
Report to: Overview and Scrutiny Committee

Date: 18 January 2019

Subject: **Assurance Framework Review**

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1. Purpose of this report

- 1.1 To provide the Overview and Scrutiny Committee with an update on progress relating to changes proposed to the Local Assurance Framework arising from the annual review and the recently issued review of the National Assurance Framework (December 2018 – still in draft at the time of writing this report) and the Strengthened Local Enterprise Partnership report (July 2018).
- 1.2 To request the Overview and Scrutiny Committee provide feedback on the updated assurance requirements, and to note the reasons why the review is being undertaken.
- 1.3 To recommend that the Overview and Scrutiny Committee delegate responsibility for scrutinising the updated 2019 Local Assurance Framework to the LEP Review Working Group.

2. Information

Background

- 2.1 In view of the growing levels of investment and funding under local control or influence, 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 LEP's Growth Deal with Government, a Local Assurance Framework was developed in 2015 to cover all funding flowing through the LEP. The Combined Authority, as the accountable body for the LEP, is also covered by this framework, which is updated on an annual basis.
- 2.3 The Local Assurance Framework must be published on each Local Enterprise Partnership's website, and reviewed annually.

- 2.4 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 the Combined Authority. It covers all significant discretionary projects and programmes funded from Government or local sources that flow through the LEP and the Combined Authority, and has been prepared in accordance with National Assurance Framework guidance, and builds on a body of existing good practice.
- 2.5 The LEP must comply with this guidance for the relevant funding streams, but as the Leeds City Region LEP and West Yorkshire Combined Authority operate on a 'one organisation' basis and form one, single corporate structure, the principles of the assurance framework guidance also apply to the Combined Authority as well.
- 2.6 The Combined Authority's current Assurance Framework was approved by the LEP Board in January 2018 and by the Combined Authority (as the accountable body) in February 2018.

Revision to national assurance framework guidance – December 2018

- 2.7 A revision to the 2016 “Local Enterprise Partnership National Assurance Framework” Guidance is due to be published by the Ministry of Housing, Communities and Local Government in early January 2019. This will bring in a set of new requirements, which will be incorporated into this ongoing review. The Combined Authority's Assurance Framework is already compliant with the majority of the expected requirements, based on draft information received.
- 2.8 Additionally, the recent ‘Strengthened Local Enterprise Partnership’ (LEP Review) report sets out a number of Government commitments alongside a number of additional changes that Government will work with Local Enterprise Partnerships to implement. This is being addressed within the National Assurance Framework, and has implications for the Combined Authority's Assurance Framework, both for the 2019 review and the review for 2020, relating to the revisions to LEP geography.
- 2.9 Changes for 2019 include:
- Requirement for the LEPs to set out arrangements regarding data protection, following introduction of the General Data Protection Regulation (GDPR)
 - A new requirement for LEPs to set out how contracts are managed and the LEP Board kept informed of progress
 - Further detail regarding the roles and responsibilities of the LEPs, and Section 151/73 Officers
 - Detail to specify the role that is responsible for certain tasks, including ensuring value for money and scrutiny and recommendation for business cases, the final sign off for funding decisions and a named diversity champion

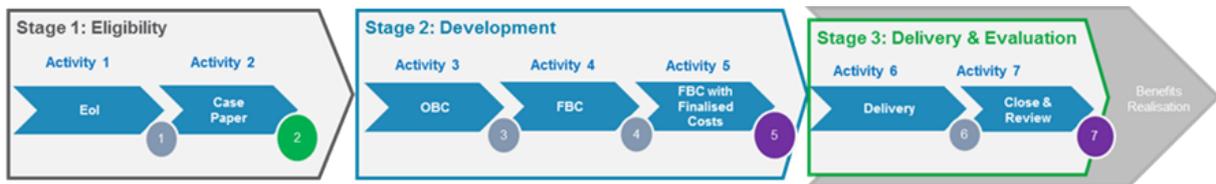
- 2.10 Other changes required to the Assurance Framework include an update to the delegated authority to reflect the changes to Investment Committee, and an update to reflect recent changes to stage 1 of the assurance process.
- 2.11 Section 151/Section 73 Officers are required to write to HM Government by 31 March 2019, ahead of next year's Local Growth Fund payment, to certify that the Assurance Framework is compliant with the national framework.
- 2.12 A revised version of the document is now being developed, to take account of changes to the Combined Authority Assurance Process and recent review of the National Assurance Framework. The scope of the revised Local Assurance Framework remains broadly unchanged to the existing document, and 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
 - a description of the arrangements for supporting the effective development, appraisal and delivery and implementation of projects and programmes, including relationships with delivery bodies

Role of Scrutiny and the LEP scrutiny working group

- 2.13 In the 2017-18 municipal year, the Overview and Scrutiny Committee tasked its Strategic Economic Plan (SEP) Working Group to help develop the final 2018 Assurance Framework which was ultimately adopted by the LEP Board and Combined Authority in February 2018. As the Assurance Framework is reviewed every year, the Committee agreed to revisit the Assurance Framework again at its 18 January 2019 meeting.
- 2.14 In light of the ministerial review into LEPs, on 14 September 2018 the Committee reconstituted the SEP Working Group as a 'LEP Review Working Group' and, amongst a wider remit, assigned it the task of "scrutinising the development of the Assurance Framework and risk management processes in compliance with new government guidance".
- 2.15 The LEP scrutiny working group met on 9 November 2018, 14 December 2018 and 4 January 2019 to discuss proposed revisions to the assurance framework.
- 2.16 After questions and discussion, Members were informed of the following key matters related to scrutiny:
1. Although the publication of new national assurance framework guidance is still being awaited, officers were sighted with an early draft version which, although not final, provided an insight into what changes could be expected.

2. Based on the draft, officers have prepared a preliminary draft checklist of 136 potential actions needed to satisfy new guidance. Most of them were minor changes.
3. That the current Assurance Framework was already compliant with most new additions to the national framework and had already undergone a review from the government's Cities and Local Government Unit's Leeds City Region team earlier in the year.
4. There are planned further developments of the monitoring of benefits and outcomes realisation in Section 5 – which has also been a major priority of the Overview and Scrutiny Committee.
5. In Section 4, there would be alterations to Stage 1 of the current Assurance Process (highlighted below in **Figure 1**). Activity 1 (Expression of Interest) and Activity 2 (Case Paper) would be changed to Activity 1 (Eligibility) and Activity 2 (Strategic Outline Business Case – SOBC) to further ensure and strengthen the alignment of projects to the Combined Authority and LEP's strategic aims and policy framework. Strategic outcome evaluation and benefit analysis has been identified as a priority by the Overview and Scrutiny Committee.

Figure 1: Assurance Process



2.17 Members discussed some of the changes to the existing framework proposed by officers in more detail. These included:

1. **Scrutiny in the Assurance Process:** The presence of scrutiny in the assurance process could be better highlighted, for instance in the Assurance Process diagram highlighted in **Figure 1** (above) and throughout the Assurance Framework document, where appropriate.
2. **Pre-decision scrutiny:** The delegation of decision-making powers to the Investment Committee has again highlighted the necessity for pre-decision scrutiny processes to be strengthened. There will be an increased number of decisions being made about projects, programmes and spending that are eligible for call-in. The establishment of effective briefing of Members on upcoming decisions and a platform – possibly in a working group or workshop setting – to scrutinise projects at appropriate stages should be explored further. This could be included within any changes to scrutiny arrangements currently being developed as part of the work-stream related to ensuring the Combined Authority is compliant with new national scrutiny guidance.
3. **Outcomes evaluation:** Usually when project development concludes, the officers / team who delivered the project are assigned to new projects and

would not return to perform reviews and evaluations of outcomes years later. It is felt that responsibility for a strengthened outcomes evaluation function could best rest with the Research & Intelligence section of the Policy, Strategy and Communications Directorate and would require significant resource.

4. **Scrutiny and the LEP:** It is clear that as LEPs are being strengthened nationally, there are greater expectations from the government about the scrutiny of LEPs in future. Scrutiny's role in scrutinising LEPs will largely be determined by the publication of three sets of government guidance:
 - i) National scrutiny guidance
 - ii) National assurance framework guidance
 - iii) Guidance and further clarity on the LEP Review and local industrial strategies in particular.

All three are expected to have sections outlining how scrutiny is expected to engage with and scrutinise LEP performance in particular, which might necessitate changes to scrutiny arrangements.

- 2.18 The LEP Review working group agreed, due to the delay in receiving the new national assurance framework guidance from the government affecting the detail of discussion at the previous meetings, that further meetings of the working group be arranged in early 2019 and that the Committee be recommended to delegate responsibility for scrutinising the development of the assurance framework to the working group – which will report back to an appropriate future committee meeting.

Next steps

- 2.19 A draft of the Local Assurance Framework will be presented for approval to the Combined Authority at its meeting on 14 February 2019 and a final draft version of the report will be presented to the LEP Board for approval on 26 March 2019. If the Committee is agreeable with the LEP Review working group's suggestion outlined in paragraph 2.10, the revised Assurance Framework would also be presented to the working group for scrutiny and feedback.
- 2.20 It is the responsibility of the Director, Resources, as the Combined Authority's Section 73 Officer (the Chief Finance Officer) to write to HMG ahead of the 2019 Local Growth Fund payments to certify that the Local Assurance Framework has been agreed, is being implemented, and meets the standards set out in the National Assurance Framework.
- 2.21 It is envisaged that further changes will need to be made to the Assurance Framework as more projects move through the appraisal process, to reflect any future updates to guidance, feedback from the "Annual Conversation" with Government and as an evolution to the process as more projects are progressed.
- 2.22 It is anticipated that significantly more work will be required in 2019/20 to ensure the changes required as part of the Strengthened Local Enterprise Partnerships (LEP Review) report and change in LEP geography are

addressed in the Assurance Framework. This is subject to a separate report to the Overview and Scrutiny Committee. Input from the LEP Review Working Group will be required in due course.

3. Financial Implications

- 3.1 The annual update to the Assurance Framework is required in order to remain compliant with government guidance. Failure to do this may result in future growth deal funding being compromised.

4. Legal Implications

- 4.1 The annual update to the Assurance Framework is in response to government guidance and is not a legal requirement.

5. Staffing Implications

- 5.1 The annual update to the Assurance Framework is completed using existing resources within the Combined Authority.

6. External Consultees

- 6.1 None.

7. Recommendations

- 7.1 The Overview and Scrutiny Committee note the report and provide feedback.
- 7.2 That the LEP Review Working Group continue to scrutinise and provide feedback during the development of the updated Assurance Framework.

8. Background Documents

[Assurance Framework 2018](#)¹

[National local growth assurance framework guidance](#) – published **8 January 2019**, Ministry of Housing, Communities and Local Government.

9. Appendices

- 9.1 None.

¹ <https://westyorkshire.moderngov.co.uk/documents/s6037/Assurance%20Framework%202018.pdf>