

Accounting Officer: Accountability System Statement for the Local Growth Fund

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Contents

- Introduction 2
- Accounting officer accountability system statement for the Local Growth Fund 3
- Local Enterprise Partnerships and the Local Growth Fund landscape..... 4
- Scope of accounting officer accountability in relation to the Local Growth Fund 5
- Allocation of the Local Growth Fund..... 6
- How Local Enterprise Partnerships will receive their Local Growth Fund allocation..... 7
- How the accountability system will work..... 8
- Core accountability statement 8
- Local Enterprise Partnership assurance framework 9
- Monitoring and evaluating Local Enterprise Partnership delivery and value for money 11
- Conclusion 13

Introduction

1. Accounting officers in government departments are accountable to Parliament for the proper stewardship of the resources allocated to their department. Details of the requirements to ensure regularity, propriety and value for money are set out in the HM Treasury Guidance Managing Public Money.
2. The DCLG accounting officer report Accountability: Adapting to decentralisation, published in September 2011, proposed that in future departmental accounting officers should publish accountability system statements explaining how they achieve accountability for the grants they distribute to local bodies. This allows accounting officers to demonstrate that, as the government moves to decentralise power to local communities, the appropriate accountability mechanisms are still in place. The Treasury has now included this requirement in Managing Public Money.
3. The DCLG accounting officer has set out how accountability within local government will be ensured, through the Accounting Officer Accountability System Statements for Local Government and for Fire and Rescue Authorities. That document sets out the current funding mechanisms, legislation and guidance, which form the system, and also covers the core accountability system, for local authorities, which is concerned with issues such as their financial management and democratic accountability.
4. The system statement, in this document, is the accountability system for the Local Growth Fund, and has been signed off by the DCLG accounting officer. It sets out the accountability structures and the processes by which this Fund will be monitored.
5. Departments, which oversee other services run by local government, have also published statements in relation to these services. The main additional systems cover education and children's services (Department for Education), adult social care and public health (Department of Health), transport (Department for Transport), waste (Department of Environment, Food and Rural Affairs) and fire (Department for Communities and Local Government, included with the Local Government Statement).

Accounting officer accountability system statement for the Local Growth Fund

6. This statement explains how I will meet my responsibilities in relation to the Local Growth Fund, and places this Fund in the wider context of local authority accountability as set out in the accountability statement for Local Government.
7. The Local Growth Fund brings together a number of funding streams into a single pot. This statement focuses on how that Local Growth Fund has been allocated, and the system I have put in place to ensure those resources are spent with regularity, propriety and value for money. Some elements of the Local Growth Fund are subject to the lead Department's established accountability processes and structures. They are not therefore covered by this systems statement.
8. This statement is a living document, and will be updated as government policy changes. It covers:
 1. the Local Growth Fund landscape
 2. the scope of my accountability in relation to the Local Growth Fund
 3. allocation of the Local Growth Fund
 4. how the accountability system will work for the Local Growth and
 5. monitoring and evaluating delivery

Local Enterprise Partnerships and the Local Growth Fund landscape

9. There are 39 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. This means that public funds, including the Local Growth Fund (LGF), are paid to an accountable local authority or in some cases a combined authority - referred to as the 'accountable bodies'. These 39 accountable bodies, in partnership with LEPs, play a fundamental role in ensuring that funds are spent with propriety, regularity, and value for money.

10. The Government's response to Lord Heseltine's Review [March 2013:Cm 8587] set out a vision for local growth, unleashing the ambition and creativity of local leaders by devolving resource and responsibility to those places which demonstrate credible and compelling economic leadership in pursuit of growth.

11. In this response, Government confirmed the commitment to negotiate a Growth Deal with every Local Enterprise Partnership (LEP). Through Growth Deals, LEPs can seek freedoms, flexibilities and influence over resources from Government; and a share of the Local Growth Fund (LGF) to target their identified growth priorities. In return, the Government expects evidence of real commitment from LEPs to the growth agenda, including the development of ambitious, multi-year strategic plans and a commitment to work collaboratively across the LEP area.

12. Growth Deals include a significant amount of funding from the Local Growth Fund (worth £12bn over six years) with which LEPs are expected to develop and deliver their strategies for local economic growth (Strategic Economic Plan - SEP). Those SEPs seek to align public and private sector resources in the area around an agreed set of priorities, maximising impact. The EU investment strategies which LEPs also lead on are complementary, with LGF allocations often being used as a source of match funding to help deliver their European Structural and Investment Fund (ESIF) strategies.

Scope of accounting officer accountability in relation to the Local Growth Fund

13. I will be the single accounting officer for the Local Growth Programme. I am accountable to Parliament for the allocation and distribution of Local Growth Fund resources. Whilst I maintain responsibility for overarching policy decisions in respect of the Fund and accountability for the financial distribution of it, those elements of the Fund which remain on other Department's Departmental Expenditure Limits (DEL) will be subject to their own funding and oversight mechanisms¹.
14. I am also responsible for ensuring the system for LEPs and the Local Growth fund works effectively. Building on the systems established through the local government accountability systems statement (explained in detail in the core accountability statement below), the system for Local Growth is established through two underpinning pieces of work. These are the LEP assurance framework and a LEP monitoring and evaluation strategy. Together they establish robust mechanisms for ensuring funds are spent locally with regularity, propriety and value for money. They ensure that effective delivery can be demonstrated through regular reporting and evaluation. Further details on these are set out later in this statement.
15. Given the cross departmental interest in this programme, and to support me in my role as accounting officer, we have established a Cities and Local Growth Unit. This unit brings parts of the Department for Communities and Local Government (DCLG), the Department for Business Innovation and Skills (BIS), and the Cabinet Office 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, building on lessons learnt from the Regional Growth Fund Programme. The Unit also works closely with the Department for Transport (DfT) to ensure that transport expertise is sufficiently built into the Local Growth Fund process when considering infrastructure projects.

¹ For DfT this means the tail of existing DfT major schemes and some larger LGF schemes for which ministers have agreed that funding will be retained by DfT

Allocation of the Local Growth Fund

16. The Local Growth Fund (LGF) was heavily oversubscribed, generating significant competition for LGF resources. Allocation of the LGF was informed by an assessment of each LEP's Strategic Economic Plan (SEP) and associated projects. Those 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.
17. 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
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/224776/13-1056-growth-deals-initial-guidance-for-local-enterprise-partnerships.pdf
18. This assessment, based on Green Book principles saw those LEPs with the strongest SEPs and projects attract more resources. The assessment was overseen by dedicated 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.
19. To ensure that value for money is upheld in delivery and local decision making, we have developed a LEP assurance framework (in conjunction with LEPs), which sets clear standards and principles around use of resources. We have also developed a robust approach to monitoring and evaluation, which will be set out in a monitoring and evaluation strategy. Together these pieces of work form a strong local system which will ensure decision making is accountable, transparent, and delivers value for money. It will also enable effective evaluation, and regular reporting against agreed metrics.
20. Future awards of the LGF will be 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.

How LEPs will receive their Local Growth Fund allocation

21. Local Growth Fund allocations will be paid to the accountable body. All payments from the DCLG DEL will generally be made by DCLG under Section 31 of the Local Government Act 2003. This reflects how local authorities receive the majority of their funding from national Government. Allocations will be awarded on an annual basis, except for those LEPs with the least developed SEPs. These LEPs will receive their payments on a quarterly basis, in advance of need.
22. In line with the Government's policy on localism, the grant funding agreement will not impose detailed conditions - for example, around expenditure and delivery - but will establish in the covering letter the clear expectation that:
- funding is to support implementation of the LEP's Growth Deal with central Government
 - that decisions on spending the grant must be agreed by the LEP and approved by the accountable local authority in line with an agreed local assurance framework
 - progress will be measured against agreed core metrics and outcomes
23. We have placed a clear incentive on LEPs to deliver the agreed deals, establishing the principle that future deals will be dependent on performance and delivery of the previous deal.

How the accountability system will work

24. The accountability system for the Local Growth Fund builds on the checks and balances established in the accountability systems statement for local government, as well as the standards we have established in two underpinning documents– the LEP assurance framework and monitoring and evaluation strategy. This system will enable decision making which is accountable, transparent and which delivers value for money. It also supports effective implementation with checks and balances on delivery outcomes and outputs and whether these represent value for money, providing assurance that the system is working. In this section, I set out the three components of this system, and how I expect them to work, providing me with adequate assurance that the system is working.

Core accountability statement

25. As established in the accountability systems statement for Local Government, the principal local checks on regularity and propriety within the lead local authority are as follows:

- clarity about who is accountable for resources.
- a set of financial duties and rules which require councils to act prudently in their spending
- internal checks that the rules are followed through the duties on the Chief Finance Officer of the council, and external checks by an independent auditor
- transparency through publication of annual accounts and all spending over £500

26. There are legal and formal controls in place to ensure that it is clear who is accountable for the money at the local level. The system also includes external checks, such as an independent audit. Local authorities are required to have an annual external audit under section 4 of the Local Audit and Accountability Act 2014. The auditor is required to give an opinion on the truth and fairness of the financial statements of the audited body and to satisfy themselves that arrangements are in place in the authority to achieve effectiveness, efficiency and economy in the use of resources, and that all statutory provisions relating to the accounts have been complied with. The auditor also has a range of powers, which allow him or her to make “reports in the public interest”, access information and apply for judicial review in the case of failure.

27. The Chief Finance Officer also plays a crucial role in supporting accountability. Being responsible for the “proper administration of a council’s financial affairs”,

they have a role in helping councils to fulfil their financial duties, which includes achieving best value. He or she can offer expert advice to councillors, and drive value for money through the organisation. The Local Government Finance Act 1988 requires they issue a report (a section 114 notice) to all councillors if there is unlawful expenditure.

28. A key aspect of ensuring the accountability of local government is by increasing transparency. To that end, the Department for Communities and Local Government has introduced a Local Government Transparency Code which Local Authorities must follow.

LEP assurance framework

29. The Government has worked with LEPs, local authorities, and Government Departments to co-produce a national assurance framework for LEPs. This framework is used to support accountable, transparent local decision making, which represents and delivers value for money. This national LEP assurance framework establishes standards which LEPs and their accountable bodies must adopt, providing assurance to Government in exchange for delegated funding arrangements and local flexibilities.

30. LEPs must produce their own local assurance framework in line with the standards established in the national LEP assurance framework. The finalised local framework must be agreed by the LEP board, published, and signed off by the accountable body. The accountable body must also write to the DCLG accounting officer by the 31st March 2015, verifying that a local assurance framework has been developed, is being implemented and is consistent with the standards articulated in the national LEP assurance framework.

31. The assurance frameworks which LEPs agree locally will set out details on:

- existing LEP constitution, and within that the arrangements for taking and accounting for decisions, including a clear description of roles and responsibilities
- 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.
- 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, that activities which comply with legal requirements, and that funding is spent with regularity, propriety and value for money.
- a clear and transparent basis against which projects and programmes are identified, appraised and prioritised, and that the LEP is clear about

the methodology used to assess value for money and that business cases will be developed in line with Government guidance.

32. Set against this context, we expect accountability and value for money for Local Growth Fund 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 systems outlined in the core accountability section above. The LEP as strategic decision maker develops and maintains the Strategic Economic Plan, determining the key funding priorities to which LGF 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 representation of the business community flowing through the business leaders.
33. 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 LEPs assurance framework.

Monitoring and evaluating LEP delivery and value for money

34. The Government has developed a coherent approach to monitoring and evaluation of Growth Deals, which will be summarised in a published monitoring and evaluation strategy, to support LEPs to develop their own systems. We have agreed with LEPs a range of data on inputs, outputs and outcomes that LEPs should use to demonstrate success, providing clarity to Government and the public about what LEPs have delivered with their Local Growth Fund resources. Relevant metrics include the amount of private sector investment leveraged, levels of employment, housing units completed, and qualifications achieved. This data will be available to the public. LEP performance will also be reported to Ministers which will ensure Government is able to target its support for LEPs when issues arise. Past delivery and performance will also inform the award of future growth deals.
35. An approach to local evaluation has been co-designed by 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;
- specific enough to provide the level of detail LEP officials and scheme promoters will require to guide delivery of evaluations
 - measurable so it is clear whether the evaluation work carried out fulfils the evaluation plan or not
 - achievable so that the LEP has a realistic chance of producing evaluations in line with its plan
 - relevant so that the plan is of practical use to the LEP and covers the most important areas for delivery of evaluations
 - timed so LEP officials know what they need to do by when in order to keep delivery of their evaluation plan on track
36. LEP plans will help create an evaluation programme that is proportionate and maximises the possibilities for joint working with local academic institutions. Evaluations that assess how effectively schemes are delivered and their causal effect on planned outcomes and impacts will provide Government with evidence on the effectiveness of delivery and value for money from Local Growth Fund 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.

37. In addition to the LEP evaluation activity central government will commission some evaluation activity directly. This includes the scoping of approaches for technically robust impact evaluation across LEP areas and the exploration of evaluation demonstrators – involving a sample of LEPs and the Local Growth What Works Centre.

Conclusion

38. There is a robust framework in place, which I can rely on as accounting officer for the Department for Communities and Local Government to provide 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.

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