



Department for
Communities and
Local Government

Accounting Officer Accountability System Statement for the Local Growth Fund



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Introduction

Accounting officers in government departments are accountable to Parliament for the proper stewardship of the resources allocated to their department. Details of the requirements to ensure regularity, propriety and value for money are set out in the HM Treasury Guidance *Managing Public Money*.

The DCLG report *Accountability: Adapting to Decentralisation* (2011) proposed that, in future, departmental accounting officers should publish accountability system statements explaining how they achieve accountability for the grants they distribute to local bodies. This allows accounting officers to demonstrate that, as the government moves to decentralise power to local communities, the appropriate accountability mechanisms are still in place. The Treasury has now included this requirement in *Managing Public Money*.

I have published an Accountability System Statement for Local Government as a whole. That document sets out the core accountability system for local authorities and explains the statutory duties, defences and safeguards through which value for money is assured.

Other Departments which oversee other services run by local government have published further accountability system statements in relation to these services. These cover:

- education and children's services (Department for Education)¹
- adult social care and public health (Department of Health)²
- transport (Department for Transport)³
- waste (Department of Environment, Food and Rural Affairs)⁴
- policing and crime (Home Office)⁵.

Alongside the Local Government statement, I am also publishing this document, the Accountability System Statement for the Local Growth Fund. This sets out the specific accountability structures and processes through which value for money is assured on this funding program. It covers:

¹ <https://www.gov.uk/government/publications/accountability-system-statement--2>

² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/362786/AO_system_statement_Oct_2014.pdf

³ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/475107/dft-accounting-officer-system-statement_2015.pdf

⁴ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/328633/defra-accountability-systems-statement-2014.pdf

⁵ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/410711/March_2015_Accountability_System_Statement_for_Policing_and_CrimeFINAL.pdf

- in **Section one** (page 5), the Local Growth Fund and Local Enterprise Partnerships;
- in **Section two** (pages 6 to 7), the scope of my accountability in relation to the Local Growth Fund;
- in **Section three** (pages 8 to 9), how the accountability system works for the Local Growth Fund;
- in **Section four** (pages 10 to 11), monitoring and evaluating delivery;
- in **Section five** (page 12), the allocation of the Local Growth Fund;
- in **Section six** (page 13), how LEPs receive their Local Growth Fund allocations.

Section one

The Local Growth Fund and Local Enterprise Partnerships

1. The LGF was established in 2013 and brought together a number of funding streams. This statement focuses on how it is allocated, and the system which has been put in place to ensure that it is spent with regularity, propriety and value for money. Some funding streams within the LGF are subject to other Departments' established accountability processes and structures. This is explained below.
2. The LGF is a £12bn fund, established in the 2013 spending round as a means of devolving national funding streams to local places. The LGF comprises funding commitments to Local Enterprise Partnerships (LEPs) running from 2015-16 to 2020-21.
3. The Local Growth Fund is awarded via Growth Deals negotiated with Local Enterprise Partnerships on the basis of their Strategic Economic Plan. There are 39 Local Enterprise Partnerships (LEPs) across England. They are strategic partnerships of business, local authority leaders, and other public sector partners. Some LEPs have formed companies and therefore have a legal structure, but many are established as unincorporated partnerships and as such are unable to enter into direct legal agreements.
4. Given LEPs' non-statutory status, the LGF and other public funds are not paid to them directly, but rather to an 'accountable body'. The accountable body receives these funds on the LEPs' behalf and ensures that they are properly accounted for alongside other funding for local government, as set out in the Accountability System Statement for Local Government. A local authority within each LEP's geographical area acts as the single nominated accountable body for each LEP. These accountable bodies play a fundamental role in ensuring that funds are spent with propriety, regularity, and value for money.

Section two

The Scope of Accounting Officer accountability in relation to the Local Growth Fund

5. I am the accounting officer for the award of the LGF to LEPs, through Growth Deals. I am accountable to Parliament for those elements of the LGF which are awarded to LEPs from DCLG's Departmental Expenditure Limit (DEL). Those elements of the Fund which remain on other Departments' Departmental Expenditure Limits (DEL) are subject to their own funding and oversight mechanisms. These comprise funding from the Department for Transport⁶ and the Department for Business, Innovation and Skills⁷.
6. I am also responsible for ensuring that the Growth Deals delivery system within which LEPs invest the LGF works effectively. Building on the system set out in the Accountability System Statement for Local Government, the LGF assurance system is based on the following elements:
 - a. The national LEP assurance framework which sets out standards around transparency, accountability and value for money which LEPs must comply with in composing their own local assurance frameworks;
 - b. regular reporting against agreed output metrics;
 - c. an evaluation framework;
 - d. annual performance conversations with each LEP.
7. Together these elements establish a robust mechanism for ensuring that funds are spent locally with regularity, propriety and value for money. They also provide me with oversight of what is being delivered. Further details on these are set out later in this statement.
8. Where the LGF is part of a 'Single Pot' of funding awarded to devolution deal areas, Single Pot assurance framework will replace the LEP assurance framework. DCLG has asked places to write their Single Pot Assurance Frameworks with reference to the National Guidance which has been published online⁸. The Single Pot assurance frameworks will explain how combined authorities, working collaboratively with LEPs, will spend investment funds, consolidated transport grants, LGF and other funding added to the Single Pot with regularity, propriety and value for money. DCLG will formally sign off these assurance frameworks before they become operational.

⁶ LGF funding for which DfT is accountable includes the £475m element relating to Local Major Schemes and other elements noted in section G of the DfT Accountability System Statement here: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/475107/dft-accounting-officer-system-statement_2015.pdf

⁷ See <https://www.gov.uk/government/groups/local-enterprise-partnership-area-esif-sub-committees> for details of the European Social Fund system, and <https://www.gov.uk/guidance/understanding-the-regional-growth-fund> for the Regional Growth Fund system.

⁸ <https://www.gov.uk/government/publications/single-pot-assurance-framework-national-guidance>

9. Given the widespread interest in the LGF and the government's wider strategy for maximising local economic growth, the government has established the cross-departmental Cities and Local Growth Unit. This unit brings parts of the Department for Communities and Local Government and the Department for Business Innovation and Skills together to ensure lines of accountability are clear, and to enable collective decision-making and joint working between departments. This also enables the delivery of a joined up support offer to places. The Unit also works closely with the Department for Transport to ensure that transport expertise is sufficiently built into the award and oversight of the LGF when considering infrastructure projects.

Section three

How the accountability system works for the Local Growth Fund

10. The accountability system for the LGF builds on the checks and balances established in the Accountability System Statement for Local Government. It includes a national LEP assurance framework, regular reporting, an annual performance conversation, and a robust approach to monitoring and evaluation. This system enables decision making which is accountable, transparent, and which delivers value for money. Through the annual performance conversation, the Department can also review the level of funding and flexibility that each LEP has.

The Accountability System Statement for Local Government

11. The Accountability System Statement for Local Government sets out how I meet my responsibilities and assure myself that local government spends its money with regularity, propriety and value for money. It sets out the core local government accountability framework and, since the LGF is paid to local authority accountable bodies, applies to how the LGF is managed by those local authorities.

12. This statement (the Accountability System Statement for the Local Growth Fund) provides the additional specific arrangements to assure me of value for money for the LGF, given its particular arrangements.

LEP assurance frameworks

13. The government has worked with LEPs, local authorities, and government Departments to co-produce an additional national assurance framework for LEPs. This framework is used to support accountable, transparent local decision making, which delivers value for money. This national LEP assurance framework sets standards which LEPs and their accountable bodies must adopt through their own local assurance frameworks, providing assurance to the government in exchange for delegated funding arrangements and local flexibilities.

14. These local assurance frameworks have been agreed by the LEP board, published, and signed off by the accountable body through the Section 151 officer. Each accountable body's Section 151 officer has written to the Department verifying that a local assurance framework has been developed, and is compliant with the standards articulated in the national LEP assurance framework. These local assurance frameworks must also be reviewed each year to ensure they remain current.

15. The assurance frameworks set out details of:

- a. the LEP's constitution, and within that the arrangements for taking and accounting for decisions, including a clear description of roles and responsibilities;
- b. transparent decision-making and ways of working – ensuring effective public engagement, with key documents, decisions etc made public in line with the

requirements placed on local authorities, and an agreed means to manage conflicts of interest;

- c. the responsibilities of the accountable body role - ensuring that the local system established through each LEP's local assurance framework supports effective LEP decision making;
- d. a clear and transparent basis against which projects and programmes are identified, appraised and prioritised. Appropriate methodology to assess value for money with business cases developed in line with government guidance.

16. Given this context, we expect accountability and value for money for LGF resources to work in the following way. The accountable body, as the legal recipient of grant, must put in place appropriate arrangements for the proper use and administration of funding, building on the existing local government system outlined in the Accountability System Statement for Local Government. The LEP as strategic decision maker develops and maintains its Strategic Economic Plan, determining the key funding priorities to which LGF and other resources should be directed, and ensures there is adequate capacity to deliver against those. Democratic accountability for LEP decisions are provided through local authority leader representation, with business community representation coming from the business leaders on each LEP board.

17. In places where not all local authorities are represented directly on the LEP board, it is important that those who do sit on the board have been given a clear mandate, through an underpinning local authority arrangement, such as a joint committee or combined authority or other similar arrangement, which brings all the local authorities together in the area, formalising decision making. This is also important for facilitating collaboration and the pooling of resources and efforts between local authorities in support of agreed LEP priorities. The detail of how these arrangements work will be picked up in each LEP's assurance framework.

Section four

Monitoring and evaluating delivery

18. The government has developed a coherent approach to the monitoring and evaluation of Growth Deals. We have agreed with LEPs a range of data on inputs, outputs and outcomes that they should use to demonstrate success, providing clarity to government and the public about what LEPs have delivered with their LGF resources.
19. Relevant metrics include the amount of private sector investment leveraged, levels of employment, housing units completed, and qualifications achieved. LEP performance is monitored by government, enabling it to target support where issues arise. Past delivery and performance will also inform the award of future growth deals.
20. LEP performance is monitored in the following ways:
 - a. Monthly Relationship Manager (RM) discussions. RMs are regionally based civil servants who provide the LEPs with day to day advice and support, and are the main channel of communication between the LEPs and central government. Each month RMs hold a performance discussion with their LEPs, ensuring a regular dialogue is maintained and emerging risks and issues can be dealt with early.
 - b. Quarterly LEP monitoring returns. LEPs provide central government with a comprehensive set of data relating to each Growth Deal project on a quarterly basis, including both total and forecast spend, and output metrics.
 - c. Quarterly Relationship Manager reporting returns. RMs provide the Department with a quarterly report on LEP progress, which includes an assessment of each LEP's overall progress with Growth Deal delivery and provides an early warning system which highlights any emerging risks so that prompt action can be taken to address these.
 - d. Annual performance review. Each year the Department conducts a performance review with every LEP which reviews their progress on Growth Deal delivery over the past 12 months. This leads to an agreed set of actions and next steps, if there are any issues to be addressed either by the LEP or by central government.
21. The evaluation approach is based on three key pillars:
 - a. Local evaluations, produced by LEPs, which mainly focus on process questions concerning how best to deliver outputs.
 - b. Evaluation demonstrators, where government has worked with a few local areas to run control trials that provide information about impact for specific policy interventions such as mental health and employment trailblazers.
 - c. The activity of the What Works Centre for Local Economic Growth to collate and disseminate evaluation results into material that is useful to local partners for feedback into their growth strategies.
22. The approach to local evaluation was co-designed by the government and LEPs to guide LEPs in developing their own local evaluation plans. The guiding principle behind these LEP Evaluation Plans is that they should be SMART:

- a. specific enough to provide the level of detail LEP officials and scheme promoters will require to guide delivery of evaluations ;
- b. measurable so it is clear whether the evaluation work carried out fulfils the evaluation plan or not;
- c. achievable so that the LEP has a realistic chance of producing evaluations in line with its plan;
- d. relevant so that the plan is of practical use to the LEP and covers the most important areas for delivery of evaluations;
- e. timed so LEP officials know what they need to do by when in order to keep delivery of their evaluation plan on track.

23. The LEP plans are helping to create an evaluation programme that is proportionate and maximises the possibilities for joint working with local academic institutions. Evaluations that assess how effectively schemes are delivered and their causal effect on planned outcomes and impacts will provide the government with evidence on the effectiveness of delivery and value for money from Local Growth Fund interventions. The LEP evaluation plans provide a mechanism to ensure that the best evaluation evidence is produced as rapidly and effectively as is technically feasible.

24. In addition to the evaluation which LEPs will be undertaking, central government is commissioning further evaluation directly. The Department for Transport has been scoping approaches for technically robust impact evaluation across LEP areas and is exploring possible evaluation demonstrators involving a sample of LEPs and the Local Growth What Works Centre.

Section five

The allocation of the Local Growth Fund

25. Existing allocations of the LGF were informed by an assessment of each LEP's Strategic Economic Plan (SEP) and associated projects.⁹ SEPs establish a long-term vision for the area, with defined growth objectives, and a complementary set of growth-stimulating projects. They set out arrangements for LEP governance, and how these support effective decision making and delivery, with a clear commitment to collaborating, and pooling efforts in support of a shared growth agenda.
26. Each SEP has been assessed against the published criteria of ambition and rationale, and delivery and risk. Business cases for the projects contained within the SEP were also reviewed against the value for money and deliverability criteria. Further information about this can be found in the guidance published to support LEPs to produce their SEPs which is available online.¹⁰
27. This assessment, based on Green Book principles, saw those LEPs with the strongest SEPs and projects attract more resources. The assessment was overseen by analysts drawing on input from officials (at a national and local level), providing a fuller understanding, particularly around deliverability and risk. This process was moderated to ensure a consistent and transparent approach to assessment.
28. This assessment, together with the accountability system described above, forms a strong local system which will ensure decision making is accountable, transparent, and delivers value for money.
29. Future awards of the LGF are being informed by a consistent track record of successful implementation and demonstration of value for money, which will act as an important incentive to ensure quality and deliverability of projects.

⁹ For the Growth Deal extensions agreed in January 2015, projects were generally assessed through local LEP assurance frameworks

¹⁰ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/224776/13-1056-growth-deals-initial-guidance-for-local-enterprise-partnerships.pdf

Section six

How LEPs receive their Local Growth Fund allocations

30. LGF allocations have been and will continue to be paid to the LEP's accountable body. All payments from the DCLG DEL will generally be made by DCLG under Section 31 of the Local Government Act 2003. This is how local authorities receive the majority of their funding from national government. Allocations have been awarded on an annual basis to date. The Department is able to review the level of funding and flexibility awarded to each LEP as part of the annual performance conversation.
31. As is the policy with section 31, the grant funding agreement will not impose detailed legal conditions which would restrict how funding can be used. The grant offer letter does however set out clear funding requirements which must be followed:
 - a. funding is to support the Growth Deal agreed between the government and the LEP and will be used to secure the outcomes set out in the Growth Deal;
 - b. Funding decisions must be agreed between the LEP and the accountable body in accordance with their local assurance framework (which must be compliant with the standards established in the national LEP assurance framework);
 - c. progress will be measured against agreed core metrics and outcomes, in line with the national monitoring and evaluation framework.
32. A clear incentive has been placed on LEPs to deliver the agreed deals, establishing the principle that future deals will be dependent on the performance and delivery of the previous deal.

Conclusion

33. There is a robust framework in place which provides assurance that LEPs, working with their accountable local authorities, will spend their money with regularity, propriety, and value for money. The key elements are the legal controls and democratic accountability to local people through the local authority leader representation on LEPs, and the role of the accountable local authority. In addition to the general requirements on local authorities, there are additional arrangements in place through the assurance framework and monitoring and evaluation strategy to ensure LEPs carry out their responsibilities effectively. The system provides assurance that the government's decentralising agenda can be achieved in relation to LEPs without compromising the proper spending of public money.

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