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Report to: LEP Board

Date: 16 January 2018

Subject: Leeds City Region Assurance Framework Review, and Cities and Local Growth Unit (CLoG) Review of LEPs

1. Purpose

- 1.1 To provide the LEP Board with an update on progress relating to changes proposed to the Leeds City Region Assurance Framework, and with the recently issued review of Local Enterprise Partnership Governance & Transparency (October 2017).
- 1.2 To ask the LEP Board to provide feedback on the updated assurance requirements.
- 1.3 To provide the LEP Board with an update regarding the Cities and Local Growth Unit (CLoG)¹ review of LEPs.

2. Information

Background to Leeds City Region Assurance Framework Review

- 2.1 The LEP has secured Growth Deal funding and WYCA is the accountable body for the LEP. Therefore, it is essential that there are robust, transparent and accountable processes in place to ensure value for money for the public purse.
- 2.2 As part of the Growth Deal with Government, a Local Assurance Framework was developed in 2015 to cover all funding flowing through the LEP. WYCA, as the accountable body for the LEP, is also covered by this framework, which is updated on an annual basis.
- 2.3 Our previous Local Assurance Framework was approved by the LEP Board in January 2017 and by WYCA as the accountable body in February 2017. It is the key mechanism to ensure that there are robust processes in place to support the developing confidence in delegating central budgets and programmes to the LEP and WYCA. It covers all significant discretionary projects and programmes funded from Government or local sources that flow through the LEP and WYCA, and has been prepared in accordance with HM Government National Assurance Framework guidance (2014), and builds on a body of existing good practice.
- 2.4 The Assurance Framework must be published on the Local Enterprise Partnerships website, and reviewed annually. A revision to the 2014 "Local Enterprise Partnership

¹ Cities and Local growth Unit: Government's Local Growth Team – a partnership between the Department for Business, Energy and Industrial Strategy and the Department for Communities and Local Government

"National Assurance Framework" guidance was published by the Department for Communities and Local Government (DCLG) in October 2016. This brought in a set of new requirements, which were incorporated into the review in 2017 and updated as part of this ongoing review.

Current Progress of Leeds City Region Assurance Framework Review

- 2.5 The recent 'Review of Local Enterprise Partnership Governance & Transparency' has made a number of recommendations to be addressed by the National Assurance Framework. Many of these have already been addressed in Leeds City Region, and are therefore included in our Local Assurance Framework review, for example:
 - Requirement for all LEP's to have a code of conduct, which all board members and staff sign up to, which explicitly require the Nolan Principles of public life to be adopted; and
 - Local Assurance Frameworks should set out that ALL decisions must be subject to the normal business case, evaluation and scrutiny arrangements; there must be a written report with the opportunity for the Section 73 (or Section 151) Officer to provide comments, that the conflicts of interest policy will apply to decision-makers regardless of whether there is a formal meeting, and that decisions should be recorded and published in the normal way, regardless of how they are taken.
- 2.6 Other recommendations in the report include publishing a brief formal assurance statement on an annual basis from the LEP Chair and WYCA's MD, on the status of governance and transparency within their organisation. This recommendation was adopted with immediate effect, as set out in the LEP Board report on 29 November. Government required this statement to be submitted in advance of the annual conversation with CLoG.
- 2.7 DCLG anticipate issuing a revised National Assurance Framework and guidance in April 2018, to reflect all the review recommendations, and also incorporate recommendations following a wider Ministerial review into strengthening the role of LEPs. It is intended that our Assurance Framework will then be subject to a further update following this. A full copy of the review and recommendations is available on the DCLG website.
- 2.8 Item 7 on this agenda sets out proposed changes to the LCR LEP's governance arrangements, which are also reflected in the updated draft Local Assurance Framework. The Framework also incorporates the changes to LCR and WYCA governance arrangements made last year, which integrated LEP Panels as advisory committees into WYCA decision-making structure.
- 2.9 Section 151/Section 73 Officers are required to write to HM Government by 28 February 2018 ahead of next year's Local Growth Fund payment to certify that Local Assurance Frameworks are compliant with the National Framework.

- 2.10 A revised version of the document has been developed, to take account of changes to the WYCA Assurance Process and recent review of LEP Governance & Transparency. A summary of the proposed changes can be found in **Appendix 1** of this report. The scope of the revised Assurance Framework is as follows:
- updated detail on the LEP's governance and decision-making arrangements and processes for accountable and transparent decision-making to ensure the proper use and administration of funding;
 - information on how the LEP will prioritise and appraise schemes, facilitate business case development and undertake risk management; and
 - a description of the arrangements for supporting the effective development, appraisal and delivery and implementation of projects and programmes, including relationships with delivery bodies.
- 2.11 A copy of the latest draft Local Assurance Framework, which remains confidential at this time, is provided to LEP Board members as **Appendix 2** of this report.

Next Steps for Assurance Framework Review

- 2.12 We will be seeking approval of the Local Assurance Framework by WYCA at its meeting on 1 February 2018.
- 2.13 It is the responsibility of the Director of Resources, as WYCA's Section 73 Officer (the Chief Finance Officer) to write to HMG ahead of the 2018 Local Growth Fund payments to certify that the Assurance Framework has been agreed, is being implemented, and meets the standards set out in the National Framework and recent review of LEP Governance & Transparency.
- 2.14 In line with the continuous improvements to our processes over the coming year, it is envisaged that further changes will need to be made to the Assurance Framework. These will also incorporate changes to reflect any future updates to guidance, and feedback from the "Annual Conversation" with Government.
- 2.15 Subject to further changes being required, an update to the Assurance Framework will be brought to the LEP Board and WYCA on an annual basis.
- 2.16 Where substantive changes are required, either as a result of revised guidance or updated governance requirements, further approval will be sought from the LEP and WYCA.

CLoG Review of LEPs

- 2.17 During the summer, the Government announced its plans to review the work of all 38 LEPs across the country. The review, which is being undertaken by Jake Berry, Margot James and Andrew Jones, is expected to be completed by spring 2018. There are a number of drivers for the review:

- commitments in the Conservative Manifesto;
 - the institutional landscape has changed significantly since LEPs were first formed; and
 - the desire to place LEPs on a more consistent footing.
- 2.18 LEPs form a key part of Government's plan for driving local growth and the new UK Industrial Strategy and therefore a key aim of the review is to identify how best to strengthen the role of LEPs to ensure that they have the capacity and capability to deliver on the Industrial Strategy.

Scope of the review

- 2.19 The LEP Review will consider:
- **Defining LEPs' role in driving growth and productivity** by bringing greater strategic responsibility for business; people; ideas; infrastructure; and place alongside new organisational structures;
 - **Business leadership and corporate governance** to ensure that LEPs are diverse private sector led organisations that can shape and challenge economic decision making;
 - **Accountability** through rigorous financial reporting and enforcement of transparency in decision making;
 - **Geography and boundary overlaps** to ensure clarity, transparency and representation of functional economic areas; and
 - **Organisation and reporting consistency** to support LEPs in non-Combined Authority areas through the options for a common incorporation model and the standardisation of organisational structures and reporting.

Next Steps for CLoG Review of LEPs

- 2.20 CLoG is currently engaging with LEPs through a series of regional roundtable events. The northern LEP roundtable was held in Manchester on 7 December 2017. The purpose of these events is obtain views on the above topics and to ensure the Review accurately captures LEPs' wider views and issues, challenges government thinking and assumptions and sets future priorities.
- 2.21 The findings and key discussion points raised during these events will feed into a Ministerial LEP Review Panel which will meet during December 2017 and January 2018.
- 2.22 Beyond the roundtable events there will be an on-going opportunity for LEP Chairs and executives to feed into the review before the findings are published in spring 2018, either individually through written submissions via BEIS area leads or collectively via the LEP Network.

3 Recommendations

The LEP Board is asked to:

- (i) Note that the Leeds City Region Assurance Framework is being revised for the reasons set out in this report.
- (ii) Provide feedback on the updated assurance requirements.
- (iii) Delegate authority to the Chair of the LEP Board, in consultation with WYCA's Managing Director, to approve submission of the Assurance Framework.
- (iv) Note the progress and next steps of the review of LEPs by CLoG.