



# Assurance and Accountability Framework

**July 2019**

The Heart of the South West Local Enterprise Partnership have responsibility for ensuring that all funding decisions are made in accordance with this local Assurance Framework. We, the undersigned, agree to work in accordance with it:

**Signatories**



.....  
David Ralph, Chief Executive Officer, Heart of the South West Local Enterprise Partnership



.....  
Steve Hindley, Chairman, Heart of the South West Local Enterprise Partnership

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# 1. Foreword

## 1.1 Introduction and Background

1.1.1 Local Enterprise Partnerships (LEP) are responsible for a significant amount of public funding to increase prosperity, improve productivity and drive inclusive growth. As such, LEPs are required to fulfil their role as business led public-private partnerships whilst ensuring robust stewardship of public resources. Government requires all LEPs to produce and publish a Local Assurance Framework that sets out the arrangement they have put in place to ensure that public money is being managed effectively. This Local Assurance Framework sets out how the HotSW LEP will identify, appraise, monitor and evaluate schemes to achieve value for money. In addition, it sets out how it will meet requirements on governance, accountability and transparency.

1.1.2 The 2019 National Local Growth Assurance Framework, developed by the Ministry of Housing, Communities and Local Government (MHCLG) supersedes all previous guidance and implements the recommendations of the *Non-Executive Director Review into LEP Governance and Transparency* (the Mary Ney Review) including those addressed by the *LEP Governance and Transparency Best Practice Guidance* (published in January 2018) and the recommendations from *Strengthened Local Enterprise Partnerships* following the Ministerial review into LEPs. It takes on board the recommendations of the Public Accounts Committee *Report into the governance of the Greater Cambridge Greater Peterborough Local Enterprise Partnership* which followed the National Audit Office investigation. This Local Assurance and Accountability Framework (the 'Framework') has been developed in line with the National Framework.

1.1.3 The Framework is underpinned by the Seven Principles of public Life (the Nolan Principles). LEPs should comply with the spirit of these principles and must uphold the highest standards of conduct and operating according to these principles ensuring robust stewardship of the resources at their disposal. This Framework provides the tools to establish a culture in line with the principles as set out below:

**Selflessness:** Holders of public office should act solely in terms of the public interest;

**Integrity:** Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships;

**Objectivity:** Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias;

**Accountability:** Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this;

**Openness:** Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing;

**Honesty:** Holders of public office should be truthful; and

**Leadership:** Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

## 1.2 Strategic Objectives and Purpose

1.2.1 The LEP is a strong and dynamic partnership between the private sector, local authorities, higher and further education across Devon, Plymouth, Somerset and Torbay. Its purpose is to lead and influence economic growth, job creation and prosperity across the Heart of the South West.

1.2.2 The LEPs vision is:

“To reposition the Heart of the South West’s profile and reputation, nationally and globally: connecting people, places, businesses and ideas to transform our economy, securing investment in infrastructure and skills to create more jobs and enable rewarding careers.”

1.2.3 The LEP’s [Strategic Economic Plan](#) sets further detail about the LEP’s priorities, which are focused on three areas:

- (a) Creating the conditions for growth
- (b) Maximising productivity & employment
- (c) Capitalising on our distinctive assets

## 2. Governance

### 2.1 Structures, Roles and Responsibilities

2.1.1 The LEP is a business-led partnership mainly between the business community and local government. Governance structures have been designed to enable the LEP to operate in a business-like manner, in keeping with principles of good corporate governance, whilst able to be flexible, pro-active and fleet of foot. The LEP also works hard to ensure regular and meaningful dialogue with partners from across the Heart of the South West area.

2.1.2 The LEP is formally constituted as a Community Interest Company (CIC), and led by a Board of Directors. Board Directors are identified through the following means:

- (a) Private sector Board Directors, including the Chair, are recruited through an open application process (10).
- (b) Local authority Board Directors from each of the four upper tier or unitary authorities are nominated by those authorities (4).
- (c) One local authority Director is nominated by the district Councils – one each from the Somerset and Devon county areas (2).
- (d) Two Board Directors are nominated by the Higher Education sector (2).
- (e) One Board Director is nominated by the Further Education sector (1).
- (f) An SME Board Member has been designated (1).

Further details about the LEP Board can be found on the LEP website at; <https://heartofswlep.co.uk/about-the-lep/lep-board/>

Further information on the role of the Chair can be found within the Articles of Association: <https://heartofswlep.co.uk/wp-content/uploads/2019/07/HotSW-LEP-Articles-of-Association.pdf>

The Board Director Rolling Replacement Policy is available on the website at; <https://heartofswlep.co.uk/wp-content/uploads/2019/06/HotSW-LEP-Board-Director-Rolling-Replacement-Policy.pdf>

2.1.3 In general, the Board Directors above are also the CIC's company 'members'. However, in order to embed democratic accountability into this corporate governance structure, in the case of local government Directors the Articles of Association of the CIC designate the four-upper tier / unitary local authorities themselves (Devon County Council, Plymouth City Council, Somerset County Council, Torbay Council) as the 'Members' of the Company – rather than the individual Directors from those authorities. This provides a route for democratic accountability via the local authorities, whilst protecting the requirement under company law that all Board Directors must act only in the interests of the CIC, when acting in their role as Board Directors.

2.1.4 Impartial advice and guidance is available from the Chief Executive and the Chief Operations Officer who are both exclusively under the direction of the LEP Board.

2.1.5 The Board Director Rolling Replacement policy, which covers the replacement and/or retirement

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of Board members, is available on the website at: <https://heartofswlep.co.uk/wp-content/uploads/2019/06/HotSW-LEP-Board-Director-Rolling-Replacement-Policy.pdf>

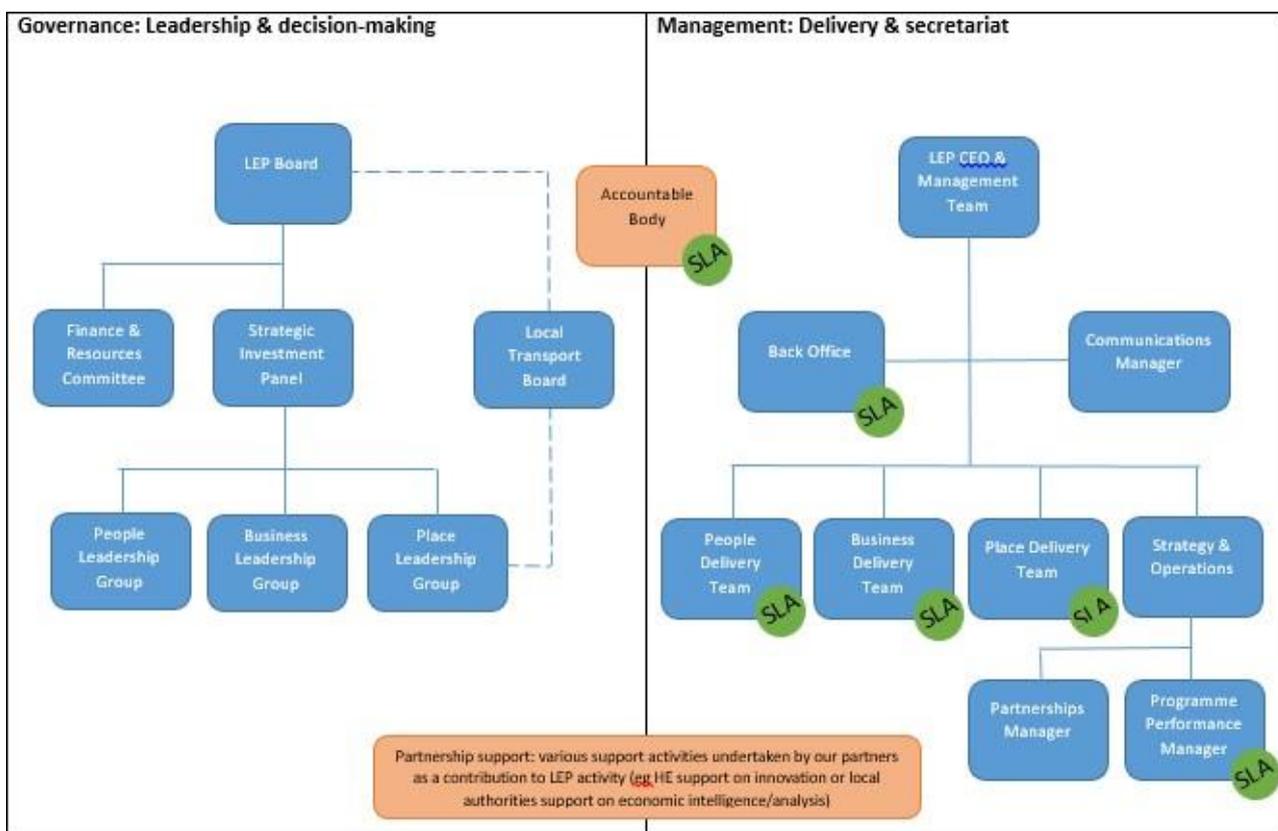
2.1.6 The Code of Conduct is available on the website at: <https://heartofswlep.co.uk/wp-content/uploads/2018/02/HotSW-LEP-Code-of-Conduct-Members.pdf>

2.1.7 The Conflicts of Interest Policy is available on the website at: [https://heartofswlep.co.uk/wp-content/uploads/2018/02/Conflict-of-Interest-Policy-March-2015\\_1.pdf](https://heartofswlep.co.uk/wp-content/uploads/2018/02/Conflict-of-Interest-Policy-March-2015_1.pdf)

2.1.8 The Complaints Policy is available on the website at: <https://heartofswlep.co.uk/wp-content/uploads/2018/02/HotSW-LEP-Complaints-Policy.pdf>

2.1.9 The Whistleblowing Policy is available on the website at: <https://heartofswlep.co.uk/wp-content/uploads/2018/02/HotSW-LEP-Whistleblowing-Policy.pdf>

2.1.10 The governance structure and management arrangements for the LEP – including decision-making and management of the investment programme – is summarised below. The publication of meeting agendas and minutes Policy is available on the website at: <https://heartofswlep.co.uk/wp-content/uploads/2018/02/HotSW-LEP-Publication-of-Meeting-and-Agenda-Items.pdf>



2.1.11 The Enterprise Zone governance arrangements are available on the website under the 'Enterprise Zone Governance' heading at; <https://heartofswlep.co.uk/policies/>

## 2.2 Investment Programme Governance

2.2.1 The governance process for the LEP investment programme is based on three key stages:

- (a) Identifying and maintaining a register of projects seeking funding, which are relevant to the aims of the strategic economic plan(s)
- (b) Prioritising these registered projects against relevant criteria such as impact, strategic fit and deliverability, to develop a project pipeline (which can then be used to inform funding bids for Government, for example)
- (c) Managing the LEP's Investment Programme once investment in pipeline projects has been secured.

The flowcharts in Appendix B summarise these processes.

2.2.2 The flowcharts show the ideal process to be followed wherever possible, when time and resources allow. The LEP Board and the Strategic Investment Panel (SIP) may from time to time vary this process to ensure the LEP is responsive and proactive in its decision-making, whilst ensuring at all times that the principles of accountability and transparency set out in this Assurance Framework are maintained.

2.2.3 The governance process includes the following key documents and guidance:

2.2.4 The **Scheme of Delegation**, attached at Appendix C, shows the financial limits, decision making authority and programme management remit which the LEP Board is delegating to the SIP, Leadership Teams and Local Transport Board (LTB).

2.2.5 The **Change Management Policy** is part of the Scheme of Delegation, attached at Appendix C, and sets the limits within which the SIP, Leadership Teams and LTB can make changes to the programme. It covers changes to project funding, match funding, scope and objectives, outputs, and timescales.

2.2.6 **Programme administration budgets** for the SIP, accountable bodies, Leadership Teams and the LTB, for undertaking their programme management work, will be recommended for approval to the LEP Board by the Finance & Resources Committee.

2.2.7 **Business Case guidance** is contained in Section 5.

2.2.8 The **Monitoring and Evaluation Framework**, attached at Appendix A, is used for all LEP funding programmes and was designed with reference to government guidance on monitoring and evaluation. This provides guidance for the programme managers and projects on the monitoring and reporting requirements, key metrics and evaluation methods to be used for the programme.

## 2.3 Partner and Stakeholder Engagement

2.3.1 The LEP will maintain Communications and Stakeholder Engagement Plans to ensure that relevant public and private stakeholders are appropriately involved and able to participate, where appropriate, in LEP decision-making. The LEP website will be a key tool in this regard and will be kept up to date with current information on programme management and associated key decisions.

## 2.4 Cross LEP Working

2.4.1 Through 2018/19, cross-LEP area working has been, and will continue to be, extensive. As at March 2019 this has included:

- Nuclear: continued cooperation with GFirst, WECA & the Welsh Government to deliver supply chain programme, and with Cumbria and New Anglia on implementing the sector deal. HotSW is playing leadership role amongst the LEPs through a cluster resource funded by HotSW
- Aerospace: working with partners in HotSW and WECA to support the iAero partnership and inward investment and for the partnership to act as a space for industry primes to meet with LEPs, HEIs, Catapults et al to support the delivery of aerospace priorities within the locality
- South coast marine cluster (CloS, Dorset, Solent local authorities, research & business partners): strengthened cluster now has dedicated resource jointly funded by CloS, HotSW and Dorset LEPs along with Solent local authorities. Cluster has developed a core proposition around offshore renewables, marine autonomy and high value engineering. Business engagement strengthened and Strength in Places Wave 1 bid submitted though was unsuccessful and a revised bid is being developed. The cluster is delivering increased influence with Govt via BEIS, DIT & DfT, increased influence in emerging marine sector deal (marine autonomy, a key part of the SCMC proposition, is a core part of the sector deal proposal). This has also opened up the opportunity for HotSW to influence the emerging defence sector deal which also now has a land sea and air autonomy proposition
- Great South West and its rural workstream: governance established and the LEP is working to set up an All Party Parliamentary Group to seek south west MPs support for this work. On rural, covering CloS, HotSW, Dorset, S&W LEPs, business cases shared with officials for Digital, Tourism and Farming, Food & Fishing. HotSW jointly funding resource to coordinate
- Innovation: MOU signed with IUK, CloS and Dorset. Research commissioned into barriers for SMEs accessing IUK support which, amongst other things, will feed into the Local Industrial Strategy

### **3 Democratic and Accountable Decision Making**

3.1.1 The LEP has a vital leadership role to play, responsible for developing and maintaining the Strategic Economic Plan and determining the key funding priorities to which funding resources should be directed. A high degree of transparency will be an important element for the LEP in determining its strategic priorities. This will include two main elements; enabling the public and partners to clearly understand the rationale for decisions whilst also linking this to local authority decision making processes. Through embedding this Assurance Framework the LEP will be able to provide assurance to Government, and local partners, that decisions over public funding are proper, transparent and deliver value for money.

#### **3.2 Collaboration and Relationships**

3.2.1 The LEP has strong underpinning local authority partnership arrangements in place to facilitate joint decision making and collaboration on growth and economic development between all local authorities in the LEP area. All local authorities actively play a part in ensuring the delivery of growth priorities by aligning strategic plans and through the pooling and aligning of local resources and efforts.

3.2.2 The LEP is very aware that some delivery activities will span more than one LEP area and has close working relationships with other LEPs both geographically nearby or where there are common themes.

3.2.3 The LEP commits to working with the LEP Network.

#### **3.3 Decision Making**

3.3.1 All decisions on the LEP investment programme will need to be made in accordance with various legal requirements that pay due regard to equalities, social value and the environment. Consideration of these requirements are included in the investment programme 3 stage process and within the Business Case development processes and taken into account through prioritisation methodologies. Each project will also need to comply with European 'state aid' regulations and procurement law. Projects that do not meet these requirements will not be taken forward through the decision-making process. If there is any dispute throughout the process as to whether projects meet the relevant requirements, the accountable body, based on professional advice, will make the final decision whether or not the project can be taken forward.

#### **3.4 Democratic Accountability**

3.4.1 Local democratic accountability is embedded at LEP Board level and throughout the LEP in the following means:

- (a) Six of the LEP's Board Directors are elected Members drawn from Heart of the South West local authorities (see 2.1.2 above).
- (b) The CIC's 'Members' are the four-upper tier / unitary local authorities in the Heart of the South West (see 2.1.3 above).

- (c) At the LEP's Annual General Meeting (AGM) the LEP will publish an annual report and invite interested parties to hear about and scrutinise LEP activity.
- (d) The LEP will maintain on its website information about Board meetings, decision-making and programme management (covered in section 3.5. below).

### 3.5 Transparency

- 3.5.1 The LEP has put arrangements in place to facilitate effective and meaningful engagement of local partners and the public. The LEP is committed to transparent and open decision-making.
- 3.5.2 As the LEP is structured as a Community Interest Company (CIC), the Board of Directors will be held to account in the normal way for a company, namely at an Annual General Meeting (AGM). At this point the LEP will publish an Annual Report, which will also be provided to the local authorities for use within their respective scrutiny functions, as they see fit.
- 3.5.3 The LEP website will include information, documents and policies relating to all LEP activities with links to partner websites as appropriate. All governance documentation will be published to the website, as will key investment programme documentation such as the Programme Highlight report (see 1.1.2).
- 3.5.4 All Freedom of Information, Environmental Impact Regulations or other queries and requests that directly relate to funding programmes will be dealt with by the accountable body. Contact details are available on the website.
- 3.5.5 The LEP will publish arrangements for making and recording investment decisions and will ensure that agendas, papers, minutes and decisions are published in accordance with local authority rules and regulations, including those governing Freedom of Information. Details will be published via the LEP website namely:
  - (a) **Schedule of LEP Board meeting dates** where programme management and/or funding decisions are to be taken, at least 3 months ahead of the date; additional meetings may need to be called and dates will be publicised as soon as they are agreed.
  - (b) **A forward plan of planned investment programme and/or funding decisions** to be taken at meetings as appropriate.
  - (c) Agendas and accompanying investment programme and/or funding reports at least 3 working days ahead of the meeting. Only published agenda items relating to investment programme and/or funding decisions can be considered at meetings unless special circumstances apply and only exceptional information can be marked "not for publication" only if it meets the requirements of the Act.
  - (d) Other documents, including technical reports, funding decisions and programme updates will be published as soon as they are finalised along with the minutes of the meeting.
- 3.5.6 Members of the public will be able to apply via the LEP secretariat in advance of LEP Board meeting dates, to submit written representations, only relating to investment programme and/or funding decisions. These will need to be submitted to the secretariat in writing at least 3 days in advance of the scheduled meeting date.

3.5.7 The LEP will publish progress on implementing funding decisions on its website together with background documents and further information relating to LEP priorities. As a minimum this will generally include an up to date programme highlight report.

### **3.6 Managing changes to projects in the Growth Deal Programme**

3.6.1 Changes may occur to projects during the business case process or be proposed by applicants and these will be managed in accordance with the programme's Change Management Policy (Appendix C). This ensures that all changes are properly recorded, appraised and approved. Changes from the outline business case stage could include material changes to project scope and objectives, grant required and match funding, and outputs and outcomes.

3.6.2 The Change Management Policy which is part of the Scheme of Delegation, sets out how the LEP Board, the SIP, the LTB and Leadership Groups to approve changes subject to specified limits.

### **3.7 Government Branding**

3.7.1 The PR Guidelines are available on the website at: <https://heartofswlep.co.uk/wp-content/uploads/2019/06/1903GrowthDealPublicityRequirements.pdf>

## 4 Financial Management

### 4.1 Status and Role of the S151 Officer

4.1.1 The S151 officer fulfils the roles and maintains the responsibilities to instil good and proportionate financial governance, in accordance with the developed five principles determined by CIPFA and MHCLG.

This is done this through the following means:

- Holds a standing agenda item on the SIP to record an opinion if required on the financial implications and assessment of risks.
- Consults directly with the CEO on matters arising.
- Signs all grant funding acceptance letters required as accountable body for the LEP. Has sight of and signs off all funding agreements, having foresight on the projects.
- Reviews the draft forward year budget before it is finalised, having a key focus to ensure adequacy of funds and highlights financial risks.
- Engages and sets required audit plans. Resulting actions plans are reported and monitored through the audit committee.
- Ensures sufficient resourcing, skills and expertise are available to advise the LEP on finance and governance matters.
- Understands the S151 role to report to Cities and Local Growth Unit on exceptional or unresolved concerns
- Maintains the treasury function within the accountable body remit.

4.1.2 Delegates to a senior finance officer (but retains responsibility):

- to attend the strategic investment panel. Holding no individual voting rights but maintains a veto right should there be concerns with good governance and proper financial practice not being followed.
- to attend the finance and resources committee with voting rights
- to monitor and administer financial affairs throughout the financial year

### 4.2 Status and Role of the Accountable Body

4.2.1 The accountable body will receive funding on behalf of the LEP and will administer solely as agreed with the LEP and its funding bodies.

4.2.2 In conjunction with the LEP Board and the SIP, the accountable body will be responsible for the proper use and administration of funding, and will ensure that decisions are made in accordance with this Assurance Framework. The accountable body holds copies of all relevant documents relating to funding and will ensure that local audit arrangements are in place.

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- 4.2.3 The processes and systems expressed within this Assurance Framework ensure that the accountable body is able to meet legal and financial responsibilities. The processes will ensure proper, transparent decisions which deliver value for money but also support timely decision making by the LEP. It will ensure that decisions and activities of the LEP conform to legal requirements with regard to equalities, social value, environment, State Aid and procurement.
- 4.2.4 The accountable body will support the groups within the governance structure to ensure the timely delivery of projects and ensure suitable arrangements are in place for monitoring and evaluating the delivery of projects. They will develop appropriate written agreements with delivery partners to ensure clear understanding of appropriate separation of duties and will include adequate provisions for the protection of public funds.
- 4.2.5 The accountable body may withhold funding if it is not satisfied that the LEP has worked in accordance with this Assurance Framework and those decisions made do not meet legal and statutory requirements. The accountable body has veto over SIP decisions to approve business cases that do not meet minimum legal and statutory requirements.
- 4.2.6 Similarly, should the LEP deem the accountable body to have acted outside the requirements of this Assurance Framework, the LEP's Finance & Resources Committee reserves the right to commission an independent audit of the accountable body.
- 4.2.7 In either of the above instances, the LEP and the accountable body will work constructively to rectify issues, however may wish to refer issues to the LEP Board for resolution.

### **4.3 Local Transport Board**

- 4.3.1 The LEP Board and LTB have agreed that the LTB will remain an independent body allowing it to perform functions for bodies and work outside of the LEP, for example, for Local Authorities and other devolved funding bodies. When the LTB is undertaking work on behalf of the LEP it will be formalised in a Service Level Agreement setting out the roles and responsibilities of the bodies in the governance structure.
- 4.3.2 The LTB's Assurance Framework was approved by DfT in January 2014 and has a dedicated area on the LEP website where it meets its commitment to accountability and transparency by publishing Board meeting agendas and minutes, selection criteria, business cases and technical documentation.

LTB meetings are open to the public and the public can make representations on project selection and business cases.

#### **4.4 Working Arrangements between the LEP and the Accountable Body**

4.4.1 The support and administration functions to allow the LEP and the accountable body to embed this Assurance Framework and the processes within it will be agreed via a separate Service Level Agreement.

#### **4.4 Transparency Code**

4.4.1 The LEP will adhere to those elements of the Local Government Transparency Code 2015 which are appropriate with information being published. This will include details of

- (a) Each individual item of expenditure that exceeds £500
- (b) Every transaction on a Government Procurement Card.
- (c) All grants to voluntary, community and social enterprise organisations
- (d) Every invitation to tender for contracts to provide goods and/or services with a value that exceeds £5,000 as well as details of contract, commissioned activity, purchase order, framework agreement and any other legally enforceable agreement with a value that exceeds £5,000.
- (e) An organisational structure chart and details of senior salaries paid in excess of £50,000 together with responsibilities undertaken by these posts

#### **4.5 Scrutiny**

4.5.1 The LEP Scrutiny arrangements are available on the website under the 'HotSW Joint Scrutiny Committee' heading at: <https://heartofswlep.co.uk/policies/>

## 5 Business Case Development

- 5.1.1 As set out in the governance process chart in section 1, projects must meet 2 gateways for approval:
- (a) Approval of Expressions of Interest are required before any project can be considered for the LEP pipeline of projects seeking investment (see 2.2.1).
  - (b) Approval of Final Business Case and signature of Funding Agreement.
- 5.1.2 Project Business Cases will be prepared and appraised in accordance with the HM Treasury Green Book and the 5 Case Method. A proportionate approach will be used depending on the stage in the investment programme and scale of funding. Guidance has been prepared for applicants and appraisers and is attached at Appendix D. The LTB's Business Case process is contained in its Assurance Framework which also follows the Green Book and 5 Case Method. Procedures for independent assessment of business cases are included.
- 5.1.3 The Leadership Groups, supported by Local Authority officers with expertise in business case appraisal, are responsible for reviewing business cases for their sub programmes. The Leadership Groups will ensure that their local authority assessors are independent of the organisations promoting the project to avoid conflict of interests; where a conflict does arise the Leadership Group will appoint an independent consultant to undertake the assessment. If local authority assessors require additional specialist or technical advice on business cases they will appoint consultants to provide this. The accountable body will be engaged in the appraisal process to ensure that legal and statutory requirements are being met.
- 5.1.4 The People Leadership Group, which manages the Skills Capital programme, has signed a Memorandum of Understanding (MoU, November 2014) with the Skills Funding Agency (SFA) for the Agency to provide advice on the business case assessment. SFA good practice is being used in the assessments.
- 5.1.5 Business cases will demonstrate that:
- (a) there is a clear rationale for the interventions linked with the objectives and evidence in the Strategic Economic Plan;
  - (b) a range of options have been considered to see which best meets the strategic objectives and opportunity and provides the best value for money;
  - (c) the proposal has clearly defined inputs, activities, outputs and anticipated outcomes, which are additional;
  - (d) the benefits exceed the costs of intervention;
  - (e) deliverability and risks have been appropriately considered and if there are likely to be clear mitigations for those;
  - (f) due regard to equalities, social value and environmental impact are taken into account;
  - (g) they comply with procurement regulations and are State Aid compliant as set out at 5.3.

## **5.2 Evidence Base**

5.2.1 The Economic Intelligence Group will support the provision of a comprehensive, robust and quality controlled evidence base to allow the LEP to make informed decisions.

## **5.3 State Aid and Procurement**

5.3.1 The Funding Agreement for projects includes a condition that the applicant must ensure the scheme is state aid compliant and that all relevant UK and EU procurement law has been complied with. This is also considered at the business case development stage.

## 6 Project and Programme Delivery

### 6.1 Release of Funding, Cost Control and Approval Conditions

- 6.1.1 A Funding Agreement has been prepared as the LEP's blueprint for all Growth Deal projects and which will be used for all future LEP investment projects.
- 6.1.2 Grant claims will normally be paid quarterly in arrears against eligible expenditure and will normally be made at an intervention rate based on the ratio of the grant to overall project expenditure. The accountable body may modify this rate depending on the cashflow requirements of projects and this will be considered on merit.
- 6.1.3 A discretionary retention of 5% of the total grant will be included as a condition in the Funding Agreement. This will be paid after the project has achieved practical completion and all conditions have been met to the satisfaction of the accountable body.
- 6.1.4 The Funding Agreement will contain a schedule of eligible expenditure and costs which qualify for the grant. Applicants will certify that eligible costs have been incurred in the claim form. They will need to retain copies of invoices and architects/engineers' certificates which will be inspected by the accountable body at regular audits/sample inspections
- 6.1.5 In summary the Funding Agreement contains the following terms and conditions:
- Project description, scope and objectives
  - Schedule of eligible costs and approved plans
  - Grant payment terms, claims process, retention
  - Funding conditions
  - State aid and procurement law compliance
  - Due regard to equalities, social and environmental impacts
  - FOI and publicity requirements
  - Project implementation plan including project governance, funding profile, milestones and programme
  - Output and outcome targets
  - Clawback and default and variation provisions
  - Monitoring and evaluation and reporting requirements
  - Audit requirements

## 6.2 Monitoring and Evaluation

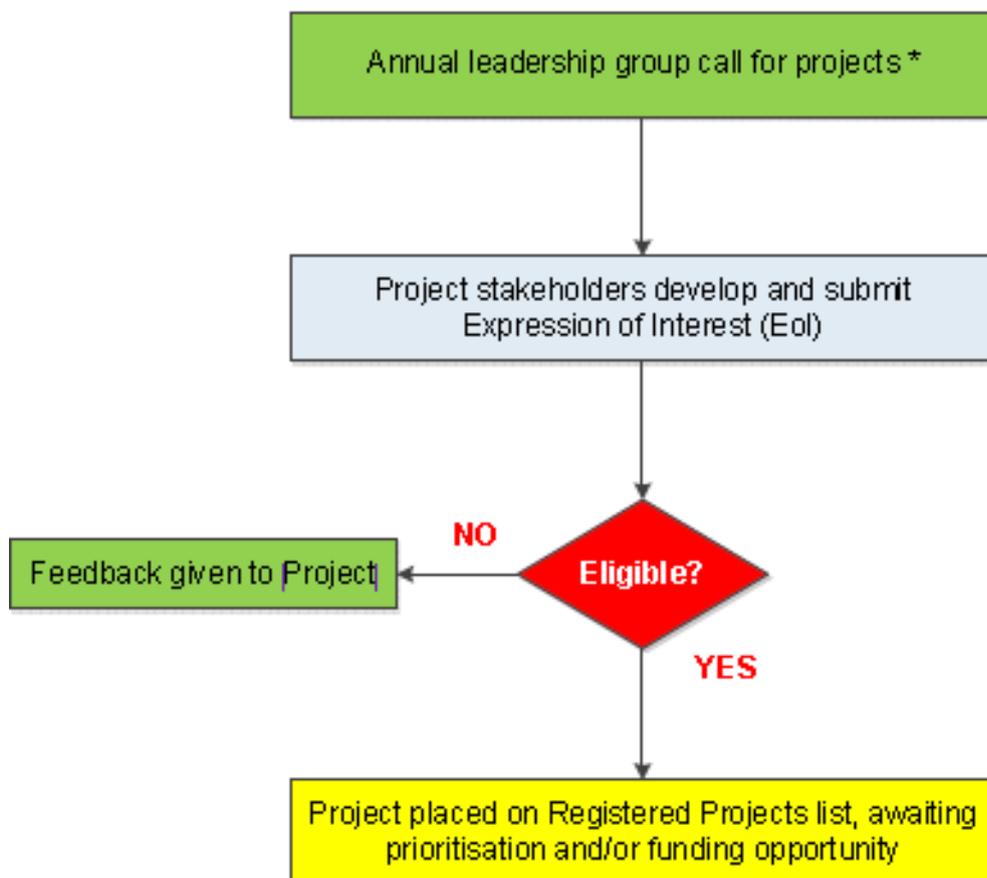
- 6.2.1 The NAO report on Local Growth Funding and Structures highlights the importance of accurate and reliable monitoring information. The LEP will ensure that monitoring returns are accurate and consistent. The LEP Monitoring and Evaluation Framework has been prepared by the LEP based on the national government guidance.
- 6.2.2 A list of core metrics (jobs, houses, and commercial floorspace), supplementary outputs and bespoke metrics have been agreed by the LEP and will be monitored and reported to the LEP Board. The information will also be provided to Government where required. The LEP may also use additional outputs and outcomes to be reported in assessing the effectiveness of programmes.
- 6.2.3 It will be a requirement in project offer letters that the project has a monitoring plan which sets out how milestones and outputs will be reported at quarterly and annual intervals and the methods to be used for monitoring, and the management and resources for undertaking the monitoring. The contractual requirement for monitoring will last for the life of the programme.
- 6.2.4 The management of monitoring at Programme level will be led by the Strategic Investment Panel, supported by the LTB and Leadership Groups.
- 6.2.5 Evaluation work to measure the policy effectiveness of the programme and gather evidence of outcomes and impacts will be undertaken, and may be jointly commissioned with Government. The evaluation framework allows for work to be undertaken at different scales depending on the level being examined, such as project/programme level, LEP-wide level, or national funding programme level.
- 6.2.6 It is recognised that the LEP's Monitoring & Evaluation Programme will cover a range of LEP interventions, and not be limited to Local Growth Funding secured under the Growth Deal. For example, European Funding, Growing Places Fund, and City Deals are all areas where the LEP has an important role to play and a strong interest in assessing the effectiveness of these programmes

## Appendix A: Monitoring and Evaluation Framework

1. The LEP Scrutiny arrangements are available on the website at: <https://heartofswlep.co.uk/wp-content/uploads/2018/02/ME-framework-25-05-15.pdf>

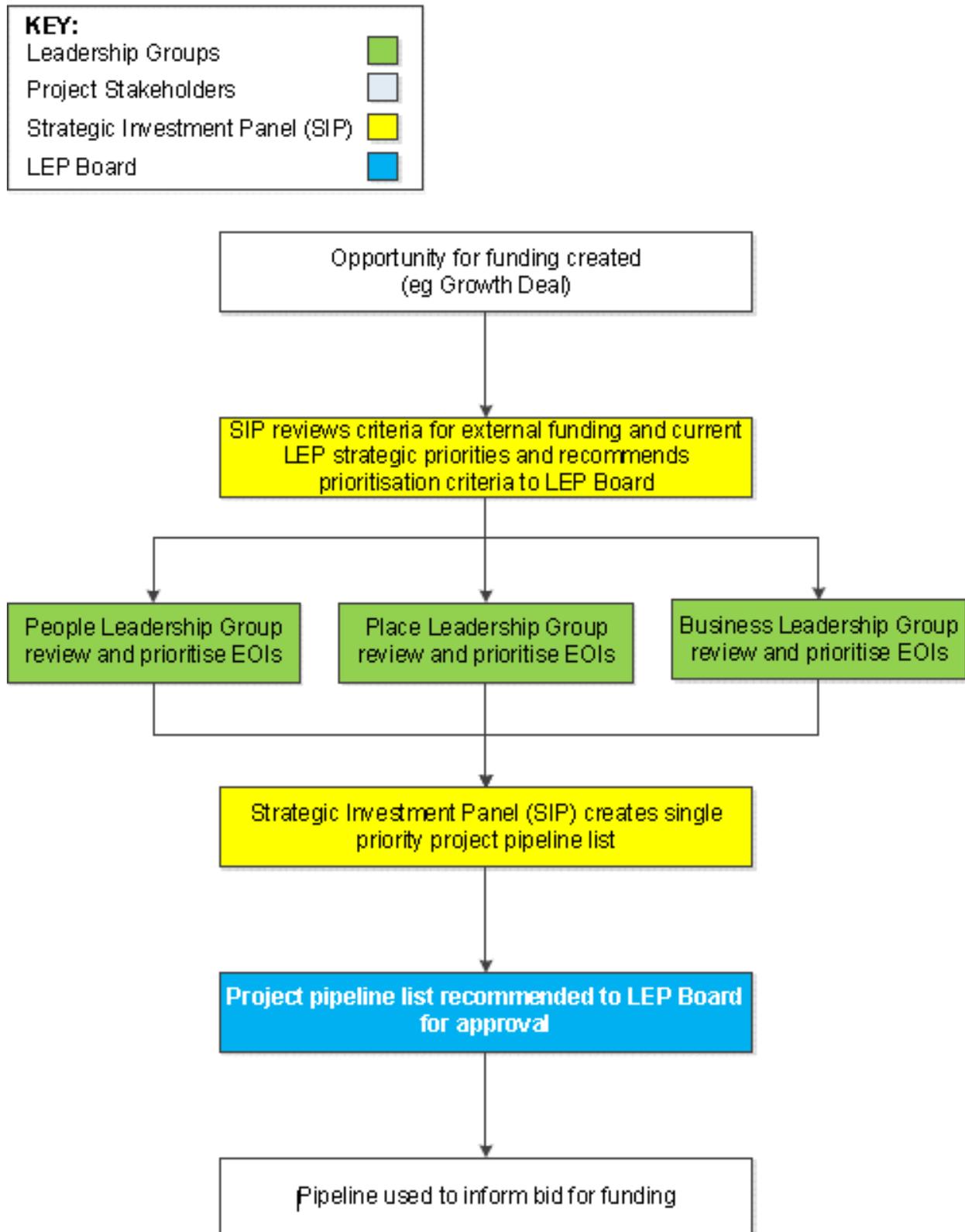
## Appendix B: Governance Process Flow Charts

### LEP Investment Pipeline - Expression / Registration of interested projects Application, Appraisal and Decision Flowchart

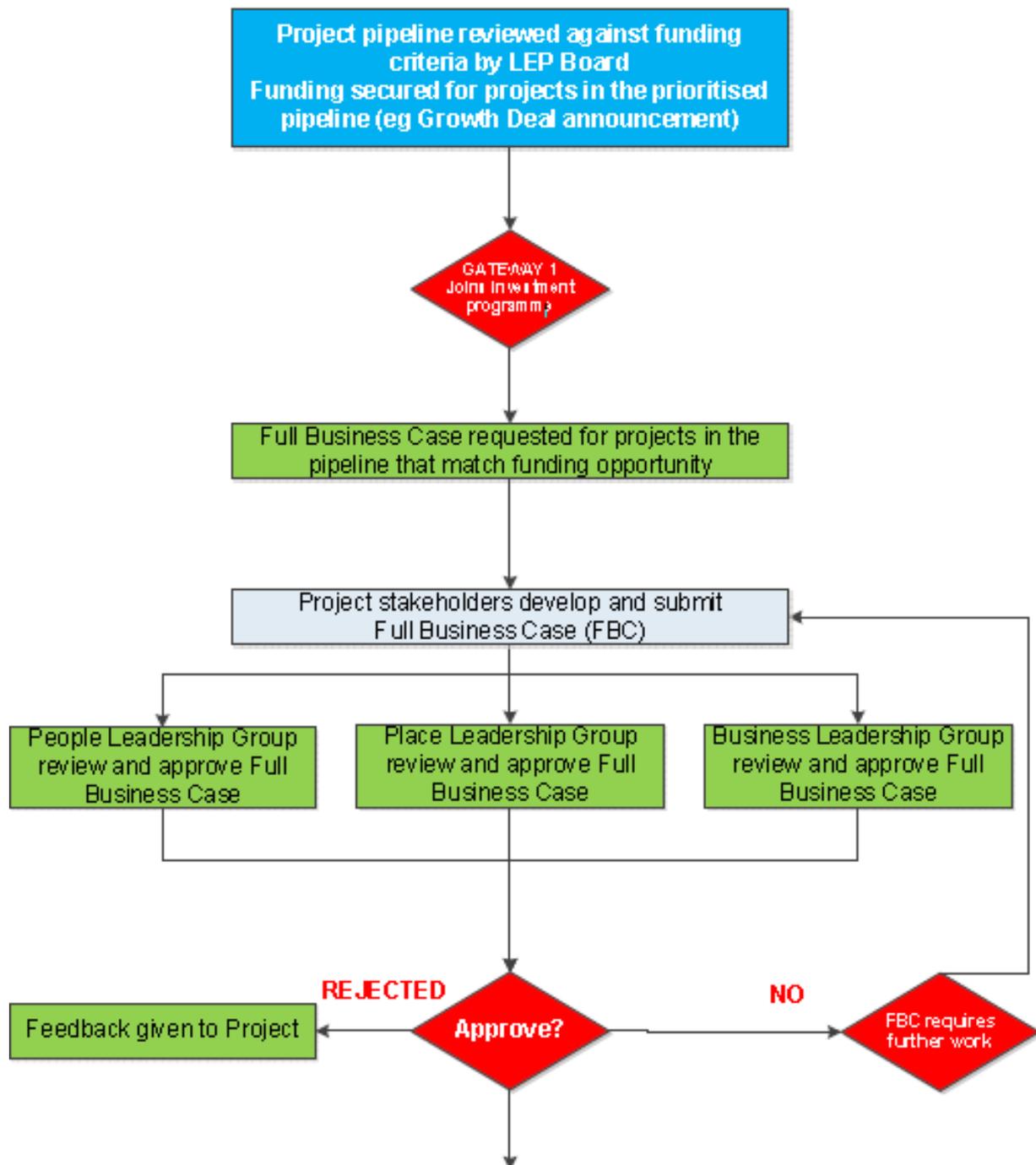
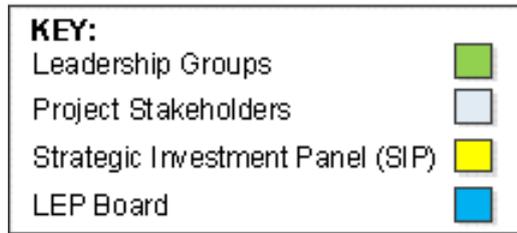


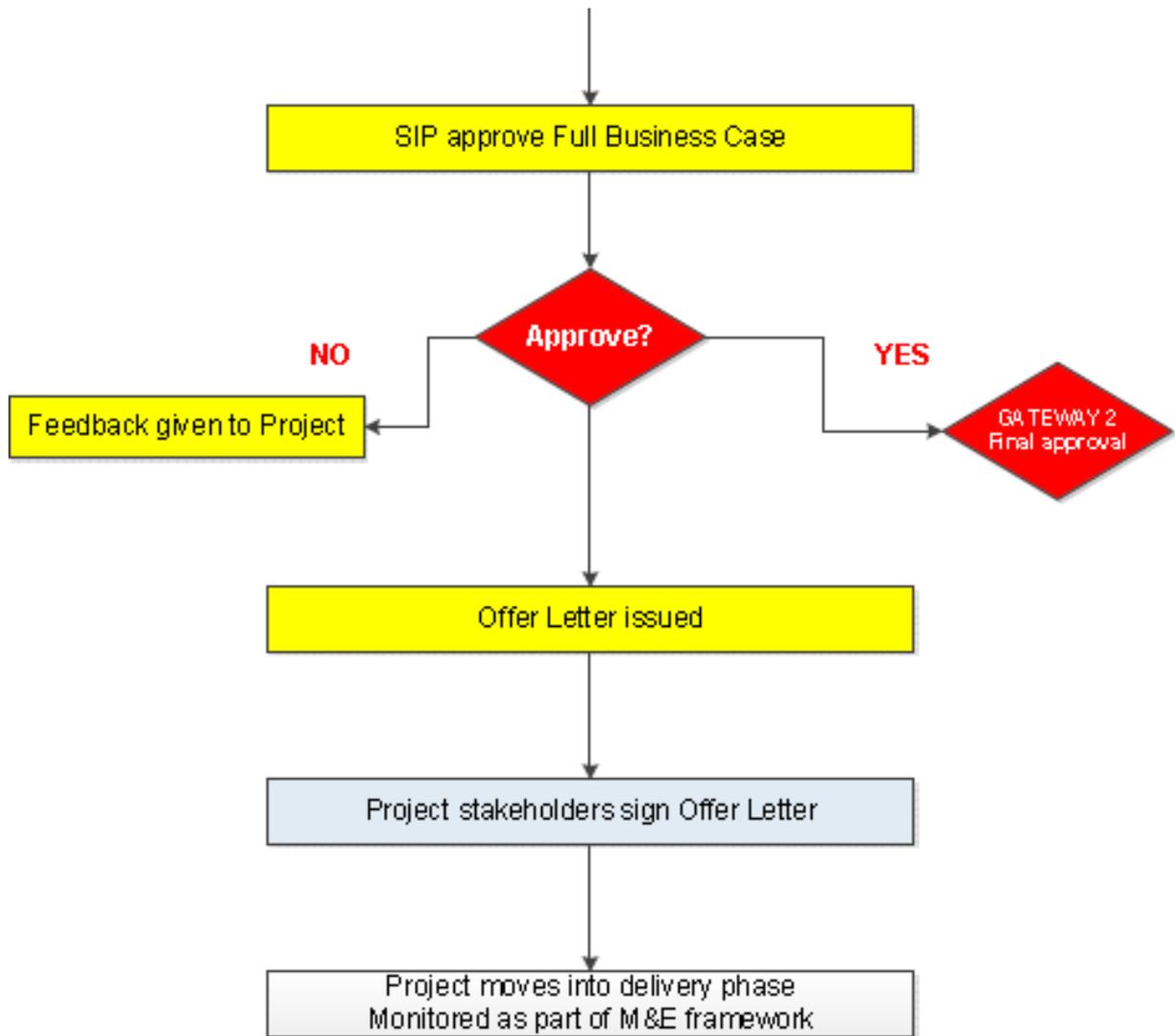
\* Projects may submit at any time, but there will only be one proactive "call" for projects each year

## LEP Investment Pipeline - Prioritisation Application, Appraisal and Decision Flowchart



## LEP Investment Programme Application, Appraisal and Decision Flowchart





## Appendix C: Scheme of Delegation

### *Heart of the South West LEP Board*

#### **Scheme of Delegation**

##### 1. Board Authority

- 1.1. The Board is authorised to publish a scheme of delegation under the LEP Assurance Framework to enable its sub groups and other groups to support the Board to deliver the LEPs investment programme.
- 1.2. The scheme is in accordance with offer letters for funding received for the current investment programme – Growing Places Fund and the Growth Deal– and has been prepared with the intention of being fit for purpose for any and all current and future funding managed by the LEP.
- 1.3. The LEP Assurance Framework agreed by the LEP and Somerset County Council (the ‘accountable body’) sets out the governance for the investment programme and the roles of the Board and its sub groups in programme management and the Heart of the SW Joint Committee.
- 1.4. Board sub groups are:
  - the Strategic Investment Panel,
  - the People, Place, and Business Leadership Groups
  - the Finance and Resources Committee.
- 1.5. The Local Transport Board (LTB) delivers the transport component of the investment programme and its role has been formalised in a partnership agreement with the LEP (dated X) and in this scheme of delegation.
- 1.6. The Assurance Framework (dated X) and scheme of delegation has been approved by the LEP Board and Somerset County council the accountable body and is compliant with the LEPs national assurance framework.

##### 2. Board Decisions

- 2.1. The Board will make the following key decisions relating to the Investment Programme:

## **2.2. Approve and adopt the strategic framework and LEP's investment programme**

2.3. The Strategic framework is defined as all plans and strategies the LEP adopts to govern its overall priorities and direction which will also be subject to dual sign off with the HotSW Joint Committee and as a minimum includes:

- Strategic Economic Plan
- Business Plan
- Investment Framework to deliver the Strategic Economic Plan / Productivity Strategy
- EU Strategic Investment Framework

## **2.4. Make all key decisions relating to the LEP's investment programme.**

2.5. For the purposes of this scheme of delegation a key decision is defined as:

- Financially significant: decisions which result in a significant amendment to the agreed investment programme. The Board has agreed that a significant amendment to the investment programme is defined as a change to the programme of over £250,000. The change management policy forms part of this scheme of delegation and sets out further guidance on how changes to the investment programme are managed. See below.
- Significant Impact: decisions deemed significant in terms of their impact on communities or businesses in the Heart of the South West.
- Any other decisions deemed novel or contentious by Board Directors, and/or decisions referred to the Board by the Strategic Investment Panel, Leadership Teams and LTB.

2.6. The Board will also be responsible for the following decisions in relation to the investment programme, as a minimum:

- Approval of any prioritised pipeline of projects seeking investment to support delivery of the SEP
- Approval of any funding bids seeking investment in the LEP's approved pipeline. This includes bids to national Government or any other public or private sector funder.
- Approval of any re-prioritisation of the project pipeline and investment programme.
- Approval of the budget for the investment programme and the funding 'envelopes' for the People, Place (Inc. transport) and Business sub programmes.

- Approval of virement of funding between People, Place and Business sub-programmes.
- Reviewing and approving the scheme of delegation for the investment programme

2.7. Note that ‘Investment Programme’ refers to any and all current or future funding programmes and projects under the responsibility of the LEP. At the time of writing this refers to the:

- Local Growth Funding (Growth Deal)
- Growing Places Fund

### 3. Strategic Investment Panel (SIP)

#### **3.1. The LEP Board delegates authority to the SIP to:**

- *Recommend* to the Board a single prioritised pipeline of projects seeking funding from the investment programme.
- *Recommend* to the Board the funding envelopes for the investment programme.
- Manage the investment programme subject to this scheme of delegation and the change management policy (see below).
- *Recommend* to the Board a budget for investment programme administration costs.
- Approve final business cases for all (non-transport) projects. There is no financial limit to this responsibility provided projects are already approved for pipeline or investment programme entry and are within the agreed funding envelope.
- Take decisions, or refer to the Board decisions, any issues escalated by the Leadership Groups and Local Transport Board – in accordance with this Scheme of Delegation.
- Direct and advise the investment programme ‘team’, i.e. LEP Programme Management Office and LEP Management Team, in their programme management role
- Novel and contentious matters and decisions will be referred to the Board

### 4. People, Place & Business Leadership Groups

#### **4.1. The LEP Board delegates authority to the People, Place and Business Leadership Groups to:**

- Provide strategic advice and guidance on the delivery of the People, Place & Business themes set out in the Strategic Economic Plan (SEP).
- *Recommend* to the SIP a prioritised pipeline of projects for their respective sub programmes.
- Manage the investment sub programme subject to the scheme of delegation and the change management policy.
- Review and approve expressions of interest and outline business cases for their sub programme.
- Review and *recommend* final business cases to the SIP
- *Recommend* to the accountable body any required conditions for the Offer Letter and recommend for signature by the accountable body.
- Novel and contentious matters and decisions will be referred to the Board

## 5. Local Transport Board

### 5.1. The Board delegates authority to the LTB to:

- Recommend to the Place Leadership Group a prioritised pipeline of projects for the transport sub programme, within the Place delivery theme.
- Manage the investment sub programme subject to the scheme of delegation and the change management policy.
- Approve final business cases for all transport projects. There is no financial limit to this responsibility provided projects are already approved for pipeline or investment programme entry and are within the agreed funding envelope.
- *Recommend* to the accountable body any required conditions for the Offer Letter and recommend for signature by the accountable body.
- Novel and contentious matters and decisions will be referred to the Board

## 6. Finance and Resources Committee

### 6.1. The Board delegates authority to the F&R Committee to:

- Provide strategic advice and guidance to the Chief Executive and the Board on the effective and efficient financial management of the partnership.
- Maintain oversight of the LEP's governance and financial management. This will relate to all core activity not included in a People, Place or Business delivery theme, including:

- Approval and recommendation to the Board on behalf of the LEP, the Service Level Agreements with the local authorities for core costs and programme management costs.
- Recommendation to the Board of annual budget and accounts.
- Advice and guidance to the Chief Executive on business planning and other 'corporate' matter.

## 7. LEP Chief Executive & Management Team

7.1. The Board delegate authority the Management Team to:

- Manage routine programme management functions and decisions.
- Make any other necessary decisions to ensure the efficient and effective management of the LEP and delivery of programmes required and not formally within the delegated responsibility and any of the above LEP sub groups.

The scheme of delegation includes the following Change Management Policies for the Growth Deal Programme and the Growing Places Fund programme which control how changes can be made to the approved programmes and projects and which changes are to be made by the Board and those delegated to its sub groups

Change Management Policy GROWTH DEAL PROGRAMME	
Type of change	Financial limit
<b>Board approves</b>	
1. Changes to the Investment Programme and project grants	Increases over £250k
2. Changes to People, Place (Inc. transport) and business funding envelopes i.e. sub programme budgets	All changes
3. Changes to the prioritised project pipeline	All changes
<b>SIP approves</b>	
4. Changes to project grant	increases over 10% up to £250k
5. Changes to project scope, objectives, match funding, timescales, other material change. Novel and contentious matters and decisions to be escalated to the Board.	All changes (up to £250k where applicable)
<b>Leadership Teams and LTB approve</b>	
6. Managing sub-programme funding envelopes	Capped budget for each sub programme Sub programmes must meet their spend target for each financial year Individual project spend can be slipped/brought forward providing the sub programme's annual spend targets are met
7. Increase in project grant	Projects can have their grant increased by up to 10% subject to a cap of £250k. This increase must be funded from the sub programme budget
8. Project cost reductions and reductions in grant	Where projects make cost reductions the project's private sector match funding should be maintained at the same level. The Growth Deal and public sector contributors should share the saving pro rata to their match funding.
9. Match funding variations	Subject to being compatible with point 8 above on cost reductions, match funding can be reduced on individual projects by up to 10% per project subject to a cap of £250k, providing the overall private and public match funding targets for the sub programme are not reduced. Teams should assess the minimum level of match funding required to ensure project scope and outputs

	will remain the same.
10. Other material changes to projects	The above variations can proceed providing there are no other material changes to project business cases e.g. project scope and objectives, outputs and outcomes, timescales. If there are other material changes the business case must be reviewed and a new approval obtained
11. Changes to the project Offer Letter	Changes to the standard Offer Letter template should be avoided. If changes are required Teams should obtain approval from the accountable body Once the Offer Letter has been signed changes should be managed in accordance with the Offer Letter conditions. Variations must be approved by the accountable body.

<b>Change Management Policy GROWING PLACES FUND</b>	
<b>Type of change</b>	<b>Financial limit</b>
<b>Board approves</b>	
1. Changes to the Investment Programme and project grants / loans	Increases over £250k
2. Changes to the prioritised project pipeline	All changes
<b>SIP approves</b>	
3. Changes to project grant / loan	Increases up to £250k
4. Changes to project scope, objectives, match funding, timescales, conditions in funding agreement, other material change. Novel and contentious matters and decisions to be escalated to the Board.	All material changes, affecting the project delivery and outputs
5. New projects and spending headroom, including from repaid loans, within GPF funding envelope	All new projects
<b>SIP Chair approves</b>	
6. Project cost reductions and reductions in grant / loan	Where projects make cost reductions the project's match funding should be maintained at the same percentage. The Growing Places Fund should share the saving pro rata, thereby releasing funds for reallocation to further projects.
7. Minor changes to project, timescales, outputs, conditions in funding agreement, other minor change	These variations can proceed with approval from Place Group Chair providing there are no other material changes to project business cases e.g. project scope and objectives, outputs and outcomes, timescales or terms of funding agreements. If there are other material changes a new approval obtained from the SIP. In the case of doubt of impact, the Place Chair to refer to the SIP.
8. Very minor changes to project, timescales, conditions in funding agreement, value less than £10k or small impact on project delivery.	These variations can proceed with decisions by the GPF Programme Management team (DCC), providing there are no material changes. In the case of doubt the refer to the Chair of the Place Group.

## Appendix D: Business Case Checklist

### Growth Deal Business Case

Business cases should be prepared and appraised in accordance with HM Treasury Green Book guidance and by applying the 5 case models which is commonly used for economic development and transport projects. These can be summed up as follows:

- The strategic case- is it needed?
- The economic case- is it value for money?
- The commercial case- is it viable?
- The financial case- is it affordable?
- The management case- is it deliverable?

Business cases should be proportionate and appropriate for the size and type of project and the guidance applied accordingly.

For more guidance go to: <https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government>

This website includes templates for business cases, detailed guidance on how to develop a business case and what needs to be included. There is also a useful checklist for assessors, which highlights the key points to consider when putting the case together.

### **Checklist for business case**

Business cases should normally include the following items. The level of detail should be proportionate to the project.

1. Strategic case – project rationale, policy context, strategic fit
2. Value for money and options assessment –
  - a. Project inputs and costs and outputs and outcomes – ensuring these are additional and net outputs and benefits (see additional guidance below)
  - b. Assessment of Options – for example:
    - (a) do nothing
    - (b) the preferred option
    - (c) less ambitious
    - (d) more ambitious
3. Cost/Benefit analysis – level of analysis depending on scale and complexity of project
4. Sensitivity analysis - ditto
5. Risks and Impacts assessment
6. Financial Summary

- a. Capital Expenditure Breakdown. Cost Plans should normally be developed at least to RIBA stage D (Planning submission). Plans and drawings for scheme.
  - b. Project Funding (profiled annually or quarterly) – sources e.g. Growth Deal, other public, private. Is the match funding secured?
  - c. Operational funding – is the project financially viable once built? Is all revenue funding secured?
  - d. Cashflows and accounts to support capital and revenue expenditure
7. Management and Deliverability
- a. Project implementation plan including project governance arrangements
  - b. Project management resources and key personnel and their experience and track record. Techniques to be used e.g. PRINCE2. Professional team appointments and advisors.
  - c. Risk Management –risk register, mitigation measures.
  - d. Programme - Key milestones and delivery dates
8. Commercial feasibility- procurement strategy, charging mechanisms
9. Key dependencies e.g. land acquisition, planning and statutory consents, funding deadlines and conditions.
10. Legal - State aid compliance. Funding conditions and contract terms.
11. Sustainability and equalities assessments – level of detail depends on scale of project and its impact. Typical sustainability standards will be BREEAM, green travel plan, renewables, local labour and supply chain initiatives. Equalities should assess equal opportunities and access beyond statutory minimums
12. Monitoring and evaluation plan – including annual profile of outputs and benefits, who is undertaking monitoring, techniques, cost of monitoring.
13. Specialist information and procedures required in business cases by Growth Deal partners such as SFA, DfT, LTB.
14. Stakeholder engagement including consultation process and project PR and Comms plan.

### **Notes for appraisers reviewing business cases**

1. Independent appraisal – the Leadership Group LA teams responsible for business case reviews must ensure these are undertaken by an independent appraiser. LA teams can undertake appraisals themselves providing they are not promoting the project and have no interest in it. Where there is a conflict of interest teams should arrange for the appraisal to be undertaken by another Leadership Group team or appoint an independent consultant
2. Project Additionality – it is good practice in the business case review to assess the additional impact or additionality of the project either extent to which something happens as a result of an intervention that would not have occurred in the absence of the intervention, and to calculate the net additional benefits

as part of the VFM assessment. The HCA have published 2 useful guides which are available on their website <http://www.homesandcommunities.co.uk/ourwork/best-practice-and-guidance> the Additionality Guide 4<sup>th</sup> Edition 2014 , and the Employment Densities Guide 2<sup>nd</sup> Edition 2010.