

**Guidance: the Role of the Local Enterprise Partnership Accountable Body S151/S73 Officer**

**Introduction**

1. When a Local Authority or Combined Authority is appointed to act as the Accountable Body for a Local Enterprise Partnership (LEP), the role of the relevant Section 151 or Section 73 officer in overseeing the proper administration of financial affairs is extended to include those of the Local Enterprise Partnership. Where this is not the case, there will nevertheless still be a responsible finance officer who will be required to carry out their role according to this guidance to ensure there is appropriate and effective management of financial resources.
2. It is important that the roles and responsibilities for all key stakeholders are transparent and clearly communicated. These principles define core activities and behaviours and will be supported by specific responsibilities agreed locally between the S151/S73 Officers, the Chair and Chief Executive Officer of the LEP.
3. This guidance is designed to assist both S151/S73 Officers to fulfil their role and Local Enterprise Partnerships to assist the process. In some cases, the S151/S73 Officer may delegate some of the functions set out in this document. It is important that where this is the case, a scheme of delegation is documented for clarity. However, it should be noted that whilst the S151/S73 Officer may choose to delegate functions, they cannot delegate responsibility.

**Greater focus on the Section 151 / 73 role**

4. As the amount of public funding which LEPs have available increases, the role of the S151/S73 Officer gains greater prominence in the LEP assurance model.
5. The MHCLG Non-Executive Director (Mary Ney) Review into LEP governance and transparency recommended that additional clarity was needed on the expectations of the role of the section 151/73 officer and the substance of how LEPs need to work with that role. Mary Ney's report recommended that MHCLG work with CIPFA to provide better clarity on:
  - the mechanisms the Section 151/73 officers use to fulfil their role;
  - their requirements in terms of access to LEP decision-making bodies;
  - the ability to provide written and verbal financial advice;
  - the role of their transactional services;
  - the operation of normal checks and balances in approving expenditure, management of risk of fraud and corruption;
  - the monitoring of programme spend against resources, treasury management and borrowing;
  - the role of internal audit and external auditors and provision of an audit opinion for the LEP;
  - the visibility of reporting arrangements to both the accountable body and the LEP; and
  - the production of accounts and inter-relationship with the LEP's own accounts, if relevant.
6. While the role of the S151/S73 officer is critical in maintaining good governance and standards, it is insufficient to rely on this alone. As with any organisation, the establishment of an embedded culture of transparency and accountability requires

direct and proactive leadership from the Chair and CEO of the LEP to ensure strong adherence to good governance and clarity on standards. For example, LEP leaders are responsible for making sure that new LEP Board members receive training or induction into the culture and governance of the LEP, as well a core policies such as those on declarations of interest and whistleblowing.

7. Working together, CIPFA and the Cities and Local Growth Unit have developed five principles which they expect the S151/S73 officer role for LEPs to meet when instilling good and proportionate financial governance:

Principle 1: Enshrining a corporate position for the S151/73 Officer in LEP assurance;

Principle 2: Creating a formal/structured mandate for the S151/S73 officer;

Principle 3: Embedding good governance into decision making;

Principle 4: Ensuring effective review of Governance;

Principle 5: Appropriate skills and resourcing.

Further details of the principles are set out below:

### **Principle 1**

#### **Enshrining a corporate position for the S151/S73 Officer in LEP assurance;**

- The Chief Executive and Chair of the LEP shall work with the Section 151 /73 Officer to agree an effective responsibility model. The shared responsibility should be agreed and set out in the Local Assurance Framework, ahead of the Section 151/73 Officer confirming compliance with the National Assurance Framework to MHCLG. The Section 151/73 Officer must also sign-off an Annual Assurance Statement (along with the Chair and CEO) - beyond this, they are free to delegate responsibility.
- The Section 151 / 73 officer shall be supported by the LEP and the Accountable Body to carry out such checks as are necessary to independently ensure the proper administration of financial affairs in the Local Enterprise Partnership.
- Where the Section 151 / 73 officer raises concerns or makes recommendations about changes required to ensure the proper administration of financial affairs, these shall be acted upon promptly by the Local Enterprise Partnership.
- The Section 151 / 73 officer and Chief Executive / Chair acknowledge that proper administration of financial affairs continues throughout the year. Any improvements required should be clearly set out in the Local Assurance Framework action plan and monitored appropriately for delivery. Both have a role in identifying staff training needs to ensure compliant spend of funds and that all staff understand the governance and control arrangements.

## **Principle 2**

### **Creating a Formal/Structured Mandate for the S151/S73 Officer**

- The LEP Board, and its supporting governance structure (where there are appropriate schemes of delegation), is the strategic body responsible for taking decisions on LEP business and LEP programme activity.
- Where concerns or improper financial administration are identified the S151 / S73 Officer shall provide recommendations for improvements to be made. The LEP Board shall be responsible for making changes to address the concerns in line with the recommendations. Where the Board doesn't agree with the recommendations, and no agreement on the way forward can be reached with the S151/S73 Officer, the matter shall be referred to MHCLG.
- The S151/S73 Officer shall have the right to record an opinion on the financial implication and assessment of risk (such as delivery risks and cost overrun risks) in every Board paper. The LEP Board do not have to follow the S151/S73 advice above, but where they decide on a course of action which goes against that advice, the Board should indicate and record the rationale for not following it.
- S151/S73 Officers (or their delegated representatives) should also be invited to attend all Board Meetings and Board agenda setting meetings, but shall not be entitled to vote or otherwise make LEP decisions.
- The LEP shall recognise that treasury management and borrowing is part of the role of the Accountable Body. The S151/S73 Officer should ensure that there are the correct, established financial processes in place leading up to Board decisions such that financial delegations are respected.
- Where there are concerns about systemic financial problems this shall be raised with the Cities and Local Growth team. The S151 / S73 officer shall task the LEP with improving financial standards, and progress shall become a standing item in the Board Meetings until the S151 / 73 officer is satisfied that the issue has been resolved.
- All LEPs should have an audit committee process, with an agreed and clearly defined role for the S151/S73 Officer within that. Many LEPs already have a similar structure in place.

### **Principle 3**

#### **Embedding good governance into decision making**

- S151/S73 Officer should ensure that the LEP has procedures in place to consider the financial implications of decisions before and during the decision making process rather than reviewing decisions afterwards.
- LEPs and the S151/S73 Officer should agree and approve the budget risks facing the LEP at the outset of the financial year, and review them on a frequent basis. The LEP shall provide the risk register to the S151 / S73 on each occasion that it is revised.
- At the beginning of the budget year, the S151/S73 Officer should be entitled to comment on the adequacy of the budget plan. This should be provided by the LEP Chief Executive, setting out their capital Programme and revenue commitments and projections, at the beginning of each financial year. In addition, the LEP should set out their scrutiny arrangements in their Local Assurance Framework to make sure there is strong governance in place, and appropriate scrutiny procedures to support that governance.

### **Principle 4**

#### **Ensuring effective review of Governance**

- An internal audit plan should be agreed for the year, including a risk-based audit plan of LEP activity that will provide assurance to the S151/S73 and the LEP Board at appropriate points through the year.
- Internal audits would need to be 'independent' of the LEP but not necessarily the Accountable Body.
- Following a completed audit (by either internal or external audit) where there are comments that relate to the LEP they should be reported back to the board by the S151/S73 Officer and Chief Executive or their representatives and provided to the Cities and Local Growth Team.
- Where serious concerns are encountered during the year, for example repeated non-compliance with legal requirements or fraud then the S151 / S73 officer shall promptly raise these with the Cities and Local Growth Team.

## **Principle 5**

### **Appropriate skills and resourcing**

- The S151/73 officer shall be given appropriate resources by the Accountable Body to carry out its functions in respect of the LEP including external audit opinion where this is a compliance requirement. LEPs and Accountable Bodies should frequently review resource needs, and consider if they are being appropriately met.
- Underpinning good governance in the LEP model is an expectation of mutual support between the LEP and its Accountable Body.
- There should be a culture of working that respects the S151/S73 Officer role of ensuring appropriate procedures are in place for scrutiny and financial rigour. Equally, the LEP should always remain the decision maker for all of its business.