

**NOTE: DOCUMENT LINKS WILL BE LIVE BY MARCH 31st**

# DRAFT



# Assurance Framework

6 February 2019

Version 1.01



In partnership with



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## Executive summary

To be updated once full document is finalised

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# 1. INTRODUCTION

## 1.1 The Leeds City Region Enterprise Partnership

The Leeds City Region Enterprise Partnership (the LEP) is the strategic body responsible for a significant amount of public funding to drive inclusive growth, increase prosperity and improve productivity in the Leeds City Region.

It is an autonomous business-led public-private local partnership, which brings together the private and public sectors from across the Leeds City Region to provide strategic leadership.

The Leeds City Region spans 10 local authority areas: Barnsley, Bradford, Calderdale, Craven, Harrogate, Kirklees, Leeds, Selby, Wakefield and York<sup>1</sup>. Leeds City Region local authorities - these 10 areas plus North Yorkshire County Council - have been at the forefront of partnership working since 2004, building robust, transparent and accountable governance for over a decade.



The LEP vision is: **‘to be a globally recognised economy where good growth delivers high levels of prosperity, jobs and quality of life for everyone’**.

The LEP focusses its activities on the following:

**Strategy:** setting and developing strategy, including an evidence-based Strategic Economic Plan (SEP) (to be replaced by the Local Inclusive Industrial Strategy (LIIS)) that identifies local strengths and challenges, future opportunities and the

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<sup>1</sup> The LEP is currently reviewing its geographical area, with a view to changes being implemented by April 2020.

interventions needed to boost productivity, earning power and competitiveness across the Leeds City Region.

**Allocation of funding:** identifying and developing investment opportunities, prioritising the award of local growth funding; and monitoring and evaluating the impact of LEP activities to improve productivity across the local economy.

**Co-ordination:** using the LEP’s convening power, and bringing together partners from the private, public and third sectors.

**Advocacy:** collaborating with a wide-range of local partners to act as an informed and independent voice for the Leeds City Region.

The LEP works collaboratively and in partnership with the West Yorkshire Combined Authority, as its accountable body – see further below.

## 1.2 The West Yorkshire Combined Authority

The West Yorkshire Combined Authority (the Combined Authority) was established on 1 April 2014<sup>2</sup> to work alongside the LEP in relation to devolved local growth funding and responsibilities. It supports business growth through its transport, economic development and regeneration functions, investing in economic infrastructure, and through its role in creating quality places.

The area of the Combined Authority is that of its five constituent Councils, the West Yorkshire authorities of Bradford, Calderdale, Kirklees, Leeds and Wakefield. It is the local transport authority for West Yorkshire.



## 1.3 The West Yorkshire Combined Authority’s role as accountable body

The Combined Authority is the accountable body for the LEP, responsible for:

- carrying out finance functions on behalf of the LEP

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<sup>2</sup> By the West Yorkshire Combined Authority Order 2014

- oversight of the LEP's financial and governance, transparency and accountability arrangements
- providing additional support as agreed by the LEP.

As accountable body, the Combined Authority is accountable to Government for complying with any conditions or requirements attached to funding allocated to LEP, or to the Combined Authority in its own right.

Appendix 1 to this Assurance Framework sets out the accountable body arrangements which the LEP has agreed with the Combined Authority.

The statutory Section 73<sup>3</sup> **Chief Finance Officer** of the Combined Authority as accountable body, is responsible for overseeing the administration of the Combined Authority's financial affairs. This role is extended to include the financial affairs of the LEP.

The Section 73 Chief Finance Officer has a critical role in maintaining good governance and standards for the LEP, in particular compliance with this Assurance Framework.

Appendix 2 to this Assurance Framework sets out the responsibility arrangements for the Chief Finance Officer.

The Chief Finance Officer is required to formally report to the Ministry of Housing, Communities and Local Government on an annual basis, confirming compliance with the Assurance Framework.

#### **1.4 Links between the LEP and the West Yorkshire Combined Authority**

There are a number of strong linkages between the LEP and the Combined Authority, notably:

- the LEP Chair is a member of the Combined Authority
- the SEP forms the basis of the work of both the LEP and the Combined Authority
- West Yorkshire council leaders are members of both the LEP and the Combined Authority
- the Assurance Framework is adopted by both the LEP and the Combined Authority
- The Chief Executive Officer of the LEP is also the Managing Director of the Combined Authority.

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<sup>3</sup> Section 73 of the Local Government Act requires the Combined Authority to appoint an officer to be responsible for the proper administration of the authority's financial affairs. This role is carried out by the Combined Authority's Director of Corporate Services.

## 1.5 Scope of the Assurance Framework

This is the Assurance Framework for the Leeds City Region Enterprise Partnership and the Combined Authority. Agreeing and adopting a single Assurance Framework recognises that both the LEP and the Combined Authority seek to drive growth, through place-based and locally-controlled polices and funds and reflects the close relationship between the LEP and the Combined Authority as its accountable body.

This Assurance Framework covers capital and significant revenue expenditure funded by Government or local sources and invested in projects and programmes in the Leeds City Region including funding received by the Combined Authority as the accountable body for LEP funding in respect of the Local Growth Fund and a number of other funding streams.

The rest of this Assurance Framework sets out arrangements adopted by the Leeds City Region in relation to:

- governance and key decision-making arrangements (**Section 2**)
- transparency and accountability (**Section 3**)
- local engagement and partnership working (**Section 4**)
- approach to prioritisation (**Section 5**)
- the assurance around project and programme delivery, including ensuring value for money (**Section 6**)
- approach to monitoring and evaluation (**Section 7**).

## 1.6 Purpose of the Assurance Framework

This Assurance Framework explains how

- schemes are identified, appraised and funding is allocated
- appropriate levels of transparency are demonstrated
- monitoring and evaluation of projects is undertaken to ensure that they achieve value for money and projected outcomes

The purpose of this Assurance Framework is to ensure that the necessary systems and processes are in place to manage funding effectively, and to ensure the successful delivery of SEP outcomes. Its focus is to ensure that necessary practices and standards are implemented to provide the Combined Authority (as the accountable body for the LEP), Government and local partners with sufficient assurance that decisions over funding (and the means by which these decisions are implemented) are proper, transparent and deliver value for money.

The Seven Principles of Public Life (the Nolan principles)<sup>4</sup> underpin this Assurance Framework to ensure that the LEP and the Combined Authority, their members and officers are upholding the highest standards of conduct and ensuring robust stewardship of the resources they have at their disposal.

The Assurance Framework is one element of the Government's wider assurance systems. The Accountability System Statements for both Local Government and the

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<sup>4</sup> These are selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

Local Growth Fund (LGF) set out other key mechanisms in relation to the City Region funding which include:

- regular reporting to the government against agreed output metrics
- an evaluation framework
- annual performance conversations between the government and city regions

The Assurance Framework is a key mechanism to ensure that we have robust systems and processes in place to support the developing confidence in delegating funding from Government to the Leeds City Region.

We view the Assurance Framework as an essential part of good practice and of our development as a mature partnership that can increasingly be trusted by the public and by government to take its own investment decisions. The degree of flexibility in the Leeds City Region Growth Deal demonstrates that the City Region is one of those most trusted by government, and we intend that this Assurance Framework keeps us at the leading edge in our approach to governance and appraisal.

### **1.7 Strategic framework for investment**

Following publication of the Government's Industrial Strategy White Paper (November 2017), the LEP and Combined Authority supported an approach to build on and ultimately replace the Strategic Economic Plan (SEP) and broaden the City Region's policy range by working towards the development of a new, agile, long-term strategic framework. Based on robust evidence and demonstrating a clear understanding of the key strengths, assets and challenges in Leeds City Region, the new framework will focus on tackling the key challenges agreed by the LEP Board in September 2017, and re-affirmed at the LEP Board away day in 2018:

- the City Region's productivity gap with peers is too large and growing
- Investment, particularly private investment, in research and development is too low
- living standards in the City Region have stalled
- stubborn deprivation persists.

The new framework will:

- reflect the City Region's expanded policy remit
- ensure Combined Authority and LEP strategies are aligned with a clear focus on tackling the above challenges and delivering inclusive growth outcomes
- maximise strategic assets and strengths e.g. a concentration of science, research and innovation assets; globally-competitive manufacturing sector and vibrant digital-tech sectors, including medical technologies
- place the City Region on the front-foot with an ambitious policy platform that improves competitiveness and ensures the benefits are shared fairly.

Outputs and deliverables for this work will include:

- **City Region Strategic Framework:** overarching framework that will replace the SEP; setting out specific, achievable and long-term ambitions and priorities, relating to evidence and specific challenges and future opportunities
- **Evidence:** setting out a robust and open evidence base, drawing out the relative strengths and weaknesses, with a greater emphasis on productivity and inclusive growth
- **Strategy development:** an agreed revised set of strategies and Implementation Plans, including a Local Inclusive Industrial Strategy
- **City Region Impact framework:** development of the 'good growth' impact framework presented in the SEP to further embed inclusive growth measures, ensuring that will investment will create better, more secure jobs that provide people with a real pathway to an improved quality of life
- **Output and outcome measures:** refinement of existing key performance indicators to reflect a broader policy range and inclusive growth. These will be used to inform programme and project level appraisal and evaluation frameworks, including the strategic and economic case assessments
- **Evaluation:** set out clear plans to evaluate progress, drawing on lessons of policy evaluation such as the What Works Centre for Local Economic Growth

It was also agreed that work would begin on the development of a Local, Inclusive Industrial Strategy (LIIS) which will sit at the heart of the new framework aimed at driving growth, boosting productivity and earning power for a post-2030 economy. The development of a LIIS for the City Region provides an opportunity to improve the productivity of the economy and deliver economic inclusion so benefits are felt by all, and firms become more competitive for a new international trading environment. The Government has stated that it will sign off all Local Industrial Strategies by early 2020 and the Combined Authority / LEP is working towards the production of a new strategic framework and Local, Inclusive Industrial Strategy within this timeframe.

In response to the recommendations set out in the Governments 'Strengthened Local Enterprise Partnerships' review, Leeds City Region and York, North Yorkshire, and East Riding (YNYER) LEPs submitted a proposal support of a West and North Yorkshire LEP. If the proposal is accepted by Government, the new LEP will be fully functioning by April 2020. Plans are in place to align existing strategies and will be reflected in future developments.

## 1.8 Reviewing, approving and publishing the Assurance Framework

The LEP and the Combined Authority review the Assurance Framework annually to ensure that it meets:

- the needs of local investors, all our partners and the wider public
- the standards set out in the National Assurance Framework

For 2018/19 the review included input from the Combined Authority's Overview and Scrutiny Committee.

The Assurance Framework was reviewed by the LEP Board on 26 March 2019 and by the Combined Authority on 14 February 2019.

The Framework complies with the standards set out in the revised National Assurance Framework issued by Government in January 2019.

The Assurance Framework is a 'live' document, and may be subject to further revision and update to ensure that it remains fit for purpose. For transparency, the Assurance Framework is published on the LEP and the West Yorkshire Combined Authority websites, together with supporting information.

***The Assurance Framework is reviewed annually and signed off by the LEP Board, the Combined Authority and the S73 Chief Finance Officer.***

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## 2. DECISION-MAKING ARRANGEMENTS

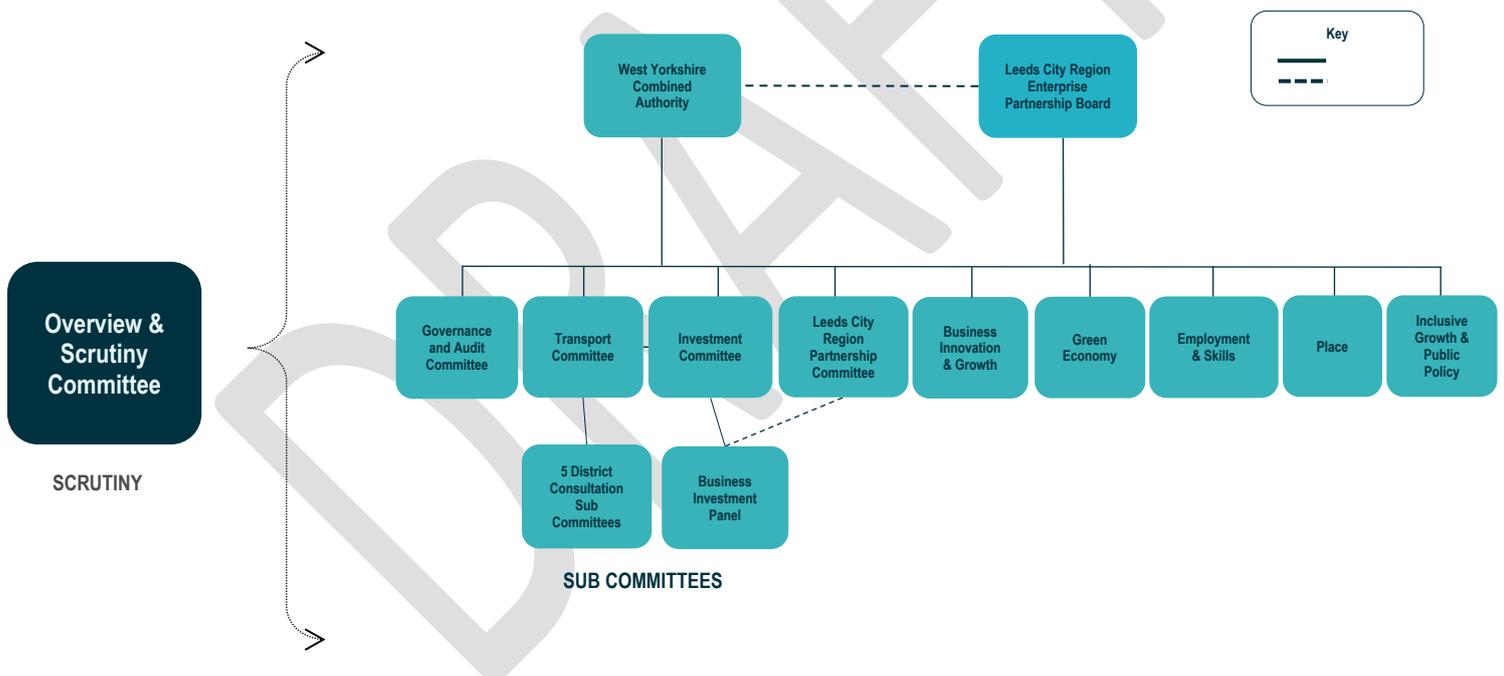
### 2.1 Introduction

As set out in Section 1, the principal decision-making bodies for the Leeds City Region are the Leeds City Region Enterprise Partnership (the LEP) and the West Yorkshire Combined Authority (the Combined Authority).

The LEP's accountability and decision-making arrangements benefit from being integrated with the Combined Authority. This means the LEP shares sub-board structures with the Combined Authority, ensuring joined-up decision-making while reflecting the particular roles set in this Assurance Framework. Government has recognised this brings clearer governance and transparency. Integration also provides for seamless processes in respect of strategy and delivery and significant efficiencies.

A structure chart of the LEP and Combined Authority is set out below in Figure 2.1:

**Figure 2.1: Governance structure (TO BE REVIEWED/UPDATED)**



### The LEP Board

The LEP is responsible for setting strategic direction and will hold partners to account in the delivery of our strategic objectives. Responsibility for LEP decision-making rests with its LEP Board<sup>5</sup>, the decision-making forum for the LEP.

The LEP's Constitution can be found [here](#).

Key roles and responsibilities of the LEP Board include:

- providing high quality leadership by:

<sup>5</sup> The LEP Board may delegate decisions in accordance with the LEP's Constitution and the LEP Board's Procedure Rules

- setting the strategic direction for the sustainable economic growth of the Leeds City Region economy and
- proposing key objectives and investment priorities to deliver the overall vision and strategy of the LEP
- overseeing the delivery of the SEP
- leading the development of Enterprise Zones in the Leeds City Region
- agreeing funding criteria, leading and coordinating funding bids and leveraging funding from the private and public sector to support the delivery of agreed LEP priorities
- working with the Combined Authority to set the forward strategy for attracting new financial and business investment into the area
- jointly approving a Business Plan and performance reporting with the Combined Authority on its plans and the SEP
- influencing key sub-regional, regional, national and international strategies
- publishing an annual report
- providing a link to Government on all aspects of the LEP’s work.

Appendix 3 provides more information about the membership arrangements of the LEP Board.

### The Combined Authority

As set out in Section 1, the Combined Authority is the accountable body for funding allocated to the LEP, as well as the publicly accountable decision-making body in respect of the Combined Authority’s statutory functions. Appendix 3 provides more information about the membership of the Combined Authority.

Additional information on transparency and accountability arrangements is set out in Section 3, and Appendices 1, 2 and 3 provide additional information in relation to governance arrangements.

## 2.2 Substructures of the LEP and the Combined Authority

### 2.2.1 Advisory Panels

The following advisory panels appointed by the Combined Authority<sup>6</sup> report to the LEP. Their focus is on policy development, including criteria for the allocation of LEP funding. Panels are usually chaired by a LEP Board private sector or public sector representative.

**Table 2.1: Advisory Panels**

<b>Business Investment Panel</b>	<p>This panel has a key role in the assurance process for the appraisal of business grants and loans in the City Region, carrying out due diligence in respect of funding applications.</p> <p>The terms of reference, membership, meeting dates, agenda items and minutes of the Panel can be found <a href="#">here</a>. An advisory sub-committee of the West Yorkshire and York Investment Committee</p>
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<sup>6</sup> These are advisory committees of the Combined Authority

	(see below), this Panel has representatives from local authorities and the private sector.
<b>Business Innovation and Growth Panel</b>	<p>This panel advises the LEP and the Combined Authority in relation to business growth, including business support, innovation, digital, trade, and inward investment. Made up of representatives from the private sector, universities, policy-makers and delivery partners, this Panel ensures that our work is driven by the needs of business.</p> <p>The terms of reference, membership, meeting dates, agenda items and minutes of the Panel can be found <a href="#">here</a>.</p>
<b>Employment and Skills Panel</b>	<p>This Panel brings employers together with local authority representatives and skills providers. It advises the LEP and the Combined Authority in relation to employment and skills within the City Region, for example, projects to address skills gaps in the City Region’s key industry sectors, and create local leadership that drives improvements in skills and employment. Their work is driven by the needs of employers and the City Region’s economy.</p> <p>The terms of reference, membership, meeting dates, agenda items and minutes of the Panel can be found <a href="#">here</a>.</p>
<b>Green Economy Panel</b>	<p>This Panel brings together local authority and private sector representatives in the City Region, to advise the LEP and the Combined Authority in relation to environmental sustainability and achieving a zero carbon economy in the City Region.</p> <p>The terms of reference, membership, meeting dates, agenda items and minutes of the Panel can be found <a href="#">here</a>.</p>
<b>Place Panel</b>	<p>Comprising local authority and private sector representatives, this Panel advises the LEP and the Combined Authority on promoting the quality of place in the City Region, including relation to housing growth, quality and regeneration, infrastructure planning, strategic land use and asset management, sustainable development and enterprise zones.</p> <p>The terms of reference, membership, meeting dates, agenda items and minutes of the Panel can be found <a href="#">here</a>.</p>
<b>Inclusive Growth and Public Policy Panel</b>	<p>This Panel advises the LEP and the Combined Authority in relation to securing inclusive growth throughout the Leeds City Region.</p> <p>The terms of reference, membership, meeting dates, agenda items and minutes of the Panel can be found <a href="#">here</a>.</p>

## 2.2.2 Decision-making committees

The Combined Authority has also appointed the following decision-making committees:

<p><b>Transport Committee</b></p>	<p>In accordance with the policies and strategies set by the Combined Authority, the Transport Committee meets to consider matters relating to its statutory transport functions. The Committee also oversees, and has strategic oversight of, public transport revenue expenditure funded by the West Yorkshire transport levy.</p> <p>In relation to transport-related investment, the Committee has a specific role in liaising with the West Yorkshire and York Investment Committee to promote the strategic alignment of regional transport funding investment.</p> <p>The Committee also has a decision-making role in investment decisions – see further below.</p> <p>The terms of reference, membership of the Committee, the dates of future meetings and agenda items can be found <a href="#">here</a>.</p>
<p><b>West Yorkshire &amp; York Investment Committee</b></p>	<p>The West Yorkshire and York Investment Committee is authorised to advise the Combined Authority in relation to any function of the Combined Authority relating to economic development and transport-led regeneration. This includes advising on proposed funding submissions and reviewing the impact of schemes funded by the LEP and the Combined Authority.</p> <p>The Committee also has a decision-making role in investment decisions – see further below.</p> <p>The terms of reference, membership, future meeting dates and agenda items of the Committee can be found <a href="#">here</a>.</p>

## 2.2.3 Other committees of the Combined Authority

<p><b>Overview and Scrutiny Committee</b></p>	<p>This is a statutory committee of the Combined Authority which reviews and scrutinises decision-making by the LEP and by the Combined Authority (including in its role as accountable body for the LEP). See further section 3.7 for more detail.</p> <p>The terms of reference, membership, meeting dates, agenda items and minutes of the Committee can be found here.</p>
<p><b>Governance and Audit Committee</b></p>	<p>This committee fulfils the Combined Authority’s statutory requirement to appoint an audit committee. It also carries out functions relating to promoting standards of conduct. See further section 3.7</p> <p>The terms of reference, membership, meeting dates, agenda items and minutes of the Committee can be found here.</p>

<b>Leeds City Region Partnership Committee</b>	<p>This committee provides a forum to bring together local authority representatives from all of the Leeds City Region authorities, to facilitate direct collective engagement with the Combined Authority, as the LEP’s accountable body.</p> <p>The Committee advises the Combined Authority in relation to its role as accountable body. It also acts as a consultative forum on any matter referred to it by the Combined Authority, which could include matters raised by local authorities not represented on the Combined Authority, or by the LEP Board.</p> <p>The terms of reference, membership, meeting dates and agenda items of the Committee can be found <a href="#">here</a>.</p>
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### 2.2.4 Business Communications Group

This group reports to the LEP Board. It is made up of spokespeople from key business representative organisations in the City Region. They play an active role in supporting business growth in the region by helping to coordinate effective communications between the LEP and the business community. They also act as an advisory group to the LEP Board; consulting with their members on barriers to growth and ensuring businesses are at the heart of everything we do.

The Chair of BCG is the identified LEP Board member to represent the SME business community.

The full list of membership can be found [here](#).

### 2.3 Investment Decisions – progress through the assurance process

All investment decisions are made by reference to:

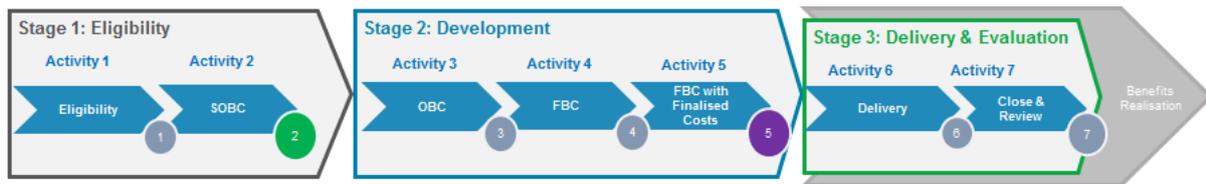
- the SEP (until superseded by the Local Inclusive Industrial Strategy)
- statutory requirements
- any grant conditions attached to funding
- local transport objectives

Decisions are based on merit, taking into account all relevant information available at the time.

All investment decisions are taken in accordance with the Assurance Process stages and activities, subject to agreed exceptions (such as small grant programmes, for example business growth grants and loans, where alternative arrangements are in place).

Section 6.2 sets out in detail of the Assurance Process for schemes, and the decision points that take place at the end of each activity. These are summarised in Figure 2.2 below:

**Figure 2.2: Overview of the Assurance Process**



Subject to the exceptions **all schemes require approval from the Combined Authority at Decision Point 2 (Strategic Outline Business Case (SOBC))**, in order to proceed to Stage 2: Development.

The Combined Authority also sets a bespoke approval pathway and approval route to be followed at all subsequent decision points in the Assurance Process for each scheme – see further information in section 6.3.7. In setting the bespoke approval pathway, the Combined Authority will take into account recommendations from the West Yorkshire and York Investment Committee, who consider in detail the size/scale/sensitivity/risks (i.e. the tolerances) around each specific scheme.

A bespoke approval pathway may delegate decisions to the Transport Committee, the West Yorkshire and York Investment Committee, or to the Combined Authority's Managing Director<sup>7</sup>, subject to any scheme staying within agreed tolerances.

Possible options include:

- a scheme must be considered and gain the approval of the Combined Authority at each decision point during its development; or
- a scheme's approvals at subsequent decision points may be delegated to the West Yorkshire and York Investment Committee and/or the Managing Director, subject to scheme tolerances set at decision point 2 (SOBC);
- a scheme's approvals at subsequent decision points may be delegated to the Managing Director, provided that the project remains within scheme tolerances set at decision point 2 (SOBC); or
- a scheme's approvals may be delegated to the Managing Director up to an identified decision point, at which point, the scheme should be referred back to the West Yorkshire and York Investment Committee and/or the Combined Authority for review or approval.

The Combined Authority must take any investment decision which has not been delegated to either the Transport Committee, the West Yorkshire and York Investment Committee or the Managing Director, including those decisions where a scheme has fallen outside of the tolerances identified by the Combined Authority.

Before taking any funding decision, a decision-maker needs to be satisfied that the Assurance Framework has been complied with. The Combined Authority's

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<sup>7</sup> Drafting note: additional reference to the Managing Director's sub-delegation may be inserted – under review

Programme Appraisal Team (PAT) has a key role in ensuring compliance with the Assurance Framework - see further Section 6.3.5 below.

The specific decision-making authority of the Transport Committee and the West Yorkshire and York Investment Committee in relation to progressing schemes under the Assurance Framework are as follows:

<b>Transport Committee</b>	The Committee has authority to approve individual schemes within the Integrated Transport Block of the Capital Programme, up to a maximum cost of £3 million. (For schemes over £3 million, approval is given by the Combined Authority).
<b>West Yorkshire &amp; York Investment Committee</b>	The Committee has authority to make any decision to progress a scheme <sup>8</sup> under the Assurance Framework <sup>9</sup> in accordance with any bespoke approval pathway and approval route for the scheme <sup>10</sup> , as delegated by the Combined Authority.

Any investment decision is taken by the Managing Director under delegated authority, is usually taken in consultation with the Combined Authority’s Senior Leadership Team. The Managing Director reports their delegated decisions to the West Yorkshire and York Investment Committee.

The Managing Director also has delegated authority to approve the terms of any funding agreement in respect of a scheme, which has previously been approved by the Combined Authority or under delegated authority under decision point 5 (final costs and legal agreement approval).

## 2.4 Growth Service, Economic Development Loans and Business Grants

There are currently specific arrangements in place in relation to the approval and appraisal of business grants and economic development loans. In addition, arrangements relating to the principles for ESIF Sustainable Urban Development (SUD) purposes are set out in Appendix 5.

<b>Growth Service</b>	The Growth Service for the City Region is funded directly from Business, Energy and Industrial Strategy (BEIS). BEIS is funding the Growth Service at £512,500 per year in 2018/19 and 2019/20. SME Growth Managers operate within the City Region’s local authority partner councils, and their salaries are matched on a 50/50 basis by the local authorities who also employ them.
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<sup>8</sup> Including determining change requests

<sup>9</sup> After decision point 2 (SOBC) only

<sup>10</sup> With the exception of those cases where the decision would result in a revised financial approval which exceeded the cumulative total of the financial approval and tolerance threshold agreed by the Combined Authority at decision point 2 (SOBC), or decision point 3 (OBC) by more than 25%, in which case the decision must be taken by the Combined Authority.

	<p>Detailed progress on the Growth Service project is reported on a quarterly basis to the <b>Business Innovation and Growth (BIG) Panel</b>, and on a 6-weekly basis to the LEP Board by the BIG Panel Chair. There is also a private sector lead on the BIG Panel for the Growth Service, who runs their own small business(es). The BIG Panel is responsible for reviewing whether the project's output and expenditure targets are met, and for identifying and addressing risks and opportunities.</p> <p>In addition, detailed six-monthly reports and quarterly financial claims are sent to BEIS.</p>
<p><b>Economic Development Loans</b></p>	<p>Using a framework set out by the LEP, decisions are taken about entering into economic development loans for the Growing Places Fund, following consideration of the recommendations made by the <b>Business Investment Panel</b> (which has public and private sector representatives) and the <b>West Yorkshire and York Investment Committee</b>. The Combined Authority approves projects and the loan amount in principle and the Managing Director under their delegated authority finalises and approves the details, following appropriate due diligence.</p> <p>If there is an objection or issue in relation to an application, the Managing Director refers the application back to the Combined Authority for further consideration.</p> <p>If a loan or grant application comes from the wider Leeds City Region area (Barnsley, Craven, Harrogate, and Selby) then the <b>Leeds City Region Partnership Committee</b> is consulted.</p> <p>The Managing Director reports decisions on loans and grants made under delegated authority, to subsequent Combined Authority meetings.</p>

Arrangements in relation to **economic services grants** are set out in appendix 4 of the Assurance Framework.

## 3. TRANSPARENCY AND ACCOUNTABILITY

### 3.1 Transparency

The Combined Authority and the LEP are mindful of the need to build the trust and confidence of stakeholders and the public, in relation to our ability to take investment decisions. Promoting transparency in its decision making is a key part of this. We are committed to keeping records which demonstrate we meet all of our legal obligations and all other compliance requirements placed upon us, and these are accessible as set out below.

The Combined Authority designates a statutory **Monitoring Officer** who is responsible for ensuring that decisions conform to the relevant legislation and regulation. This role is carried out by the Combined Authority's Head of Legal and Governance Services, who is responsible for providing legal advice to the LEP and the Combined Authority. A key part of the Monitoring Officer's role is ensuring that the legal responsibilities of the Combined Authority as accountable body in relation to ensuring the transparency provisions are met, as set out below.

The Monitoring Officer also has a key role in relation to conduct, including maintaining and publishing registers of interest for the LEP and the Combined Authority – see further below.

Leeds City Region is committed to achieving diversity and equality of opportunity both as a partnership and as a commissioner of services. The LEP promotes equality of opportunity and does all it can to ensure that no member of the public, service user, contractor or staff member working within a partner organisation will be unlawfully discriminated against. Our Equality and Diversity Policy including Diversity Statement can be found [here](#).

### 3.2 Meetings

Specific statutory requirements apply to the Combined Authority in relation to transparency. Additionally it also complies with a number of good practice recommendations. The key arrangements in place are:

- the public's rights to attend meetings and inspect documents of the Combined Authority as set out in its Procedure Standing Orders
- meetings of the Combined Authority are live streamed, enabling the public to watch the meeting over the internet
- notice of any up and coming key decision will be published on the Combined Authority website twenty eight days in advance of the decision
- agendas and reports of meetings of the Combined Authority and its committees are available to the public on its website, in accordance with its Procedure Rules, five clear days before a meeting [here](#)
- minutes of meetings are published on the Combined Authority website
- business case summaries of all projects/programmes coming forward for a decision are published on its website. Summaries of projects/ programmes can be found [here](#)

- key decisions taken by officers are published on the Combined Authority website
- The Combined Authority adheres to the Local Government Transparency Code which requires the publication of additional data

The LEP Board also works to similar standards; the agenda, papers and minutes of the LEP Board Meetings are accessible from the LEP website, published on the Combined Authority website, as well as the SEP and information relating to progress on delivery of all programmes. LEP Board agendas and reports are published five clear days before a LEP Board meeting takes place in accordance with the LEP Board's Procedure Rules which can be found [here](#).

These Rules also set out more detail on decision-making, including quorum arrangements for meetings. Publications are marked as such in accordance with the LEP Board Procedure Rules. Publication of these documents is subject to the Combined Authority processes for identifying information which should not be published, as set out in the LEP Procedure Rules and Access to Information Annex. Additionally, any meeting of the LEP Board is open to the public except to the extent that the public are excluded in relation to confidential or exempt information in accordance with the LEP Board's Procedure Rules, and the Access to Information Annex which can be found [here](#). Minutes are published in draft within ten clear working days of a meeting taking place. The final minutes are published within ten clear working days of being approved.

A process for the LEP Chair to take urgent decisions outside of LEP Board meetings is set out in the LEP Constitution [here](#). This power may be exercised, for example, to approve amendments to LEP governance documents, in order to comply with government requirements.

### **3.3 Requests for information and Data Protection**

The Combined Authority is subject to the Freedom of Information Act 2005 and the Environment Impact Regulations 2000, and will respond to statutory information requests in accordance with approved procedures. The Combined Authority also deals with any requests for information from the LEP, on its behalf, in accordance with the same procedures. Further information on the Combined Authority's Freedom of Information Policy can be found [here](#).

The Combined Authority is subject to the General Data Protection Regulation and Data Protection Act 2018 and must by law appoint a Data Protection Officer (DPO). The DPO assists the Combined Authority on the monitoring of compliance with the data protection legislation advises on data protection obligations, provides advice regarding Data Protection Impact Assessments and is the contact point for data subjects and the supervisory authority. The Combined Authority's DPO sits within Legal and Governance Services.

The LEP and Combined Authority respects and is committed to protecting the individual with personal information. Our privacy notice can be found [here](#)

### 3.4 Data Protection

Requests made by data subjects under the General Data Protection Regulation and Data Protection Act 2018 will be dealt with in accordance with approved procedures.

The Combined Authority's Data Protection Policy can be found [here](#) and privacy notice issued by the LEP can be found [here](#)

### 3.5 Information about business cases

An overview of all scheme business cases and evaluation reports are published on the Combined Authority website. A nominated point of contact is made available to receive public and stakeholder comments.

Summaries of business cases to be considered by Investment Committee as part of the Assurance Process (See Sections 5 and 6) are published electronically ahead of meetings to allow for external views to be sought. There are exceptions to this rule in respect of commercial confidentiality.

### 3.6 Use of resources and accounts

The use of resources by the Combined Authority are subject to the usual local authority checks and balances, including the financial duties and rules which require councils to act prudently in spending. These are overseen by the Combined Authority's S73 Chief Finance Officer, its Director of Corporate Services. This post has statutory responsibility to administer the Combined Authority's financial affairs, and is responsible for ensuring that funding is used legally and appropriately. The Chief Finance Officer's role extends to the LEP - see further Section 1.5 above and Appendix 2.

The Combined Authority has clear accounting processes in place to ensure that all funding sources are accounted for separately and that funds can only be used in accordance with the Combined Authority decisions. All of the Combined Authority's committee report templates allow for the Section 73 officer to provide comments under a 'financial implications' section.

The Combined Authority has a statutory duty to keep adequate accounting records and prepare a statement of accounts in respect of each financial year. This statement of accounts will be [published](#) (usually in June in draft and in September as fully audited, although this will change in accordance with legislative requirements), and will cover expenditure from the Local Growth Fund and other funding sources received from Government. A separate financial statement for LEP expenditure is planned for 2018/19.

The Combined Authority will publish a public notice each year, setting out a specific period during which any person may inspect and make copies of the Combined Authority's accounting records for the financial year.

During the same period, the local auditor must give a local government elector (someone registered to vote in the local elections) within West Yorkshire (or their representative) an opportunity to question the external auditor about the accounting records, and objections may be made to the auditor about any relevant item.

### 3.7 Audit

The Combined Authority complies with statutory requirements relating to audit arrangements, principal elements of which are:

- appointing an **audit committee**
- inspection by **external auditors**
- adopting **internal audit arrangements**

These audit arrangements apply to the LEP and to LEP funding in respect of which the Combined Authority is the accountable body.

The Combined Authority's Governance and Audit Committee fulfils the requirement to appoint an **audit committee**. By law this must include at least one independent person. The independent person chairs the Committee.

The terms of reference, membership, meeting dates, agenda items and minutes of the Committee can be found [here](#).

An annual independent audit is conducted by **externally appointed auditors** ensuring the Combined Authority operates a robust financial management and reporting framework, including in relation to the LEP.

The Combined Authority's **internal audit** function carries out independent and objective appraisals of relevant systems and processes, including ensuring that effective procedures are in place to investigate promptly any alleged fraud or irregularity. The Combined Authority's internal auditors provide assurances to the Combined Authority (through its audit committee, the Section 73 Chief Finance Officer) and to the LEP.

The Combined Authority's financial regulations set out further detail in relation to the Combined Authority's audit arrangements (found [here](#)).

### 3.8 Scrutiny

To secure independent and external scrutiny of decisions, the Combined Authority's statutory Overview and Scrutiny Committee reviews and scrutinises decision-making by the LEP and by the Combined Authority (including in its role as accountable body for the LEP).

No member of the Combined Authority or the LEP may be appointed to the Committee. The terms of reference, membership, meeting dates, agenda items and minutes of the Committee can be found [here](#).

The committee operates in accordance with the Scrutiny Standing Orders, which can be found [here](#). These provide for the committee to require any member of the Combined Authority (including the LEP Member or a Chair of any committee or Panel) to attend to answer questions or provide information.

### 3.9 Codes of Conduct

The LEP is committed to ensuring that LEP Board members and officers demonstrate the highest standards of conduct, and act solely in the public interest.

All LEP Board members are subject to a LEP Board Members' Code of Conduct [here](#) which reflects the Nolan Principles of public life:

- 1) Selflessness
- 2) Integrity
- 3) Objectivity
- 4) Accountability
- 5) Openness
- 6) Honesty
- 7) Leadership

The LEP Board Code of Conduct also requires LEP Board members to declare and register:

- acceptance or receipt of an offer of a gift or hospitality
- specific pecuniary and non-pecuniary interests

A register of the interests disclosed by each LEP Board member is accessible from the LEP website and published on the Combined Authority website. The Code sets out comprehensive requirements in relation to declaring interests at meetings, and the circumstances in which a conflict of interest will preclude a LEP Board member from participating in decision-making.

At the beginning of each meeting, all members present are asked to declare any potential conflict of interest. These declarations are minuted.

The LEP has also approved arrangements under which allegations that the Code of Conduct has been breached can be investigated and for making decisions on such allegations. These can be found [here](#).

There are statutory provisions that require the Combined Authority to adopt a Code of Conduct for its Members and voting constituent and non-constituent Members, including those on panels appointed by the Combined Authority. The Code sets out the conduct expected of members, including procedures for declaring and registering:

- acceptance or receipt of a gift or hospitality
- disclosable pecuniary interests, which are defined by the code

The Code is publicly available [here](#).

Failing to comply with requirements for registering and disclosing pecuniary interest may be a criminal offence.

Members' interests are publicly available on the Combined Authority website through each of the Committee home pages [here](#).

The Combined Authority has also approved arrangements under which allegations that the Code has been breached can be investigated and for making decisions on such allegations. This can be found [here](#).

The Combined Authority has also adopted a Code of Conduct for Officers, which also reflects the Nolan Principles of public life and requires officers to register personal and prejudicial interests. Officers also need to comply with a Gifts and Hospitality policy. Failure to comply with the Code may lead to disciplinary action.

Senior officers and other officers involved in advising on LEP decisions are also required to complete and keep under review a separate LEP Officer register of interests.

### **3.10 Complaints and whistleblowing**

Complaints procedures and whistleblowing policies are in place, to promote accountability.

The Leeds City Region LEP has adopted a confidential complaints procedure, which can be found [here](#). The Combined Authority will also consider any complaints received in accordance with its agreed complaints procedure, which can be found [here](#).

Any complaints about the LEP will be dealt with in accordance with the approved complaints process.

The LEP has adopted a whistleblowing policy, which can be found [here](#). The Combined Authority has also adopted a whistleblowing policy, which can be found [here](#), to investigate and resolve any case where it is alleged by stakeholders, members of the public or internal whistle-blowers that the Combined Authority is acting in breach of the law, failing to adhere to the framework or failing to safeguard public funds.

### **3.11 West Yorkshire Combined Authority resources and capabilities**

The Combined Authority has a scale of staff resource with the necessary key functions to enable it to:

- manage the process, including supporting business case development
- carry out programme and project appraisal
- co-ordinate and manage the decision process (e.g. time of meetings and associated paperwork)
- oversee the delivery, monitoring and evaluation of schemes (e.g. benefits realisation management, financial and resource management, risk)

The Combined Authority draws on external expertise and technical support such as financial, economic, property, legal and evaluation advice, for example through consultancy frameworks or from partner organisations including Homes England, local authorities, Skills Funding Agency and others.

## 4. LOCAL ENGAGEMENT AND PARTNERSHIP WORKING

### 4.1 Local Engagement

Engagement with stakeholders and the wider public is regarded as a central part of the process to develop, monitor and implement the SEP, the Growth Deal and all other aspects of the work of the Combined Authority and the LEP.

To support this process we have developed a set of consultation and engagement protocols and our Consultation and Engagement team work with colleagues to ensure these principles are applied in any consultation and engagement activities that are undertaken. As well as carrying out insightful, robust, consultation and engagement activities we must also adhere to any relevant legislation. We also encourage our partners to adhere to these protocols where possible.

We are committed to ensuring that our engagement with stakeholders and the wider public is as inclusive as possible. We will ensure that:

- Stakeholders and members of the public are aware of our approach to consultation and activities;
- Stakeholders and members of the public are able to have their say on proposals when they are still at a formative stage;
- Consultation is open, transparent and accessible;
- The consultation process is well planned, managed and coordinated and achieves value for money;
- Consultation is effective, meaningful and of a consistently high quality; and
- Consultation feedback is properly considered and outcomes are reported in a timely way.

To support any face-to-face engagement we do, we have also developed a digital engagement hub ([yourvoice](#)) that enables us to share information and source feedback electronically in a more interactive way. Tools available to use include surveys, Q&A, mapping, polls, forums, guest books, newsfeed, ideas and stories.

We work closely with stakeholders to ensure that they are engaged in all that we do. We provide regular updates to existing panels and committees such as the District consultation sub committees. As part of the LEP's work with business, we have established a Business Communications Group made up of representatives from key business organisations in the City Region. The group plays an active role in supporting business growth in the region by helping to coordinate effective communications between the LEP and the business community. The group also acts as an advisory group to the LEP Board; consulting with their members on barriers to growth and ensuring businesses are at the heart of everything we do.

We have developed a Partnership Strategy and also engage and communicate with partners through a range of channels including social media, press releases,

websites, events and e-newsletters. Social media has been used particularly effectively for informal engagement on policy and project development.

We continually look for new methods to engage with key stakeholders, businesses and the public and will continue to measure effectiveness and share lessons learnt.

#### 4.2 Arrangements for collaborative cross-LEP working

The LEP is committed to collaborating across boundaries, where interests are aligned when developing strategies and interventions to maximise their impact across their different objectives. This helps to ensure a more efficient use of resources and secure a better outcome than operating in isolation.

There are a number of areas where the LEP works closely and interfaces with neighbouring and other regional LEPs. These include:

- Regular meetings (currently monthly) of the NP11 group of pan-Northern LEPs – at LEP Chair and Director level
- Active participant of the LEP Network at Chair, Director and operational levels to share best practice and influence policy design
- Officers from neighbouring Yorkshire LEPs meet regularly to discuss approaches to business support (including the Northern Powerhouse Growth Hub Network), Brexit, energy, and work on the LEP Review
- Yorkshire Hubs collaborated on the Northern Powerhouse Investment Fund, including regular meetings to determine contributions from their ESIF allocations
- through Transport for the North, where there is a significant degree of cross-LEP collaboration, from the Partnership Board through to officer working group meetings around Northern Powerhouse Rail, Strategic Transport Plan and Roads Strategy
- core Cities forums, which take place 4 times a year, covering a wider spectrum of national policy issues
- the LEP is also invited to attend the Sheffield Combined Authority as an observer, given the close links between the two functional economies

The LEP receives a report each year on the collaboration that has taken place and the opportunities for further collaboration.

#### 4.3 How growth priorities are supported by collaboration and joint delivery

The Combined Authority works collaboratively with a range of partners. Some examples of this are provided below.

The LEP delivery of **Skills Capital** allows for greater coherence and understanding in the way that further education providers across the City Region are aligning curriculum offers to reflect the skills requirements set out in the Leeds City Region SEP and skills strategy. The Employment & Skills Panel (see table 2.2 for further information about this Panel) review conditions for the grant programme to address gaps in skills provision and to hold an overview of future revenue allocations. Collaboration with partners supports the understanding of employment opportunities

in the region to maximise Gross Value Added (GVA). It encourages improved collaboration between colleges and employers so that new curriculums are more aligned to employer needs.

**LEP Growth Service** is a 'hub and spoke' collaboration with local authorities, universities and private sector business support organisations.

The Combined Authority's **transport strategy and policy teams**, working closely with partner councils, Network Rail and Highways England, operate and run a strategic Land-Use Transport Interaction (LUTI) model which can forecast evidence to support the impacts of investment priorities on employment, housing and GVA. These models are also used to test investment projects and programmes to help sift into priorities and inform their strategic business cases. They are particularly helpful in understanding cross-boundary implications of investment and transport policies.

The **Growth Funded housing and regeneration programme** is developed jointly with public sector partners. Proposals are put forward by either local authorities or organisations working closely with the Combined Authority's strategic partners. These proposals are developed into business cases through close collaboration with the Combined Authority and in some cases joint due diligence with other agencies. In many instances projects may have multiple funding streams, with some of these coming from the public sector. When this occurs, a joint approach towards delivery is developed whenever possible. The Place Panel (including representatives from local authorities, private sector representatives, Homes England (previously Homes and Communities Agency) and the National Housing Federation) brings together organisations with a common interest in delivering infrastructure, homes and jobs and makes recommendations to ensure a strategic approach to the delivery of these outputs, especially where this involves the use of public sector assets.

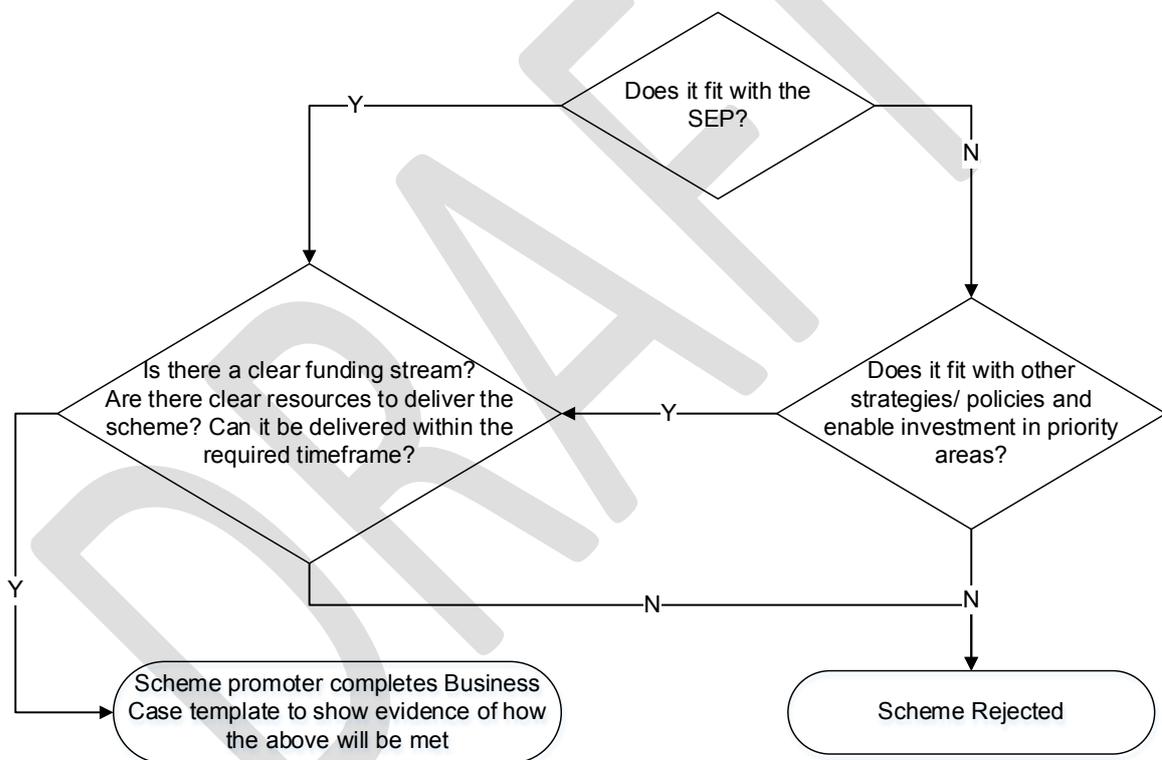
## 5. APPROACH TO PRIORITISATION

### 5.1 Introduction

The approach for identifying and prioritising those programmes and projects that are most likely to provide value for money, maximise economic benefits and deliver against the Leeds City Region SEP's vision and strategic priorities, is set out in the following sections.

### 5.2 Identifying candidate schemes

Local partners, the Policy and Strategy Directorate and the LEP will largely be responsible for identifying and developing candidate schemes for inclusion in the project process. To assist the identification of schemes, a number of guiding principles are used:



Scheme promoters are required to submit evidence on standard West Yorkshire Combined Authority Business Case templates which have been designed in line with HM Treasury five cases guidelines, and designed to capture evidence relating to the guiding principles above.

### Calls for proposals

Other avenues for potential schemes to access funding opportunities from the LEP/the Combined Authority could be through funding competitions with specified deadlines for submissions as well as open calls where the LEP/the Combined

Authority will be seeking ongoing Business Case submissions from scheme promoters.

All calls for proposals with specified deadlines, including details of the application and decision process and assessment/eligibility criteria are openly advertised on the LEP/the Combined Authority website and promoted with public sector partners and the business community.

### **5.3 Methodology for prioritising investment**

Once schemes have been identified, the prioritisation of schemes to enter the process (Stage 1) is then critical to the creation of a focused programme of investment across the four priorities of the SEP.

When comparing schemes for prioritisation, they are considered in the context of creating a balance between projects within a programme, in relation to funding opportunities and bids that come forward.

In order to facilitate the prioritisation of schemes in an objective, consistent and transparent way, they are compared on the basis of their potential to deliver on the criteria they were originally identified on, as well as their ability to offer value for money.

#### **5.3.1 Assessment criteria**

The Assurance Process will inform decision-making by providing an objective, transparent and rigorous system of appraisal to assess programmes and individual projects objectively. It is a flexible process that can be adapted to the specific nature, scale and scope of the project and/or programme. It sets out how all City Region projects and programmes, whether they are housing, regeneration, transport, low carbon, skills, innovation or anything else that comes to the LEP and the Combined Authority for consideration, will be appraised and evaluated based upon the evidence provided.

The Assurance Process will be applied to the assessment of all projects and programmes funded from Government or local sources that flow through the LEP and the Combined Authority, drawing on national guidance (e.g. Green Book, Treasury five cases, WebTAG and CLG Appraisal Guidance).

The following assessment criteria are used:

- fit with the SEP and other relevant strategies
- clear evidence of the rationale and need (or demand) for the project
- the additional GVA and employment impacts as well as the wider benefits, at the Leeds City Region level
- contributes to our 'good growth' aspirations. This will also now include inclusive growth objectives and Local Inclusive Industrial Strategy (LIIS) once developed
- clearly defined inputs, activities, outputs, and anticipated outcomes and an assessment of additionality of benefits
- proposed delivery timescales

- confirmation that the investment represents value for money and is the preferred option
- clear detail of the financial costs of the proposal and evidence of the need for the LEP/the Combined Authority support and availability of match funding
- the project is deliverable, has robust risk management, delivery and monitoring and evaluation arrangements

Preference will be given to those schemes that:

- deliver 'high' value for money (e.g. a benefit cost ratio or other appropriate value for money (VfM) benchmarks that meets established guidance for the project type being assessed)
- offer the potential to generate a return
- maximise private sector and other public sector investment

It should be noted that there will also be cases when the Combined Authority approves schemes where there is a lower value for money case. This could be where there are convincing wider economic and environmental impacts, where a scheme meets multiple SEP priorities or the scheme is part of programme that has a high overall value for money. There may also be instances where there is a need to invest quickly in conjunction with significant levels of private sector leverage, in order to unlock a major development, or where social value is sought to be maximised (e.g. through the West Yorkshire Plus Transport Fund programme). On occasions projects offering high VfM as well as high risks may be taken forward within the context of a portfolio that has an overall balance of risk.

### **5.3.2 Tools for estimating economic and wider benefits**

All programmes and projects will be expected to have a positive (direct or indirect) impact on growth through job creation, skills improvement, productivity, improved connectivity etc. to ensure that the good growth aspirations articulated in the SEP are realised. Going forward, this will also include inclusive growth aspirations.

Net additional economic output, measured by Gross Value Added (GVA) per pound invested will be used as a key metric for determining whether a project delivers value for money. Other measures of value for money will be used where necessary to provide more information on the richness and scale of the potential impact of projects. Such measures include total cost per job and total GVA per job.

In order to assess GVA and jobs growth, as well as wider economic benefits, both quantitative and qualitative assessment will be required. The LEP/Combined Authority will take into consideration the broader strategic value of proposals, particularly with regard to their potential to deliver increased GVA impact, as well as carbon and wider social benefits (e.g. contribution to the good growth principles set out in the SEP and LIIS once in place), in finally determining whether to approve a scheme.

A range of tools and models will be used to help estimate the wider economic impact of scheme proposals in order to facilitate the prioritisation and decision-making process. These currently include:

- **The Regional Econometric Model (REM)** - will be used on non-transport schemes to help determine their net additional employment and net additional GVA impact.
- **The Urban Dynamic Model (UDM)** – will be used for transport schemes to understand how employment and GVA growth could be constrained without the proposed transport intervention(s).
- **Skills Value Model** – An in-house approach has also been developed to quantify the impact of skills interventions. The approach allows the estimation of potential increase in earnings attributable to acquiring a new qualification.

The qualitative assessment will seek to consider the strategic importance of the scheme (e.g. an assessment of how the scheme contributes to the priorities and objectives of the SEP). This more qualitative assessment is particularly important for revenue programmes, the direct effects of which are traditionally more difficult to quantify.

The outcomes of the assessment of applications made in response to funding opportunities is reported to the LEP Board, the Combined Authority and the West Yorkshire & York Investment Committee.

# 6. ASSURANCE AROUND PROGRAMME & PROJECT DELIVERY

## 6.1 Introduction

This section sets out how the Assurance Process is used in the development and delivery of all West Yorkshire Combined Authority projects and programme investments.

## 6.2 Assurance Process

The Assurance Process (set out in Figure 6.1) is a three stage system for project control to deliver value for money in a transparent and accountable way.

**Figure 6.1: Overview of the Assurance Process**



It has been designed to take all schemes through their project/programme lifecycle, and provides a practical 'step-by-step' framework to aid the development of business cases, to ensure successful delivery and monitoring and evaluation for making key decisions. The Assurance Process is both scalable and proportionate and offers a structured process for appraising, developing, planning, delivering and evaluation that is in line with HM Treasury guidance to deliver best public value.

The Assurance Process is used by the following:

- **project promoters:** it provides a pathway to allow promoters to develop proposals in a way that will give them the best chance of success
- **decision makers:** it is a framework to provide the information they need to take investment decisions and to prioritise between different proposals in a clear and transparent manner
- **partners and the wider public:** to give confidence that there is a clear and transparent framework to appraise and prioritise schemes and to take investment decisions

An important feature of the Assurance Process is its flexibility in that it can be adapted to the specific nature, scale and scope of the project and/or programme. For example, it offers the potential for accelerated decision-making by allowing small scale, less expensive projects to move quickly through the decision points described below.

Programmes that are comprised of multiple projects for their delivery may also be subject to accelerated decision-making. In these instances, the assessment of the cost and benefit information may be at a high level with the programme level business case providing the strategic context for subsequent investments (projects). Following approval to fund the programme, the projects comprising the programme

must be subject to individual business cases. The programme must be approved at decision point 2 (Strategic Outline Business Case - SOBC) before any projects can proceed through the next stages of the Assurance Process.

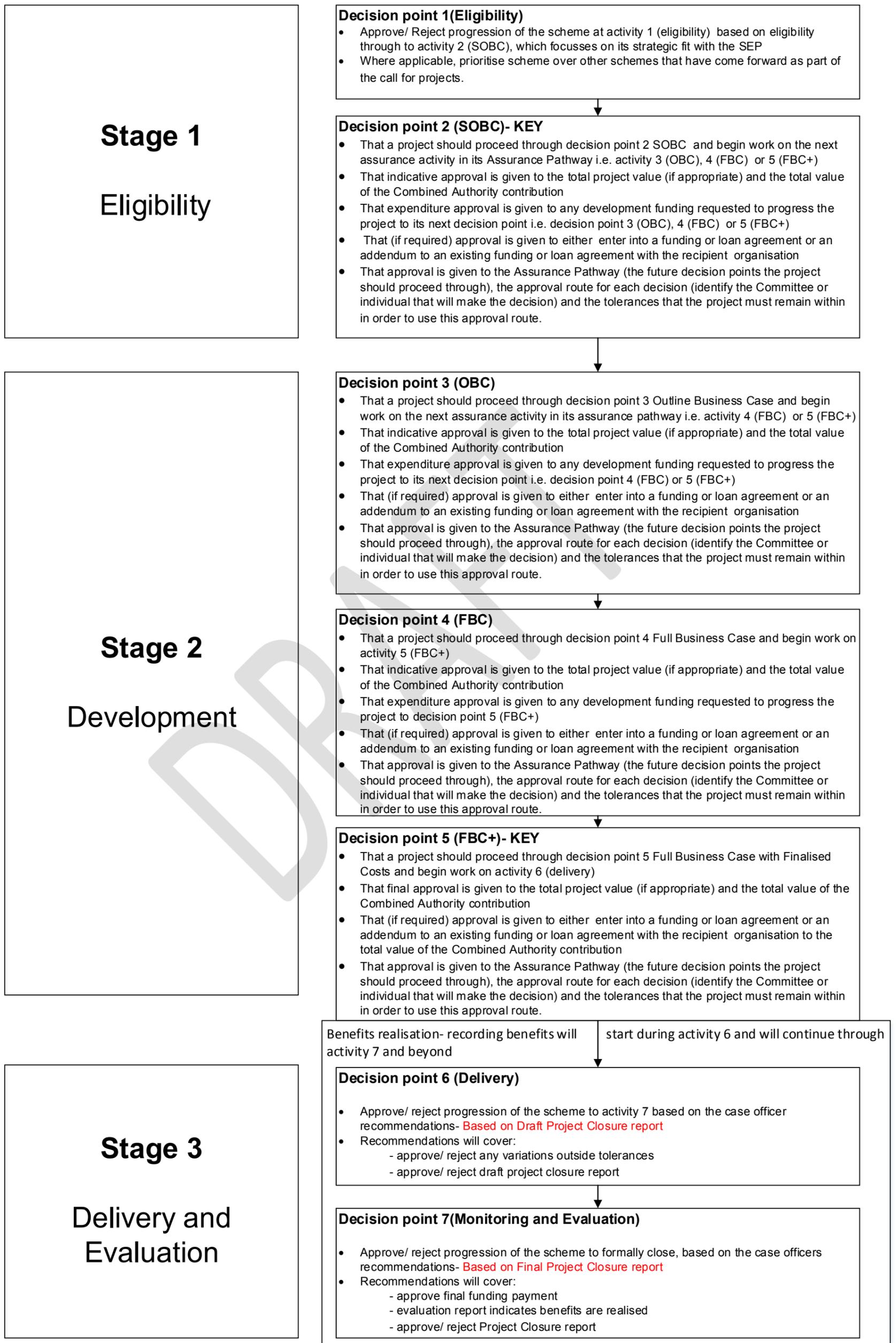
### **Overview of the Assurance Process**

Under each stage outlined above there are a series of activities (7 in total) that need to be carried out in order to progress each scheme. Whilst there are seven possible activities, not all would apply to all schemes and the process and intensity of appraisal applied can be tailored for each scheme depending on its type, scale and complexity, with the appropriate activities applied (e.g. not all schemes will be required to complete an outline business case (decision point 3); they could proceed straight to full business case, decision point 4).

Benefits realisation is considered to be something that runs through all of stage 3 (Delivery and Evaluation). Scheme promoters should be starting to capture benefits as soon as the scheme is being delivered in activity 6 (Delivery), and this will continue through scheme closure and beyond.

At the end of each activity, a scheme is required to go through a decision point. It is here where a scheme is appraised against the HM Treasury 'five cases Model'. As such, project sponsors must demonstrate that a robust, accurate and compelling business case exists at each stage of the process (subject to the assurance pathway and approval route as recommended by the Combined Authority's Programme Appraisal Team (PAT)). All schemes must be approved by the Combined Authority at decision point 2 (SOBC). Further information can be found in Figure 6.2.

Figure 6.2: The Assurance Process (TO BE UPDATED)



### 6.3 Business case requirements at each stage of the Assurance Process

A key objective of the Assurance Framework is to support the Combined Authority in assessing whether potential investments offer good value for money and have the capacity to generate and deliver the growth objectives set out in the SEP or specific objectives relevant to a funding stream or other strategic objectives.

Along with the focus of the business case changing as a scheme progresses through the Assurance Process, the focus of the business case appraisal is structured around a series of key appraisal questions which enable the appraiser to review and test the evidence presented in the business case across the 'five cases'. Project promoters are made aware of the key appraisal questions in order to guide the presentation of evidence in the business case.

All projects will undergo a 'five cases' assessment, in line with the Treasury Green Book, to ensure a project demonstrates that the outcomes and outputs are deliverable, that the associated business case is a sound one and that the scheme represents value for money. This process has recently been modified to align with Green Book principles.

The following business case templates will be completed by projects during stages 1 (Eligibility) and 2 (SOBC) of the Assurance Process.

#### Stage 1: Eligibility

As part of activity 1 (Eligibility) of the assurance process, the promoter is required to complete an eligibility form. For the majority of schemes, this will be completed in the initial stages of scheme development to enable early testing of the scheme with the Combined Authority. At this stage the scheme information will consist of the challenge which the scheme seeks to address and a high level identification of the possible strategic responses that could be implemented to address the challenge [CT1] (rather than a specified single option). The eligibility form has a number of purposes:

- To provide the Combined Authority with information on a scheme proposal.
- To identify the potential for the scheme to deliver against the Combined Authority's Policies, Strategies, Plans, Targets and Indicators (its strategic fit).
- To provide a high level range of costs and programme timescales.

The Eligibility Form will be considered by a panel of the Combined Authority's Policy and Delivery officers (not PAT). They will determine:

- If the scheme is eligible for Combined Authority funding.
- If the scheme has sufficient strategic fit to proceed to activity 2 (SOBC) and if there is potential for a greater level of strategic fit through the consideration of a wider range of options.
- Based on the high level cost and programme provided what level of funding contribution can be made to the scheme based on the funding streams the Combined Authority will have available to it at the relevant time.
- Any recommended conditions that will need to be fulfilled during activity 2.

If the panel assess that the scheme sufficiently meets the eligibility criteria above it will be recommended to the Director of Delivery for approval to proceed to activity 2 (SOBC) of the assurance process. Any schemes which are not recommended for approval will be referred to the Programme Appraisal Team for further guidance.

Approval at decision point 1 (Eligibility) provides promoters with assurance that the scheme is determined to be eligible for Combined Authority funding and it is a worthwhile investment for the Promoter to commit resources to the further development of the scheme. Decision point 1 approval does not guarantee that a funding allocation will be made for the scheme within the Combined Authority's portfolio, this decision would instead be made at decision point 2 in most instances.

Following progression through decision point 1 (Eligibility), all schemes will progress to activity 2 and the promoter will then be required to complete a SOBC. The SOBC will provide evidence of how the scheme performs against each of the Treasury's five cases (strategic, commercial, financial, economic & management) but will place most focus on the strategic case for the scheme and the initial economic appraisal. In line with the HM Treasury's Green Book guidance, this will involve the appraisal of the long list of potential options, in order to select a "preferred way forward". The preferred way forward will encompass a short list of selected options, which will ultimately be assessed as part of activity 3 (outline business case - OBC). Each option identified as part of the preferred way forward will have a high level cost, programme and benefit forecast and will clearly demonstrate why that option has been selected over and above other options identified as part of the long list process.

In advance of the SOBC being submitted to the Combined Authority, a case officer will be assigned and briefed on the scheme. Once the SOBC is received by the Combined Authority the case officer will undertake the SOBC appraisal. This appraisal will determine and recommend whether a scheme proposal proceeds through decision point 2 (SOBC) into Stage 2 (Development) of the assurance process and is invited to prepare a Business Case – outline or full – depending on the agreed pathway. The SOBC appraisal will assess the scheme's potential to deliver economic benefits and assess the scheme's deliverability, and is focussed on the strength of the strategic case. The case officer may require additional information to the SOBC in order to complete their appraisal.

A summary of the criteria used to aid the stage 1 (Eligibility) assessment and prioritise and select those schemes that will progress to stage 2 (Development) are set out in Table 6.1 below.

**Table 6.1: Overview of the Stage 1 assessment criteria**

Criteria	Description
<b>Strategic Case</b>	<ul style="list-style-type: none"> <li>• Has the challenge and the resulting scheme been clearly defined?</li> <li>• Is it clear why LEP or Combined Authority investment is needed and what it will be used for?</li> <li>• Does the scheme have a clear alignment to the Combined Authority’s Strategic Priorities, Headline Initiatives and funding source?</li> <li>• Will the project contribute to the Local Enterprise Partnership’s and Combined Authority’s targets and indicators either directly or indirectly?</li> <li>• Does the scheme meet the ‘good growth’ or ‘inclusive growth’ principles?</li> <li>• Is there a clear rationale/need/market failure case for investment?</li> <li>• Have the scheme objectives been clearly set out?</li> </ul>
<b>Commercial Case</b>	<ul style="list-style-type: none"> <li>• Has evidence of need/demand for the project been identified?</li> <li>• Is the market for the project clearly understood?</li> <li>• Does the project unlock other downstream investments?</li> <li>• Has the scheme considered how it will procure the solution?</li> </ul>
<b>Economic Case</b>	<ul style="list-style-type: none"> <li>• What potential does the project/programme have to deliver economic benefits/growth e.g. through jobs, unlocking sites, skills uplift, etc.?</li> <li>• Do projected outputs and outcomes appear realistic/achievable?</li> <li>• Has the project/programme undertaken an options appraisal which has defined a preferred way forward?</li> <li>• Where appropriate has strategic and economic modelling been used to carry out an initial test of a project to identify a GVA/£ ratio e.g. Urban Dynamic Model (UDM) or the Regional Econometric Model (REM)</li> <li>• Does the project appear to offer the potential of reasonable value for money and where possible has this been presented in the form of a benefits cost ratio for each of the options shortlisted in the preferred way forward</li> <li>• Does the scheme have a Benefits Register?</li> </ul>

<b>Financial Case</b>	<ul style="list-style-type: none"> <li>• Is the amount and timing of LEP or Combined Authority investment and match funding clearly set out for each short-listed option in the preferred way forward?</li> <li>• Has the loan first principle been considered?</li> <li>• Has other funding been confirmed or is there a clear timescale for confirmation?</li> <li>• Is there a proposal for the Combined Authority to achieve any financial return through the project?</li> <li>• How are the scheme costs made up? Are they robust and realistic?</li> </ul>
<b>Management Case</b>	<ul style="list-style-type: none"> <li>• How will the scheme be managed, are the appropriate arrangements in place / outlined. How 'delivery ready' is the project?</li> <li>• Are delivery timescales clearly indicated and are they realistic? E.g. A high level development and delivery timetable identifying any potential barriers or constraints (e.g. planning, legal, land ownership issues).</li> <li>• What are the main risks facing this scheme?</li> <li>• How will the scheme be managed, are the appropriate arrangements in place / outlined. How 'delivery ready' is the project? How will the scheme be managed, are the appropriate arrangements in place / outlined.</li> <li>• Is there a Risk Register and/or Risk Plan?</li> <li>• Are there any potential barriers/constraints to the scheme that will impact on delivery?</li> <li>• Has an initial assessment of any potential State Aid implications been undertaken?</li> <li>• Are there any linkages/Interdependencies with other schemes that could affect delivery</li> <li>• Is the appropriate project / programme management documentation in place?</li> <li>• Have the appropriate supporting technical studies been undertaken?</li> <li>• Has the promoter demonstrated any lessons learnt?</li> </ul>
<b>Other criteria (if applicable)</b>	<ul style="list-style-type: none"> <li>• For transport schemes this could include modelling to predict changes in carbon emissions, accidents, mode splits and impacts at different geographies including deprived communities.</li> </ul>

## Stage 2: Development

The Business Case template uses a detailed ‘five cases’ assessment of the scheme that demonstrates that the outcomes and outputs are deliverable, that the associated business case is a sound one and that the scheme represents value for money.

At this stage the Business Case template seeks to build on the evidence presented in the SOBC in order to present the full details of the scheme across the ‘five cases’ model.

**Table 6.2: Stage 2 assessment criteria**

Criteria	Description
<b>Strategic Case appraisal</b>	<ul style="list-style-type: none"> <li>• Does the project clearly set out the strategic drivers for this investment?</li> <li>• Does the project contribute to the achievement of the Leeds City Region’s Strategic Economic Plan</li> <li>• Does the project link to other activity being delivered either within the City Region or nationally?</li> <li>• Does the project meet other national, sub-regional and local strategies and policies?</li> <li>• Does the project set out why LEP or Combined Authority funding is required in order to be undertaken?</li> <li>• Has the project undertaken any engagement/consultation with key stakeholders and beneficiaries affected by the scheme?</li> <li>• Does the project clearly set out its objectives?</li> <li>• Does the project clearly set out the key activities to be funded?</li> </ul>
<b>Commercial Case appraisal</b>	<ul style="list-style-type: none"> <li>• Has the project provided evidence to support the market demand justification for this project?</li> <li>• Has the project provided evidence to support the projected take-up by the market?</li> <li>• Does the project have a preferred procurement strategy/approach?</li> <li>• Has the project considered risk allocation and transfer?</li> </ul>
<b>Economic Case appraisal</b>	<p><u>All Projects:</u></p> <ul style="list-style-type: none"> <li>• What long list of options have been considered?</li> <li>• What critical success factors (CSF) have been used to evaluate the long list of options?</li> <li>• How has the long list of options been appraised?</li> <li>• What is the short list of options?</li> <li>• How has the short list of options been appraised?</li> <li>• How does the scheme contribute to the SEP Headline Indicators</li> <li>• What methodologies have been used to calculate the monetised benefits?</li> <li>• What methodologies have been used to calculate the monetised costs?</li> <li>• How is uncertainty in the appraisal dealt with?</li> <li>• Does the project identify any wider benefits?</li> </ul>

Criteria	Description
	<ul style="list-style-type: none"> <li>• Does the project identify any low carbon and environmental benefits</li> <li>• What is the scheme value for money position?</li> <li>• Is the preferred option clearly defined?</li> </ul> <p><u>Additional assessment criteria for transport projects:</u></p> <ul style="list-style-type: none"> <li>• What methodologies have been used for modelling and appraisal of the scheme?</li> <li>• What transport model(s) have been used for the scheme appraisal?</li> <li>• What forecasting methodologies have been used for the scheme appraisal?</li> <li>• How has the impact of the scheme on travel demand and behaviour been incorporated?</li> <li>• How is uncertainty in the appraisal dealt with?</li> <li>• How the scheme impacts across different social groups?</li> <li>• Does the project have an Appraisal Summary Table?</li> <li>• Does the project have a Transport Economic Efficiency Table?</li> <li>• Does the project have an Analysis of Monetised Costs and Benefits Table?</li> <li>• Does the project have a Public Accounts Table?</li> </ul>
<b>Financial Case appraisal</b>	<ul style="list-style-type: none"> <li>• Has the project got a calculated outturn capital cost?</li> <li>• Has the project got a clear cash flow and funding profile?</li> <li>• Does the project have any revenue, ongoing/operational costs associated with it?</li> <li>• Does the project have any other funding sources?</li> <li>• Have the main financial risks been identified?</li> <li>• Has the project addressed how will cost overruns would be dealt with?</li> <li>• Does the project offer any potential to generate a commercial return to pay back funding?</li> <li>• Does the project have any State Aid issues to address?</li> <li>• Is the Combined Authority funding a loan?</li> </ul>
<b>Management Case appraisal</b>	<ul style="list-style-type: none"> <li>• Does the project have a clear delivery plan?</li> <li>• Is there more than one delivery partner involved in the delivery of this project?</li> <li>• Does the project have a clear programme?</li> <li>• Has the project set out any delivery constraints?</li> <li>• Does the project have an adopted approach towards risk management?</li> <li>• Has the project completed a Quantified Risk Assessment (QRA)?</li> <li>• Does the project have a Communications Strategy?</li> <li>• Does the project have a Benefits Realisation Plan?</li> </ul>

The Business Case appraisal is effectively a risk-based appraisal that is designed to enable the Case Officer to test and report on key scheme risks across the five cases. This ensures that decision-makers at any level of delegation fully understand scheme risks, particularly in terms of benefits realisation, financial outcomes and value for money. It provides the basis on which any conditions precedent for a funding agreement can be proposed.

Business Cases are rated against an appraisal framework and each of the five cases is given a RAG (red, amber, green) rating based on the response to the key appraisal questions as follows:

<b>RED</b>	Does not adequately address one or more of the key assessment questions
<b>AMBER</b>	Addresses all of the key assessment questions but specific issues may require further consideration or action
<b>GREEN</b>	Presents a clear and comprehensive response to the key assessment questions

The main findings in respect of the five cases are then brought together into a single assessment summary and an overall scheme RAG rating. It is anticipated that schemes receiving an overall red rating may require the applicant to provide extensive additional information prior to subsequent reappraisal. Schemes receiving an overall amber rating may require special conditions (or conditions precedent) to be included in any subsequent grant agreement between the applicant and the accountable body or require resolution in advance of next decision point.

### 6.3.2 Assessment of economic impact & value for money

A range of tool-kits and approaches are used to demonstrate the wider economic benefits and value for money in order to prioritise and assess the overall Business Case for a scheme. In line with recognised VfM guidance, the assessment will consider:

- **Economy:** Minimising the cost of resources used
- **Efficiency:** The relationship between the output from goods or services and the resources to produce them
- **Effectiveness:** The relationship between the intended and actual results of public spending (outcomes and meeting objectives)

As set out in the LEP National Local Growth Assurance Framework guidance, the methodology used to assess VfM will be in line with the established guidance prescribed by the relevant government department:

**Table 6.3: Methodology to assess value for money**

<b>Transport</b>	The standard against which the Combined Authority will assess the robustness of the economic case of transport projects with a capital cost in excess of £5 million will be the established WebTAG methodology.
<b>Housing</b>	The appraisal will draw on advice and guidance from the HE alongside MHCLG’s appraisal guide for residential and non-residential development.
<b>Enterprise, business support and Innovation</b>	These projects will need to demonstrate ability to deliver VfM through evidence-based Business Cases aligned with HM Treasury Green Book guidance, with a commitment to publishing results to add to the evidence base on what works and contribution to local and national policy goals and growth.
<b>Skills Capital</b>	The Appraisal will continue to draw on Skills Funding Agency guidance
<b>Regeneration</b>	Projects will be in line with the National Planning Policy Framework and the Planning Practice Guidance. For projects beyond housing and transport interventions, for example, enabling works, land assembly, utilities and/or public realm projects, the MHCLG appraisal guide will be used in helping to appraise their costs and benefits.

The approach adopted for the appraisal of a scheme will be proportionate to the scale and risk of the proposal. Some **investment appraisal techniques** used are:

**Table 6.4: Investment appraisal techniques**

<b>Cost Benefit Analysis</b>	This calculates the costs and benefits for each year covered by the proposal and other shortlisted options (including the do-nothing/ do minimum ‘counterfactual’ position), which are then summed to produce a net figure for each year.
<b>Net Present Value</b>	This calculates the difference between the present value of cash inflows and the present value of cash outflows. Investments with a positive net present value will be acceptable.
<b>Accounting Rate of Return</b>	This compares the profit that is expected to be made from an investment to the amount that is needed to invest.
<b>Internal Rate of Return</b>	This measures the profitability of potential investments and allows schemes to be ranked by their overall rates of return rather than their present net values.
<b>Payback Method</b>	This calculates how long a scheme will take to pay back the money spent on it based on expected cash flows.

**Latest guidance on Land Value Update to be added**

## **Wider economic impact assessment**

In order to generate a prioritised shortlist of schemes, a wider economic impact assessment will be undertaken which uses a range of tools and models. The Assurance Process draws on a line of nationally recognised value for money benchmarks relevant to the type of scheme under review for example:

- WebTAG for the appraisal of transport scheme
- HE Additionality Guidance and other appropriate sources, including MHCLG Appraisal Guidance for housing and regeneration schemes
- evaluation evidence produced by the What Works Centre for Local Economic Growth

Other measures of value for money will be used where necessary to provide more information on the richness and scale of the potential impact of schemes. Such measures include:

- total cost per job
- total GVA per job
- cost benefit ratio
- grant per job

The adopted approach also aims to provide a 'level playing field' between the wide-range of intervention types that are being considered across the four strategic priorities of the SEP. This, in conjunction with consideration of inclusive growth, allows the LEP and the Combined Authority to maximise the employment and productivity outcomes from available funding, as well as the geographical spread of these benefits.

### **6.3.3 Compliance with DfT's WebTAG guidance**

All transport schemes will be subjected to the minimum requirements on modelling and appraisal, Value for Money (VfM) statement, assurance and evaluation as set out in the National Assurance Framework Guidance (LEP and Single Pot).

The modelling and appraisal work will be scrutinised to ensure it has been developed in accordance with WebTAG, is robust, and is fit for purpose. A mix of both internal and external resources (partner, local authorities and independent consultants) in the form of a peer review panel will be used, so that appropriate and independent recommendations can be provided to decision makers. Opinion from DfT may be sought for high value or contested schemes. Responsibility for quality assurance of the assessment and scrutiny will rest with the Combined Authority's Head of Feasibility and Assurance.

An Appraisal Specification Report (ASR) should be developed by the scheme promoter at the start of stage 2 (development) and agreed with the Combined Authority, which sets out how the scheme will be appraised. An Appraisal Summary Table (AST) and VfM Statement will be produced by following WebTAG and DfT's VfM guidance. A VfM Statement will be produced for decision makers summarising the conclusions from VfM assessment taking into consideration whether benefits

outweigh the costs whilst identifying key risks and sensitivities that may affect the VfM conclusion. The statement will be prepared by the scheme promoter.

To maintain VfM for major transport investments from public funds, the Combined Authority is committed to approve schemes with a final VfM of 'High' or above. In exceptional circumstances any scheme with a VfM category lower than 'High' may be approved. An example of such a transport scheme could be one which unlocks a major development site or a scheme which can be directly attributed to job creation and/or GVA growth, and the justification will be set out in reports, seeking approval from the boards. Additionally, a transport scheme may have a low BCR, but is part of a programme that can evidence a 'high' BCR as a minimum. Some schemes may have a low BCR right through to FBC (decision point 4). When this is the case, a condition will be put on the scheme that final approval is subject to a satisfactory BCR being evidenced.

#### 6.3.4 Appraisal proportionality

The level of appraisal will be proportionate to the nature, scale and scope of each project and/or programme. For example, **where a scheme carries greater risk and/or is more complex, the intensity of the appraisal will reflect this.** This is not simply a matter of the financial scale of a project, but will also need to take account of how the project is structured, its processes and dependencies. The capital-intensive nature of transport projects and the accompanying high costs mean that transport schemes will have different financial thresholds in terms of how they are treated.

Evidence will be provided to the PAT around factors of project complexity to inform the decision around the level of appraisal requirement. This should be set out in the agreed Appraisal Specification Report (ASR). Usually, where a project is multi-faceted and the elements are easily separable, proportionality will be based on the proposed costs of the various elements.

#### 6.3.5 Who will undertake the appraisal of projects?

##### **Programme Appraisal Team (PAT)**

The Programme Appraisal Team (PAT) is comprised of West Yorkshire Combined Authority officers who oversee the Assurance Process as projects/programmes progress through it.

The PAT is an internal assurance group and has no formal approval making powers. The PAT make recommendations, which are then reported through the current West Yorkshire Combined Authority governance arrangements for a formal decision.

The PAT consists of a core membership representing West Yorkshire Combined Authority programme delivery, feasibility and assurance, policy, economic, legal, and financial functions. Attendance at PAT meetings is supplemented by case officers, independent technical advisers, peer group representatives (including representatives from partner councils and/or third party private businesses) and other attendees as required to supplement the decision making process.

The PAT terms of reference are attached in Appendix 6.

## **West Yorkshire Combined Authority appraisal function**

The responsibility for appraisal of projects sits with the Director of Delivery. Each scheme will be assigned a case officer when it enters the Assurance Process. The case officer is a West Yorkshire Combined Authority officer, and will be responsible for carrying out the appraisal of a scheme. This may be done using their own expertise, or where necessary bringing together expertise from within the Combined Authority or from external advisors and partners. This may cover financial, transport, economic, property, legal matters and experience of the relevant priority areas of the SEP. The case officer will have an appropriate degree of impartiality from the scheme.

As part of the appraisal process, a review meeting may be held with the promoter, to discuss any key issues arising from the ongoing appraisal. This meeting could be multi-disciplinary, and involve external resource as appropriate (e.g. for West Yorkshire Combined Authority projects to demonstrate impartiality, or where specific knowledge and skills are required and which don't exist internally). Wider independent advice may also be sought in some cases, including liaison with DfT and HMT economists.

There will be a clear separation between the appraisal function and the project sponsor/promoter. This means that staff carrying out appraisal will not be involved in advising on project and business case development activity.

Following each assessment of a project, a template will be completed by the case officer that reports the findings of the appraisal and this will be reviewed by the Programme Appraisal Team (PAT).

The Combined Authority appraisal function and Programme Appraisal Team (PAT) scrutinise and quality assure the process to ensure that the work undertaken is independent of the authority promoting the scheme. The Director of Delivery has overall responsibility for ensuring value for money for all projects and programmes.

### **6.3.6 When will schemes be assessed?**

It is expected that discussions between the scheme promoter and the LEP/Combined Authority will be an ongoing and iterative process.

There will be a number of avenues for potential schemes to access funding opportunities from the LEP/Combined Authority. For example, this could be through funding competitions with specified deadlines for submissions as well as open calls where the LEP/Combined Authority will be seeking ongoing business case submissions from scheme promoters.

All calls for proposals with specified deadlines, including details of the application and investment decision process, will be posted on the LEP/Combined Authority website and promoted with public sector partners and the business community.

A standard timescale for the assessment of business cases at each decision point will be set and communicated to all promoters, however depending on the complexity of the scheme and the quality of information provided within the business

case further time may be required. This will be agreed with the promoters at the earliest appropriate opportunity.

As part of the decision point 2 (SOBC) approval, timescales for the approval of future decision points will be agreed and set out between the promoter and LEP/Combined Authority, the promoter (with support from their key contact in the Combined Authority and the PMO) will then be required to determine the submission and appraisal timescales relevant to each decision point in order to establish a clear picture of what needs to be done next in the development of a scheme.

### **6.3.7 Reporting of appraisal findings**

#### **Approvals Pathway**

Schemes will be assessed on a case by case basis, with the approvals pathway set out and agreed by the Combined Authority at Decision Point 2 which best serves the needs of the Combined Authority in carrying out the correct level of assurance, enabling schemes to progress quickly, and enabling the Combined Authority to respond quickly to investment opportunities. There are seven possible approval routes at each Activity.

The key principle is that the PAT will review a scheme at a decision point (with the exception of decision point 1) to check whether the Assurance Process has been applied correctly and assess whether a scheme is eligible to progress to the next activity. The Investment Committee is asked to review the PAT's recommendations early on in the process in advance of the Combined Authority or the Managing Director making any formal approval. This will usually be at decision point 2 (SOBC) at entry into the process for development.

Whilst schemes will by default always be seen by the PAT at each decision point, the PAT also have the option to defer the responsibility for seeing a scheme's business case at decision points as they see fit e.g. LEP Loans may be seen by the PAT at decision point 2 with a SOBC, then come back at decision point 4 with a Full Business Case that will be assessed by the Business Investment Panel instead.

In the case where the situation arises that the PAT agrees to recommend to reject a scheme, it is the role of the PAT to advise Investment Committee of this recommendation – and then for the Investment Committee to recommend to either approve or reject proposals to the decision maker.

Depending on the cost, complexity and risk of a scheme, the Investment Committee may request that a scheme is referred back to the Committee at subsequent decision points for their recommendation to progress along the Assurance Process in advance of decision point 5 (FBC plus finalised costs).

There is also the option for the Investment Committee to recommend to the Combined Authority that further approvals after decision point 2 (SOBC) be delegated to the Investment Committee, or to the Combined Authority Managing Director to facilitate speeding up the delivery of schemes that are considered low cost, less risky and less complex, and which remain within tolerances.

### 6.3.8 Due diligence assessment

Due diligence is the independent verification of key information and assumptions. The purpose of due diligence is to protect all parties from acting on incorrect or impartial information.

Due diligence may be carried out at any point in the development of a scheme, however it will be formally required as part of activity 5 – finalising costs. Information requirements at this stage will depend upon the nature of the scheme, the findings of the full business case (decision point 4) assessment and any outstanding actions still to be undertaken prior to any funding agreement being approved. The Business Investment Panel has a key advisory role in this process for business grants and loans.

Each case will of course be different depending upon the nature of the scheme, but could include:

- **Lending:** financial standing of delivery body, company ownership and creditworthiness, value of security offered and details of any existing charge, terms of loan including drawdown and repayment, consideration of State Aid
- **Recoverability:** projects need to demonstrate the income from which the loan will be repaid
- **Deliverability and risk:** confirmation that the project is ready to start and a risk management plan is in place
- **Final economic impact/VfM statement:** jobs created, contribution to the City Region economy and other outputs/outcomes such as remediated land, apprentice positions, houses built, private sector deliverability

The Combined Authority will seek to review and potentially strengthen our approach to due diligence, particularly in light of recent wider industry experience.

### 6.4 Release of funding, cost control and approval conditions

The funding offer will be bespoke to each individual scheme. The arrangements for the draw down and release of funding will be set out initially during Stage 1 (eligibility) and then agreed during Stage 2 (development) of the Assurance Process. Some schemes may also be eligible for the provision of development funding in order to progress the scheme from decision point 2 (SOBC) to decision point 5 (FBC with finalised costs). At the point where funding is released the Combined Authority will enter into a funding agreement with the promoter. The following funding conditions could apply and will be specified in the funding agreement:

- funding to scheme promoters will be capped at the maximum level
- any potential overspend will be escalated by the project sponsor to the Combined Authority. The Combined Authority will consider the appropriate options as part of a change request, which will include a requirement for the business case to be re-worked and presented back to the Combined Authority for further consideration
- the Promoter's Chief Internal Auditor to provide assurance and to certify all expenditure on an annual basis

- the Promoter's Chief Finance Officer to sign off all expenditure on an annual basis
- claw-back provision in place to ensure funding is only to be spent on the specified scheme and that any cost savings achieved on the completed scheme are returned
- The Combined Authority, as the accountable body, will determine the release funding. Advance payments will only be made in exceptional circumstances.
- The Combined Authority may arrange for local audit of schemes to detect any misuse of funds.
- All organisations that receive funding through the West Yorkshire Combined Authority and/or LEP are contractually required to acknowledge our support and that of Government in all communications and marketing activity. This includes use of logos on relevant communications materials, inclusion of specified wording in press releases and development of stories and case studies that showcase the impact of projects. Further information can be found in our Publicity Guidelines that are provided at the outset of the project.

The LEP and Combined Authority will look to recover funding where there has been non-compliance, mis-representation or under performance. Arrangements are in place to elevate concerns, including taking a legal opinion on the likelihood of recovery. When the LEP and Combined Authority decide not to pursue recovery where non-compliance has been identified, and has legal grounds to do so, there must be a compelling justification for such a decision.

Overall, the Combined Authority's internal audit arrangements will sign off all total expenditure as part of the annual audit process.

## **6.5 Management of contracts**

The LEP has implemented a performance management framework across key provider funding agreements, which is aimed at ensuring all key contractual requirements are met. The framework includes regular contract reviews, management information reports, quality and compliance audits and general support to providers in programme delivery.

Currently the LEP Board receives regular updates on the progress across key programmes and projects, which includes risks and issues. More specific supplier performance details for these programmes and projects are currently reported to the Combined Authority's Senior Management Team.

Any contract negotiations that result in material changes will be assessed and dealt with through the standard variation process as determined within the Combined Authority Contract Standing Orders.

## 7. MONITORING AND BENEFITS REALISATION

### 7.1 Introduction

The following section sets out the approach to monitoring and benefits realisation, including ongoing reviews of the Assurance Process.

### 7.2 Scheme Monitoring and Benefits Realisation

#### **Monitoring during development and delivery (Activity 3 (OBC) to 7 (Close and Review) inclusive)**

All projects are monitored throughout their progression through the assurance process. In 2018/19 the Combined Authority introduced a web based Portfolio Information Management System (PIMS) to ensure a consistent approach to monitoring and management of all projects. A key benefit of PIMS is that information is available to view by all parties to the project, this helps to ensure the accuracy of the data held.

The system provides the following benefits:

- **Transparency**
  - allows informed and improved decision making
  - provides visibility of project progress
  - provides a full audit trail of project data
  - linkages and dependencies between various projects in the portfolio can be viewed and managed more easily
- **Consistency**
  - provides a robust and automated method of project assurance
  - standardised templates and reports offer robust project controls
  - centralised repository for cost and risk management activities will provide a uniform approach.
- **Efficiency**
  - manual data input and manipulation is retained by the PMO and verified by project sponsors.
  - standardised reports, documents and dashboards enable project teams and stakeholders to concentrate on delivery
  - resource management allows for resource planning ahead of demand
  - the organisation's ability to plan using future project deliverables is increased
  - lessons learnt can be more easily understood and shared between stakeholders
- **Focus on delivery**
  - aggregation of project data can identify trends in advance

- facilitates alignment of projects to corporate strategy
- recommendations and actions to be carried out in a more structured and timely way

Key metrics of information on performance are reported at regular intervals from when a scheme enters Stage 2: Development and include expenditure, progress, outputs and benefits, risks and issues, match funding.

The individual project monitoring information feeds into an overall report for Combined Authority funding, which is reported to the Combined Authority/LEP to enable effective management of all projects and programmes and schemes are being delivered.

All Combined Authority/LEP Board monitoring reports are published on the Combined Authority and LEP websites.

### **Close and Review (Activity 7) (text still under review)**

The purpose of activity 7 is to confirm that a project has met all key requirements and deliverables in accordance with the funding agreement and completed any outstanding compliance requirements highlighted during activity 6 and in the Final Monitoring Report. Also, to capture feedback and lessons learnt to inform the development and delivery of future projects.

The output from activity 6 at decision point 6 is a draft Project Closure Report.

The output from activity 7 at decision point 7 is a Project Closure Report.

### **Benefits realisation (ongoing through activities 6 and 7) (text still under review)**

All projects funded by the Combined Authority and the LEP are required to have an effective benefits realisation plan in place at the end of activity 5, which will form a key aspect of a project's business case. Benefits realisation reporting will be used to assess the effectiveness and impact of investing public funds and the extent to which projects are contributing to the overall objectives of the Combined Authority and the LEP.

### **Growth Deal monitoring and evaluation strategy**

A SEP evaluation strategy is in place and has been used to further assess how well and cost effectively schemes have delivered, and the learning points that have emerged.

The principles behind the evaluation strategy are that it is locally owned, managed and draws on local systems; it will be proportionate and selective (e.g. we will not evaluate everything) and we will work with partner LEPs and government to identify opportunities for thematic evaluations that could be conducted across LEP areas or centrally commissioned.

The strategy, which draws on recognised evaluation techniques and methodologies (e.g. to determine net impact/understand economic impact, etc.), plays an important role in strengthening the evidence base in order to inform the future strategic direction of policy development and assist in the design and delivery of future policy by:

- **Establishing evaluation frameworks with supporting tools and templates:** such as the adoption of agreed indicators and measures, data collection procedures and reporting mechanisms
- **Identifying benefits and impacts:** Establishing the outcomes and impacts of a given project or programme and understanding whether the project under/over performed
- **Demonstrating value for money:** showing that the public funds (e.g. Local Growth Fund, Leeds Public Transport Investment Programme, Growing Places Fund, Regional Growth Fund, Enterprise Zone, etc.) the LEP, the Combined Authority and partners are managing are being used effectively and efficiently and are delivering a positive return on investment
- **Understanding the key lessons learnt:** Exploring what is working well and what is not, including management, content, delivery, recruitment and how far projects or programmes are meeting beneficiaries' needs

The strategy now requires updating, including work on methods/approaches, baselining, data collection, and the need to update the overarching impact framework. It is important to note that the overarching framework will need to incorporate inclusive growth metrics and indicators, to reflect the Local Inclusive Industrial Strategy currently being developed.

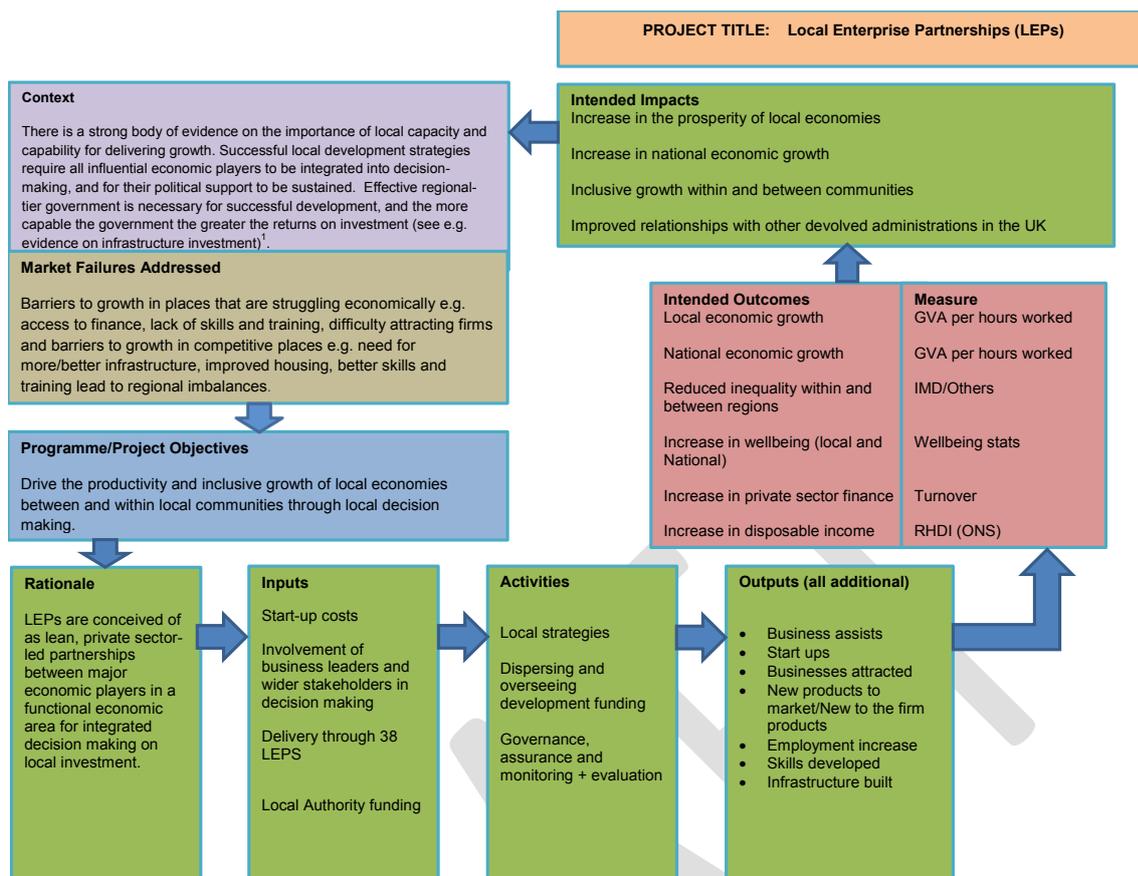
The strategy will be reviewed and updated over the next 6 – 12 months, to include: refinement of the overarching impact framework to incorporate inclusive growth metrics and indicators; a review of evaluation methods/approaches to ensure that they reflect and draw on new guidance on the recommended framework for evaluating local economic growth policies (e.g. [as here](#)); and updating programme/project level evaluation plans for the schemes that are intended to be evaluated under each of the four SEP priorities (including identifying new schemes that may be subject to a local evaluation).

Ahead of the development of the updated strategy we anticipate a much greater focus on the following themes which will shape the requirements for the range, nature and scale of evaluation activity which will be needed to support projects developed under the Leeds City Region assurance framework.

These key themes are likely to focus on:

- **Strengthening our understanding of the impacts, outcomes and additionality of all forms of projects at an early stage in their design to improve the ex-poste evaluation of our interventions.** All project sponsors will be required to adopt a consistent approach to the use of “Logic Models” – this will improve the alignment of the Assurance Framework with MHCLG’s Local Growth Assurance Framework guidance. Logic models represent an essential element of project and programme development and whilst the requirements for the use of logic models will be proportionate to the scale of the intervention we believe that all projects will benefit from this approach. It will allow for a clear focus on those inputs and outcomes that are most relevant to the impact of the project’s objectives.

The logic model framework is set out below:



- **Communicating and synthesising the learning from project evaluation** – the updated strategy will place a greater focus on synthesising consistent messages from project learning across all project types – with these insights flowing directly from the relationships set out in the project logic model. The current project closure documentation will be reviewed to ensure that it is fit for purpose in this context. Greater emphasis will be placed on the structured communication of the outputs from project closure reports through learning and dissemination events and the project closure reports will be designed to shape this messaging.
- **Understanding the wider benefits flowing from Growth Deal interventions** – the updated strategy will more clearly define the relationship between project monitoring, benefits realisation and the net additionality achieved across the wider Leeds City Region geography. The updated strategy in this theme will consolidate and align with the Independent Evaluation of Growth Deal currently being conducting by MHCLG.

### Five Year gateway review

As part of the Leeds City Region Growth Deal agreement, the West Yorkshire plus Transport Fund will be subject to five-yearly gateway reviews to assess impact. The Government has indicated that the gateway review will focus on evaluating the progress and performance of the investment fund with economic growth becoming the primary measure for assessing impact.

An independent panel, as agreed with HM Government, has been established to undertake the review. The first gateway review in 2019-20 will determine the availability of future Government payments for 2021-22.

The evaluation component of individual West Yorkshire plus Transport Fund scheme's benefits realisation plans will need to complement the five year gateway review. A local evaluation framework for the Transport Fund has been produced, and evaluation plans have been developed. Delivery of key agreed milestones is now underway.

A review of the overall monitoring and benefits realisation activity forms part of the action plan, and will advise on the development of an overarching monitoring and benefits realisation framework.

### **7.3 Risk Management (further update ongoing)**

Risk is managed in line with HM Treasury 'Orange Book' Guidance on the Principles and Concepts of Risk.

The Combined Authority recognises that effective risk management is an integral part of good corporate governance and as such should be a part of everyday management processes. The Combined Authority is committed to ensuring the robust management of risk and as such a corporate risk management strategy is in place to set out a consistent approach to all risk management activities undertaken throughout the organisation. This includes the Combined Authority's risk appetite statement. The strategy was endorsed by the Governance and Audit Committee in July 2018 and the current version can be found [here](#)

The Portfolio Management Office (PMO) will champion risk management in projects, programmes and portfolios, providing a management lead in these areas and ensuring that appropriate arrangements are maintained. The Head of PMO is has overall responsibility for the identification and management of project, programme and portfolio risk, but the day-to-day coordination of corporate risk management activities is undertaken by the Corporate Planning and Performance Manager and responsibility for management of risk sits with Directors, Heads of Services, and risk owners.

#### Identification and Assessment of Risk

Full project-level risk analysis and mitigation/contingency plans are required for each scheme as part of the application process and in developing the business case.

#### Monitoring risk

Funding recipients are required to report headline risks and issues through PIMS.

Programme Managers produce a risk register, which will include escalated project risks. These are reviewed at each of the relevant funding programme management groups and where escalation is required reported to the Portfolio Management Group (PMG).

A strategic risk register with mitigations and responsibilities at portfolio level is also produced and reviewed quarterly by the PMG.

Risks contained within the above mentioned risk registers can also be escalated to the Combined Authority directorate level risk registers or to the Combined Authority's corporate risk register as needed.

# Appendix 1 – Accountable Body Arrangements

## Agreement between the Leeds City Region Enterprise Partnership and the West Yorkshire Combined Authority

### 1. Introduction

The LEP is the strategic body responsible for a significant amount of public funding to drive inclusive growth, increase prosperity and improve productivity (“LEP activity”). The LEP works collaboratively and in partnership with the West Yorkshire Combined Authority, as its accountable body (“the Accountable Body”).

### 2. Accountable Body roles and responsibilities

Underpinning good governance is an expectation of mutual support between the LEP and the Accountable Body. The Accountable Body is responsible for:

- carrying out **finance functions** on behalf of the LEP, and
- **oversight** of the LEP’s financial and governance, transparency and accountability arrangements,
- providing **additional support** as agreed by the LEP.

The LEP has agreed that the Accountable Body’s specific roles and responsibilities are:

#### **a) Finance functions**

On behalf of the LEP, the Combined Authority holds, allocates and releases all funding for LEP activity (“LEP funding”) including the Local Growth Fund and, Growing Places Fund.

This includes approving and entering into agreements relating to LEP funding.

The Accountable Body does not use any LEP funding for their own purposes, nor without a clear mandate from the LEP.

The Section 73 Chief Finance Officer shall ensure that appropriate financial statements are provided to the LEP in a timely manner; a separate financial statement for LEP funding is planned for 2018/19.

The Accountable Body is responsible for treasury management and borrowing functions relating to LEP activity and funding.

LEP funding is included in the Accountable Body’s accounts, and the LEP’s web-site links to the Accountable Body’s accounts.

#### **b) Oversight functions**

The Accountable Body has oversight of the LEP’s financial and wider governance, transparency and accountability arrangements, including compliance with the Assurance Framework. The Accountable Body through its Section 73 Chief Finance Officer ensures that LEP funding is administered properly, that is, that LEP funding is spent or released:

- in accordance with formal approvals only, and not for unapproved purposes<sup>11</sup>,
- with propriety and regularity and to deliver value for money,
- subject to the statutory checks and balances which require the Accountable Body to act prudently in spending,
- in accordance with the Assurance Framework and any other relevant procedure, and
- in compliance with any grant requirements and conditions.

The Accountable Body ensures that decisions on LEP funding are:

- reached in line with clear and transparent processes,
- made on merit
- taken in accordance with the Assurance Framework,
- compliant with all legal requirements including relating to State Aid, public procurement, transparency, data protection and the public sector equality duty.

The Accountable Body also promotes the highest standard of conduct by the LEP, LEP Board members and officers, by reference to the seven principles of public life.

### Scrutiny

The Combined Authority's statutory Overview and Scrutiny Committee has a key role in securing independent and external scrutiny of LEP activities. The Committee's terms of office reflect that the Committee may make reports or recommendations on any matter considered by the LEP or relating to LEP governance. The Committee may also review or scrutinise any decision made, or other action taken, in connection with any function of the Combined Authority, including in relation to its role as Accountable Body.

The LEP recognises the role of the Combined Authority's statutory Scrutiny Officer in ensuring that the Overview and Scrutiny Committee carries out appropriate scrutiny of LEP Board decision-making and LEP achievements.

The LEP agrees to respond positively to any request to share information with the Committee, so that the Committee has the necessary information to provide robust scrutiny and advice. Any member of the LEP Board, including any private sector representative, may be asked to attend or otherwise contribute to a meeting of the Committee.

The contribution of the LEP to any meeting of the Overview and Scrutiny Committee will be recorded with the outcome in the minutes (published on the Combined Authority's web-site). The LEP will ensure that there is a link from the LEP web-site to the Overview and Scrutiny Committee's published reports and minutes.

### Audit

To ensure they have proper processes in place to manage risk, maintain an effective control environment and report on financial and non-financial performance, the LEP utilises the Accountable Body's Governance and Audit Committee, and its internal

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<sup>11</sup> Including the services of lobbyists

and external auditors to provide assurances in relation to LEP activities, as well as the Section 73 Chief Finance Officer.

The LEP and the Accountable Body (through its Governance and Audit Committee) will agree a risk based internal audit plan for each financial year of LEP and Combined Authority activities, that will provide assurance to the Section 73 Chief Finance Officer and the LEP Board at appropriate points through the financial year.

### **c) Support functions**

The Accountable Body acts as the independent secretariat to the LEP<sup>12</sup>, providing the following technical and other support:

- compiling, maintaining and publishing agenda, reports and minutes of meetings in accordance with agreed procedures
- retaining all documentation relating to the Local Growth Fund and other funding sources
- dealing with any request for information, complaint or concern raised in accordance with the appropriate procedure
- appraisal functions as set out in the Assurance Framework,
- legal advice
- recovering funding where there has been non-compliance, misrepresentation or under-performance<sup>13</sup>
- risk management.

### **3. Section 73 Chief Finance Officer - Resources**

The Accountable Body will ensure that the Section 73 Chief Finance Officer is given appropriate resources to carry out their functions in respect of the LEP, including audit. The LEP and the Accountable Body shall keep resource needs under review and consider if they are appropriately met.

### **4. Non-compliance by the LEP**

Any decision of the LEP made in contravention of processes set out in the Assurance Framework will be invalid on the basis of non-compliance, unless the LEP has given prior approval for variation in respect of the LEP's decision-making process.

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<sup>12</sup> The Combined Authority is not a constituent member of the LEP, nor does it appoint any representative to the LEP Board. Local authority representatives are appointed in their capacity as district councillors, not members of the Combined Authority.

<sup>13</sup> The Accountable Body will report to the LEP Board providing information on projects which have received funding, including

- a description of projects where concerns have been identified,
- relevant details including the amount of funding awarded and the sum at risk due to the concerns, and
- where recovery of funds is considered, a legal opinion which sets out the legal basis for recovery and likelihood of success

In the event that the Accountable Body is not able to endorse any decision of the LEP, the Section 73 Chief Finance Officer would refer the matter back to the LEP for re-consideration.

The LEP and the Accountable Body are committed to proactively raising with the Cities and Local Growth Unit any significant instance of non-compliance, non-delivery or mismanagement by the LEP which cannot be resolved locally. Should any such instance arise, the Chief Finance Officer will also report it to the LEP Board and to the Combined Authority's Governance and Audit Committee.

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## Appendix 2 – Section 73 Chief Finance Officer – responsibility arrangements

### 1. Introduction

The Combined Authority must by law<sup>14</sup> make arrangements for the proper administration of its financial affairs and secure that one of its officers has responsibility for the administration of those affairs. This role is carried out by the Combined Authority's Director of Corporate Services, and extends to include the financial affairs of the LEP.

The Chair of the LEP and the LEP's Chief Executive Officer have agreed the following responsibility arrangements with the Section 73 Chief Finance Officer of the West Yorkshire Combined Authority (the Combined Authority), recognising the role of the Section 73 Chief Finance Officer in relation to instilling good and proportionate LEP governance, including the oversight of the proper administration of the LEP's financial affairs.

### 2. Financial administration

The Section 73 Chief Finance Officer shall be supported by the LEP and the Combined Authority (in its capacity as accountable body for the LEP) to carry out such checks as are necessary to independently ensure the proper administration of financial affairs in the LEP.

The LEP shall act promptly working with the Combined Authority to address any concerns or improper financial administration identified. The Section 73 Chief Finance Officer will report all concerns to the LEP's Chief Executive Officer in the first instance, making recommendations about any improvements required.

The LEP is responsible for ensuring that all concerns are addressed.

The Chief Finance Officer will report any significant concerns directly to the LEP Board, setting out any improvements required. The LEP Board and the Section 73 Chief Finance Officer shall agree an action plan setting out how such concerns are to be addressed. This may include identifying training needs to ensure compliance.

There will be a standing item on the LEP Board agenda reporting on progress on implementing the action plan, until the Section 73 Chief Finance Officer is satisfied that the issue has been resolved.

The Section 73 Chief Finance Officer will notify the Cities and Local Government Unit of any significant concern where

- the concern is about systemic financial problems, repeated non-compliance or fraud, or
- an action plan cannot be agreed, or

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<sup>14</sup> Section 73 of the Local Government Act 1985

- in the opinion of the Chief Finance Officer, the LEP Board does not achieve sufficient progress against the action plan.

### **3. Advice of the Section 73 Chief Finance Officer**

The Section 73 Chief Finance Officer shall work with the Chair of the LEP and the LEP's Chief Executive Officer to ensure that procedures are in place to consider the financial implications of decisions before and during the decision making process.

The LEP shall ensure that the Section 73 Chief Finance Officer is given sufficient access to information in order to carry out their role. The Section 73 Chief Finance Officer or their nominee shall be entitled to:

- attend all LEP Board agenda setting meetings.
- have access to all LEP Board documentation (including LEP Board reports before publication),
- comment on any proposed decisions, by
  - recording an opinion on financial implications and an assessment of risk (such as delivery risks and cost overrun risks) in any report to the LEP Board or relevant Panel, and/or
  - attending and speaking at any meeting of the LEP Board<sup>15</sup> or relevant Panel.

Should the LEP Board decide on a course of action which goes against the advice of the Section 73 Chief Finance Officer, the LEP Board must indicate the rationale for their decision, which will be recorded in the minutes of the meeting. However, in the event that the Accountable Body is not able to endorse any decision of the LEP, the Section 73 Chief Finance Officer would refer the matter back to the LEP for re-consideration.

If the role of the Section 73 Chief Finance Officer results in a potential conflict of interest, impartial advice should be sought by the LEP's Chief Executive Officer to ensure transparency.

### **4. Risk management**

The LEP has agreed that the Combined Authority through the Section 73 Chief Finance Officer, manages risks on the LEP's behalf. The risk appetite of the LEP is understood by both the LEP Board and the Section 73 Chief Finance Officer.

The Section 73 Chief Finance Officer ensures that the Combined Authority's risk management strategy addresses

- risks arising in relation to LEP activity
- the process for the LEP Board to oversee risk and the escalation of risk analysis and risk management requirements within the LEP<sup>16</sup>

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<sup>15</sup> See further LEP Procedure Rules. The Section 73 Chief Finance Officer is not a member of the LEP Board and does not vote.

<sup>16</sup> Drafting Note - Risk management Strategy to be reviewed to ensure fully reflects this requirement

At the beginning of the financial year, the LEP and the Section 73 Chief Finance Officer will agree the budget risks facing the LEP. These will be kept under review by the Section 73 Chief Finance Officer throughout the year, who will report any significant issues to the LEP Board.

## **5. Audit**

The LEP and Combined Authority have agreed audit arrangements as set out in the Assurance Framework and Appendix 1. The Section 73 Chief Finance Officer and the LEP's Chief Executive Officer shall report to the LEP Board on any completed audit by internal or external auditors where any recommendations relate to the LEP, and provide a copy to the Cities and Local Growth Unit as appropriate.

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## Appendix 3 – Governance Structures

### LEP Board

#### Membership

A majority of the members of the LEP Board must be private sector representatives.

The LEP's Constitution [here](#) sets out requirements in relation to LEP Board membership, including eligibility criteria, appointment processes, terms of office (including arrangements for resignation), and provisions relating to the Chair.

The LEP website [here](#), and the Combined Authority's website [here](#) provide details of all current members of the LEP Board.

The LEP Board has adopted an Equality and Diversity Policy including Diversity Statement explaining how the LEP seeks to ensure diverse representation at LEP Board and sub-board level which is reflective of their local business community (including geographies and protected characteristics). This can be viewed [here](#).

The LEP Board annually reviews its membership having regard to the its Diversity Statement, taking into account the skills, knowledge and competencies it needs, the geography of the Leeds City Region, its key business sectors and different sizes of business operation.

One LEP Board member is appointed to represent and engage with the SME business community, and another as Diversity Champion.

The LEP Board appoints its private sector representatives, including the Chair, in accordance with the LEP recruitment procedure (which covers succession planning and induction arrangements for private sector representatives) which can be found [here](#).

The LEP has adopted a LEP Board Members' Remuneration and Expenses scheme which can be found [here](#).

### West Yorkshire Combined Authority

#### Membership

Members are appointed to the Combined Authority in accordance with the Order which established the Combined Authority. This provides that West Yorkshire constituent councils each appoint at least one Member to the Combined Authority, with a further three West Yorkshire appointments to reflect the balance of political parties among the West Yorkshire councils.

York is a non-constituent council of the West Yorkshire Combined Authority, and also appoints a Member to the Combined Authority, as does the LEP. These two Members are non-voting, except in so far as the Combined Authority gives them voting rights.

The Combined Authority's website [here](#) provide details of all current members of the Combined Authority.

Combined Authority officers serve both the LEP and the Combined Authority. They are appointed on merit in accordance with open recruitment arrangements and new officers undergo a structured induction process.

## Appendix 4 – Economic Services grants: approval arrangements

The Combined Authority’s Managing Director has delegated authority from the Combined Authority to make **Economic Services grants**, except in respect of any application for a grant from a business where a potential conflict of interest arises from the involvement with that business of any person on the LEP or any relevant committee<sup>17</sup>.

The Managing Director is not required to discharge their delegated authority personally, and may sub-delegate their authority to any other officer.

The following table sets out sub-delegations which the Managing Director has made to other officers in respect of making Economic Services grants<sup>18</sup>:

Programme	Limits	Sub-delegation	Appraisal/ Consultation
Access Innovation – capital grants	Up to £20k	Executive Head of Economic Services Head of Business Support	-
Access Innovation – Revenue Grants	Up to £25k	Executive Head of Economic Services Head of Business Support	-
	£25k-£100k	Executive Head of Economic Services	Access Innovation Programme Advisory Group
Apprenticeship Grant for Employers	Up to £2.5k per apprentice and up to £5k per business	Executive Head of Economic Services Head of Employment and Skills	-
	Up to £5k per apprentice and up to £10k per business	Executive Head of Economic Services	
Business Growth Programme	Up to £25k	Head of Business Support	-
	Up to £50k	Executive Head of Economic Services	-
	£50k-£100k	Executive Head of Economic Services	Appraisal Advisory Group
	£100k-£250k	Managing Director (no sub-delegation)	Business Investment Panel

<sup>17</sup> Where any such conflict arises, the application must be decided by the Managing Director, after consultation with the Chair of the Overview and Scrutiny Committee. Drafting Note – process currently under review.

<sup>18</sup> Officers’ sub-delegations are subject to the process referred to in the above footnote, where a conflict of interest arises.

<b>Programme</b>	<b>Limits</b>	<b>Sub-delegation</b>	<b>Appraisal/ Consultation</b>
Digital Inward Investment Fund	Up to £25k	Head of Business Support Head of Trade and Investment	Digital Inward Investment Fund Appraisal Group
	Up to £50k	Executive Head of Economic Services	
Resource Efficiency Fund	Up to £10K	Executive Head of Economic Services Head of Business Support	-
Strategic Business Growth	Up to £25k	Head of Business Support	-
	Up to £40k	Executive Head of Economic Services	
Strategic Inward Investment Fund	Up to £250k	Managing Director (no sub-delegation)	Business Investment Panel
	Over £250k	Managing Director (no sub-delegation)	PAT, Business Investment Panel , Investment Committee and/or Combined Authority
Any other economic services grant under a funding stream or programme not listed above:	Up to £25k	Relevant Head of Service <sup>19</sup> (in relation to decisions within their remit)	None
	Up to £100k	Executive Head of Economic Services	
	£100k-£250k	Managing Director (no sub-delegation)	Business Investment Panel

Membership of the Panels referred to in the above table, in respect of economic services grants arrangements are as follows:

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<sup>19</sup> That is, the Head of Business Support, Head of Trade and Investment or Head of Employment and Skills

<b>Panel</b>	<b>Programme</b>	<b>Membership</b>
Access Innovation Programme Appraisal Group	Access Innovation	Officers from the Combined Authority; officers from District Authorities; University Representatives; Innovate UK; Ministry of Housing, Communities and Local Government
Appraisal Advisory Group	Business Growth Programme	Officers from the Combined Authority; officers from District Authorities; Business Enterprise Fund
Business Investment Panel	Business Growth Programme  Strategic Inward Investment Fund	Local authority public sector members; senior private sector representatives with expertise in relevant sectors (e.g. banking, accounting, law)
Digital Inward Investment Fund Appraisal Group	Digital Inward Investment Fund	Officers from the Combined Authority

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## Appendix 5 – Assurance Process principles for ESIF Sustainable Urban Development (SUD) purposes

### Purpose

The urban agenda and the role of cities in driving forward smart, sustainable and inclusive growth is central to the successful delivery of the 2014-20 ESI Funds Growth Programme in England.

The Leeds City Region Sustainable Urban Development (SUD) Strategy, which aims to address integrated urban challenges and opportunities in our area, was submitted to the Ministry of Housing, Communities and Local Government (MHCLG) back in September 2015 and has now been formally agreed.

The Ministry of Housing Communities and Local Government – otherwise known as the Managing Authority - agreement of the SUD Strategy will ensure that funds worth up to 10% of the Leeds City Region European Structural and Investment Funds (ESIF), European Regional Development Fund (ERDF) allocation will be made available in order to implement the SUD strategy.

In order to put in place the delegated functions that are required by Article 7 of the EU Regulation 1301/2013, with regard to project selection, MHCLG have now established the West Yorkshire Combined Authority as an Intermediate Body (IB) in line with Articles 123 and 125 of EU Regulation 1303/2013.

The Combined Authority, as the Intermediate Body will, in order to make decisions with regard to its role in the project selection process, use the principles of the Assurance Process as outlined below. Any process will be undertaken in line with the selection criteria as defined by the ESIF national Growth Programme Board.

This appendix presents the Leeds City Region Assurance Process as the model and framework that the Combined Authority has adopted in assisting in the selection of projects as part of the ESIF programme 2014-2020 for SUD.

### Background

- In July 2012 the Leeds City Region agreed a ‘City-Deal’ with HM Government giving greater local control over spending and decision-making particularly with regard to economic development, regeneration and transport. This ‘City-Deal’ agreed to the creation of a West Yorkshire Combined Authority and a commitment to develop an Assurance Process. The Assurance Process, once approved by HM Treasury, would provide a consistent, robust appraisal process for projects and programmes to inform investment decisions.
- In light of this, and the flexibility that is inherent within the Assurance Process, it represents a means to structure the local appraisal of ESIF SUD projects rather than developing a separate process. This approach complements the formal technical assessment carried out by MHCLG.

### Introduction to selection of projects using the Assurance Process principles

The process adopted here reflects the guidance issued by MHCLG and adheres to the process and role of the Intermediate Body.

The Investment Committee provides advice to the Combined Authority in line with the nationally agreed criteria and in line with the agreed and signed Memorandum of Understanding between the Combined Authority and MHCLG.

The Investment Committee provides advice to the Combined Authority to whether proposals set out at Outline and subsequently Full Application appropriately address:

**Local strategic fit** as defined in the Selection Criteria<sup>[1]</sup> for the ERDF 2014-2020 programme, which includes how:

- the proposed operation contributes to the needs/opportunities identified in the Call for Proposals to which it is responding.
- the proposed operation is aligned to the local growth needs set out in the local ESI Funds Strategy and contributes to the specific objectives, outputs and results of the relevant priority axes set out in the Operational Programme.

In addition, the Combined Authority provides advice to MHCLG on the following value for money and deliverability selection criteria:

### **Value for money**

- The operation must represent value for money. In assessing value for money, MHCLG take account of:
  - efficiency: the rate/unit costs at which the operation converts inputs to the Fund outputs.
  - economy: the extent to which the operation will ensure that inputs to the operation are at the minimum costs commensurate with the required quality.
  - effectiveness: the extent to which the operation contributes to programme output targets, results and/or significant strategic impact at the local level.

### **Deliverability**

- the operation is deliverable within the requirements of the fund specific Operational Programme taking account risks, constraints and dependencies
- evidence has shown that this type of operation is effective or where the operation is new or innovative, the risks have been considered and appropriate mitigations put in place.

### **Using the Assurance Process principles**

The Assurance Process is designed to ensure any projects seeking public finance should be subjected to a rigorous appraisal. HM Treasury has developed the Green Book which provides the basis for how projects should be appraised using the 'five cases model' to carry out a holistic assessment.

The five cases are:

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<sup>[1]</sup> Selection Criteria [here](#)

1. **Strategic:** does the scheme fit with the aims of the City Region’s Strategic Economic Plan? **(used for selection of projects for SUD as part of the ESIF Strategy)**
2. **Economic:** is the scheme value for money? **(used for selection of projects for SUD as part of the ESIF Strategy)**
3. **Commercial:** is there demand for the scheme and is it commercially viable?
4. **Financial:** is the scheme affordable and sustainable?
5. **Management:** is the scheme deliverable with achievable objectives? **(used for providing advice on the selection of projects for SUD as part of the ESIF Strategy)**

The Green Book details approaches and tools that can be adopted in order to effectively appraise projects. It is accepted that the detail and extent of appraisal should reflect the size and complexity of projects, but within all appraisals there should be some consideration of each of the five cases.

The Assurance Process has been developed in line with these principles and was a key requirement that emerged from the LEP’s City-Deal. Discussions with HM Treasury are continuing to ensure alignment with central government processes and expectations. The Assurance Process will be used by the LEP and the Combined Authority for all of its different funding regimes, providing a consistent and robust approach to appraise projects. This means all projects, irrespective of objectives or thematic area (transport, regeneration, housing, skills, innovation, enterprise etc.), will be assessed under this ‘single’ framework. This will better able the LEP and the Combined Authority to compare and prioritise projects and programmes.

It is the Assurance Process which is used to form the basis for the ‘local’ appraisal and selection of SUD ESIF projects outside the formal MHCLG assessment.

For the purposes of selecting SUD ERDF projects, the key principles of the Assurance Process are used – but only using cases 1, 2 and for advice case 3 as described above and in line with the nationally agreed criteria and the agreed and signed Memorandum of Understanding between the Combined Authority and MHCLG.

### **Strategic Fit – Proposed scope**

The proposed assessment of strategic fit is currently structured around the four pillars of activity that are central to the Leeds City Region Strategic Economic Plan (SEP):

1. Growing businesses
2. Skilled People, Better Jobs
3. Clean Energy and Environmental Resilience
4. Infrastructure for growth

Promoting social inclusion and combating poverty, designed to reflect aspects of the social outcomes that are promoted within the ESIF programme, are integrated within the pillars.

The pillars have been broken down into activity that could contribute to strategic outputs within the respective pillar and projects would be scored against these criteria.

## Value for Money (VfM) – Economic impact – proposed scope

In assessing the value for money of each of the projects, the process effectively mirrors that of the Assurance Process - ensuring that the costs and benefits of projects are taken into account and wherever possible quantified.

This is more straightforward for some projects than others and there is an onus on reflecting local intelligence and priorities. New jobs and catalytic projects are 'worth' more in some areas than others simply because there are fewer jobs or because it is more difficult to create and sustain jobs in certain locations. This is especially the case where disadvantage is long-term and entrenched.

The Research and Intelligence team own and manage the Regional Econometric Model, a complex tool that enables scenarios to be assessed in terms of their net economic impact. This provides a range of outputs with a focus on impacts in terms of employment and gross value added (a measure of economic impact). These outputs can be calculated over a range of different geographies.

Other approaches are used to quantify the outputs/outcomes that by their nature have a direct impact that is more social rather than economic.

In terms of the local assessment, additional measures of value for money are being used where necessary to provide more information on the potential impact of projects. Such measures and ratios include:

- Total GVA of the project
- Ratio of GVA to Total Cost AND public sector support
- Total cost per job
- Total GVA per job
- Cost benefit ratio
- Grant per job
- Cost per business assist
- Cost per skill outcome
- Capital / build costs

The appraisal is informed and supported by national and local research in terms of the costs of outputs and outcomes. This includes elements such as guidance issued by OFFPAT, evaluations of RDA activity and more recent, evidence emerging from the What Works Centre for Local Economic Growth and bespoke evaluations such as that carried out on the Combined Authority's Business Growth Programme (BGP).

### Undertaking the work

The responsibility of the Assurance Process is the responsibility of the Director of Delivery, to whom a Head of Feasibility and Assurance reports.

The Head of Feasibility and Assurance commissions the Head of Research and Intelligence (under the Director of Policy, Strategy and Communication), to undertake the appraisal work on local strategic fit and economic - value for money (VfM). The appropriate policy lead will also support the approach, under the supervision of the Head of Research and Intelligence, to provide the advice that is considered and discussed by the Investment Committee. This in turn, leads to

recommendations to the Combined Authority to make decisions on the selection of operations.

### **Reporting**

The results from the appraisal are presented in a summary assessment report, provided by MHCLG, alongside MHCLG's own formal technical assessment. This provides an insight into the strengths and weaknesses, bringing together the metrics and other qualitative and quantitative information.

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## Appendix 6 – Programme Appraisal Team (PAT) terms of reference

**TO FOLLOW - CURRENTLY BEING UPDATED**

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## GLOSSARY

<b>ASR</b>	<p><b>Appraisal Specification Report:</b></p> <p>A report produced by the scheme promoter, in conjunction with the West Yorkshire Combined Authority, setting out the agreed approach to appraisal of the scheme, as part of the Assurance Process.</p>
<b>AST</b>	<p><b>Appraisal Summary Table:</b></p> <p>A summary of the key consequences relating to the environmental, economic and social impacts of a trunk road scheme. They are used to help determine which schemes should proceed and if they do, to decide which options to choose.</p>
<b>BCG</b>	<p><b>Business Communications Group:</b></p> <p>A group of people made up of key representatives from organisations in the City Region. They support business growth and act as an advisory group to the LEP Board.</p>
<b>BCR</b>	<p><b>Benefit Cost Ratio:</b></p> <p>An indicator used in cost-benefit analysis that attempts to summarise the overall value for money of a project or proposal.</p>
<b>BEIS</b>	<p><b>Business, Energy and Industrial Strategy:</b></p> <p>A ministerial department supported by 47 agencies and public bodies. It brings together responsibilities for business, industrial strategy, science, innovation, energy and climate change.</p>
<b>BGP</b>	<p><b>Business Growth Programme:</b></p> <p>The department for Business, Energy &amp; Industrial Strategy set up grants for businesses that meet certain requirements. Businesses can apply to the Leeds City Region LEP to obtain these grants.</p>
<b>BIG</b>	<p><b>Business Innovation and Growth Panel:</b></p> <p>The panel consists of senior councillors from key businesses and representative bodies across the City Region. The panel reports to the LEP Board and the Combined Authority.</p>
<b>CBA</b>	<p><b>Cost Benefit Analysis:</b></p> <p>A systematic approach to estimating the strengths, weaknesses and alternatives for a decision to be made. It involves adding up the benefits of a course of action and then comparing these with the costs associated with it.</p>
<b>CSF</b>	<p><b>Critical Success Factors:</b></p> <p>A management term for an element that is necessary for an organisation or project to achieve its goals.</p>
<b>DCLG</b>	<p><b>Department for Communities and Local Government:</b></p> <p>Now known as Ministry of Housing, Communities and Local Government (MHCLG). A ministerial department supported by 11 agencies and public bodies. They create places to live and work and give more power to local people to shape what happens in their area.</p>

<b>DfT</b>	<p><b>Department for Transport:</b></p> <p>A ministerial department supported by 19 agencies and public bodies. They would work with agencies and partners to support the transport network and plan and invest in transport infrastructure.</p>
<b>EoI</b>	<p><b>Expression of Interest:</b></p> <p>A document that describes the potential project/ programme requirements and/ or specifications detailing how they would be met.</p>
<b>ERDF</b>	<p><b>European Regional Development Fund:</b></p> <p>Aims to strengthen economic and social cohesion in the European Union by correcting imbalances between its regions. The ERDF focuses its investments on several key priority areas and is designed to reduce economic, environmental and social problems in urban areas.</p>
<b>ESIF</b>	<p><b>European Structural and Investment Funds:</b></p> <p>Includes money from the European Social Fund, European Regional Development Fund and European Agricultural Fund for Rural Development. They apply to projects backed by the ESIF.</p>
<b>EU</b>	<p><b>European Union:</b></p> <p><b>To update</b></p>
<b>EZ</b>	<p><b>Enterprise Zone:</b></p> <p>An area in which state incentives such as tax concessions are offered to encourage business investment.</p>
<b>FBC</b>	<p><b>Full Business Case:</b></p> <p>A Business Case provides justification for undertaking a project or programme. It evaluates the benefit, cost and risk of alternative options and provides a rationale for the preferred solution.</p>
<b>GPF</b>	<p><b>Growing Places Fund:</b></p> <p>Funding from the Department for Communities and Local Government that supports key infrastructure projects designed to unlock wider economic growth, create jobs and build houses in England. This fund comprises of £730 million.</p>
<b>GVA</b>	<p><b>Gross Value Added:</b></p> <p>Measures the contribution made to the economy and is a key indicator of the state of the whole economy. It measures the value of goods and services produced in an area.</p>
<b>Green Book</b>	<p>HM Treasury guidance for public sector bodies on how to appraise proposals before committing funds to a policy, programme or project.</p>
<b>HE</b>	<p><b>Homes England:</b></p> <p>Formerly known as Homes and Communities Agency. A non-departmental public body that is sponsored by the Department for Communities and Local Government. HE helps create successful communities by making more homes and business premises available to the residents and businesses who need them.</p>
<b>HMT</b>	<p><b>Her Majesty's Treasury:</b></p> <p>The government's economic and finance ministry, maintaining control</p>

	over public spending, setting the direction of the UK's economic policy and working to achieve strong and sustainable economic growth.
<b>IPPR North</b>	<b>Institute for Public Policy Research (IPPR) North:</b> This programme looks at the state of civil society and the voluntary sector in the North of England. The programme aims to inform and shape local, regional and national policymaking regarding the role of civil society in the North of England in the future.
<b>LCR</b>	<b>Leeds City Region:</b> Encompasses the eleven local authority areas of Barnsley, Bradford, Calderdale, Craven, Harrogate, Kirklees, Leeds, Selby, Wakefield and York along with North Yorkshire County Council.
<b>LEP</b>	<b>Local Enterprise Partnership:</b> Locally-owned partnerships between local authorities and Businesses. They play a central role in deciding local economic priorities and undertaking activities to drive economic growth and create local jobs.
<b>LGF</b>	<b>Local Growth Fund:</b> Growth Deal funding provided to Local Enterprise Partnerships for projects that benefit the local area and economy.
<b>LTP</b>	<b>Local Transport Plan:</b> Identify priorities for maintaining and improving local transport systems based on the needs and wants of residents and organisations in the region, and put forward plans of how they will be achieved. These improvements are then given funding to be put into action.
<b>MD</b>	<b>Managing Director:</b> The person who is in overall charge of the running of an organisation or business.
<b>MHCLG</b>	<b>Ministry of Housing, Communities and Local Government:</b> Formerly known as Department for Communities and Local Government (DCLG). A ministerial department supported by 12 agencies and public bodies. They create great places to live and work, and to give more power to local people to shape what happens in their area.
<b>NPV</b>	<b>Net Present Value:</b> The difference between the present value of the future cash flows from an investment and the amount of investment. NPV is used to analyse the profitability of a projected programme or project.
<b>Nolan Principles</b>	The seven principles of public life, which are the basis of the ethical standards expected of public office holders.
<b>OBC</b>	<b>Outline Business Case:</b> This sets out the preliminary thoughts regarding a proposed project/ programme. It contains information needed to help make a decision regarding the implementation of the project/ programme such as envisaged outcomes, benefits and potential risks associated.
<b>Orange Book</b>	HM Treasury guidance for public sector bodies on risk management.

<b>PAT</b>	<p><b>Programme Appraisal Team:</b></p> <p>A team formed to ensure compliance with the assurance framework. It is a formal group of West Yorkshire Combined Authority officers who oversee the Assurance Process.</p>
<b>PCR</b>	<p><b>Project Closure Report:</b></p> <p>The final document produced for the project and is used by senior management to assess the success of the project, identify best practice for future projects, resolve all open issues and formally close the project.</p>
<b>PIMS</b>	<p><b>Portfolio Information Management System:</b></p> <p>A management system used to provide transparency, consistency, efficiency and focus on delivery.</p>
<b>PMO</b>	<p><b>Portfolio Management Office:</b></p> <p>The office that prioritises and controls an organisations projects and programmes in line with its strategic objectives and capacity to deliver.</p>
<b>QRA</b>	<p><b>Quantified Risk Assessment:</b></p> <p>A structured approach to identifying and understanding the risks associated with hazardous activities. The assessment takes inventory of potential hazards, their likelihood and consequences.</p>
<b>RAG</b>	<p><b>Red, Amber and Green rating:</b></p> <p>Also known as the traffic light system and used as a visual cue to project performance.</p>
<b>REM</b>	<p><b>Regional Econometric Model:</b></p> <p>Incorporates aspects of four major modelling approaches; Input- Output, General Equilibrium, Econometric, and Economic Geography. It estimates the changes in total regional income and employment.</p>
<b>SEP</b>	<p><b>Strategic Economic Plan:</b></p> <p>A long-term plan that shows how the LEP and Local Authorities will grow the economy and how its ambitions will be achieved.</p>
<b>SME</b>	<p><b>Small and Medium Enterprises:</b></p> <p>A company is defined as an SME if it has a staff headcount of either &lt;50 (small) or &lt;250 (medium sized). The company also needs to have a turnover or balance sheet total of ≤€10m (small) or ≤€50m (turnover) or ≤€43m (balance sheet) (medium). They represent 99% of all businesses in the EU and can be eligible for support (research funding, innovation funding etc.) and can have reduced fees for EU administrative compliance.</p>
<b>SOBC</b>	<p><b>Strategic Outline Business Case</b></p> <p><b>To follow</b></p>
<b>SUD</b>	<p><b>Sustainable Urban Development:</b></p> <p>The development that meets the needs of the present without compromising the ability of future generations to meet their own needs. Urban development should be guided by a sustainable planning and</p>

	management vision that promotes interconnected green space, a multi-modal transportation system, and mixed-use development
<b>UDM</b>	<b>Urban Dynamic Model:</b> A simulation of how transport interacts with population, employment and land-use over long periods of time, typically ten years or more. It helps understand how transport could contribute to economic regeneration.
<b>VfM</b>	<b>Value for Money:</b> The most advantageous combination of cost, quality and sustainability to meet customer requirements.
<b>WebTAG</b>	<b>Web-based Transport Appraisal Guidance:</b> Guidance on the conduct of transport studies. It provides advice on how to set objectives and identify problems, develop potential solutions, create a transport model for the appraisal of the alternative solutions and how to conduct an appraisal which meets the department's requirements.
<b>West Yorkshire Transport Levy</b>	An annual levy on the West Yorkshire authorities, which is used to invest in priority projects/programmes across West Yorkshire, helping to deliver a number of key transport priorities.

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