

Liverpool City Region Local Enterprise Partnership
Growth Deal Funding Assurance Framework

AMENDED VERSION

*AGREED BY THE TREASURER
OF THE LIVERPOOL CITY REGION COMBINED AUTHORITY*

6th April 2016

1. **Introduction**

- 1.1 All Local Enterprise Partnerships (LEPs) are required as part of the Growth Deal process to develop, agree and implement a single assurance framework covering government funding flowing through LEPs. This is to ensure that LEPs have robust value for money processes in place.
- 1.2 With regard to LEPs, the guidance refers to the strategic partnership role of the LEP Board and it's relationships with partner bodies, such as the Combined Authority (CA). As LEPs have Accountable Bodies to undertake the public funding accountability responsibilities for administering funds, the Assurance Framework must also be applied by the LEP Accountable Body. The Assurance Framework therefore seeks to assure government that these budgets and programmes can be securely and responsibly devolved to local areas through a 'single pot' mechanism.
- 1.3 This Assurance Framework, whilst reflecting local arrangements, must meet the minimum standards and government expectations as set out in 'LEP Assurance Framework' guidance, published by BIS in December 2014. The framework should be viewed alongside 3 other key documents, namely:-
 - a. Growth Deal grant offer letter
 - b. Monitoring and Evaluation Framework
 - c. Implementation summary report

The national framework should be viewed in the context of the 'Accountability Systems Statements' for both local government and Local Growth Fund.

- 1.4 This assurance framework is based on the principles set out within the former Local Transport Body's assurance framework, originally agreed by

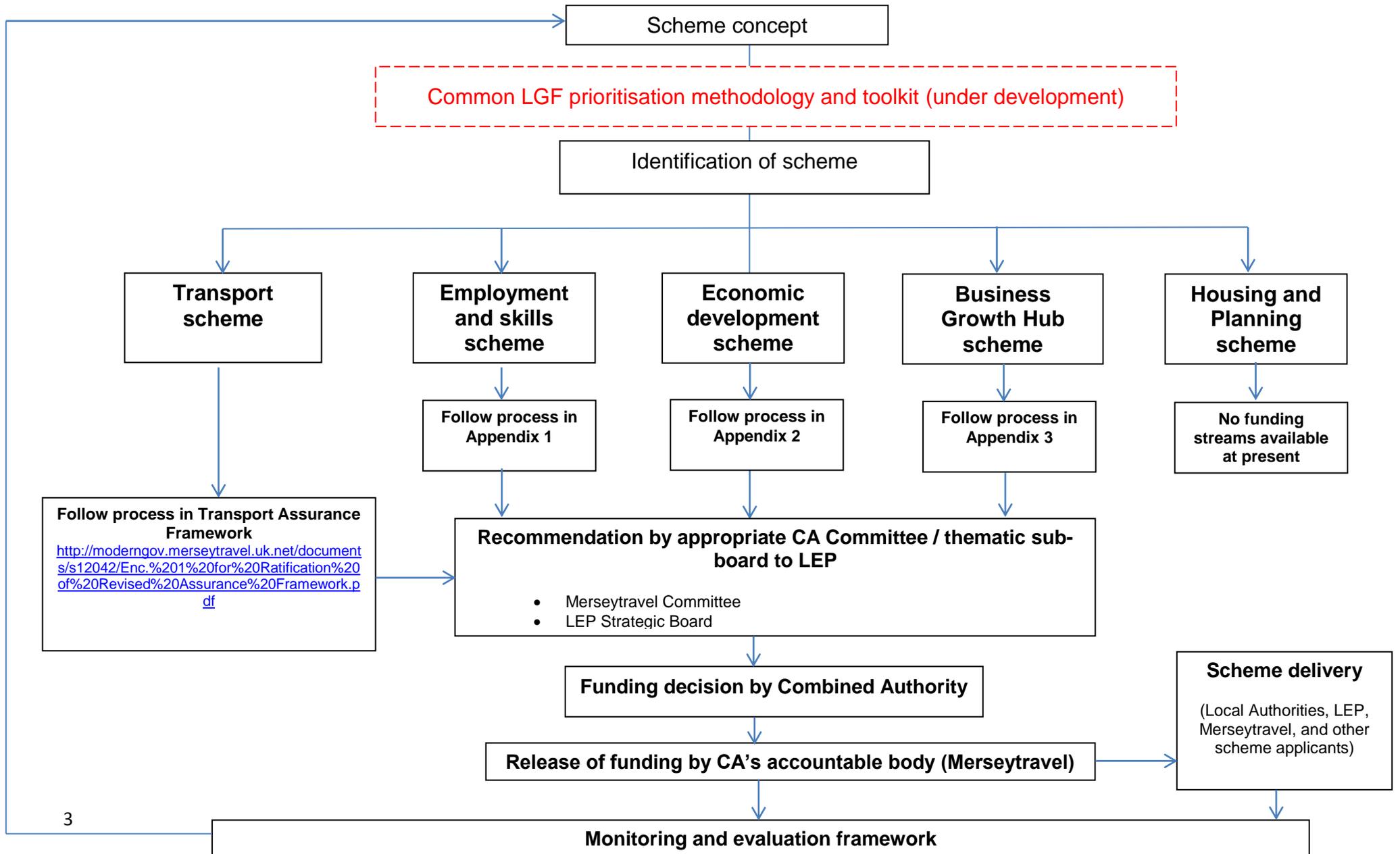
the Liverpool City Region LEP and by its constituent local authority partners in Spring 2012. This document will govern the decision-making process for all schemes that come forward for funding through the Local Growth Fund (LGF).

- 1.5 As such, this assurance framework covers a wider range of policy areas other than for transport spend, reflecting the scope of the Growth Deal process and the potential for further devolved funds in the future.
- 1.6 The document takes the form of a short, overarching framework (sections 1-6) with more detailed appendices setting out the processes for the principal thematic areas (e.g. skills capital schemes). Diagram 1 overleaf shows how this approach will work in practice. This approach will be kept under review to ensure that it remains fit for purpose and relevant.
- 1.7 Transport schemes continue to be governed by the existing Transport Assurance Framework, which was endorsed in May 2014, which remains extant, and which is available at:-

<http://modern.gov.merseytravel.uk.net/documents/s12042/Enc.%201%20of%20Ratification%20of%20Revised%20Assurance%20Framework.pdf>

- 1.8 European Structural Funds are not covered by this framework, being governed by separate policy and accountability requirements.
- 1.9 The basis of the LCR LEP Assurance Framework was agreed by the Liverpool City Region's LEP and its key decision-making and accountable bodies on the following dates:-
- LCR Combined Authority 6 March 2015
 - LEP Board 12 March 2015
 - Merseytravel (as CA's executive body) 25 March 2015
- 1.10 The document was reviewed most recently in March 2016, following audits of LEPs led by the National Audit Office (NAO) and Government Internal Audit Agency (GIAA). The findings from this process are set out in Appendix 4 to this document. Revisions have been made to address the areas of partial compliance identified, and the revised Framework was agreed by the Combined Authority's Treasurer on 31 March 2016. For completeness, it will also be subject to endorsement by the Local Enterprise Partnership's Strategic Board at a later date.
- 1.11 The Assurance Framework will be comprehensively reviewed during 2016/17 to take full account of the wider powers and funding sources that the Liverpool City Region will assume as part of the devolution agreement that was signed in November 2015. This document thus provides interim assurance in respect of Local Growth Deal funding, ahead of being superseded by a wider Assurance Framework for the Liverpool City Region Combined Authority as a whole.

Diagram 1: Process flowchart for the application of this Assurance Framework



2. The Liverpool City Region LEP

- 2.1 The Liverpool City Region LEP was established in shadow form in 2010 and continued in this format until it became incorporated in March 2012. This was achieved by assuming board control of a pre-existing entity that operated as a membership body on a not for profit basis. This provided the LEP with greater independence and the ability to undertake certain delivery activities directly. It was recognised as the private sector-led body responsible for developing and maintaining the Strategic Economic Plan and determining the key funding priorities to which Local Growth Fund and other resources should be directed, and ensuring there is adequate capacity to deliver against those through its delivery partners. These responsibilities are provided to the LEP by government via the Growth Deal process, but are also acknowledged in the Combined Authority protocols published at the formation of the CA.
- 2.2 Legally, the CA acts as the final decision-maker and accountable body on public sector spend, and that ensures that public sector risks and responsibilities are met. In relation to LGF funding decisions, the LEP acts in a strategic, expert capacity, utilising the private sector capacity of its Board and sub boards. It makes recommendations and provides advice to the Combined Authority on the merits or otherwise of schemes coming forward for eventual financial approval. Furthermore, the LEP is represented on the Combined Authority, discussed further in section 3 below.
- 2.3 The requirements of the Local Growth Deal, in particular the LEP Assurance Framework, led to the LEP reviewing its governance structures and its delivery responsibilities and whether these were compromised or conflicted. On occasions, the LEP, in its incorporated status, may also act as the promoter or deliverer of schemes falling within the scope of, or funded by the LGF.
- 2.4 To reflect this, the LEP instituted changes to its governance in April 2015, to clearly separate its strategic role and its delivery role. This is to avoid a conflict of interest for board members who have responsibilities to the LEP as a Company, with delivery responsibilities, and also 'strategic' responsibilities in the LEP's capacity as a strategic leader in the use of Growth Deal funds.
- 2.5 In December 2015, these changes took on legal form by the removal of LEP Board members' status as Company Directors of the LEP incorporated entity other than for a sub-set of the LEP Board. The latter act as a Company Board to oversee the LEP's business and co-delivery activities, which is separate from the wider LEP Board, which provides the strategic leadership for devolved government funds. The division is shown in the schematic Diagram 2 overleaf.
- 2.6 For the avoidance of doubt, in instances where the incorporated LEP Company would apply for funds in the same way as any entity

undertaking delivery activities it would be bound by the terms of any funding agreement governing the use of those funds. The Assurance Framework design will ensure that the LEP Company does not receive beneficial treatment in any application for funds.

- 2.7 Although the separation of duties and responsibilities is designed to reduce and remove conflicts of interest, LEP Board members, who are also Company Directors of the LEP Company, are required to declare an interest should the company be a beneficiary from any advice or recommendation of the LEP Board. Such declarations are in addition to the required declarations that should be made where individual members have a personal conflict. Although no longer incorporated, the LEP Board has retained the previous requirements for declarations of conflicts of interest which are guided by the relevant sections of the Companies Act 2006. Forms are provided for individual declarations at each meeting of the LEP Board and a register of interests is also maintained which is updated with any in-year changes and reviewed annually. The relevant policies and forms are published on the LEP website and can be found here;

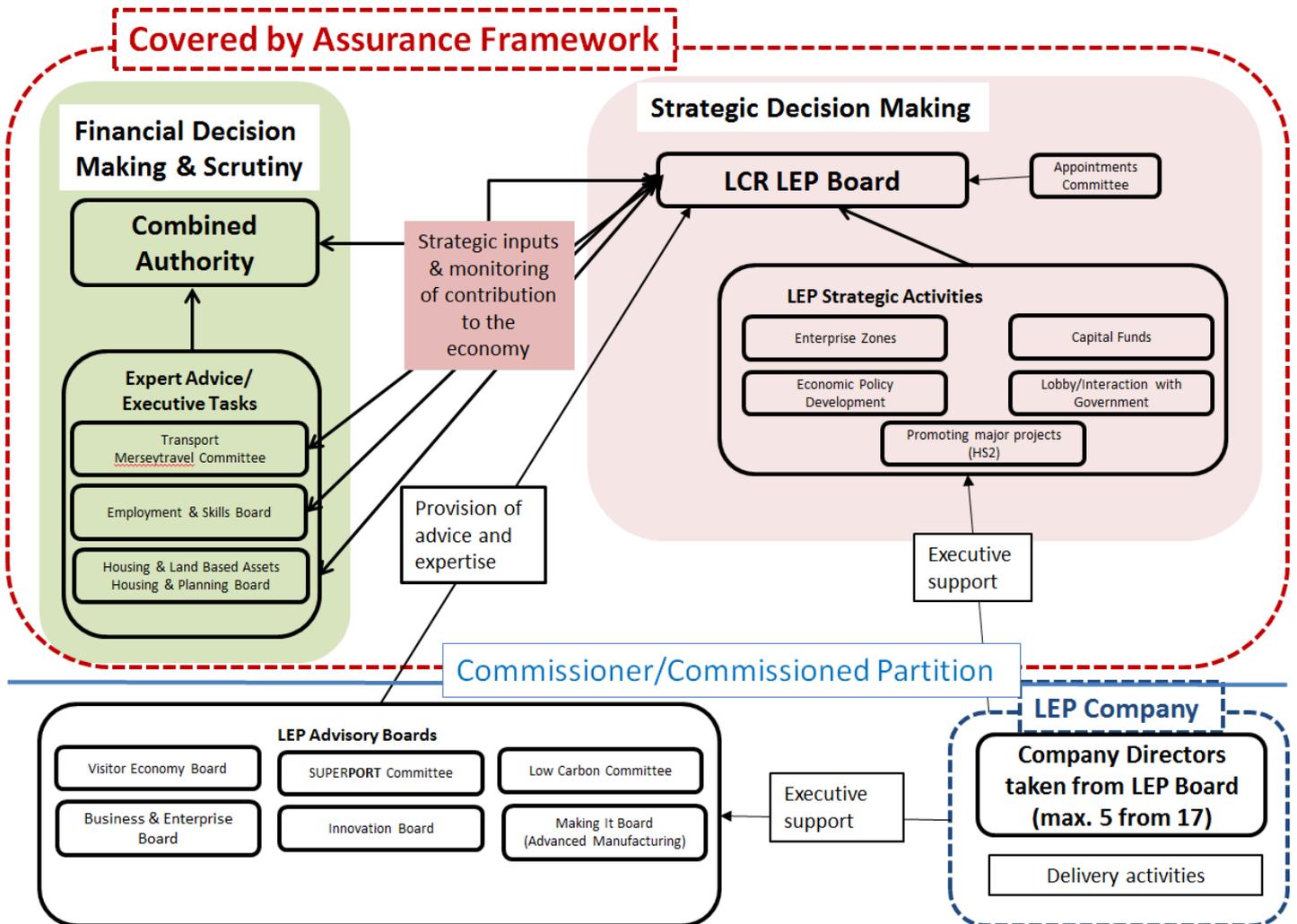
<https://www.liverpoollep.org/publications/>

- 2.8 However, it was also important that the governance changes did not cause the loss of the benefits of the duality of roles that had previously existed and so the sub-board structure that previously supported the LEP Board was left in place. The key drivers of LCR's Economic Growth were identified as 'Key Growth Sectors' and operationally sub-boards within the LEP's governance structure have oversight of their progress and success, they are supported by lead Executives employed by the LEP Company.
- 2.9 A key strength of the LEP lies in its ability to harness the breadth of skills, experience and priorities of the large number of private sector and public sector partners that it represents through its Board, Advisory Council and sub-boards. Democratic accountability for the recommendations stemming from the LEP is provided through local authority Leader representation on the Board. Accountability to the business community flows through the business representation.
- 2.10 The LEP Board has seventeen members, with a Chair taken from the private sector along with the Mayor of Liverpool and the other five local authority leaders who together constitute the Combined Authority (35% of the total). In addition there are a further ten members taken from higher education and private sector parties. This Board provides a unified decision-making platform which binds public and private sectors together, bolstering joint and inclusive governance and decision-making processes.
- 2.11 The sub-set of the LEP Board who assume Company Director responsibilities number five and include one local authority leader,

nominated by the local authority leaders, together with up to four members taken from the private sector cohort of the LEP Board. The number of members of the Company Board will not exceed one-third of the LEP Board to avoid it being able to exercise undue influence.

- 2.12 In 2.5 above, the partition illustrated in Diagram 2 was explained as preserving the benefits of the duality of roles previously adopted but without compromising the integrity of the governance of public funds and creating inherent conflicts. It was also explained in 2.8 and 2.9 that the LEP Board extends its representation of the local community and draws strength from the wider expertise and knowledge available through sub-boards and Advisory Council. However, these have no authority conferred on them either explicitly or implicitly in directing or deciding on the use of public funds, their role is purely as expert advisors to the LEP Board on the growth opportunities in the sectors or cross-cutting themes on which they focus their expertise and experience.
- 2.13 The formation of sub-boards to the LEP Board, their terms of reference and the selection of a Chair are all at the discretion of the LEP Board. Such matters are reported to the LEP Board and are recorded and published in the agenda, papers and minutes of the LEP Board meeting at which they were considered. The selection of sub-board Chairs is considered and proposed by an Appointments Committee for approval by the LEP Board.

Diagram 2: New arrangements to avoid conflict between the dual role undertaken by the Local Enterprise Partnership



2.14 The LEP has a dedicated website through which local partners and the public can access the LEP’s Strategic Board minutes and papers that are subject to the same provisions as local authority committee papers. The exception will be any item that could be exempted under the principles that underpin Part 1 of Schedule 12A of the Local Government Act 1972.

2.15 The website also provides other important and key documents such as Growth Deal documentation and on which progress on implementing the Growth Deal can be seen:-

http://liverpoollep.org/about_lep/key_documents.aspx

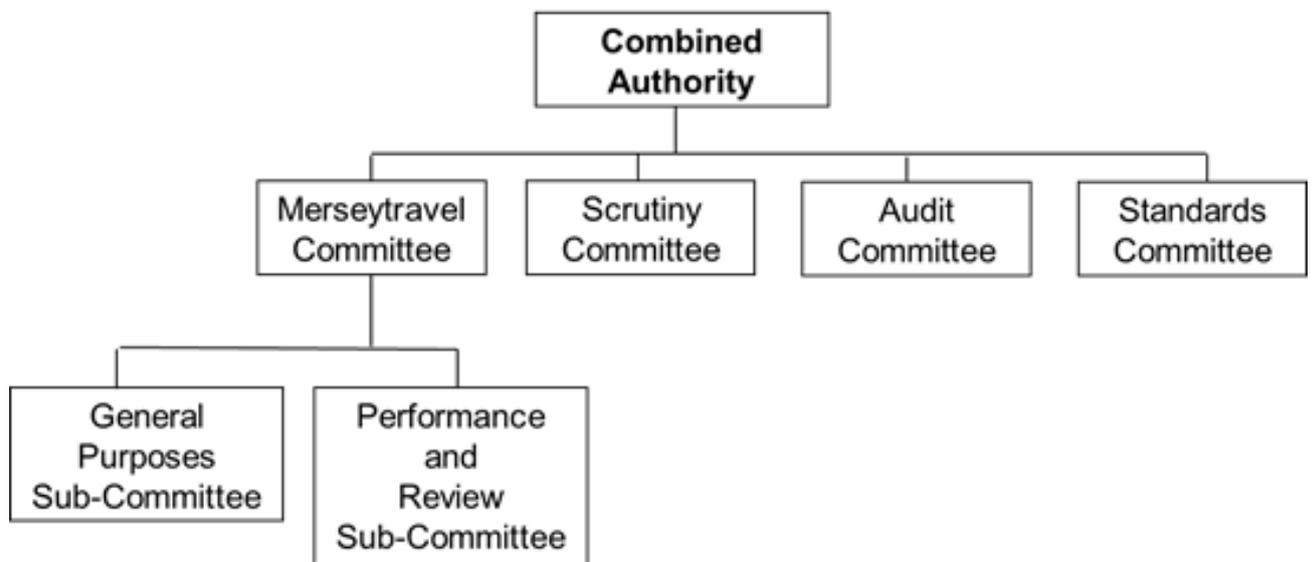
3. **The LCR Combined Authority**

- 3.1 The establishment of the Combined Authority (CA) on 1 April 2014 ensures a strong and accountable platform across LCR for implementing the growth and economic development priorities of the LEP.
- 3.2 The CA has a clear constitution, terms of reference, operating agreements and protocols, and register of interests covering any decision makers. These were revised in June 2015 and are available at the link below:-

<http://councillors.knowsley.gov.uk/documents/s34717/Item%205%20-%20LCRCA%20Review%20Report.pdf?StyleType=standard&StyleSize=none>

<http://councillors.knowsley.gov.uk/ieListMeetings.aspx?CId=890&Year=0>

- 3.3 The formal committee structure of the CA is as follows:-



- 3.3 The Chair of the LEP sits as a voting member of the CA, in addition to the five local authority leaders and the Mayor of Liverpool, to provide a clear link between both organisations. Constitutionally, however, the Chair of the LEP is unable to vote upon the following issues:-

- (a) the setting of any Levy or Differential Levy;
- (b) the appointment of the Chair and Vice Chair of the Authority;
- (c) amendments to the Constitution;
- (d) approval of borrowing limits;
- (e) approval of treasury management and investment strategies;

- (f) financial matters which may have implications on the budgets of the Constituent Councils;
- (g) approval of the setting of the Mersey Tunnel tolls;
- (h) approval of the grant to Merseytravel; and
- (i) such other matters as the members of the Authority (or their substitutes) who are members of the Constituent Councils, shall determine.

3.4 The CA has appointed statutory officers to manage its affairs and to support the development of agendas and technical papers:-

- Head of Paid Service Ged Fitzgerald, Liverpool City Council
- Head of the Secretariat Vacant
- Monitoring Officer Angela Sanderson, St Helens Council
- Treasurer John Fogarty, Merseytravel
- Head of Internal Audit Stephanie Donaldson, Merseytravel
- Lead Officers:-
 - Scrutiny Chief Executive, Halton
 - Economic Development Chief Executive, Liverpool
 - Housing and Planning Chief Executive, St Helens
 - Transport Interim Chief Executive, Merseytravel
 - Employment and Skills Chief Executive, Knowsley

3.5 Since the Assurance Framework was last revised in 2015, the remit of the Combined Authority has evolved. It has become necessary for the Treasurer to consider whether the existing arrangements provide sufficient assurance to the Combined Authority that these statutory obligations are being met. As a result, arrangements will be defined more formally during 2016/17 through the appointment of a Head of Internal Audit who is charged with delivery of a clearly defined and specific Internal Audit Plan for the Combined Authority. This was agreed by the CA's Audit Committee on 5 April 2016, and details are available at the hyperlink below:-

<http://moderngov.merseytravel.uk.net/documents/s17623/LCRCA%20Internal%20Audit%20Arrangements%20Plan%20of%20Work%20201617.pdf>

3.6 Dedicated policy expertise across the Combined Authority's areas is provided to the Combined Authority by the existence of appropriate thematic committees, boards or other bodies, as per Diagram 3 overleaf:-

Diagram 3: The Combined Authority's thematic policy support areas
 (Note: this includes both formal committees and advisory boards / bodies)



3.6 These bodies (or formal Committees, in the case of the Merseytravel Committee) are supported by officers from each of the City Region local authorities, from the LEP and from Merseytravel. They provide experience and expertise dealing with specific functional aspects of schemes, namely:-

- Transport Advisory Group
- Housing and Spatial Planning Co-ordinating Group
- Employment and Skills Steering Group
- The Local Enterprise Partnership Board

3.7 The CA acts as accountable body for a range of funds for economic development, housing, transport, employment and skills and other regeneration activity. The CA may administer the funds with strategic decisions on commissioning being made elsewhere, or it may administer the funds and commission activity itself. The CA is supported by Merseytravel as its executive body, and the principal staffing and delivery body. Merseytravel officers will also administer funds on behalf of the CA.

3.8 The CA will receive LGF monies and other funding sources from Government and ensure that resources are subject to the usual local authority checks and balances. Accordingly, as these responsibilities ultimately rest with the CA, final responsibility and risks for LGF funding decisions rest with the Combined Authority, rather than with the LEP.

3.9 The CA's Treasurer will ensure that LGF funds are managed and accounted separately. The Treasurer's role also extends to:-

- ensuring decisions conform with legal requirements with regard to equalities, social value, environment, State Aid, procurement etc;
- ensuring that the funds are used appropriately;
- ensuring that this assurance framework is adhered to;
- holding copies of all relevant LEP documents relating to LGF funding;
- responsibility for decisions in approving projects (for example if subjected to legal challenge);

- ensuring that there are arrangements for local audit of funding; and
 - confirm that the LEP and accountable body have agreed timescales and operating practices to support the effective implementation of decisions. This should include for example a means for monitoring delivery and to provide clarity about what information it would expect to receive from scheme promoters and delivery agents.
 - through the formal appointment of a Combined Authority Head of Internal Audit (as noted in paragraph 3.5), ensuring that clear and effective internal audit arrangements are in place for the CA.
- 3.10 LGF will be paid via a Section 31 grant determination to Merseytravel as the accountable body for the CA, and funding conditions are set out through the grant funding agreement. The funds are accounted in such a way that Merseytravel cannot use this funding for its own purposes, or without any clear mandate from the CA. Additional transparency will be introduced through the use of a separate bank account for LGF funds that are held and managed by Merseytravel.
- 3.11 Knowsley MBC acts as the Secretariat to the Combined Authority. In this role, it is responsible for recording decisions, and for ensuring that papers, decisions, minutes, agendas are published in line with existing local authority rules and regulations. Relevant details are available at the hyperlink below:-
- <http://councillors.knowsley.gov.uk/ieListMeetings.aspx?CId=890&Year=0>
- 3.12 All funding decisions for LGF monies will require the submission and approval of a formal, written report that would then be made available in a public domain, both for the LEP and the Combined Authority.
- 3.13 The CA has also incorporated the functions of the former Local Transport Body via a revised transport assurance framework, outlined in paragraph 1.7 above.

4. The prioritisation and selection of projects

- 4.1 Following the development of a clear and transparent prioritisation methodology for transport, as agreed by the Local Transport Body in April 2012, the LEP and its partners are adapting this approach to provide a common appraisal framework across wider policy areas.
- 4.2 At this stage in the funding devolution process, funding has tended to be allocated by theme, and is effectively ring-fenced to specific types of project (e.g. transport or skills capital).
- 4.3 However, a new prioritisation process will be developed in the context of new funding streams and flexibilities that stem from the Liverpool City Region Devolution Deal in November 2015. This will be linked to a

comprehensive review of this Assurance Framework as explained in paragraph 1.11 above.

5. **Funding approvals**

- 5.1 Merseytravel, on behalf of the CA, will put in place appropriate arrangements for the proper use and administration of this devolved funding, building on existing local government financial systems. Merseytravel will also be responsible for ensuring that decisions are made in accordance with this Assurance Framework.
- 5.2 As part of the funding approvals, Merseytravel, on behalf of the Combined Authority, may specify provisions for the protection of public funds (e.g. arrangements to suspend or claw back funding in the event of non-delivery or mismanagement). Funds will also be subject to Merseytravel's established auditing processes, and will be subject to established audit procedures.
- 5.3 Merseytravel reserves the right to not comply with a LEP recommendation and a CA decision if that decision would be unlawful or improper. In such circumstances, Merseytravel will refer the decision back to the Combined Authority and/or the LEP, and will not release funds.
- 5.4 Further scrutiny and audit arrangements are established through the Combined Authority's Scrutiny Committee, the CA Audit Committee and through the Local Enterprise Partnership's Risk and Governance committee. CA audit arrangements are led by its Head of Internal Audit.

6. **Monitoring and evaluation**

- 6.1 Monitoring and evaluation is a core component of the overall Growth Deal process, and also the related projects. Monitoring and evaluation improves the efficiency and effectiveness of delivery and will aid the understanding of the effects of schemes. It will also shape future priorities as per the "feedback loop" approach outlined in Diagram 1.
- 6.2 BIS has developed overarching guidance on core metrics for the evaluation of the Growth Deal.
- 6.3 All funding approvals by the CA will be conditional upon appropriate monitoring and evaluation frameworks being put in place and thereafter implemented by scheme promoters. A failure to monitor and evaluate a scheme in line with agreed details agreed shall render a scheme liable for clawback by the Combined Authority.

Detailed Approach to Employment and Skills Capital Schemes

1. Introduction

- 1.1 This assurance framework is applicable in cases where the Liverpool City Region is making policy and funding decisions in respect of skills capital projects, principally, but not exclusively, using funds devolved through the Growth Deal process. It ensures delivery of projects that support the City Region's long-term strategic economic priorities.
- 1.2 The assurance framework incorporates the good practice principles established by the Skills Funding Agency (SFA), tailored to local circumstances. It guarantees robust local arrangements to ensure value for money and effective delivery of skills projects, through strong project development, project and options appraisal, prioritisation and business case development.

2. Employment and Skills Board

- 2.1 The Employment and Skills Board (ESB) is the lead strategic body for employment and skills in Liverpool City Region, commissioned by both the Combined Authority and the LEP. The role of the ESB is to set priorities for employment and skills delivery and to hold providers of those services to account, enabling delivery to be flexed in line with local priorities. Membership of the Employment and Skills Board is available at the link below. Note that although some skills providers and potential recipient bodies sit on the Employment and Skills Board, only the private sector and Local Authority representatives have voting rights.

www.lcrskillsforgrowth.org.uk

- 2.2 A key role of the ESB is to advise on the allocation of funding (e.g. skills capital), and to commission activities (e.g. relevant aspects of the 2014-2020 European Programme). To ensure against any conflicts of interest of members, a transparent Declaration of Interests process has been established. ESB member are required to sign-up to a "Code of Conduct" and absent themselves from discussions on particular issues if a conflict of interest exists. The Employment and Skills Board will develop and maintain a register of personal interests of members; this will be available to the public. Full Terms of Reference for the ESB are available at the link below.

<http://councillors.knowsley.gov.uk/documents/s31767/Item%2010%20Employment%20and%20Skills%20Board%20Refresh.pdf?StyleType=stand&StyleSize=none>

3. **Scheme Prioritisation**

- 3.1 A transparent and robust methodology must be utilised to aid the prioritisation of skills projects and the identification of new schemes.
- 3.2 The methodology adopted for Skills Capital Funding, endorsed by the LEP and Combined Authority was agreed in consultation with local sector representative bodies and reflects best practice from elsewhere in the country and from previous rounds of funding operated by the Skills Funding Agency. This methodology will form the basis for City Region skills investment prioritisation unless and until it is replaced by any subsequently agreed method.
- 3.3 Details of the City Region's Skills Capital strategic priorities, investment principles, application process and appraisal criteria are available in the Skills Capital Investment Fund Prospectus and Guidance Note.

http://www.liverpoollep.org/liverpool_city_region/city_region_growth_deal/skills_capital_investment_fund.aspx

- 3.4 More specifically, the City Region is using the Skills Funding Agency "opt in" offer which includes technical expertise in terms of the appraisal of the building cost/floor space element of applications, alongside a quality appraisal of the applicants existing provision and financial health. The appraisal methodology applies a 2 stage assessment process as follows:-

Stage 1 Gateway Appraisal

This stage is an initial review to ensure the application is eligible under the rules of the scheme and that all the necessary information has been provided as set out within the published guidance note. There is also an overview review of the application to assess if sufficient detail is provided to enable a full appraisal against the main appraisal criteria to be undertaken. If the application meets this threshold then it will move to the main appraisal stage.

Stage 2 Main Appraisal Criteria

Within the main appraisal process applications are looked at in detail and are appraised and scored by two independent assessor teams (each team with Agency and City Region nominees) against the following headline criteria:-

- i. **Economic Appraisal** – how well the application meets demand and address market gaps in the Liverpool City Regions growth/ high volume employment sectors, as set out within the Liverpool City Region's Skills Capital Investment Fund Prospectus;

- ii. **Educational Appraisal** – how well the application improves the quality and widens the offer of learning within the area – this may include enhancements to the existing curriculum by clearly demonstrating the benefits to and impact on learners and employers including the potential for the project to deliver new job opportunities or increase wage earnings for learners as a direct result of the project;
- iii. **Technical Appraisal** – how well the project stands up from a building and conditions perspective including an energy assessment and that it is deliverable within the timescales etc. This will use an Agency national assessment model; and
- iv. **Financial Appraisal** – value for money assessment including the match funding available for the project, and if the applicant is using loans provision what is the likely impact on their financial circumstances. An assessment of any potential risks involved for the investment of skills capital funds. This will use an Agency national assessment model.

3.5 Each of the main appraisal criteria are scored independently by the two assessor teams. The scoring system is a simple 3 point scale for each of the criteria above, which roughly translates as follows:-

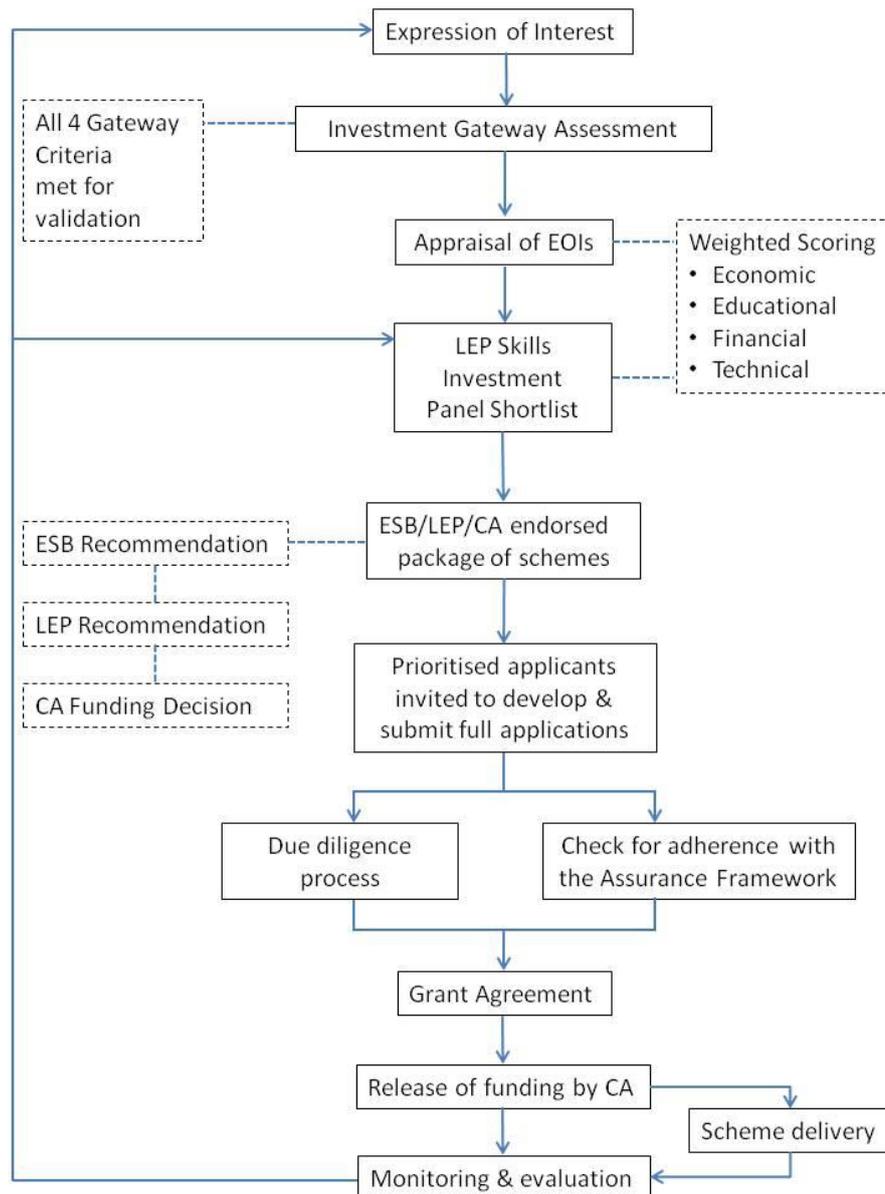
Score	Evidence
0	A score of 0 should be awarded if there is nil/inadequate evidence provided of how the criteria will be met. For example, evidence that is nil / inadequate will be a predominantly narrative response that meets none or only some of the underpinning evidence.
1	A score of 1 should be awarded if adequate evidence is provided. For example, adequate evidence may include a narrative of the project impact and benefits and measures outlined that partly meet the underpinning evidence.
3	A score of 3 will require compelling evidence against the criteria that demonstrates measurable benefits that are linked to local plans and priorities as appropriate.

3.6 Following the scoring as above, a moderation process is carried out and a weighting system applied to the main appraisal criteria.

3.7 The diagram overleaf summaries the allocation process for skills investment. Successful applications to the fund will be posted on the LEP/CA websites at the end of the application process.

3.8 To enable any projects that are already well developed to progress quickly through the process there is a Fast Track option available. This allows any applicants to submit a Detailed Application at the same time as an Expression of Interest. This approach is at the applicants own risk and the Expression of Interest will be assessed first and if successful the Detailed Application will then be assessed.

Diagram 1: Process flowchart for applications to the Skills Capital Fund

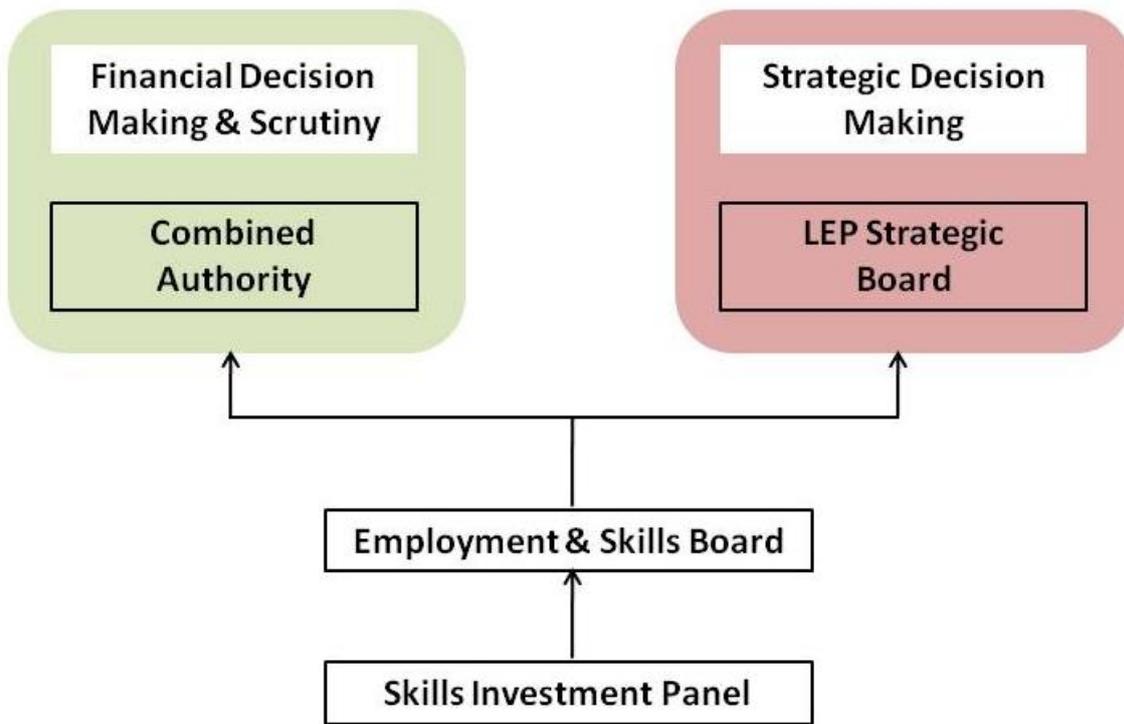


4. **Governance**

- 4.1 The Investment Panel will, with technical expertise from the SFA, assess candidate schemes against strategic priorities, investment principles and scoring criteria. This process will produce a prioritised list of projects to be recommended for endorsement from the Employment and Skills Board and ultimately the LEP and Combined Authority boards.
- 4.2 The ESB, LEP and Combined Authority boards will receive a formal written report of the recommended schemes, focusing on costs and delivery, to sign-off the grant application and agree any terms and conditions of the grant. A minuted resolution will be required to enable funds to be released by the CA.

- 4.3 The Investment Panel will have responsibility for ensuring that objective, professional advice is given to the ESB, LEP and Combined Authority boards on the merits (or otherwise) of projects. The Investment Panel will act in the interest of the LEP and CA and will draw on external, impartial support or advice as required.

Diagram 2: Governance of Skills Investment



5. Value for Money

- 5.1 Value for money will be a core criterion in scheme prioritisation of the skills funding. Projects drawing in higher levels of match funding will receive a higher weighting than schemes drawing in the minimum level of match funding. The Investment Panel will appraise project value for money, the assessment of which will be clearly reported to the LEP and Combined Authority boards.
- 5.2 Value for money and the degree of detail to which business cases are developed in support of particular projects or programmes should be proportionate to the funding allocated and in line with established Government guidance including the HM Treasury Green Book.
- 5.3 Notwithstanding the above principles on value for money, the Investment Panel will be able to make positive recommendations on schemes having lower value for money, having regard to specific circumstances including convincing wider economic, social and environmental benefits, the ability of the scheme to address multiple City Region objectives, and

circumstances where significant levels of match funding are being provided by the scheme promoter.

- 5.4 The Investment Panel recommendations to the LEP and Combined Authority will clearly explain the rationale for approving a lower value for money scheme and the implication of the recommendations.

6. **Transparency**

- 6.1 The results of the Investment Panel's assessment will be set out within formal reports to the LEP and Combined Authority boards on skills investment issues; therefore they will be open to scrutiny and comment.
- 6.2 The ESB/LEP will provide detailed guidance and requirements for scheme promoters, all background papers, appraisal criteria, LEP and CA decisions and minutes will be made publically available via the LEP and CA websites. Exemptions will only be permitted where these relate to established issues of confidentiality.

7. **Audit & Scrutiny**

- 7.1 Scrutiny will be built into the LEP's and CA's decision making and approvals process through:
- The involvement of professional officers in the prioritisation and appraisal process via the Investment Panel, which will be supported and advised on prioritisation and project applications by the SFA.
 - Wider consideration of Investment Panel recommendations through the Employment and Skills Board.
 - The public availability of methodologies, prioritised lists and scheme details and funding approvals on the LEP and CA websites.
 - The existence of a Scrutiny Committee within the CA's structure to scrutinise skills funding decisions and compliance with this assurance framework,
 - Delivery of the CA Audit Plan and grant assurance role provided by the CA's Head of Internal Audit and reported to the CA Audit Committee.
- 7.2 As devolved funds for skills schemes will be held and managed by the Combined Authority, by virtue of being a public body, they will be subject to established financial management arrangements.
- 7.3 All decisions taken by the Combined Authority in respect of skills funds will also be subject to scrutiny through the CA's Annual External Audit, and made available to external stakeholders and central Government as required.

8. **Approvals & Contracting**

- 8.1 The Skills Investment Panel will consider each project in detail and recommend to the ESB and ultimately the LEP and CA boards the schemes that should be supported. The ESB, LEP and CA will receive a formal written report of the recommended schemes, focusing on costs and delivery, to sign-off the grant required and agree any conditions of the grant.
- 8.2 Following approval, successful applicant will receive a letter from the Combined Authority confirming the funding in relation to the project and setting out the conditions of the grant, either in the letter or a separate form agreement. Grant offer letters will only be sent out once a copy of the minutes confirming the applicants governing body or Board approval for the proposed project has been received.
- 8.3 The Combined Authority funding contributions will be capped contributions. In the event that the project costs escalate, then applications for additional funding approval will not normally be considered once the project is fully approved.
- 8.4 Funding approvals between the CA and delivery bodies will also stipulate the purposes for which devolved funds may be used. This will also make funding conditional upon the security of any match funding identified.

9. **Monitoring & Evaluation**

- 9.1 The requirement to monitor and evaluate projects will be a funding condition. Promoters should submit a monitoring and evaluation method statement, proportionate to the amount of funding that has been requested. Monitoring and evaluation should follow Green Book Guidance and should include confirmation of levels of resources being allocated to the task.
- 9.2 The Combined Authority will require submission of an evaluation after the scheme has been completed. The CA will ensure that evaluation and monitoring data from projects is made available on the CA website. A Skills Capital Evaluation Plan has also been produced for use by projects and a copy of this is available on request.
- 9.3 The Skills Investment Panel will ensure that the monitoring and evaluation proposals for schemes are fit for purpose and accord with Green Book Guidance, and will make appropriate recommendations regarding the subject to the CA.

10. **Complaints & Whistleblowing**

- 10.1 Any complaints or concerns about the application of the Skills Capital Funding process should be directed to and administered by the Combined Authority's Monitoring Officer.

Appendix 2
Detailed Approach to Economic Development Schemes

1. Introduction

- 1.1 Government as part of the Liverpool City Region Growth Deal has devolved elements of funding for local prioritisation. The Local Enterprise Partnership (LEP), via the City Region Combined Authority (CA) as accountable body, will make investment choices aligned to strategic priorities that support the delivery of Growth Deal objectives.
- 1.2 This assurance framework is applicable in cases where Liverpool City Region is making policy and funding decisions in respect of economic development projects, principally, but not exclusively, using funds devolved through the Growth Deal process. It ensures delivery of projects that support the City Region's long-term strategic economic priorities.
- 1.3 The assurance framework guarantees robust local arrangements to ensure value for money and effective delivery of projects, through strong project development, project and options appraisal, prioritisation and business case development.
- 1.4 As of April 2016, no applications for un-ringfenced LGF funding in respect of economic development proposals have come forward. This means that the arrangements set out below have not needed to be initiated and thus constitute proposed arrangements. In any case, these will be comprehensively reviewed as part of the development of a more comprehensive devolved funding Assurance Framework for the city region as outlined within paragraph 1.11.

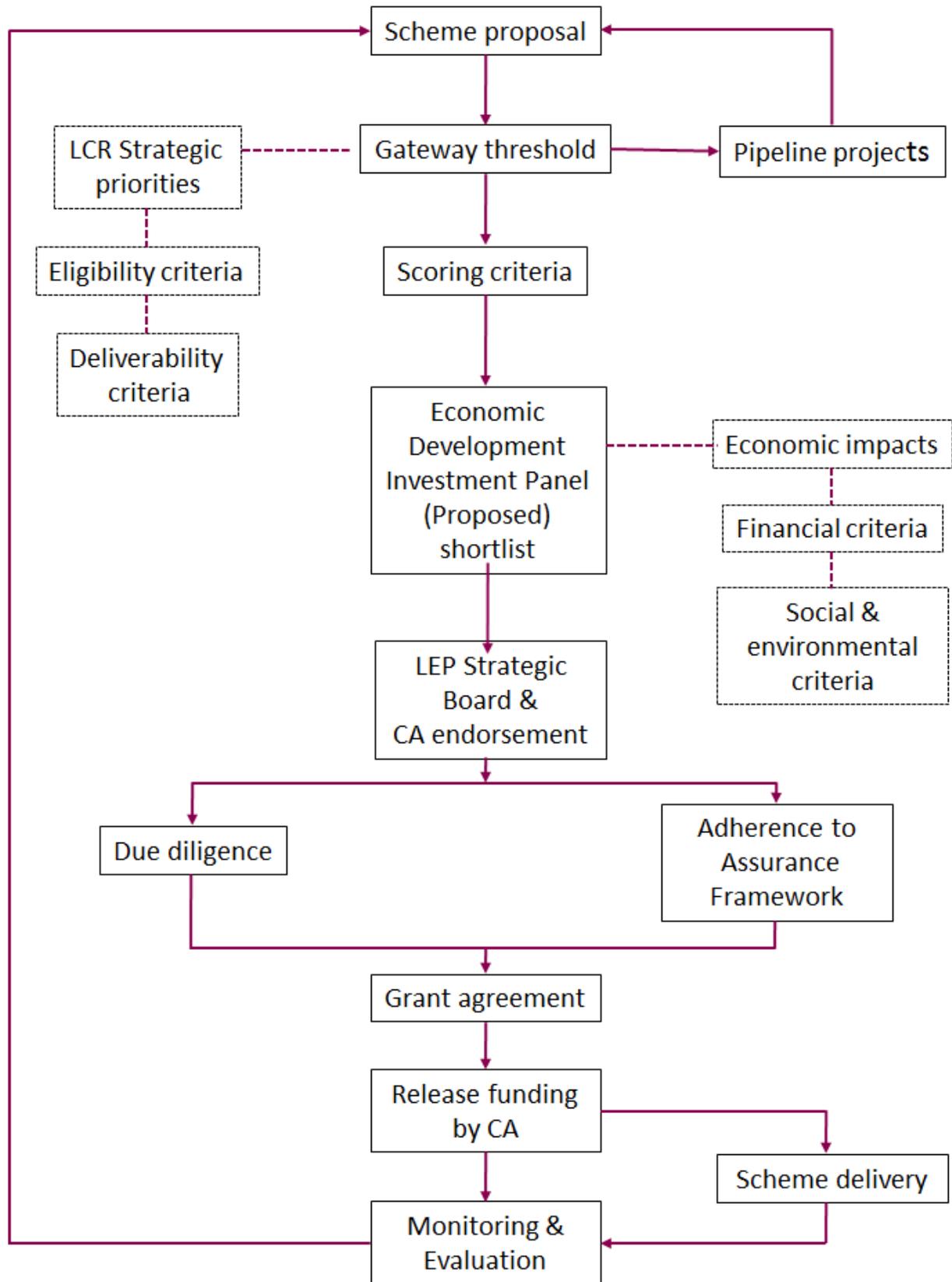
2. Scheme Prioritisation

- 2.1 A transparent and robust methodology must be utilised to aid the prioritisation of economic development projects and the identification of new schemes.
- 2.2 The methodology adopted for economic development funding reflects best practice from elsewhere in the country and previous rounds of funding operated across the City Region. This methodology will form the basis of the City Region economic development investment prioritisation framework unless and until it is replaced by any alternative approach.

3. **Prioritisation Process**

- 3.1 Economic development schemes seeking City Region funding will be required to complete a detailed pro-forma. A preliminary gateway assessment stage will be utilised to assess:
- the schemes strategic fit against City Region priorities
 - the schemes deliverability, state of readiness and risks
 - the schemes eligibility, to ensure it meets any eligibility criteria
- 3.2 Economic development fund applicants will be able to draw on the expertise and private sector knowledge of the LEP's existing key sector boards ensuring alignment with the City Region's strategic priorities (see Diagram 2: Governance of Economic Development Investment).
- 3.3 The preliminary gateway stage will be scored, and be linked to a minimum score threshold. Schemes that meet or exceed the gateway criteria will progress to prioritisation. At this stage schemes will be scored objectively and impartially on information available against three principal criteria:
- Economic impacts
 - Financial case criteria (value for money)
 - Social & environmental impacts
- 3.4 A numerical score will be attached to each candidate scheme to enable a ranked list to be considered by the LEP Strategic Board and Combined Authority.
- 3.5 Schemes that fall below the threshold will enter a longer-term project pipeline, constituting a pool of aspirational schemes to be revisited. At regular intervals the pipeline of projects will be reviewed to gauge whether they could be refined in order to enter the prioritised programme.

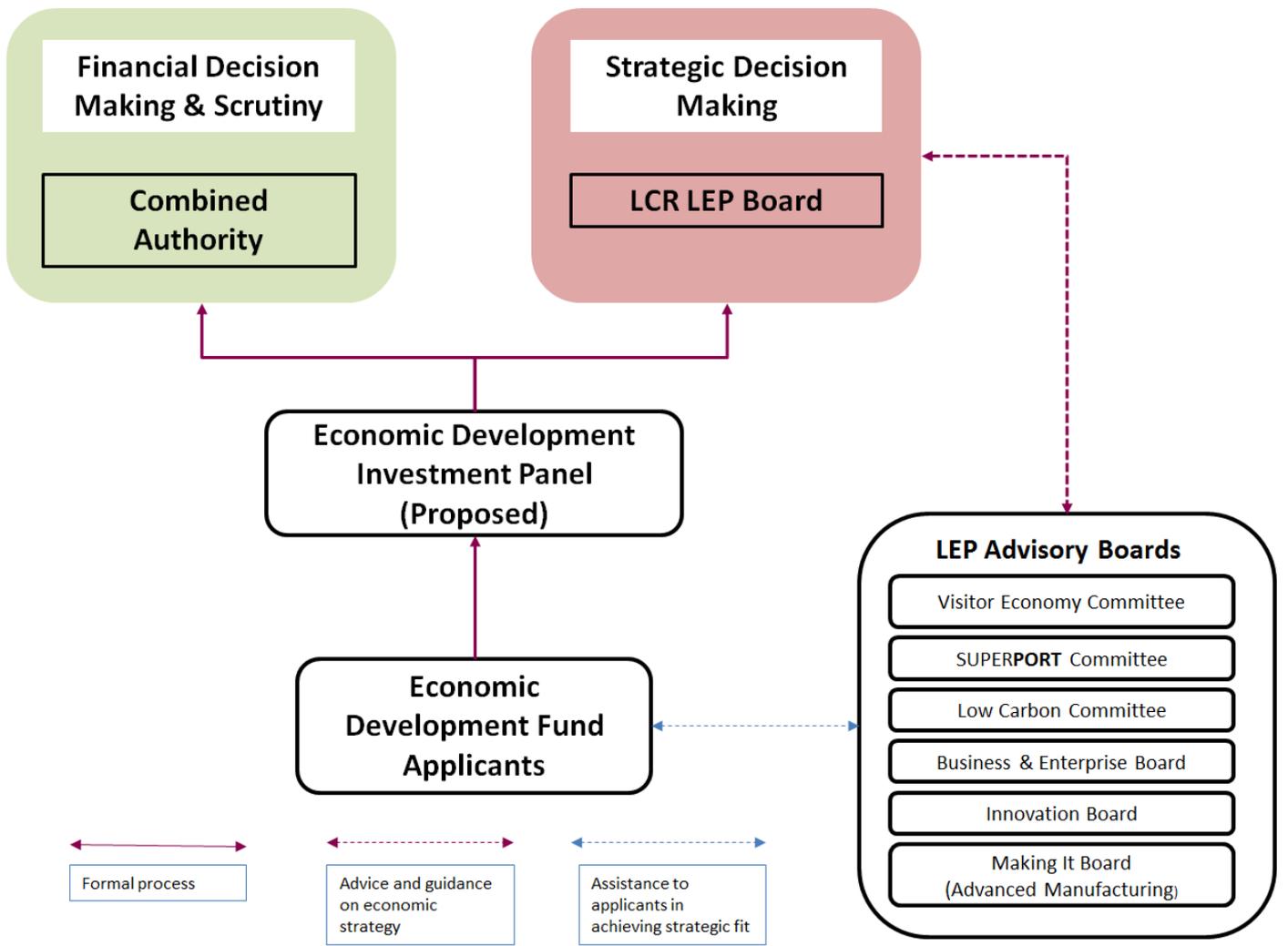
Diagram 1: Process flowchart for Economic Development funding applications



4. **Governance**

- 4.1 The Economic Development Investment Panel will be a senior officer level group with experience of, and expertise across economic development functions. The panel will assess candidate schemes against strategic priorities, investment principles and scoring criteria, and ensure that the process is driven by value for money and maximisation of economic benefits. Independent members will be sought to also sit on the panel to ensure good governance and provide additional capability as required.
- 4.2 This process will produce a prioritised list of projects to be recommended for endorsement from the LEP Strategic Board and the Combined Authority.
- 4.3 The LEP Strategic Board and the Combined Authority will receive a formal written report of recommended schemes, focusing on costs and delivery, to sign-off the application and agree any terms and conditions. A minuted resolution will be required to enable funds to be released by the CA.
- 4.4 The Economic Development Investment Panel will have responsibility for ensuring that objective, professional advice is given to the LEP Strategic Board and Combined Authority on the merits (or otherwise) of schemes. The investment panel will act in the interest of the LEP and CA and will draw on external, impartial support or advice as required.
- 4.5 Given the breadth of funding types that might be sought from Government to administer through such a process, it may be necessary to run multiple panels. For example, a Capital Fund panel would likely need different expertise than a 'business support' panel. The process outlined here will be applied in each case, and a report outlining the detailed approach will be reported to the LEP and CA.

Diagram 2: Governance of Economic Development Investment



5. **Value for Money**

- 5.1 Value for money will be a core criterion in scheme prioritisation of economic development funding. The economic development investment panel will appraise scheme value for money, the assessment of which will be clearly reported to the LEP Strategic Board and Combined Authority.
- 5.2 Value for money and the degree to which business cases are developed in support of particular schemes of programmes should be proportionate to the funding allocated and in line with established Government guidance including the HM Treasury Green Book.
- 5.3 Notwithstanding the above principles on value for money, the economic development investment panel will be able to make positive

recommendations on schemes having lower value for money, having regard to specific circumstances including convincing wider economic, social and environmental objectives, and circumstances where significant levels of match funding are being provided by the scheme promoter.

- 5.4 The economic development investment panel recommendations to the LEP Strategic Board and Combined Authority will clearly explain the rationale for approving a lower value for money scheme and the implications of the recommendations.

6. **Transparency**

- 6.1 The results of the economic development investment panel's assessment will be set out within formal reports to the LEP Strategic Board and Combined Authority on economic development issues; therefore they will be open to scrutiny and comment.
- 6.2 When funding comes on stream detailed guidance and requirements for scheme promoters, all background papers, scoring criteria will be provided via the LEP website, as well as LEP and CA decisions and minutes. Exemptions will only be permitted where minutes relate to established issues of confidentiality.

7. **Audit & Scrutiny**

- 7.1 Scrutiny will be built into the LEP's and CA's decision making and approvals process through:
- The involvement of professional officers in the prioritisation and appraisal process via the economic development investment panel or panels.
 - Wider consideration of economic development investment panel recommendations through the LEP Strategic Board.
 - The public availability of methodologies, prioritised lists and scheme details and funding approvals on the LEP and CA websites.
 - The existence of a Scrutiny Committee (Panel) within the CA's structure to scrutinise skills funding decisions and compliance with this assurance framework.
 - Delivery of the CA Audit Plan and grant assurance role provided by the CA's Head of Internal Audit and reported to the CA Audit Committee.
- 7.2 As devolved funds for economic development schemes will be held and managed by the Combined Authority, by virtue of being a public body, they will be subject to established financial management arrangements.
- 7.3 All decisions taken by the Combined Authority in respect of skills funds will also be subject to scrutiny through the CA's Annual External Audit,

and made available to external stakeholders and central Government as required.

8. Approvals & Contracting

- 8.1 The Economic Development Investment Panel will consider each project in detail and recommend to the LEP Strategic Board and CA the schemes that should be supported. The LEP Strategic Board and CA will receive a formal written report of the recommended schemes, focusing on costs and delivery, to sign off the grant required, and agree any conditions of the grant.
- 8.2 Following approval, successful applicant will receive a letter from the Combined Authority confirming the funding in relation to the project and setting out the conditions of the grant, either in the letter or a separate form agreement. Grant offer letters will only be sent out once a copy of the minutes confirming the applicants governing body or Board approval for the proposed project has been received.
- 8.3 The Combined Authority funding contributions will be capped contributions. In the event that the project costs escalate, then applications for additional funding approval will not be considered once the project is fully approved.
- 8.4 Funding approvals between the CA and delivery bodies will also stipulate the purposes for which devolved funds may be used. This will also make funding conditional upon the security of the match funding identified.

9. Monitoring & Evaluation

- 9.1 The requirement to monitor and evaluate projects will be a funding condition. Promoters should submit a monitoring and evaluation method statement, proportionate to the amount of funding that has been requested. Monitoring and evaluation should follow Green Book Guidance and should include confirmation of levels of resources being allocated to the task.
- 9.2 The Combined Authority will require submission of an evaluation report after the scheme has been completed (unless otherwise specified). The CA will ensure that evaluation and monitoring data from projects is made available on the CA website.
- 9.3 The economic development investment panel will ensure that the monitoring and evaluation proposals for schemes are fit for purpose and accord with Green Book Guidance, and will make appropriate recommendations regarding the subject to the CA.

10. **Complaints & Whistleblowing**

- 10.1 Any complaints or concerns about Economic Development Funding should be directed to and administered by the Combined Authority's monitoring officer.

Appendix 3 The Governance of Growth Hub Funding

1. Introduction

- 1.1 As part of the Liverpool City Region Growth Deal, the Liverpool City Region has secured funding to deliver a wide range of initiatives that support growth.
- 1.2 To secure the effective use of this funding, the Liverpool City Region's key partners have agreed an Assurance Framework. This is to ensure that robust local arrangements are in place to ensure value-for-money and the effective selection, delivery and management of projects.
- 1.3 This document governs the use of Growth Deal-related Growth Hub funding, and forms an appendix to the Assurance Framework agreed by the Combined Authority, Local Enterprise Partnership and Merseytravel in March 2015. It should also be read in conjunction with the Growth Hub offer letter from the department for Business Innovation and Skills (BIS) on 6 March 2015.

2. Governance and project management

- 2.1 £550,000 of Growth Hub funding for the 2015-16 financial year has been awarded to the Combined Authority, as the accountable body for Growth Deal-related funds. However, the Growth Hub project will be delivered by the Liverpool City Region Local Enterprise Partnership on its behalf.
- 2.2 To this end, as accountable body to the Combined Authority, Merseytravel will issue a formal offer letter to the LEP. This will commission the LEP to deliver the Growth Hub project on its behalf, in line with the principles set out within this Assurance Framework, and to support activities specified in Schedules 1 and 3 of BIS' offer letter dated 6 March 2015.
- 2.3 This offer letter will make clear that the Combined Authority's funding contribution is a capped contribution and will be subject to clawback in the event of any mismanagement or misuse. In the event that the project costs escalate, then the Combined Authority will not be liable for any costs, as its contribution is capped. Any overspends will need to be managed from within existing LEP contingency budgets. Merseytravel will require regular updates on spend profiles and on any emerging issues or problems.
- 2.4 As the Growth Hub fund is limited in scope to the provision of business services, a separate process of prioritisation is not required in order to release funding for specific projects, as is the case with other Growth Deal funds.

- 2.5 Any future funds from BIS for the continuation or extension of Growth Hub activities in 2016-17 and beyond shall also be transferred to the Local Enterprise Partnership for delivery on the same terms, unless otherwise stipulated by the Combined Authority.
- 2.6 The Local Enterprise Partnership meets the definition of a contracting authority for public contract regulations. As such, it is subject to Public Contract Regulations 2015 (PCR) for all of its procurement activity.
- 2.7 The LEP will issue a formal OJEU notice in respect of services required to deliver Growth Hub brokerage and management activities. This will be an open procurement process, with all of the appropriate contractual documentation published as required with the notice. All background documentation shall be made available to the Combined Authority's Treasurer.
- 2.8 All Growth Hub services will stem from this framework, secured via mini tenders for the services required. This process will be managed by the LEP in a fully OJEU compliant manner. Merseytravel's offer letter will stipulate that the LEP shall comply with all aspects of the PCR, and that the LEP shall be financially liable in the event of any deviation from these processes or in the event of any external challenge.
- 2.9 No financial advantage shall be gained by the Local Enterprise Partnership as a result of this grant and programme of activity. Mechanisms shall be developed to prevent cross subsidy of public funding into commercial activities, and confirmed in writing with Merseytravel.
- 2.10 In the event that Growth Hub funds are used as match for subsequent funding bids (e.g. a European Regional Development Fund bid), then an accountable body shall firstly be identified and agreed by the CA. The agreed accountable body shall assume all liabilities associated with any such subsequent bids and funding.
- 2.11 The Combined Authority will scrutinise the LEP's activities in respect of this fund in accordance with existing processes. The Audit Committee and Scrutiny Panel within the CA's structure will scrutinise delivery and compliance with this assurance framework. The LEP's activities will also be subject to audit by Merseytravel's established internal auditing processes, acting on behalf of the Combined Authority as its appointed Internal Auditors. Merseytravel will be granted full and open access to the LEP's records, effectively acting as the Internal Auditors of this scheme.

3. **Other aspects**

- 3.1 The offer letter from Merseytravel will stipulate that a funding condition will be to monitor and evaluate the Growth Hub project. The LEP will develop and submit to Merseytravel a monitoring and evaluation method statement, in addition to BIS's monitoring requirements, and which shall be funded by the LEP.
- 3.2 The LEP shall be responsible for securing compliance with the Accountable Body's Equality and Diversity policies and with the provisions of the Equality Act 2010. The project could have implications in terms of the diversity of businesses and entrepreneurs that are beneficiaries from the project. This will need to be addressed by the LEP in its delivery of the project, in terms of the diversity of businesses and entrepreneurs targeted.
- 3.3 Any complaints or concerns about Growth Hub funding shall be directed to and administered by the Combined Authority's Monitoring Officer.

Appendix 4
Audit Findings of 2015 Assurance Framework -
Compliance with National Assurance Framework

	Requirement	Compliant?
	Governance and Decision Making	
1.	<ul style="list-style-type: none"> • Description of the LEP Board Membership 	Partial
2.	<ul style="list-style-type: none"> • Clear description of roles and responsibilities 	Partial
3.	<ul style="list-style-type: none"> • Clear description of the relationship between the LEP board and underpinning LA arrangement 	✓
	Transparency	
4.	<ul style="list-style-type: none"> • LEPs should have a conflicts of interest policy 	Partial
	Accountable Decision Making	
5.	<ul style="list-style-type: none"> • Set out the circumstances in which the accountable LA would not comply with a LEP decision and the process for resolving that 	✓
6.	<ul style="list-style-type: none"> • Confirm accountable body arrangements for the LGF & other funding sources received from Govt 	✓
7.	<ul style="list-style-type: none"> • Confirm that use of resources are subject to the usual LA checks and balances 	✓
8.	<ul style="list-style-type: none"> • To ensure transparency that annual accounts are published. To ensure that there are arrangements for local audit of funding allocated by LEPs at least equivalent to those in place for local authority spend 	Partial

	Requirement	Compliant?
9.	<ul style="list-style-type: none"> • confirm the responsibilities of the accountable local authority: <ul style="list-style-type: none"> ○ ensuring decisions and activities of the LEP conform with legal requirements with regard to equalities, social value, environment, State Aid, procurement, etc ○ ensuring that the funds are used appropriately ○ ensuring that the local LEP assurance framework is adhered to maintaining the official record of LEP proceedings and holding copies of all relevant LEP documents relating to LGF funding ○ responsibility for the decisions of the LEP in approving projects 	✓
10.	<ul style="list-style-type: none"> • Confirm the LEP and accountable LA have agreed timescales and operating practices to support effective implementation of decisions 	✓
	Value for Money	
11.	<ul style="list-style-type: none"> • Evidential basis on which the need for the intervention is based & how the LEP will ensure rigour • Methodology used to assess the overall vfm of the LEPs programme 	✓