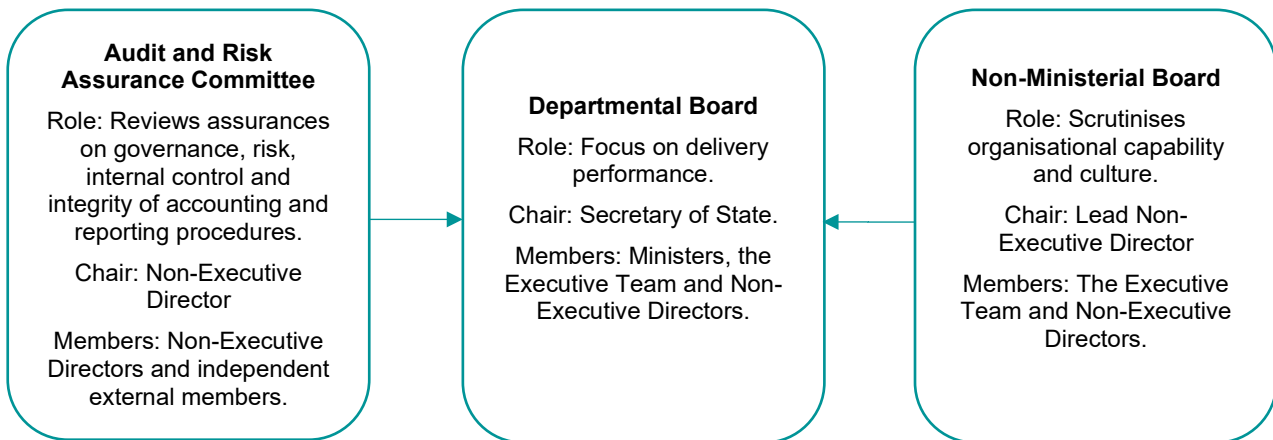


4. Responsibilities within the core department

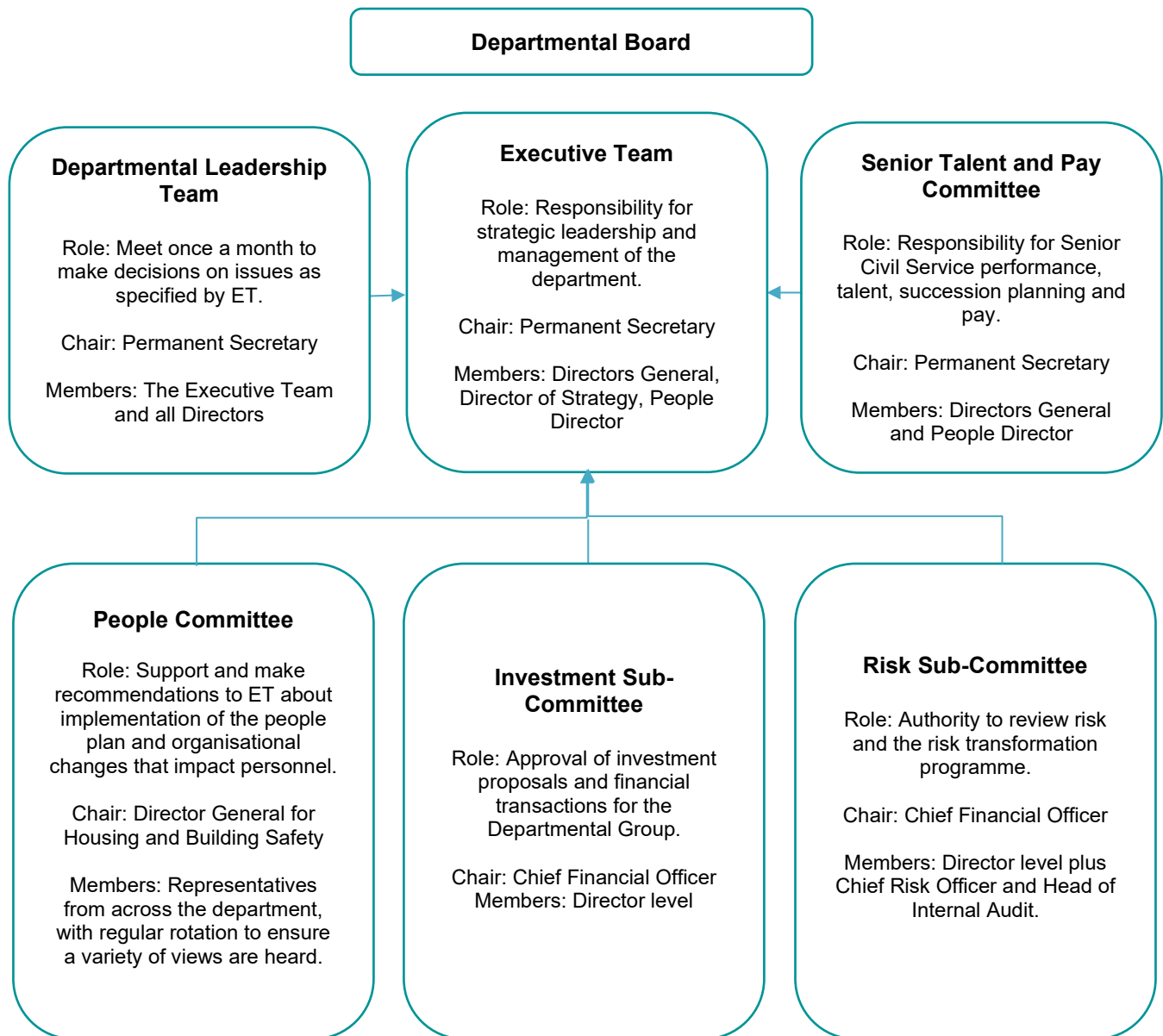
4.1. The governance framework

4.1.1. As Permanent Secretary, I am appointed by Treasury as the department's Principal Accounting Officer. I take personal responsibility for maintaining a sound system of internal control that supports the delivery of the department's policies, aims and objectives, whilst safeguarding public funds and departmental assets. The governance framework for the department has been designed to maintain the existing internal control environment whilst developing further controls as appropriate as the department's risk profile evolves. The structures are shown in the diagrams below.

Board Committees



Executive Committees



4.1.2. Alongside the Board structures set out on pages 7 and 8, Ministers and the Permanent Secretary have clearly defined responsibilities that support good governance within the departmental group through parliamentary accountability:

- The Secretary of State is responsible and answerable to Parliament for the exercise of the powers on which the administration of the department depends. He has a duty to Parliament to account and to be held to account, for the policies, decisions and actions of the group.
- The Principal Accounting Officer may be called to account in Parliament for the stewardship of the resources within the department's control and the system of accountability for funding devolved to the local level.

4.2. The financial control framework – principles

4.2.1. For each financial year, HM Treasury agrees budget control totals and issues 'Delegation Limits' to each department. This gives me, as the department's Principal Accounting Officer, standing authorisation to commit resources or incur expenditure from money voted by Parliament without specific approval from HM Treasury, within the agreed framework. This includes a delegation for expenditure on new projects, programmes, policy proposals and financial transactions. These are set out in the table below. The table also shows 'disclosure thresholds' – new projects or programmes above these limits must be disclosed to HM Treasury.

Nature of delegation		Delegated Limit	Disclosure threshold
All projects and programmes; and announcements and policy proposals within a defined lifetime	Resource	£10 million	n/a
	Capital	£30 million	£20 million
Announcements and policy proposals creating ongoing expenditure (per year)	Resource	£10 million	n/a
	Capital	£30 million	£20 million
Financial Transactions	AAA-CCC counterparty credit rating	£50 million	£20 million
	CC-D counterparty credit rating	£0 million	n/a

4.2.2. Other delegated authorities include those for write offs and impairments; claims waived or abandoned; and special payments. HM Treasury specifies those types of expenditure where delegated authority does not apply and approval should be sought (for example, any novel and contentious expenditure).

4.2.3. In my role as the Principal Accounting Officer I delegate responsibility through the department's financial delegation framework. This provides a structure for control and compliance throughout the organisation. It ensures that the roles and responsibilities of staff in relation to resources, expenditure and financial transactions are clear. Guidance on resource management and corporate governance responsibilities is refreshed annually and circulated to all senior staff alongside formal delegations. In light of the Covid-19 emergency, a light-touch review was conducted in respect of 2020-21, whereby the principles of accountabilities were rolled forward and supplemented with additional temporary measures setting out revised delegations in respect of budgetary and spending limits.

4.2.4. There are three types of financial delegation that operate within the department:

- Budgets are delegated from the Accounting Officer to the Directors General and Directors. In light of the department's response to Covid-19, temporary measures have been put in place whereby budget responsibility has been sub-delegated to Deputy Directors under exceptional circumstances. This has enabled regular departmental activity to continue without interruption whilst enabling senior staff to pivot into different roles in response to the Covid-19 emergency.
- Business case approval is required for all commitments with total costs of over £10,000 through a Finance Business Partner or the Investment Sub Committee (ISC). The ISC reviews and approves business cases greater than £2 million in value or which meet other specified non-value criteria. The ISC appraises all qualifying business cases and is a sub-committee of the Executive Team (ET). The business case may also need further clearance depending on the nature and size of spend. This is described in the table below.
- An exception to the value threshold applies to business cases requiring expenditure classified by HM Treasury as "administration"; in these cases the value threshold is £1m. Business cases for financial transactions, such as loans or guarantees, are reviewed and approved by a constitution of the ISC which includes specialist personnel, for example credit risk experts.

Total funding	Business case approval required by
CDEL: up to £2m RDEL: up to £1m	Grade 6 Finance Business Partner (or above)
CDEL: above £30m RDEL: above £10m LGDEL: above £5m whole life cost	Investment Sub-Committee (ISC) recommendation for HM Treasury approval
Between these limits	ISC or relevant professional sign-offs
Any amount that is 'novel, contentious or repercussive'	HM Treasury
Commitments beyond the current Spending Review period	HM Treasury
Expenditure for <u>8 specific areas</u> which are subject to Cabinet Office spending controls approval	Cabinet Office
Financial Transactions (FTs): <ul style="list-style-type: none"> • Up to £50m • Over £50m 	ISC HM Treasury

- Spend delegations set out who is approved to commit funds and make payments within agreed limits. This is managed within a standard framework, except when there is a business need for staff to commit higher levels (for example, authorising regular grant in aid payments).

4.2.5. These financial delegations are described in more detail in sections 4.3, 4.4 and 4.5.

4.3. Budget Delegation

4.3.1. I delegate resource and capital programme budgets, for which I am responsible as part of the Supply Estimate, to Directors General and Corporate Service Directors. Directors General sub-delegate programme budgets to Directors in their group. I delegate administration budgets to Director Generals, who may then subdelegate to Directors. The flow diagram below shows the process of programme and admin delegations.

Programme budgets



Admin budgets



4.3.2. In light of the department's continued response to the Covid-19 emergency, I have extended temporary exceptional measures to allow Directors to sub-delegate budget responsibility to a nominated Deputy Director. This is to enable regular departmental activity to continue at a time when budget holders have pivoted into new roles designed to respond to the Covid-19 pandemic. Finance Business Partners provide the necessary support and advice to the nominated deputy, with a delegation letter issued clearly setting out the roles and responsibilities that come with such budget delegation. Budgets continue to be monitored as normal, with Finance Business Partners providing appropriate challenge where necessary to the budget holder, ensuring budget control is not compromised. A central log of instances where budget has been sub-delegated is maintained and reviewed every 3 months to ensure the arrangements are still required.

4.4. Decision making for business cases

4.4.1. We have put in place a system that requires teams to prepare business cases for spending proposals, and subjects the most significant to robust scrutiny before spending is approved. This gives me assurance that investments the department makes are value for money, well-designed and any assumptions are tested.

4.4.2. The department requires a business case for all expenditure over £10,000. Business cases largely aim to follow HM Treasury's five case model. Business case approval depends on the nature and size of spend as shown in the table on page 11. The department has separate processes for decisions about financial transactions such as loans or guarantees – these are set out in part 10.

4.4.3. Each business case should be:

- Signed off by the Director to demonstrate that funding can be used from within their delegated budget; and,
- Approved by a second line of assurance before any expenditure can take place as

per the table on page 11.

4.4.4. The ISC membership consists of;

- Chief Financial Officer (Chair);
- Finance Director (Vice-Chair);
- Director of Local Government Finance;
- Director for Analysis & Data;
- Director of Legal;
- Commercial Director;
- Chief Risk Officer
- Digital Director;
- Chief Scientific Adviser; and
- Independent Policy Directors (any Director or Deputy Director can fulfil this role);

Attendees consist of;

- key members of the Policy team presenting the case; and
- the Finance Business Partner who has been advising Policy on the case

4.5. Spend delegations

4.5.1. Once the decision to spend has been made, officials in the department can commit funds and make payments within agreed limits. Spend delegations set out who is approved to carry out these processes.

4.5.2. Spend delegation are issued in line with a standard framework across the department, as per the table below. They are reviewed annually and adjusted in line with changing business need.

Grade	Maximum limit per transaction
Accounting Officer	Any amount
Director General	Any amount up to and within their delegated budget
Director	Any amount up to and within their delegated budget

Deputy Director	£5m CDEL £1m RDEL
Grade 6	£500,000 CDEL £250,000 RDEL
Grade 7	£100,000 CDEL £50,000 RDEL

4.5.3. The potential risks of financial mismanagement are mitigated by MHCLG's financial control framework. The framework provides robust assurance and protection by segregating the steps and responsibilities for delegating budgets, committing funds and making payments. This ensures that individuals and teams are deprived the breadth of authority to unilaterally commit payments or carry out fraudulent activity.

4.5.4. The standard spend delegations apply to grants and contracts. These do not apply to payments for goods and services through the 'Purchase to Pay' (P2P) system, which has its own integrated controls. They also do not apply to special payments set out in the table below which lists the category of special payments and the limit delegated to the Accounting Officer by HM Treasury.

Description	Delegated Limit
Extra-contractual payments involving departmental default and made on appropriate legal or other professional advice	£250,000
Ex Gratia payments to contractors outside binding contracts, including those to meet hardship caused by official delay or inadequacy; out of court settlements to avoid legal action on grounds of official inadequacy; payments made to meet hardship caused by official failure or delay	£250,000
Other Ex-gratia payments: including payments which go beyond statutory cover, legal liability or administrative rules, including payments to meet hardship caused by official failure or delay, out of court settlements to avoid legal action on grounds of inadequacy. Includes ex gratia payments related to Planning Inspectorate (PINS) remedy arrangements. NB MHCLG may set lower limits in its arrangements with PINS	£100,000
Compensation, payments based on legal or other professional advice providing redress for personal injuries (aside from those under CSIBS), traffic accidents, damage to property suffered by civil servants. They include payments to those in the public service outside statutory schemes or outside contracts.	£150,000 (Personal injury) £200,000 in personal injury cases related solely to historic asbestos exposure causing

	asbestosis or mesothelioma £100,000 (Other)
Extra-statutory and extra- regulatory payments (as defined by Managing Public Money Box A4.13A)	£100,000
Consolatory payments (ex gratia payments to individuals in respect of incidents which do not involve financial loss)	£500

4.5.5. Directors are responsible for sub-delegating their spend delegations to Deputy Directors and grades below where appropriate, and are supported by Finance Business Partners. Compliance with the delegation framework is reviewed annually as part of the Governance Assurance Exercise (see section 4.8).

4.5.6. I issue further delegations during the year as needed, such as temporary delegations when senior members of staff are on leave, and exceptional delegations above the standard spend delegation limits where business circumstances dictate. Only in instances where a Director needs to depart from their standard role is sub-delegation permitted. Finance Business Partners provide the necessary support and advice to the nominated deputy, with a delegation letter issued clearly setting out the roles and responsibilities that come with such budget delegation. Budgets continue to be monitored as normal, with Finance Business Partners providing appropriate challenge where necessary to the budget holder, ensuring budget control is not compromised. A central log of instances where budget has been sub-delegated is maintained and reviewed every 3 months to ensure the arrangements are still required.

4.6. Performance and planning

4.6.1. The government has paused the publication of departmental or delivery plans during its response to COVID-19. MHCLG has internally established its priorities and monitors performance and resource against these. MHCLG plans to set out its objectives in outcome delivery plans over the next SR period. These plans will document the department's priorities, how we will deliver to achieve its outcomes and how we are performing against them.

4.6.2. During the year the Executive Team (ET) and Departmental Board receives assurance from a number of sources that projects and programmes are being delivered as planned, and that commitments we have made to deliver outputs and outcomes are achievable. The primary sources of these assurances are:

- The ET and Non-Executive Directors are provided with a monthly Departmental Performance Report (DPR), which presents data on performance against strategic objectives, programme and administration budgets, human resources, credit and non-credit risks, the Investment Sub-Committee and other corporate services performance indicators. Reporting on performance against strategic objectives was suspended during COVID-19, and is being resumed from October 2020.
- Portfolio Boards for each of the operational departmental groups meet monthly. Portfolio Boards were paused while the department pivoted to respond to the Covid-19 pandemic and reassess priorities during recovery, but are set to resume by October 2020. Portfolio Boards are chaired by Directors General and sit above Programme Boards. The boards oversee delivery progress, risks and opportunities across work areas, and escalates emerging issues to the ET.
- The Finance Directorate supports project and programme managers to apply consistent approaches to project and risk management. It also provides reports on projects and programmes to Programme and Portfolio Boards every month to support discussions about progress.
- The Finance Directorate tracks our financial performance and position. Detailed reports covering spend and forecast data for both administration and programme budgets are provided monthly to Directors and Directors General, and headline data is provided to the ET via the DPR outlined above.
- The People Committee has delegated authority from the ET to consider and decide on a range of people issues, including delivery of our People Plan. It receives a regular and wide variety of metrics and key performance indicators covering all aspects of people and resource management at the department, and reports progress to the ET.

4.7. The risk management framework

4.7.1. The Chief Risk Officer oversees our risk management framework, which ensures that risk is considered at all levels of the organisation and that risks are escalated appropriately. Our risk framework includes:

- Strategic risks. The Executive Team oversees our management of the strategic risks faced by the department as a whole. The Executive Team owns the strategic risk register and nominates a responsible officer for each one.
- Project and programme risks. Risks are managed by policy teams during the day to day delivery of the department's policies and programmes. We have issued guidance and training to ensure that risks are managed consistently across the business. Programme boards are in place for each of the department's major policies and performed as described in 4.6. Where necessary, risks are escalated from the programme and portfolio boards to the Executive Team and considered alongside our strategic risks.
- Financial and credit risks. The Finance Directorate manages financial risks for the department using the tools and reporting mechanisms detailed in 4.6.2.

4.7.2. Our approach is supported by an assurance framework which underpins the monitoring and management of risk, based on the three lines of defence model.

4.7.3. The department receives internal audit services from the Government Internal Audit Agency (GIAA). Each year a plan for audit work is agreed to cover key risk areas and provide assurance, in my role as Principal Accounting Officer, that processes are operating as designed. The department further contracts with GIAA to provide audit services on monies spent from the European Regional Development Fund (ERDF). The annual audit plan is agreed with the Accounting Officer and reviewed by the Audit and Risk Assurance Committee (ARAC). To conclude each audit GIAA provide a series of recommendations to which the department responds.

4.7.4. Based on their findings throughout the year, and the actions the department has taken in response, GIAA provides an opinion on the overall adequacy and effectiveness of the department's framework of governance, risk management and control. This is reported in my Governance Statement in the Annual Report and Accounts. The ARAC receives regular reports from GIAA about the progress of the audit plan and any outstanding recommendations.

4.7.5. External audit services for our financial statements are provided by the National Audit Office (NAO). The NAO assesses the key risks of material misstatement in the departmental group's accounts early in the financial year. They then test controls and transactions to gain assurance that our published financial statements are true and fair and properly prepared, and that expenditure recorded within them was spent in line with parliament's intentions. They also review other parts of our Annual Report to confirm it has been properly prepared, and that the presentation of our performance is consistent.

4.7.6. The NAO reports the results of their enquiries to management and the department responds to each recommendation made. The ARAC gets regular updates on progress of the audit including any recommendations. The NAO reports publicly (by exception) the results of their audit work in an audit certificate that is published within our Annual Report and Accounts.

4.7.7. The department is also the subject of reviews of value for money by the NAO on a range of topics each year. Recent reports can be found on <https://www.nao.org.uk/> . The Accounting Officer may be called to give evidence to the Public Accounts Committee (PAC) in Parliament. When the committee makes recommendations for the department, we respond publicly through the Treasury Minutes process. We track the implementation of these recommendations until they are completed, and periodically report progress on recommendations in Treasury Minute Updates. We update our ARAC on progress in implementing recommendations from the PAC every quarter.

4.7.8. I also take assurance from the activity and oversight of our ARAC which is a delegated committee of the Board. The committee meets at least five times a year and considers reports from all our auditors and management information about risks across the department (as set out in 4.7.1 to 4.7.6 above). The committee also reviews specific or emerging risk areas more in depth as appropriate.

4.7.9. Internal assurance is supported by the Risk Sub-Committee, which has delegated authority to review risk and to oversee the implementation of the risk framework. The purpose of the Risk Sub-Committee is to:

- consider and recommend to ET an appropriate risk appetite for the department within any parameters set by Ministers and agreed by the Accounting Officer;
- monitor the department's risk controls, its risk profile and its key risks against the risk appetite agreed;
- ensure that the ownership of each key risk is agreed, acknowledged and appropriately managed;
- approve any significant changes to the department's risk profile, including significant new

transactions and new activities;

- escalate any matter to ET that it considers necessary; and
- review the rollout and adequacy of the department's risk management controls and risk management processes.

Membership comprises Directors General or their delegates, the Finance Director, Chief Risk Officer and other Directors as required. Representatives from the Government Legal Department, Government Internal Audit Agency and the Group Risk team also form the Committee group. This committee meets monthly and is chaired by the Chief Finance Officer.

4.8. Governance assurance exercise

4.8.1. The department undertakes an annual governance assurance exercise at the end of each financial year in which Directors provide self-assessments on the discharge of their delegated authority and responsibilities. Independent Governance Assurance Panels (GAPs) - led by the Chair of the ARAC with NEDs, representatives of the Government Internal Audit Agency (GIAA) and independent Directors - interview Directors General (DGs) and their senior leadership teams. The panels are also attended by observers from the National Audit Office (NAO).

4.8.2. The GAPs are structured around our four departmental groups and seek to gain and challenge assurances on the effectiveness of the governance arrangements, internal controls and risk management arrangements implemented by the Directors General and Directors in the discharge of their delegated authority and responsibilities towards the delivery of the department's strategic objectives. The GAPs also explore how Directors have safeguarded the departments assets by ensuring regularity and propriety of expenditure and promotion of best value for money of that expenditure. The GAPs are not designed to scrutinise the department's policies.

4.8.3. The results from the annual exercise are reported to the Accounting Officer, the ARAC and are summarized in the governance statement within the department's annual report and accounts.

5. Relationships with Arm's Length Bodies

5.1. The department has one Executive Agency and 11 ALBs. The table on pages 23 and 24 provides a list of current ALBs, including their current designated Accounting Officer, and a short description of their responsibilities. This section explains the systems and processes in place for the department to manage delivery, ensure appropriate corporate governance and monitor risk.

5.2. As Principal Accounting Officer for the departmental group, I ensure that the MHCLG Group, including the ALBs it sponsors, operates effectively and to a high standard of probity. This responsibility is fulfilled through proportionate and effective arrangements for working in partnership with our ALBs.

5.3. As Principal Accounting Officer, I am also responsible for appointing the Accounting Officer of the department's ALBs. Each Accounting Officer takes personal responsibility for ensuring that the resources under their remit are managed in accordance with the standards and policies set out by HM Treasury's Managing Public Money.

5.4. The department's Chief Financial Officer has overall responsibility for the framework of assurance and oversight for the department's ALBs. Primary responsibility for managing the department's relationship with each ALB and ensuring each ALB delivers against their objectives, sits with a designated Senior Sponsor - typically a policy director or director-general.

5.5. The department's Finance Director is responsible for ensuring (i) the department has an appropriate framework to manage and escalate risk in our ALBs, (ii) there is sound financial management across the Group and (iii) that ALBs have effective assurance arrangements in place. The Finance Director reports the Group's financial position (which includes all ALBs as well as the core department) to the Executive Team on a regular basis, and publicly reports the Group's financial position in our Annual Report and Accounts.

5.6. The department's Human Resources (HR) Director or team meet regularly with the HR Directors from Homes England, the Planning Inspectorate and QEII Conference Centre. The department's HR team provides assurance on operational areas, such as pay and reward issues, the pay remit, upper pay controls and voluntary exit schemes; and provides advice on legal requirements, for example on whistleblowing and IR35 legislation. Through the Public Appointment team, the department's HR function also provide support on the recruitment of board members.

5.7. Senior Sponsors are responsible for oversight of ALBs, including managing day-to-day relationships, and delegating capital, administrative and programme budgets to ALBs from their own delegated budgets (where applicable). Regular Accounting Officer meetings are held between the ALB Accounting Officer, and the Principal Accounting Officer or Senior Sponsor to review performance, hold the ALB to account and escalate any key issues/risks. Senior Sponsors ensure that there is strategic consistency between ALB strategies and the government's wider agenda, and that the ALBs fulfil expectations on operational performance.

5.8. ALBs are required to provide the department with monthly financial forecasts, which provide detail on the financial performance of the ALB against its budget. ALBs that are solely self-funded (such as the Architects Registration Board, Queen Elizabeth II Conference Centre and the Building Regulations Advisory Committee) do not provide monthly financial performance reports to the department.

5.9. Each ALB has an agreed framework document in place between the department and the body which sets out roles and responsibilities and secures propriety, regularity and value for money in accordance with Managing Public Money. The framework documents cover all aspects of the partnership with ALBs including:

- departmental priorities relating to the ALB;
- strategic aims of the ALB;
- lines of accountability between the department and the ALB; and
- governance arrangements within the ALB.

5.10. The Building Regulations Advisory Committee (BRAC) does not have a framework agreement because it is an advisory body without an Accounting Officer. The Leasehold Advisory Service is in the process of updating its existing management agreement to a framework document.

5.11. All of the department's ALBs are subject to scrutiny by the MHCLG Select Committee and the Public Accounts Committee.

5.12. The department has established a risk-based approach to determine the appropriate level of governance and oversight for its ALBs. This is informed by an annual Impact Assessment which assesses ALBs according to different risk categories including:

- operational performance;
- financial management;
- delivery environment;
- assurance arrangements;
- risk management; and
- organisational relationship.

5.13. The Impact Assessment is carried out by the Senior Sponsor and the Finance Directorate, as well as the ALB. The degree of oversight is reviewed on an ongoing basis through regular engagement with the ALB, taking into account any relevant developments within the organisation's operating environment. This ensures that the department's resources are targeted effectively, and that each ALB has an appropriate and proportionate degree of oversight.

5.14. ALB Non-Executive Board Members are normally appointed by the department's ministers and hold the Chief Executive to account for the ALB's performance. ALB budgets are mostly determined by ministers based on corporate and business plans. Each ALB has key performance indicators which it reports on, and these are monitored and challenged by members of the Finance Directorate and Senior Sponsors.

5.15. The department receives assurance from ALBs on specific issues (such as workforce planning) where periodic returns to Cabinet Office are required. ALBs also require departmental approval for the creation of any new senior civil servant roles and the majority of ALBs are subject to pay remit constraints.

5.16. Members of the department's Finance Directorate attend the ALB's ARAC meetings as observers, as appropriate for the agreed level of oversight required for the ALB. This provides assurance for the Principal Accounting Officer that risks are being escalated appropriately and that corporate governance is effective. A representative from the relevant policy sponsor team also attends the ALB board meeting as an observer, if appropriate. In the Planning Inspectorate, the department's Planning Director is a formal member of its' Advisory Board.

Table: The Department's ALBs and Accounting Officers, as at 31 March 2020

ALB	Status	Accounting Officer	Policy responsibilities
Architects Registration Board	Public Corporation	Karen Holmes	Regulator of architects in the UK to ensure good standards are maintained in the profession
Building Regulations Advisory Committee ²	Advisory NDPB	Not applicable	Expert Committee to advise the Secretaries of State for Communities and Wales on making building regulations and setting standards for the design and construction of buildings
Local Government and Social Care Ombudsman	Other public body	Nigel Ellis	Conducts the final stage of investigations into complaints about councils and certain other organisations providing local services
Homes England	Executive NDPB	Nick Walkley	Government body responsible for delivering housing ambitions
Regulator of Social Housing	Executive NDPB	Fiona MacGregor	Regulates registered providers of social housing to promote a viable, efficient and well-governed social housing sector able to deliver homes that meet a range of needs. RSH became a standalone organisation on 1 October 2018, with the function previously part of Homes and Communities Agency (now known as Homes England)
Leasehold Advisory Service	Executive NDPB	Anthony Essien	Provides free information, initial advice and guidance to members of the public on residential leasehold and park homes law
Planning Inspectorate	Executive Agency	Sarah Richards	Deals with planning appeals, national infrastructure planning applications, examinations of local plans and other planning-related and specialist casework in England and Wales
Queen Elizabeth II Conference Centre	Executive Agency / Trading Fund	Mark Taylor	The largest dedicated conference, events and exhibition service in central London, providing a high-quality service and facilities

Table: The Department's ALBs and Accounting Officers, as at 31 March 2020

The Housing Ombudsman	Executive NDPB	Richard Blakeway	Resolves disputes involving the tenants and leaseholders of social landlords as well as voluntary member private landlords
Valuation Tribunal for England ²	Tribunal NDPB	Not applicable	Independent tribunal to hear appeals against non-domestic rates and council tax valuations
Valuation Tribunal Service	Executive NDPB	Antonio Masella	Provides the administrative function for the Valuation Tribunal for England
Ebbsfleet Development Corporation	Executive NDPB – see note	Ian Piper	Working with local authorities and communities to speed up the delivery of up to 15,000 home in North Kent

N.B. In the Office for National Statistics Public Sector Classification Guide, which was published in July 2019, Ebbsfleet Development Corporation (EDC) was reclassified to the local government sector, effective from 20 April 2015. Consequently, from an administrative perspective, EDC no longer falls within the departmental boundary as an ALB that is technically covered by Cabinet Office ALB controls. However, from a governance perspective, we are continuing to oversee the policy and operation of EDC and it continues to be accountable to MHCLG.

² Not an executive ALB, i.e. does not have its own budget nor staff

6. Local Funding arrangements

6.1. I and previous Principal Accounting Officers have documented and published details of local accountability systems within our responsibility for several years. The department has published a Local Government Accountability System Statement since 2012 and a Local Growth Fund Accountability System Statement since 2013. A summary of my responsibilities for these systems is below and the detail is provided in Annexes A and B.

6.2. Local Government Accountability System

6.2.1. As set out in Annex A, in my role as the department's Principal Accounting Officer, I am responsible for the core local government accountability framework for local authorities and for ensuring that it is effective as a national system within which local authorities take their own decisions.

6.2.2. In addition to the core accountability system, other departments which oversee services run by local government publish statements that explain any other grants made to local authorities, and relevant legislation and regulation in relation to those services, including the Department for Education (DFE), Department of Health & Social Care (DHSC), Department for Transport (DfT) and Department for Business, Energy & Industrial Strategy (BEIS).

6.3. Accountability System for Local Growth Funding

6.3.1. As set out in Annex B, in my role as the department's Principal Accounting Officer, I am responsible for the allocation, payment and monitoring of local growth funding to Local Enterprise Partnerships (LEPs). I am accountable to Parliament for those elements of such funds which are awarded to LEPs from the department's Departmental Expenditure Limit (DEL).

6.3.2. Those elements of local growth funds which remain on other departments' DEL are subject to their own funding and oversight mechanisms, e.g. the DfT and the Department for Business, Energy and Industrial Strategy.

6.3.3. The department also provides funding via the “Single Pot” to mayoral combined authorities which have been set up as part of devolution agreements. The Single Pot represents different lines of funding from both MHCLG and the DfT. Assurances over the use of funding provided through the Single Pot are obtained via the accountability systems for both local authorities and the LGF, and the DfT accountability system.

7. Third Party Delivery Arrangements

7.1. Any significant third party delivery arrangements that the department has in place are managed within the contract relationships described in part 9 or the credit risk function described in part 10.

8. Grants to Private and Voluntary Sectors

8.1. Grant award

8.1.1. The department awards grants to the private and voluntary sectors. The Finance Director is responsible for oversight of compliance with the department’s processes. Any new grant funding requires ministerial approval. Grant funding can only be awarded after funding for the project is approved, as set out in section 4.4.

8.1.2. The department follows a single set of principles and processes for all grants to the private and voluntary sectors. We evaluate project costs, value for money and compliance with UK and EU legislation as part of the business case approval process. As part of the project approval the department agrees milestones, outcomes and outputs which grant recipients must meet in order to receive funding.

8.1.3. The department draws up a grant funding agreement with the grant recipient. This includes conditions that ensure the grant has been used for the purposes intended, and that the grant recipients retain records which enable it to demonstrate compliance, and

that the use of the funds complies with HM Treasury requirements in accordance with the department's delegated spending authorities.

8.1.4. The department distinguishes between grants which are awarded to local authorities and other organisations. Accountability for grants to local authorities is explained in Annex A.

8.2. Monitoring and Compliance

8.2.1. The department agrees measurable outputs and milestones which are set out in the Schedule to the Grant Funding Agreement so that effective monitoring can be carried out.

8.2.2. The department requires every grant recipient to produce a statement of grant usage in the year following the funding period. Where the grant is over £20,000 this must be audited by an independent reporting accountant paid for by the grant recipient. If grant money is used for ineligible purposes or the grant recipient fails in any other way to comply with the terms on which grant is paid, the department will seek to recover an amount or to withhold or reduce payment, using legal powers if necessary.

8.2.3. Policy leads in the department are responsible for ensuring that the statement of grant usage is completed and retained for audit purposes. We will recover any ineligible expenditure or unspent funds.

8.2.4. The department actively engages with the Cabinet Office best practice networks and the Grants Centre of Excellence via grants champions.

9. Major Contracts and Outsourced Services

9.1.1. The Commercial Director is responsible for oversight of procurement and the department's contracts. This section explains how we ensure we have effective processes to manage major contracts and procurement. Before starting a procurement (valued at over £20,000), a business case must be approved as set out in 4.4.

9.2. Procurement

9.2.1. The department's policy is that all contracts over £10,000 must be competed and awarded either through the department's procurement team in the Commercial Directorate, or the Crown Commercial Service (CCS) – see table below. The department has a contractual delegation which rests with the in-house procurement team and individual delegations are assigned based on suitable qualifications and experience.

Amount	Treatment
Below £5,000	One quotation should be obtained
£5,000-£10,000	At least three quotations should be obtained
Above £10,000	Procurements should be dealt with by MHCLG procurement team or CCS

9.2.2. The department makes use of any existing central government contracts for common commodities to meet departmental needs.

9.2.3. All of the department's senior procurement staff have passed the Government Commercial Organisation's (GCO) Assessment and Development Centre and have transitioned to the GCO in 2020.

9.2.4. The department only uses single tender action in exceptional circumstances

with the approval of senior staff who have delegated authority from the Commercial Director and for proposed contracts above OJEU threshold.

9.3. Contract Management

9.3.1. The department follows best practice Cabinet Office processes and controls for managing contracts, with relevant application of Government Functional Standard 008: Commercial which covers contract management.

9.3.2. The department's large and/or complex contracts are assigned a dedicated Senior Responsible Officer in accordance with the Cabinet Office standards. All contracts are managed by an individual within the business area whose responsibility is to measure supplier performance and ensure value for money is achieved throughout the life of the contract.

10. Investments, joint ventures and other assets

10.1.1. The department designs and oversees a number of programmes that expose it to credit risk and potential financial loss. This includes programmes underpinned by financial instruments, such as loans and guarantees, as well as land sale agreements that give rise to credit risk (for example, where payment is deferred). The department's exposure in 2020, through its financial instruments, has exceeded £20bn.

10.1.2. The department's portfolio consists of programmes delivered by Homes England (explained in part 10.4) or by devolved bodies such as the Greater London Authority (part 10.5). Departmental oversight of the whole portfolio is explained in part 10.4.

10.1.3. I am the lead Accounting Officer for the Group's portfolio and am ultimately accountable for oversight of the department's financial exposures. I am supported in my responsibilities by:

- MHCLG's Chief Risk Officer, who has responsibility for developing and embedding the department's approach to risk management.
- The Homes England Accounting Officer, who is responsible for day-to-day management of the delivery of programmes including taking decisions on investments up to delegated levels, having accountability for the onward recommendation of decisions outside of delegation, and ensuring appropriate management of risk with oversight from the Homes England Board.
- The department's ARAC which reviews assurances and information about the management of credit risk and financial losses and reports to the department's Board periodically. Homes England's Audit and Risk Committee reviews risk management processes in the agency and provides assurances over their operation. The Chair of Homes England ARAC also attends the department's ARAC.
- A Senior Sponsor from the department who oversees the relationship with Homes England as set out in part 5
- a regular review of corporate risks by the department's ET as part of the strategic risk

framework.

- A sub-group ISC-I (including the Commercial Director, Chief Risk Officer, Local Government Policy) of the Investment Sub-Committee, who can approve requests where investments fall outside the Homes England's delegated authority or are considered novel or contentious and who can manage onward approval for transactions that require HM Treasury approval.

10.2. Homes England

10.2.1. For the majority of our investment programmes, the responsibility for delivery sits with Homes England with oversight and approval from the department and, where appropriate, HM Treasury.

10.2.2. Delegations are in place between HM Treasury, the department and Homes England to manage the day-to-day delivery of the individual transactions that make up the department's loan and guarantee portfolio and are applied in conjunction with financial risk appetite thresholds set up by the department³. Help to Buy and land transactions have their own delegation arrangements that are managed through the processes set out in section 4.

10.2.3. As a general rule, with the exception of the Housing Guarantees Schemes, Homes England has final approval of individual transactions that fall within their delegation and designated risk appetite and are not considered novel or contentious. For transactions outside of delegation, risk appetite or those considered novel or contentious the department has in place appropriate governance arrangements to consider these prior to onward recommendation to HM Treasury for final approval.

10.2.4. Homes England operates a 'three lines of defence' model. Programme delivery staff own and manage risk within the business conducting due diligence, credit assessment and conforming to its agreed governance processes. It has a dedicated risk function providing second line risk assurance and challenge, and credit approvals. The third line of defence is made up of internal audit and external programme reviews.

10.2.5. Where a transaction breaches delegations and/or risk appetite and for all guarantee transactions, while reliance is placed on Homes England's recommendation, final approval is provided

³ Delegated authority relates to transaction specific amounts, whereas risk appetite thresholds are set up in terms of the aggregated position (across all financial instrument programmes) to a single

counterparty or group of connected counterparties.

by the department and HM Treasury. The department and HM Treasury assure that there are no wider portfolio-level issues that need to be taken into account and that the impact on the departments overarching risk profile is understood.

10.3. Devolved funding

10.3.1. The department currently provides funds to the Greater London Authority (GLA) and Greater Manchester Combined Authority (GMCA) for recoverable investment in housing. Departmental funds are provided on the basis that operational responsibility is passed to the authority. This is set out in a legally-binding contract. It is the receiving authority's responsibility to ensure that appropriate governance over credit risk approval and management is in place. Authorities must ensure that they meet a minimum recovery rate and repayment schedule agreed with the department, but there are no requirements for transaction review or approvals from the department.

10.3.2. Authorities provide on-going assurance through the annual reporting statement provided to the department. The department is also working with these authorities to promote appropriate controls for the risk management of their investment portfolio.

10.3.3. The department also holds authorities to account for delivery of housing units through clear expectations set out in contracts and accompanying documents, as well as regular engagement on delivery progress.

10.4. The full portfolio view

10.4.1. The Chief Risk Officer oversees the Group's credit portfolio and the department's Financial Risk Management Framework. The framework sets out how the department's financial risk is measured and managed.

Our Financial Risk Management Framework

10.4.2. The framework includes a risk appetite statement, which sets out the headline limits to manage the level of credit risk being taken on by the department. Stress testing of the portfolio is undertaken to understand how the portfolio is likely to respond to various macro-economic scenarios, and contingency plans are being developed as appropriate. This risk management framework was significantly revised in 2018-19 and has been used during 2019-20 and work is ongoing to embed

and improve its application.

Annex A: Local Government Accountability System

Introduction

Local government, through elected councillors (and, where applicable, mayors), is accountable to its local communities for the proper stewardship of all of its resources. Over recent years, government policy has been to free local authorities from some of the previous governments' accounting and reporting requirements, and to devolve greater powers and accountability to them, including through the Cities and Local Government Devolution Act 2016.

Nevertheless, there remains a role for Accounting Officers in government to maintain the statutory framework of legal duties and financial controls on local authorities, to ensure proper democratic accountability, transparency, public scrutiny and audit.

As the Accounting Officer for MHCLG, I am responsible for the core Local Government Accountability Framework for local authorities and for ensuring that it is working and contains the right checks and balances.

This statement sets out the core Local Government Accountability Framework. It covers:

- the overall scope of my accountability in relation to local government funding and spending;
- how the core accountability system for local government works;
- how the system responds to failure;
- how the department gets assurance and information on financial sustainability and effectiveness; and
- how the framework applies and is being adapted in the light of devolution deals within England, in the context of the Cities and Local Government Devolution Act 2016, including the arrangements for London.

The overall scope of my accountability

1.1. This section explains the scope of my accountability in relation to local government funding and spending. Specifically, it covers:

- the issues for which local authorities are directly accountable;
- the scope of my accountability for local government funding and spending;
- my responsibility for coordinating advice to Ministers on the overall position of local government;
- my accountability for the overall core Local Government Accountability Framework, and its maintenance, review and amendment; and
- the role of other government departments.

Local authorities' accountability

1.2. Local authorities' budgets comprise money from a number of sources. This includes general funding from MHCLG on behalf of government; and specific funding from other government departments via Section 31 payments⁴ and locally raised sources (principally council tax and locally retained business rates). These resources are pooled at the local level.

1.3. Individual councils are responsible for their own financial performance. This comprises a number of different responsibilities including delivering a balanced budget, providing statutory services (including, for example adult social care and children's services) and securing value for money and propriety in spending decisions. In two tier areas, functions provided by unitary councils elsewhere are split between county and district councils. Introducing the 'general power of competence' in the 2011 Localism Act increased local authorities' discretion over the range of services they provide.

1.4. Within the framework of statutory duties, councillors are free to set their own priorities and determine outcomes. They make decisions about how to allocate resources to competing priorities, such as providing care services, improving roads or keeping council tax low.

⁴ [Section 31, Local Government Act 2003](#)

1.5. The direct democratic accountability of councillors to the electorate is an important assurance that they will manage spending and services effectively. Assurance for the taxpayer is reinforced by the Best Value duty on local authorities. Under the Local Government Act 1999⁵, a council must “make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness”. They must consult local people on how they should fulfil this duty.

1.6. Local authorities have an important role in making their decisions on resourcing transparent. Effective scrutiny by councillors and the public requires the availability of comparable information on spending and the outcomes achieved. All local authorities produce public accounts, have open meetings and are required to consult the public, and all are subject to the Freedom of Information Act.⁶ The public are also entitled to have access to documents relating to council meetings and documents relating to executive decisions made by executive members or officers.

The scope of my accountability for funding

1.7. I am accountable for two budgets which provide funding for local government:

- The Local Government Departmental Expenditure Limit is the budget for local authority core funding, which I manage on behalf of the government; and
- The budget for MHCLG’s own policies. This budget is to support the implementation of departmental priorities such as housing, planning and local growth. The LGF is paid for from this budget and Annex B sets out the accountability system for the fund due to the particular nature of the arrangements for that spending.

1.8. I am directly accountable for ensuring regularity, propriety and value for money in the distribution of these two revenue budgets to local authorities. Other departmental accounting officers are accountable for distribution of grants from their budgets to local government to support delivery of other policy areas.

⁵ [Part 1, Local Government Act 1999](#)

⁶ [Freedom of Information Act 2000](#)

1.9. I am also accountable for the framework that determines the sums payable to and from local authorities under business rates retention which came into effect in April 2013, and for those funds from business rates which pass through government accounts. Since April 2013, the government has allowed the local authority sector to retain a share of the business rates that they collect locally. In 2013-14, local government's share was set at 50%. In each year since 2017-18 a number of authorities have been permitted to retain higher shares as pilots for increased local retention. The share of locally-collected business rates that is surrendered to central government is used for the benefit of local government by being redistributed to authorities in full through a variety of grants, not all of which are allocated by MHCLG.

Providing comprehensive advice to Ministers

1.10. MHCLG is also responsible for ensuring that Ministers have comprehensive advice in order to make decisions on the level and distribution of local government funding. Other government departments that rely on local authorities to deliver policy objectives or services are responsible for understanding demand, costs and the scope for efficiency in those policy areas for which they are accountable. My role is to ensure that the government has an overview of the expected spending power of local government, the overall cost pressures arising from its various statutory and policy delivery responsibilities, and the opportunities for savings.

1.11. To provide full and adequate advice to Ministers, the department co-ordinates work across government departments that brings different analysis together on a common basis to understand the overall fiscal position of local authorities, and particular risks and opportunities.

1.12. The process by which the department does this has been strengthened in recent years including for SR19 and in preparation for SR20, in part reflecting recommendations from the National Audit Office studies on the Financial Sustainability of Local Authorities. For example, the analysis we co-ordinate now considers in more detail the potential impact of policy options on different types of local authorities.

1.13. The analysis the department develops across government is then central to the advice the department provides to Ministers to enable discussions about spending allocations with departments and, crucially, HM Treasury. It is my responsibility, as Accounting Officer with responsibility for local government overall, to provide clear and honest advice if I have significant concerns. Ultimately, however, it is for Ministers to make final decisions on funding allocations both

for the sector as a whole and for individual councils.

1.14. As set out in the Local Government Finance Act 1988, the government must consult on the proposed annual distribution between individual councils of both government grant and revenue from business rates. This local government finance settlement is then approved by the House of Commons through the Local Government Finance Report before councils set final budgets. Key data, including breakdowns of funding assessments and calculations, are published on the MHCLG website.⁷

My responsibility for the accountability system for local government

1.15. To discharge my responsibilities set out above, I am responsible for maintaining the overall accountability system for local government. The specific aspects of this system are set out in section 2.

1.16. Once decisions and allocations are made by Ministers and Parliament, I am accountable for ensuring that this system ensures local authorities are accountable for acting with regularity, propriety and value for money in the use of their resources.

1.17. I am accountable for maintaining the effectiveness of the system framework (as set out in section 2 below) and publish highlights of how the framework has worked over the previous year in the Governance Statement of the department's Annual Report and Accounts. Should I be concerned that the framework is failing to provide me with the necessary assurances, I am responsible for making the appropriate recommendations for change to Ministers.

⁷ [Final local government finance settlement: England, 2020 to 2021](#)

1.18. Central government departments can rely on this framework for accountability arrangements for unringfenced funds allocated to local authorities. Whilst I am responsible for the financial framework for local government and for developing an overview of the overall service cost pressures faced by local government, responsibility for statutory services delivered by local authorities is spread across government departments. Each department is responsible for establishing its own arrangements to ensure that services remain sustainable and that statutory responsibilities are being met. These departments are also responsible for giving MHCLG the necessary data and analysis to support the department's work in producing analysis to understand the overall position that local authorities are in, primarily but not exclusively as part of a spending review.

1.19. Where departments, including MHCLG, have specific ringfenced grants which have additional accountability measures put in place by the relevant Accounting Officer, these additional measures are described in the relevant department's systems statement. Departments are responsible for regularly revising and publishing their own systems statements.⁸

1.20. The majority of central government funding for local government is unringfenced. The two major exceptions are schools funding and the Public Health Grant. These grants impose conditions on what the money is spent on and how it is spent. It is therefore for the DfE and the DHSC respectively (and any other departments who might issue ringfenced grants in the future) to take any additional measures that they judge necessary, beyond those set out in this statement, to ensure that those grants are spent according to their grant conditions. The DfE and DHSC have set out the relevant arrangements in their respective accountability statements.

⁸ [Department for Education, Department of Health & Social Care, Department for Transport and Department for Environment, Food and Rural Affairs Accounting Officer System Statements](#)

How the core accountability system works

2.1 This section covers the essential elements of the core Local Government Accountability Framework. It shows how the elements work together and relate to each other, to ensure local government acts with regularity, propriety and value for money in the management of its resources.

2.2 Key elements of the framework are:

- a. clarity about who is responsible for resources;
- b. a set of statutory codes and rules which require councils to act prudently in their spending;
- c. a framework of internal and external checks and balances including audit and whistleblowing;
- d. transparency and publication of data; and
- e. requirements to have strategies and action plans on fraud.

Clarity about who is responsible for resources

2.3 There are legal and formal controls in place to ensure that it is clear who is accountable for money at the local level. Ultimate accountability lies with the full council (elected members of the council collectively). The relevant legislation is the Local Government Act 2000 (“the 2000 Act”)⁹, which introduced governance arrangements based on an executive, either the mayor and cabinet executive or leader and cabinet executive, and the Localism Act 2011 (“the 2011 Act”)¹⁰, which allows councils to return to the committee system form of governance. The 2000 Act also enables local people to hold councils and their officials to account for their spending decisions through public scrutiny via overview and scrutiny arrangements.

2.4 For executive forms of governance, the 2000 Act (and underpinning secondary legislation) provides that the full council sets the budget and policy framework. The executive implements that budget and policy framework. The executive is responsible for proposing the policy framework and budget to full council. For councils that adopt the committee form of governance, the 2011 Act (and underpinning regulations) allows local authorities the flexibility to make decisions in full council or delegate decision making to committees, sub-committees, other local authorities or officers.

⁹ [Local Government Act 2000](#)

¹⁰ [Localism Act 2011](#)

The council must make it clear in standing orders how and by whom decisions will be taken. Also under these regulations, the Secretary of State could, by regulation, provide that certain matters are reserved for the full council to decide.

A set of statutory codes and rules which require councils to act prudently in their spending

2.5 A system of legal duties requires councillors to spend money with regularity and propriety. Under section 151 of the Local Government Act 1972,¹¹ “every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers [the section 151 officer or Chief Finance Officer] has responsibility for the administration of those affairs”. The section 151 officer is an important mechanism for holding councils to account, and has duties and powers to alert councillors and the auditor in the case of unlawful expenditure. This role is complemented and reinforced by authorities’ duty under section 5 of the Local Government and Housing Act 1989¹² to appoint a monitoring officer, who must report to the council when any proposal, decision or omission is likely to lead to contravention of any enactment, rule of law or statutory code.

2.6 In handling the routine management of their budgets, local authorities must set their council tax at a level which will balance their budget (Part 1 of the Local Government Finance Act 1992¹³ and, for the Greater London Authority, Part 3 of the Greater London Authority Act 1999).¹⁴ Under section 25 of the Local Government Act 2003,¹⁵ the section 151 officer must report to the council when the council tax is being set on the robustness of the estimates and the adequacy of the reserves allowed for in the budget. Elected members must have regard to the report.

2.7 Authorities must restrict borrowing to what is affordable (sections 2 and 3 of the Local Government Act 2003).¹⁶ They must comply with the statutory codes issued by the Chartered

¹¹ [Section 151, Local Government Act 1972](#)

¹² [Section 5, Local Government & Housing Act 1989](#)

¹³ [Part I, Local Government Finance Act 1992](#)

¹⁴ [Part III, Greater London Authority Act 1999](#)

¹⁵ [Section 25, Local Government Act 2003](#)

¹⁶ Sections [2](#) and [3](#) of the [Local Government Act 2003](#)

Institute of Public Finance and Accountancy (CIPFA) and MHCLG when making borrowing or investment decisions. This requirement covers county councils, unitary councils, district councils, and parish councils. Similar provisions in the Greater London Authority Act 1999 apply for the Greater London Authority and in the Local Government and Housing Act 1989 for the Common Council and certain other authorities.

2.8 During 2017-18 all four statutory codes covering borrowing and investment activities were updated to respond to changes in patterns of local authority behaviour. The overarching aims of the updates were to improve transparency of decision-making and to encourage local authorities to take a longer term view of opportunities and risks. The department has since completed a post implementation review of the updated guidance to understand how local authorities responded to changes that were made. The findings of the review, together with our ongoing monitoring of the sector and the findings from the NAO's recent report on local authority investment in commercial property are being considered as part of the department's continual evaluation of the effectiveness of the framework and the role it plays as part of the core accountability system.

2.9 The Accounts and Audit Regulations 2015¹⁷ require that elected members maintain a sound system of internal control including arrangements for the management of risk, an effective internal audit, and that local authorities prepare annual accounts. These accounts are subject to external audit. Independent auditors are required to form an opinion on whether the accounts give a true and fair view, and to conclude on whether the authority has made proper arrangements for securing value for money.

A system of internal and external checks and balances including audit and whistleblowing

2.10 There are mechanisms in place for occasions when routine processes fail. The Local Government Finance Act 1988¹⁸ requires the section 151 officer to issue a report (a section 114 notice) to all councillors if there is unlawful expenditure or an unbalanced budget. The authority's full council must meet within 21 days of the issuing of the section 114 notice to consider it, and during that period the authority is prohibited from either pursuing the course of action which is the subject of the report (in the case of unlawful expenditure) or entering into new agreements involving the incurring of expenditure (in the case of an unbalanced budget). Councillors therefore cannot avoid being aware of illegal activity.

¹⁷ [Part 2, Accounts and Audit Regulations 2015](#)

¹⁸ [Section 114 Local Government Act 1988](#),

Also, external auditors can pursue action in the courts where they believe that either elements of the accounts, the actions or decisions of an authority, or the authority's failure to act, are unlawful (sections 28 and 31 of the Local Audit and Accountability Act 2014).¹⁹ This is a strong incentive to avoid illegal actions.

2.11 The system includes external checks, such as a local authority being subject to an annual external audit. The independent auditor is required to give an opinion on whether the financial statements of the audited body give a true and fair view, and whether all statutory provisions relating to the accounts have been complied with. They are also required to satisfy themselves that proper arrangements are in place to achieve effectiveness, efficiency and economy in the use of resources.

2.12 The auditor is also under a duty to consider making "a report in the public interest" on any significant matter coming to their notice during the course of an audit which they feel should be brought to the attention of the public. Any public interest report must be considered by the full council within one month of receipt. All of this information must be placed in the public domain. The auditor is also required to send a copy of the report to the Secretary of State. All Public Interest Reports are forwarded to MHCLG to consider.

2.13 The Financial Reporting Council and professional bodies have an oversight role in the new audit framework, mirroring their regulatory roles within the companies audit sector. The National Audit Office produces the Code of Audit Practice²⁰ and supporting guidance, which sets out what auditors are required to do in order to fulfil their statutory responsibilities in carrying out the audit of local authorities. Both the external Auditor and the NAO are prescribed persons under the Public Interest Disclosure Act 1998, to which employees may make protected 'whistle blowing' disclosures.

2.14 Councils are strongly recommended to have whistleblowing arrangements in place as recommended in the Chartered Institute of Public Finance and Accountancy / Society of Local Authority Chief Executives Delivering Good Governance in Local Government: Framework (2016).²¹

¹⁹ [Local Audit and Accountability Act 2014](#)

²⁰ [National Audit Office Code of Audit Practice](#)

²¹ [CIPFA/Solace, Delivering Good Governance in Local Government: Framework](#)

Transparency and publication of data

2.15 As part of the overall core accountability framework, the Local Government Transparency Code 2015²² requires principal local authorities to publish, on a regular basis, certain information about their expenditure, procurement and assets. Access by the public to this data makes it easier for local people to hold their local authority to account, contribute to the local decision making process, and help shape public services.

Requirements to have strategies and action plans in place on fraud

2.16 Although there are no specific statutory requirements to prevent or detect fraud, local authorities are under an overriding duty to protect the public purse and should ensure their systems are robust. The above mentioned 2015 Transparency Code sets out the specific counter-fraud requirements they must publish annually. Local authorities are required to comply with Part 2 of the Code and the department has undertaken periodic reviews to test this, most recently in 2018.

2.17 Local authorities should ensure they have a clear counter fraud policy embedded into their systems and follow the recommendations set out in the latest Local Government Counter Fraud and Corruption Strategy, initially published by the sector in March 2016 and funded by MHCLG and updated in March 2020.²³ A practitioner's guide, also funded by the department and published by the Chartered Institute of Public Finance and Accountancy²⁴, sets out the practical measures local authority counter fraud staff should take to identify and detect fraud.

2.18 In summary, the core Local Government Accountability Framework for which I am accountable, has roles for the public, the council executive, councillors, the sector and auditors in ensuring that value for money is achieved. For many services, this provides sufficient assurance.

2.19 As stated above, departments have put additional accountability arrangements in place for some specific services to provide additional assurance. This may be because a service is high risk or because the service is being used by vulnerable people who are less able to influence service delivery through choice and voice. One example is children's safeguarding, where universal inspection is in place to ensure that children are protected. These decisions are the responsibility for those departments which are accountable for the relevant services.

²² [Local Government Transparency Code 2015](#)

²³ <https://www.cifas.org.uk/insight/public-affairs-policy/fighting-fraud-corruption-local-authorities/FFCL-Strategy-2020>

²⁴ [CIPFA Code of Practice on Managing the Risk of Fraud and Corruption](#)

How the accountability system responds to failure

3.1 This section describes what happens when councils do not meet the statutory requirements for which they are responsible to deliver adequate services or value for money in their local communities.

3.2 There are a range of external systems in place should councils fail to fulfil their functions, and which contribute to the maintenance of regularity, propriety and value for money. These are summarised below.

3.3 For any case of service failure affecting an individual (including all council services), the Local Government Ombudsman²⁵ provides an independent route of complaint and redress. The Ombudsman reports annually on complaints investigated.²⁶

3.4 For service specific failure, where the safeguarding of vulnerable people may be at stake, the relevant government department has in some cases put in place specific failure and improvement regimes. Accountability arrangements for tackling these cases are covered under separate system statements (e.g. the DfE system statement). Actions which may be taken on failure may include improvement activity from the local government sector, led by the Local Government Association (LGA); programmes of inspection to identify failure and make recommendations; and powers for central government to intervene.

3.5 To assure and strengthen the overall corporate performance of councils across the sector, funds are provided from Local Government Departmental Expenditure Limit to the LGA to provide peer support, including mentoring and peer challenge. Peer support can be particularly effective at key moments, such as when an authority is experiencing a transition. The LGA is responsible for this work and has a systematic approach to identifying those councils that could benefit from sector support, based on data and informal conversations with all councils in the sector.

3.6 As a last resort, the government has powers to investigate and intervene based on councils' best value duty. If an inspection identifies a failure or very high risk of failure, to comply with the best value duty, under section 15 of the Local Government Act 1999²⁷ the Secretary of State has powers to intervene. Under section 15(5) he can direct an authority to take any action which he considers necessary or expedient to secure compliance with the best value duty. Under section 15(6) the Secretary of State may direct that any (or all) functions of the authority be exercised by him or a nominee (e.g. a commissioner).

²⁵ [The Local Government Ombudsman](#)

²⁶ [Local Government Ombudsman Reports](#)

²⁷ [Section 15, Local Government Act 1999](#)

3.7 Though intervention in a local authority is rare, MHCLG has experience of doing this where necessary, including in Rotherham, Tower Hamlets and Northamptonshire. We also work closely with colleagues in the DfE and the DHSC who have their own service specific inspection regimes and means of intervention.

3.8 It is my responsibility to ensure that advice is given to the Secretary of State about the relative merits and risk of statutory and non-statutory intervention in particular cases, based on evidence and the department's own analysis and risk assessment of the issues, to maintain the integrity of the overall accountability system.

How the Department gets assurance

4.1 This section describes how the department collects and analyses information to provide assurance that the core Local Government Accountability Framework is working and to assess risk.

4.2 The department collects and analyses information from a wide range of sources. This includes financial data, information on outcomes, information relating to specific services as well as soft intelligence. All financial data is taken from one or a combination of Office for National Statistics data, the publicly available statistical returns provided by local authorities to the department, or from authorities' Whole of Government Account Returns submitted to Her Majesty's Treasury. Other information including soft intelligence is primarily gained from our interaction with authorities and from other government departments.

4.3 The main sources of financial data available annually are:

- Income data published December / January as part of the Local Government Settlement.
- Expenditure data published in the autumn.
- Reserves level and liquidity data published in the autumn.
- For 2020/21 only, these sources of information have been supplemented by our Covid-19 Local Government Financial Pressures Monitoring exercise, completed monthly by nearly every council in England.

4.4 Other sources of information include:

- The department's local intelligence collected through relationships built with authorities by teams in the department.
- The LGA, especially through their regional Principal Advisers and from their sector support work.
- DfE, including Ofsted reports.
- DHSC, including Care Quality Commission reports and Better Care Fund plans.
- Department for Business, Energy & Industrial Strategy (BEIS) Local leads across England who provide local intelligence on leadership, local relationships and progress on devolution deals.

- Notifications received of public interest reports and annual data on the work of auditors published previously by PSAA and to be taken forward by the NAO in future.
- Information published on local authorities' websites, for example, minutes of Council meetings.
- Media reporting focused on the sector and generally.
- Correspondence from local councillors, Members of Parliament and members of the public.

4.5 This data and intelligence is considered and analysed in the department to provide indications of which local authorities or groups of authorities are at highest risk of financial distress, service failure or other inability to meet statutory duties. This represents a strengthening of the department's analysis and oversight following the recommendations in the NAO 2014 Report - "*Financial Sustainability of Local Authorities*".²⁸ Regular meetings are held to probe and assure the analysis; consider what further work is being done or might be done through service departments and/or the LGA's sector support; determine any specific actions or advice to ministers in the department; and consider any trends e.g. risk for particular types of local authorities.

4.6 In addition, twice a year, the department provides me with comprehensive assurance advice on how the core Local Government Accountability Framework is working. This advice presents research from the sector and think tanks; work the department has produced; and specific advice on whether the framework needs amending.

4.7 I also meet regularly with Accounting Officers from the DfE and the DHSC to discuss the analysis described above, alongside any specific pressures on children's services and adult social care. This ensures both that the department's analysis reflects a cross-government approach and also that other Accounting Officers with responsibilities for particular services have the benefit of a broad assessment of the sector.

²⁸ [Financial sustainability of local authorities 2014 – National Audit Office](#)

4.8 The NAO's report into the Financial sustainability of Local Authorities in November 2018²⁹, acknowledged the improvements made to our understanding of the extent to which local authorities are at risk of financial failure, and our developing relationships with other key departments. It also recognised evidence of the systematic collection and use of data, with robust reporting mechanisms. Following the report, the NAO published two further reports related reports, which were subsequently examined by the Public Accounts Committee, covering:

- Local Auditor Reporting in England³⁰
- Local Government Governance and Accountability³¹

4.9 As a result, the department has taken a number of steps to improve its oversight and assurance. Actions taken so far include:

- Establishing and holding the first meeting of the Local Authority Governance and Accountability Framework Panel. The Panel was established in September 2019 and further details about its work are provided below (para 4.11).
- Supporting the Centre for Public Scrutiny and Localism research on how local authorities can diagnose and reduce the risk of failure in corporate governance.
- Discussions with colleagues in the sector to inform the government response to the Committee on Standards in Public Life report on ethics in local government.
- Commissioning the independent Redmond review of the effectiveness of the local authority financial reporting and audit regime, which reported on 8 September ³²(.
- Conducted a review into the risks of fraud and corruption in local government procurement.³³

²⁹ <https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-2018/>

³⁰ <https://www.nao.org.uk/wp-content/uploads/2019/01/Local-auditor-reporting-in-England-2018.pdf>

³¹ <https://www.nao.org.uk/report/local-authority-governance-2/>

³² <https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review>

³³ <https://www.gov.uk/government/publications/local-government-procurement-fraud-and-corruption-risk-review>

- Instituted formal meetings with other government departments and extended the scope of the department's contact, including engagement with: the Department for Education (covering schools funding as well as children's services) and the Department for Health and Social care (covering public health as well as adult social care) on a monthly basis, and quarterly contact with the Department for Culture, Media and Sport (relating to local authority library provision). This is providing a shared view across departments of where authorities are experiencing challenges. This is resulting in a refreshed approach to formal data sharing with OGD partners.

4.10 The recommendations of the Redmond Review, will help inform any future changes to the local audit framework necessary to improve accountability and assurance and MHCLG is intending to respond before the end of the year. The NAO's new code of audit practice and accompanying guidance notes which takes effect for accounting year 2020/21, will also help to improve transparency and accountability by clarifying the information to be included in audit reports and making them more useful to local bodies and other interested parties.

4.11 In September 2019, MHCLG convened our partners with responsibility for individual components of the accountability system, in the Local Authority Governance and Accountability Framework Review Panel. The Panel has been created as an ongoing, rather than time-limited body and meets regularly. It is chaired by the department and its membership is from the National Audit Office, Local Government and Social Care Ombudsman, Local Government Association, Society of Local Authority Chief Executives, Centre for Public Scrutiny, Chartered Institute of Public Finance and Accountancy, and Lawyers in Local Government and the Association of Local Authority Treasurers. This body is the principal mechanism for gathering the views of key organisations with a national focus on the sector as a whole, and on overseeing the sector regarding the health of the framework. The Panel is assisting the department in identifying areas where corrective action is required and continually assess the framework for governance and accountability to identify if it is still fit for purpose.

4.12 The combination of all of these sources of information and activities above mean that the department is well-placed to understand risk, both across the system and in relation to individual Councils.

The accountability framework and devolution deals

5.1 This section explains how the core Local Government Accountability Framework applies in the light of devolution deals in England, in the context of the Cities and Local Government Devolution Act 2016 (the 2016 Act).³⁴ This section also covers the separate devolution to London, setting out the accountability arrangements for the Greater London Authority (GLA).

Devolution in England

5.2 This accountability system applies to all local authority bodies. This includes new combined authorities, such as the Greater Manchester Combined Authority and other governance structures in local government.

5.3 The government has set out a clear aim of devolving powers and budgets to local areas through bespoke devolution deals. In response to this the department has taken steps to strengthen the accountability system, to allow a greater variety of local governance arrangements while ensuring that there is clear and strong accountability, particularly where the government is devolving the most powers.

5.4 The 2016 Act enables the government to create mayoral combined authorities, where groups of local authorities agree locally that they wish to work together to deliver particular functions across the combined area, led by a directly elected mayor. Directly elected mayors enhance accountability by providing clear and visible leadership and by being directly and personally accountable to the local electorate at the ballot box through regular elections. The establishment of each mayoral combined authority is subject to locally-led statutory consultation, approval by individual local councils and the Parliamentary approval of relevant orders.

5.5 Combined authorities are, like local authorities, bound by the legal and technical requirements set out in this statement. The 2016 Act sets out that - in addition - all combined authorities (including mayoral) must have at least one overview and scrutiny committee and an audit committee to hold both the authority and the mayor to account.

5.6 To help ensure clarity about the powers and functions being devolved to combined authorities, and meeting its commitment in devolution deal agreements, the government has now published guides to the devolution deals for those combined authorities whose mayors were

³⁴ [Cities and Local Government Devolution Act 2016](#)

elected in 2017' as well as for Cornwall. These seek to set out, as simply as possible, a summary of the powers and budgets being devolved where applicable to Mayors, Combined Authorities, or in the case of Cornwall, the county council and NHS Kernow, and who is responsible for what. The government will continue to publish such guides for any new mayoral combined authorities that may be established, to help ensure that changes to accountability arrangements in local areas resulting from devolution deals are communicated clearly and accessibly to Parliament and the public.

5.7 In addition to devolution of specific powers, several devolution agreements with local areas have included a commitment to increase the flexibility with which combined authorities can use devolved funds, creating a 'Single Pot' which the combined authority will be able to use in a way that best meets local priorities.³⁵

5.8 To strengthen accountability and value for money assurance for combined authorities the government has put in place new arrangements, in addition to the existing statutory structures on Best Value. New combined authorities must put in place a Local Assurance Statement that is agreed with the department. This must be done before new devolved funds are made available. In addition, for the new investment funds, which provide 30-year funding from government through MHCLG, combined authorities will be subject to scrutiny from an external, expert panel that will provide evidence on the procedures to determine spending and the impact of spending locally.

5.9 Finally, the government will lay before both Houses of Parliament an Annual Report on Devolution, pursuant to the provisions of Section 1 of the Cities and Local Government Devolution Act 2016. This will contain a range of information, specified in Section 1 of the 2016 Act,³⁶ on the progress of English devolution to inform MPs and others of the latest developments. The latest such Annual Report was laid before Parliament on 10 January 2018.³⁷

³⁵ [Single Pot assurance framework: national guidance](#)

³⁶ [Section 1, Cities and Local Government Devolution Act 2016](#)

³⁷ [Devolution annual report 2016 to 2017](#)

Devolution in London

5.10 Particular arrangements apply to London. The Greater London Authority (GLA) was established through the Greater London Authority Act 1999 according to a strong Mayoral model with a directly elected Mayor taking decisions and being scrutinised by the London Assembly. In the last Parliament, the government devolved further responsibilities to the Mayor for housing, planning and economic development through the Localism Act 2011.

5.11 Underpinning the Mayor's strategic delivery role in London is a financial settlement, the London Settlement, which was agreed between MHCLG and the GLA. This was issued in February 2012, and reissued in December 2014.

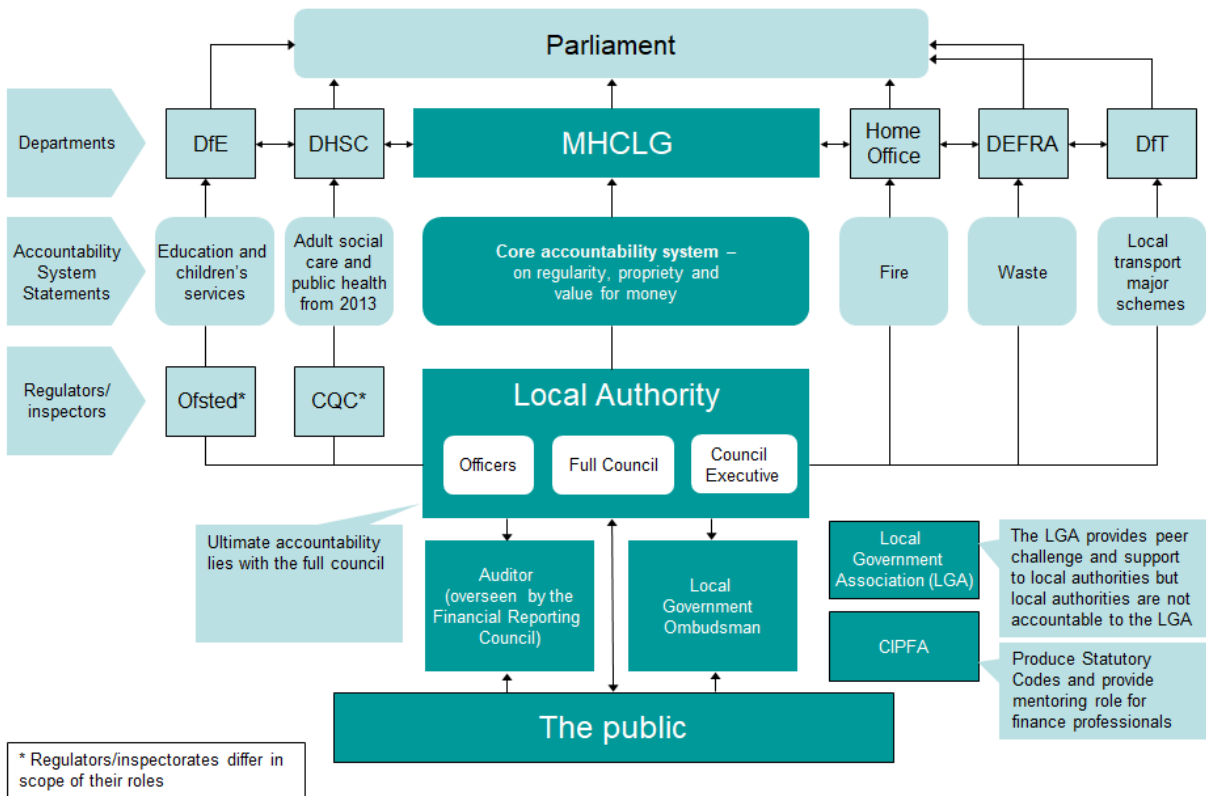
5.12 As the lead Accounting Officer for the London Settlement, I have the same responsibilities as described in section one of this statement. Accountability for spending decisions rests solely with the Mayor of London and scrutiny of those decisions with the London Assembly.

5.13 The government is also taking forward and supporting London partners' proposals for further reform in relation to employment and skills, congestion, health, social care and justice and a business rates retention pilot. Appropriate governance and accountability arrangements are being co-designed to underpin delivery. As any changes are made they will be reflected in this statement.

5.14 There is a robust core Local Government Accountability Framework in place which I can rely on as Accounting Officer for MHCLG to assure me that councils will spend their money with regularity, propriety and value for money. The key elements are: legal and formal controls; local audit; and transparency and democratic accountability to local people as set out in Section 2.

5.15 Inevitably, as the core Local Government Accountability Framework reflects current policy, so it will need to change when new policies are developed and implemented. As this document has been amended to reflect changes with the development of devolution deals, and as policies such as Business Rate Retention are developed, the department will consider their impacts fully, including upon my accountabilities. This statement, as a living document, will be updated as appropriate to reflect all such changes.

Diagram showing the accountability system statements relevant to local government and the main organisations involved in them



Annex B: Accountability System for Local Growth Funding

Introduction

Annex A sets out detail of the Local Government Accountability System, explaining the statutory duties, defences and safeguards through which value for money is assured.

This Local Growth Funding Accountability System sits alongside the Local Government System. This Annex sets out the specific accountability structures and processes through which value for money is assured on this funding. It covers:

- the Local Growth Fund (LGF), Getting Building Fund (GBF) and Local Enterprise Partnerships (LEPs);
- the scope of my accountability in relation to local growth funding;
- how the accountability system works for local growth funding;
- monitoring and evaluating delivery;
- the allocation of local growth funding;
- how LEPs receive their local growth funding allocations.

The Local Growth Fund, Getting Building Fund and Local Enterprise Partnerships

1.1 The LGF was established in 2013 and brought together a number of funding streams. GBF was announced in 2020 to deliver jobs, skills and infrastructure across the country. This statement focuses on how the funding is allocated, and the system which has been put in place to ensure that it is spent with regularity, propriety and value for money. Some funding streams within the LGF are subject to other departments' established accountability processes and structures. This is explained below.

1.2 The LGF is a £12bn fund, established in the 2013 spending round as a means of devolving national funding streams to local places. The LGF comprises funding commitments to LEPs running from 2015-16 to 2020-21.

1.3 The LGF is awarded via Growth Deals negotiated with Local Enterprise Partnerships on the basis of their Strategic Economic Plan. There are 38 LEPs across England. They are strategic partnerships of business, local authority leaders, and other public sector partners.

Some LEPs have formed companies and therefore have a legal structure, but many are established as unincorporated partnerships and as such are unable to enter into direct legal agreements.

1.4 The GBF is a £900m fund, established in 2020 to deliver jobs, skills and infrastructure across the country. Targeting areas facing the biggest economic challenge as a result of the Covid-19 pandemic. It is to support the delivery of shovel-ready infrastructure projects, agreed with mayors and LEPs to boost economic growth, and fuel local recovery and jobs.

1.5 Given LEPs' non-statutory status, LGF, GBF and other public funds are not paid to them directly, but rather to an 'accountable body'. The accountable body receives these funds on the LEPs behalf and ensures that they are properly accounted for alongside other funding for local government, as set out in Annex A. A local authority within each LEP's geographical area acts as the single nominated accountable body for each LEP. These accountable bodies play a fundamental role in ensuring that funds are spent with propriety, regularity, and value for money.

1.6 In October 2017 the department has strengthened its systems and has published various reviews including the Review of LEPs Governance and Transparency, a report led by Mary Ney, Non-Executive Director (NED) of the MHCLG Board. Following these reviews the department published the revised National Local Growth Assurance Framework, which came into effect April 2019. The National Local Growth Assurance Framework incorporates the recommendations of the Ney review; the best practice guidance for LEPs, has strengthened the annual performance conversation process and introduced deep dives to review LEP governance, transparency and accountability in more detail. It also addresses a number of the recommendations included in the Ministerial Review into LEPs, Strengthened Local Enterprise Partnerships (July 2018). and in NAO reports.

The Scope of Accounting Officer accountability in relation to the Local Growth Fund

2.1 I am the accounting officer for the award of the LGF and GBF to LEPs. I am accountable to Parliament for those elements of the LGF and GBF which are awarded to LEPs from MHCLG's DEL. Those elements of the Fund which remain on other departments' DEL are subject to their own funding and oversight mechanisms. These comprise funding from the

DfT and BEIS.

2.2 I am also responsible for ensuring that the delivery system within which LEPs invest the local growth funding (such as LGF and GBF) works effectively. Building on the Local Government Accountability System set out in Annex A, the Local Growth Funding assurance system is based on the following elements:

- a. The National Local Growth Assurance Framework which sets out standards around transparency, accountability and value for money which LEPs must comply with in composing their own local assurance frameworks;
- b. regular reporting against agreed output metrics;
- c. an evaluation framework;
- d. annual performance conversations with each LEP;
- e. deep dives to review LEP governance, accountability and transparency.

2.3 Together these elements establish a mechanism for ensuring that funds are spent locally with regularity, propriety and value for money. They also provide me with oversight of what is being delivered. Further details on these are set out later in this statement.

2.4 The National Local Growth Assurance Framework replaces the Single Pot assurance framework, and also provides guidance on funding where LGF is part of the place's 'Single Pot' of funding awarded under devolution or city deals. MHCLG has to formally sign off Local Assurance Frameworks before they become operational.

2.5 Given the widespread interest in local growth funding and the government's wider strategy for maximising local economic growth, the government has established the cross-departmental Cities and Local Growth Unit. This unit brings parts of MHCLG and BEIS together to ensure lines of accountability are clear, and to enable collective decision-making and joint working between departments. This also enables the delivery of a joined up support offer to places. The Unit also works closely with the DfT to ensure that transport expertise is sufficiently built into the award and oversight of the LGF in particular when considering infrastructure projects.

How the accountability system works for the Local Growth Fund &

Getting Building Fund

3.1 The accountability system for local growth funds builds on the checks and balances established in the accountability system for local government. It includes a National Local Growth Assurance Framework, regular reporting, a mid-year and annual performance conversation, and a robust approach to monitoring and evaluation. This system enables decision making which is accountable, transparent, and which delivers value for money. Through the annual performance conversation, the department can also review the level of funding and flexibility that each LEP has.

LEP assurance frameworks

3.2 The government has worked with LEPs, local authorities, and government departments to co-produce an additional national assurance framework. This framework is used to support accountable, transparent local decision making, which delivers value for money. This national assurance framework sets standards which LEPs and their accountable bodies must adopt through their own local assurance frameworks, providing assurance to the government in exchange for delegated funding arrangements and local flexibilities.

3.3 These local assurance frameworks have been agreed by the LEP board, published, and signed off by the accountable body through the Section 151 officer. Each accountable body's Section 151 officer has written to the department verifying that a local assurance framework has been developed, and is compliant with the standards articulated in the national LEP assurance framework. These local assurance frameworks must also be reviewed each year to ensure they remain current.

3.4 The department also provides funding to mayoral combined authorities, assurance is achieved via the accountability systems for local authorities and local growth funding. This includes following the guidance within the National Local Growth Assurance Framework.

3.5 The assurance frameworks set out details of:

- a. the LEP's constitution, and within that the arrangements for taking and accounting for decisions, including a clear description of roles and responsibilities;
- b. transparent decision-making and ways of working – ensuring effective public engagement, with key documents, decisions etc. made public in line with the

requirements placed on local authorities, and an agreed means to manage conflicts of interest;

- c. the responsibilities of the accountable body role - ensuring that the local system established through each LEP's local assurance framework supports effective LEP decision making;
- d. a clear and transparent basis against which projects and programmes are identified, appraised and prioritised. Appropriate methodology to assess value for money with business cases developed in line with government guidance;
- e. the LEP's scrutiny and audit arrangements.

3.6 Given this context, we expect accountability and value for money for local growth funding resources to work in the following way. The accountable body, as the legal recipient of grant, must put in place appropriate arrangements for the proper use and administration of funding, building on the existing Local Government System outlined in Annex A. The LEP as strategic decision maker develops and maintains its Strategic Economic Plan, determining the key funding priorities to which LGF, GBF and other resources should be directed, and ensures there is adequate capacity to deliver against those. Democratic accountability for LEP decisions are provided through local authority leader representation, with business community representation coming from the business leaders on each LEP board.

3.7 In places where not all local authorities are represented directly on the LEP board, it is important that those who do sit on the board have been given a clear 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, formalising decision making. This is also important for facilitating collaboration and the pooling of resources and efforts between local authorities in support of agreed LEP priorities. The detail of how these arrangements work will be picked up in each LEP's assurance framework.

Monitoring and evaluating delivery

4.1 The government has developed a coherent approach to the monitoring and evaluation of LGF and GBF. We have agreed with LEPs a range of data on inputs, outputs and outcomes that they should use to demonstrate success, providing clarity to government and the public

about what LEPs have delivered with their LGF and GBF resources.

4.2 Relevant metrics include the amount of private sector investment leveraged, levels of employment, housing units completed, and qualifications achieved. LEP performance is monitored by government, enabling it to target support where issues arise. Past delivery and performance will also inform the award of future funding.

4.3 LEP performance is monitored in the following ways:

- a. Area Lead (AL) discussions. ALs are regionally based civil servants who provide the LEPs with day to day advice and support, and are the main channel of communication between the LEPs and central government. Each month ALs hold a performance discussion with their LEPs, ensuring a regular dialogue is maintained and emerging risks and issues can be dealt with early.
- b. LEP monitoring returns. LEPs provide central government with a comprehensive set of data relating to each project on a quarterly basis, including both total and forecast spend, and output metrics.
- c. Area Lead reporting returns. ALs provide the department with regular report on LEP progress, which includes an assessment of each LEP's overall progress with project delivery and provides an early warning system which highlights any emerging risks so that prompt action can be taken to address these.
- d. Annual performance review. Each year the department conducts a performance review with every LEP which reviews their progress on delivery over the past 12 months. This leads to an agreed set of actions and next steps, if there are any issues to be addressed either by the LEP or by central government.
- e. Mid-year reviews. In addition to the annual performance review, the Strengthened Local Enterprise Partnerships (July 2018) introduced a formal mid-year review which focuses on progress against the agreed set of actions and next steps, and the progress and projection of delivery. The review also considers the annual report and delivery plans that the LEP is required to publish.
- f. Deep Dives. The department conducts deep dives to review the governance, transparency and accountability processes and culture in LEPs. Deep dives capture best practice amongst LEPs and where there are any issues identified next steps

and actions are agreed with the LEP.

4.4 The evaluation approach is based on three key pillars:

- a. Local evaluations, produced by LEPs, which mainly focus on process questions concerning how best to deliver outputs, alongside collation of case studies.
- b. Government will review the LEPs' case studies and develop information about thematic impact of specific policy interventions.
- c. The activity of the What Works Centre for Local Economic Growth to collate and disseminate evaluation results into material that is useful to local partners for feedback into their growth strategies.

4.5 The approach to local evaluation was co-designed by the government and LEPs to guide LEPs in developing their own local evaluation plans. The guiding principle behind these LEP Evaluation Plans is that they should be SMART:

- a. specific enough to provide the level of detail LEP officials and scheme promoters will require to guide delivery of evaluations;
- b. measurable so it is clear whether the evaluation work carried out fulfils the evaluation plan or not;
- c. achievable so that the LEP has a realistic chance of producing evaluations in line with its plan;
- d. relevant so that the plan is of practical use to the LEP and covers the most important areas for delivery of evaluations;
- e. timed so LEP officials know what they need to do by when in order to keep delivery of their evaluation plan on track.

4.6. Evaluations that assess how effectively schemes are delivered and their causal effect on planned outcomes and impacts will provide the government with evidence on the effectiveness of delivery and value for money from LGF & GBF interventions. The LEP evaluation plans provide a mechanism to ensure that the best evaluation evidence is produced as rapidly and effectively as is technically feasible.

4.7. The DfT has been scoping approaches for technically robust impact evaluation across LEP areas and are exploring possible evaluation demonstrators involving a sample of LEPs and the Local Growth What Works Centre.

The allocation of the Local Growth Fund

5.1 Existing allocations of the LGF were informed by an assessment of each LEP's Strategic Economic Plan (SEP) and associated projects. SEPs establish a long-term vision for the area, with defined growth objectives, and a complementary set of growth-stimulating projects. They set out arrangements for LEP governance, and how these support effective decision making and delivery, with a clear commitment to collaborating, and pooling efforts in support of a shared growth agenda.

5.2 Each SEP has been assessed against the published criteria of ambition and rationale, and delivery and risk. Business cases for the projects contained within the SEP were also reviewed against the value for money and deliverability criteria. Further information about this can be found in the guidance published to support LEPs to produce their SEPs which is available online.

5.3 This assessment, based on Green Book principles, saw those LEPs with the strongest SEPs and projects attract more resources. The assessment was overseen by analysts drawing on input from officials (at a national and local level), providing a fuller understanding, particularly around deliverability and risk. This process was moderated to ensure a consistent and transparent approach to assessment.

5.4 This assessment, together with the accountability system described above, forms a strong local system which will ensure decision making is accountable, transparent, and delivers value for money.

5.5 Future awards of the LGF are being informed by a consistent track record of successful implementation and demonstration of value for money, which will act as an important incentive to ensure quality and deliverability of projects.

The allocation of Getting Building Fund

6.1 On 30 June, the Prime Minister announced a new deal to deliver jobs, skills and infrastructure across the country in a plan to rebuild the country, address long-standing, unresolved challenges and level up across all regions of the UK. The 'build, build, build' plan will see £900 million invested through the Getting Building Fund in infrastructure projects supporting places across the country to fuel jobs and economic recovery.

6.2 In June 2020, the Secretary of State wrote to all Metro-Mayors, the Mayor of London and LEP chairs asking them to help support local recovery which included a request to provide ideas for accelerating existing Government funded capital projects, to generate new activity within 18 months, But also to consider exceptional new shovel-ready capital projects which could be delivered in 18 months.

6.3 The ambition of this fund is to stimulate all economies across the country, with a particular focus on those impacted by the effects and legacy of Covid-19. Allocations are based on population data at local authority level. This population-based allocation has been adjusted based on measures of an area's relative economic resilience and its relative economic exposure to Covid-19. This method of allocation will ensure that everywhere receives some funding, but those places most vulnerable to Covid-19 are strongly supported.

6.4 These projects must meet value for money through local assurance frameworks and must deliver on the criteria set out in the letter. Assessment of projects were based on Green Book principles drawing input from officials (at national and local level), providing a fuller understanding particularly around deliverability and risk. The process was moderated to ensure consistent and transparent approach to assessment.

6.5 This assessment, together with the accountability system above, forms a strong local system which will ensure decision making is accountable, transparent, and delivers value for money.

How LEPs receive their Funding allocations

7.1 Funding allocations have been and will continue to be paid to the LEP's accountable body. All payments from the MHCLG DEL will generally be made by MHCLG under Section 31 of the Local Government Act 2003. This is how local authorities receive the majority of their funding from national government. Allocations have been awarded on an annual basis

to date. The department is able to review the level of funding and flexibility awarded to each LEP as part of the annual performance conversation.

7.2 As is the policy with section 31, the grant funding agreement will not impose detailed legal conditions which would restrict how funding can be used. The grant offer letter does however set out clear funding requirements which must be followed:

- a. funding is to support the agreed projects between the government and the LEP and will be used to secure the agreed outcomes;
- b. Funding decisions must be agreed between the LEP and the accountable body in accordance with their local assurance framework (which must be compliant with the standards established in the national LEP assurance framework);
- c. progress will be measured against agreed core metrics and outcomes, in line with the national monitoring and evaluation framework.

7.3 A clear incentive has been placed on LEPs to deliver, establishing the principle that future deals will be dependent on the performance and delivery of the previous funding.

6.4 There is a clear framework in place which provides assurance that LEPs, working with their accountable local authorities, will spend their money with regularity, propriety, and value for money. The key elements are the legal controls and democratic accountability to local people through the local authority leader representation on LEPs, and the role of the accountable local authority. In addition to the general requirements on local authorities, there are additional arrangements in place through the assurance framework and monitoring and evaluation strategy to ensure LEPs carry out their responsibilities effectively. The system provides assurance that the government's decentralising agenda can be achieved in relation to LEPs without compromising the proper spending of public money.