



LEP Assurance Framework

December 2014

The LEP Assurance Framework was revised
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Introduction

We asked all LEPs (Local Enterprise Partnerships) as part of their Growth Deal to sign up to working with us to develop a single assurance framework covering all Government funding flowing through LEPs, to ensure all LEPs have robust value for money processes in place. The purpose of this LEP assurance framework is to support the developing confidence in delegating funding from central budgets and programmes via a single pot mechanism. It should be viewed in the context of the Accountability Systems Statements for both Local government and the Local Growth Fund which provide assurance to the Departmental Accounting Officer and to Parliament, for how Local Growth Funds and wider funding routed through Local government are allocated, and that there are robust local systems in place which ensure resources are spent with regularity, propriety, and value for money.

It is one of four key related Growth Deal implementation documents which should be viewed together. The other documents are the:

- **Growth Deal grant offer letter** in which the Department for Communities and Local government will set out the degree of flexibility on offer to each LEP and any limited conditions around use of that funding. This will be issued at the time of the Autumn Statement and will also confirm the pipeline and tail funding for future years as well as the monitoring metrics that have been agreed with the LEP.
- **monitoring and evaluation framework** which establishes a suite of monitoring metrics to support Growth Deal monitoring and reporting, and our expectations around proportionate evaluation that Government expects LEPs to implement
- **Implementation summary** report, which is a live document capturing all the key implementation milestones, and actions for each LEP's Growth Deal and agreed between Government and the LEP

This document, informed by LEPs and their accountable local authority sets out what Government expects LEPs to cover in their local assurance frameworks, building on the existing local government system, the Local Transport Body assurance framework, and Skills Funding Agency support offer – all of which underpin this framework. We have kept it light touch, focused only on those key practices and standards which are necessary to provide Government and local partners with assurance that decisions over funding are proper, transparent, and that they deliver value for money. LEPs will have considerable freedom to determine how to implement the key practices and standards articulated in this national framework through their own local assurance framework.

Work on developing each LEP's local assurance framework is a core element of their Growth Deal, and as such will be picked up as a key action in their implementation summary which Central Leads and Relationship Managers will be working with LEPs

to agree. We expect that many LEPs will already be doing much of what is outlined already, and may want to use their existing Local Transport Body assurance frameworks as the basis for what we articulate in this document.

The LEP board should agree the finalised local assurance framework ensuring key partners are signed up. The accountable local authority must also sign off the local assurance Framework, and write to the Accounting Officer in DCLG certifying that a local assurance framework is agreed, is being implemented and that it meets the standards articulated in this national framework. We expect local assurance frameworks to be published on each LEPs website, and reviewed annually.

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1. LEP governance and decision making

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

- The LEP board membership (in line with the requirement for a private sector chair, with wider membership made up of at least 50% private sector board, and public sector members drawn from local authority leaders and other relevant public sector organisations), and what, if any, sub boards there may be, including the employment and skills board and a description of how the Local Transport Body is being integrated within the LEP.
- A clear description of the roles and responsibilities of the main LEP board and any sub-boards, with a particular focus on who is responsible for what types of decisions including schemes of delegation and clarity on which body or person is responsible for final sign off on funding decisions. There should also be clear lines of reporting back to the LEP board, and where appropriate to the accountable local authority
- A clear description of the relationship between the LEP board and the supporting local authority partnership arrangement, bringing all local authority leaders across the LEP together and where appropriate arrangements for cross LEP working
- Description of the arrangements for supporting the effective delivery and implementation of projects, including relationships with delivery bodies

2. Local authority partnership working across the LEP

2.1 Government want to be confident that there are strong underpinning local authority partnership arrangements in place to facilitate joint decision making and collaboration on growth and economic development between all local authorities in each LEP area. It's important that local authorities across the LEP area don't just 'support' growth priorities but actively play a part in ensuring their delivery – by aligning strategic plans, through use of their powers and competencies and through pooling and aligning of local resources and efforts.

2.2 How LEP areas approach this will vary considerably given the differing local circumstances. However, areas should seek to develop an arrangement which enables collective engagement of local authority leaders in decision-making on growth priorities, ideally with the LEP represented, supported by strong collaboration and joint delivery at executive level.

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3. Transparent decision making

3.1 It is important that LEPs have clear arrangements in place which enable effective and meaningful engagement of local partners and the public. They should operate transparently giving people confidence that decisions made are proper, based on evidence, and capable of being independently scrutinised.

3.2 We expect LEPs to take a proportionate approach to sharing and publishing information, using the prompts set out below as the basis for determining what they release. We fully expect that there will be information which is not appropriate for publication – including information that is commercially confidential, and expect LEPs to use their own discretion in determining what shouldn't be published. Our expectation however, is that the public should see that the LEP is applying similar standards of transparency as other public sector organisations over decisions it makes over public funding. Within reason we would therefore expect LEPs to:

- have a dedicated website through which local partners and the public can keep in touch with progress on implementing the Growth Deal, access key documents etc;
- publish their arrangements for making, and recording decisions, and for ensuring that papers, decisions, minutes, agendas etc are published in line with existing local authority rules and regulations [access to information, Schedule 12A of the LGA 1972, as amended by the FOI 2000];
- through their accountable local authority, ensure that Freedom of Information and Environmental Information Regulation requests are dealt with in line with relevant legislation;
- have a published conflicts of interest policy, register of interests covering any decision makers, and published complaints policy;
- ensure that there is appropriate local engagement – both with public and private stakeholders to inform key decisions and with the general public around future LEP strategy development, and progress against delivery of the SEP, including key projects and spend against those;
- publish arrangements for developing, prioritising, appraising and approving projects, with a view to ensuring that a wide range of delivery partners can be involved (see also Part 5 on value for money below);
- clearly set out the LEP's priorities and mechanisms for maximising the social value of its investment funding and activities so that partners and beneficiaries can play an active role in the programme.

4. Accountable decision making

4.1 Local Growth Fund resources will be paid via a Section 31 grant determination to a lead local authority (accountable body)/ combined authority in all cases regardless of the differing legal set ups that exist. The proper use and administration of this funding will be set out through the grant funding letter/agreement (a draft of which has been published alongside this document), this assurance framework and the wider implementation summary. It is important to note that it is the Government's expectation that accountable bodies cannot use this funding for their own purposes, or without any clear mandate from the LEP.

4.2 The lead local authority, working with relevant officers will need to put in place appropriate arrangements for the proper use and administration of funding, building on the existing local government systems, and which fall under the annual audit of the local authorities accounts. The accountable local authority would also be responsible for ensuring that decisions are made in accordance with the local LGF assurance framework.

4.3 The LEP have a vital leadership role to play, responsible for developing and maintaining the Strategic Economic Plan and determining the key funding priorities to which LGF and other resources should be directed, and ensuring there is adequate capacity to deliver against those. Democratic accountability for the decisions made by the LEP are provided through local authority leader representation, with accountability to the business community flowing through the business leaders. In places where not all local authorities are represented directly on the LEP board, it is important that their representatives have been given the mandate – through an underpinning local authority arrangement, such as a joint committee or combined authority or other similar arrangement, which brings all the local authorities together in the area.

4.4 The complementary roles of both parties – the legal and financial responsibilities of the accountable local authority/ combined authority and the leadership role and democratic accountabilities of the LEP need to be supported by a set of agreed systems and practices expressed in the LEP local assurance framework. It is important that these practices/ systems support both the accountable local authority role in ensuring proper, transparent decisions which deliver value for money but also support timely, informed decision making by the LEP. As part of these ways of working, we would expect the local assurance framework to set out the circumstances under which the accountable body would not comply with a LEP decision and the process for resolving that. We would also strongly encourage LEPs to make use of independent scrutiny arrangements, for example by establishing an overview and scrutiny committee to provide check and balance to the operation of the LEP.

4.5 We expect the local assurance framework to:

- confirm accountable body arrangements for the LGF and other funding sources received from Government
- confirm that use of resources are subject to the usual local authority checks and balances – including the financial duties and rules which require councils to act prudently in spending, which are overseen and checked by the Responsible Chief Finance Officer – the 151 Officer, or in the case of a Combined authority a Section 73 officer, and to ensure transparency that annual accounts are published.
- confirm the responsibilities of the accountable local authority:
 - ensuring decisions and activities of the LEP conform with legal requirements with regard to equalities, social value, environment, State Aid, procurement etc;
 - ensuring that the funds are used appropriately;
 - ensuring that the local LEP assurance framework is adhered to;
 - maintaining the official record of LEP proceedings and holding copies of all relevant LEP documents relating to LGF funding;
 - responsibility for the decisions of the LEP in approving projects (for example if subjected to legal challenge);
 - ensuring that there are arrangements for local audit of funding allocated by LEPs at least equivalent to those in place for local authority spend.
- confirm that the LEP and accountable body have agreed timescales and operating practices to support the effective implementation of decisions. This should include for example a means for monitoring delivery and to provide clarity about what information it would expect to receive from scheme promoters and delivery agents. When the LEP awards funding for a project there should be a clear written agreement between the accountable local authority and the delivery agent clearly setting out the split of responsibilities and include adequate provisions for the protection of public funds (e.g. arrangements to suspend or claw back funding in the event of non-delivery or mismanagement).

5. Ensuring value for money: prioritisation, appraisal, business case development, and risk management

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

5.2 The section below on option appraisal and prioritisation addresses what LEPs will need to consider in deciding how to allocate their funding to projects and prioritise between proposals. Given the considerable variation in types and sizes of projects which LEPs may want to support, and acknowledging that many LEPs already have effective practices in place, our intention is not to establish any rigid 'rules' about the methods which LEPs must use, to prioritise between projects, but rather establish a set of guiding principles.

5.3 The second section, considers the more detailed business case work we would expect a LEP to undertake once a project has been identified for funding, to ensure that the proposal is optimised and represents a value for money and realistically deliverable solution.

5.4 Across both of these aspects, LEPs should ensure that they have robust processes in place which ensure all funding decisions are based on impartial advice. The arrangements set out in the local assurance framework will need to ensure a clear separation between those acting as scheme promoters and those advising decision makers will be maintained, so that the LEP is acting on impartial advice on the merits of (potentially competing) business cases.

5.5 LEPs should also ensure that arrangements are in place which support the active management of risk across all matters for which the LEP is responsible, including but not limited to propriety and value for money issues. This should include having a named individual of appropriate seniority who is responsible for the identification and management of risk.

Options appraisal and prioritisation

5.6 LEPs should have a clear and transparent basis, (published on their website) against which projects and programmes are initially identified / commissioned, appraised and prioritised. LEPs local accountability frameworks should set out:

- the evidential basis on which the need for intervention is based and how the LEP will ensure rigour and data quality and programmes and projects are identified based on need/opportunity and clear application of best practice;

- the methodology used to assess overall value for money of the LEP's programme, and to produce a list of prioritised projects, ensuring that the full range of options which enable the strategic objective to be met/ problem addressed, are considered. Particular attention should be given to how different types of projects will be compared and assessed. Typically this would include consideration – at a level proportionate to the scale of funding required for the proposal – of whether:
 - there is a clear rationale for the interventions linked with the strategic objectives identified in the Strategic Economic Plan;
 - the proposal has clearly defined inputs, activities, outputs and anticipated outcomes, which are additional, ensuring that factors such as displacement and deadweight have been taken into account where appropriate;
 - the benefits exceed the costs of intervention;
 - deliverability and risks have been appropriately considered and if there are likely to be clear mitigations for those.
- how the evidence will be used to inform decisions and how the LEP will ensure rigour and data quality.

Value for Money and Business Case Development

5.7 The methodology used to assess value for money and the degree of detail to which business cases are developed in support of particular projects or programmes should be proportionate to the funding allocated and in line with established Government guidance including the *HM Treasury Green Book*. Typically we would expect business cases to address, in a proportionate manner, the 5 cases set out in *supplementary guidance to the Green Book*.

5.8 We do not envisage this being a significant new burden as LEPs may for example have already adopted LTB practices for transport projects, and the Skills Funding Agency practices for skills capital projects. [A list of basic expectations for different types of specific project appraisal are attached at Annex A].

5.9 Given their importance to achieving local growth, the Government is keen to ensure that LEPs also ensure that the commercial, financial and management arrangements are appropriate for effective delivery. To assist with this, *Infrastructure UK* have produced a checklist which LEPs may find helpful when reviewing these aspects of business cases.

5.10 For all projects and programmes LEPs will need to ensure that there is a named individual with overall responsibility for ensuring value for money and that named individuals (not necessarily the same person) should be responsible for scrutiny and recommendations on each business case. These responsible individuals should ideally be independent of the promoting organisation or where this is impractical, should sit outside the management unit responsible for developing and promoting the business case.

Annex A

This overarching LEP framework covers all Government funding which LEPs and their accountable local authorities are responsible for. This framework is supported by more tailored advice from DfT and the SFA specific to transport and skills capital schemes, but they are wholly consistent with the principles and practices set out in this document and should be read together. Links to these related documents are set out below.

Transport schemes

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

Paragraphs 67- 75 and 77-79 of part 3 of the guidance to LTBs set out the minimum requirements on value for money assessment and assurance of transport projects. LEPs are expected to follow these minimum requirements for transport schemes funded through the Local Growth Fund (including through pre-allocated funding). These paragraphs are reproduced at annex B.

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

Skills capital schemes

Funding allocated to skills capital schemes as part of Local Growth Funds will be paid to LEPs via a lead local authority/ combined authority, as part of the overall LGF payments. How LEPs choose to incorporate management of skills capital funds within their LEP governance is a matter for local discretion.

We are aware that the majority of LEPs have chosen to take up the Skills Funding Agency support service to assist with the LEPs skills capital funding responsibilities, with a locally tailored approach covering a range of activities within the LEP's overall skills capital programme implementation to support LEP's decision making, e.g. advice on assessment of property/estate; on financial investment, affordability and maximisation of leverage; and on education/economic growth business case.

We would anticipate that LEPs will base their local processes on Skills Funding Agency good practice, advice and guidance tailored to local circumstances, or put in place equivalent robust local arrangements to ensure value for money and effective delivery of skills capital schemes, through strong project development, project and options appraisal, prioritisation, and business case development – as set out in section 5 above.

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Annex B

Value for money assessment and assurance of transport projects

These paragraphs are reproduced from the DfT's former guidance for Local Transport Bodies (LTBs). As outlined above, our expectation is that LEPs will continue to follow this guidance on value for money.

The LTB will need to demonstrate how the proposed scheme will achieve value for money.

LTBs will need to demonstrate that they have established processes to ensure that the modelling and appraisal is sufficiently robust and fit for purpose for the scheme under consideration. This should describe how they will ensure that the modelling and appraisal of schemes meets the guidance set out in WebTAG.

The use of WebTAG, which is mandatory for all schemes, does not preclude additional assessments or methodologies being employed to prioritise and assess the overall business case for a scheme. Neither does it dictate the weighting or importance that decision makers should attach to any aspect of the WebTAG assessment or any additional assessment.

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<p>Minimum requirements</p>	<p>The modelling and appraisal of schemes contained in business cases must be developed in accordance with the guidance published in WebTAG at the time the business case is submitted to the LTB for approval.</p> <p>Central case assessments must be based on forecasts which are consistent with the definitive version of NTEM (DfT's planning dataset). This requirement doesn't stop LTBs considering alternative planning assumptions as sensitivity tests and considering the results of these in coming to a decision about whether to approve a scheme.</p> <p>The appraisal and modelling will be scrutinised by the LTB and this will be undertaken independent of the promoting authority. The assurance framework will set out how this will be done.</p> <p>The assurance framework must set out how the assessment and scrutiny of business cases will be quality assured.</p>
<p>Recommended</p>	<p>Set out mechanisms for providing early advice to scheme promoters on whether the study approach is fit-for-purpose, particularly in relation to modelling and Social & Distributional Impacts (which both can have significant lead times)</p>
<p>Optional</p>	<p>A description of how the LTB will ensure that WebTAG will be applied by scheme promoters in a proportionate and robust way.</p> <p>A description of the circumstances under which external scrutiny or audit of the appraisal or modelling of schemes would be commissioned e.g. controversial or particularly costly schemes.</p>

The LTB will need to put in place a process for producing a Value for Money (VfM) statement for all schemes put forward for approval summarising their overall assessment of the economic case. This VfM statement will need to be reviewed and updated at each approval stage.

<p>Minimum requirements</p>	<p>A value for money statement for each scheme in line with published DfT WebTAG guidance must be presented for consideration to the LTB at each approval stage.</p> <p>The VfM assessment must be signed off as true and accurate by a named officer with responsibility for Value for Money assessments within the LTB.</p>
<p>Recommended</p>	<p>Set out what processes will be put in place to ensure that all impacts of a scheme (monetised and non-monetised) will be assessed by officers on a consistent basis and are based on reasonable assumptions.</p>

LTBs will need to confirm that they agree to only approve schemes that meet a minimum VfM threshold and put in place the appropriate checks and balances to ensure compliance with this requirement.

The overwhelming majority of local major schemes funded in recent years were assessed by the Department as offering at least “high” value for money.

We would like to ensure that the value for money of the programme is maintained and therefore would expect that LTBs would only in exceptional circumstances agree to fund schemes with lower than “high” value for money.

If LTBs wish to retain the flexibility to fund schemes assessed at less than “high” value for money, the assurance framework should clearly set out the circumstances under which funding for such schemes would be considered, and outline any additional scrutiny or conditions that would apply.

LTBs should exercise particular caution if asked to consider schemes that have been previously proposed and rejected on value for money grounds. They should look in particular at the reasons for the previous rejection and ask whether costs, scope or circumstances have changed to such an extent as to be likely to change the previous assessment. DfT will be happy to make available its previous analysis of such schemes on request.

<p>Minimum requirements</p>	<p>The LTB must either; only approve schemes that offer at least “high” value for money, as assessed using DfT guidance, or; set out the limited circumstances under which schemes offering lower than “high” value for money would be considered.</p> <p>Schemes must be assessed against the relevant</p>
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	thresholds at each approval stage.
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LTBs are required to demonstrate separately (in other sections of the assurance framework) that they are transparent and open when reporting the results of modelling and appraisal, and that they have plans in place to obtain the necessary resources to fulfil the requirement to secure Value for Money.

External views on business cases

This section should outline what arrangements exist for the LTB to invite and consider any external comment and/or scrutiny of business cases prior to approval. In previous DfT guidance, bidding Local Authorities were required to place their business case on their own websites when bids were submitted for funding and that practice should continue.

Minimum requirements	<p>Business cases must be published (and publicised) before funding approval decision is made so that external comment is possible.</p> <p>Opinions expressed by the public and stakeholders must be available to LTB members when decisions are being taken.</p>
Recommended	<p>The above period should be at least 3 months.</p> <p>LTB should make public how they have taken external comments into account</p>

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