



Department for Levelling Up,  
Housing & Communities

# **Levelling Up Funds Local Authority Assurance Framework**

**Incorporating  
Levelling Up Fund Assurance  
and  
Towns Fund Assurance and Performance  
Management**

## Contents

Contents.....	2
Introduction .....	4
Principles.....	4
Alignment with the Accounting Officer Systems Statement .....	4
Relationship Management.....	5
Assurance.....	5
Performance Management.....	7
LUF Local Authority Grant Recipients .....	8
Local Authority Memorandum of Understanding and Grant Determination Letter .....	8
Accountability and Assurance.....	9
First Line of Defence - Chief Finance Officer.....	9
Second Line of Defence – DLUHC .....	10
Risk-Based Approach .....	10
Triggers.....	11
Risk-Based Deep Dive Selection.....	12
Sample-Based Deep dives.....	12
LUF Assurance Decision Group .....	12
Deep dive Process.....	13
Procurement Testing.....	15
Governance Review .....	15
Counter Fraud.....	16
State Aid and Subsidy Control.....	16
Local Authority meeting(s).....	17
Deep Dive Outcome .....	17
Third Line of Defence - Government Internal Audit Agency.....	17
Grant Offer Letter and Agreements.....	18
Financial Arrangements .....	19
Accountability and Assurance.....	19
First Line of Defence - Chief Finance Officer.....	19
Compliance Checks .....	20
Second Line of Defence - DLUHC .....	20
Risk-Based Approach .....	20

Triggers.....	21
Risk-based Deep dive Selection .....	22
Sample-Based Deep Dives.....	22
Towns Fund Decision Group .....	22
Deep dive Process .....	23
Procurement Testing.....	25
Governance Review .....	25
Counter Fraud .....	26
Subsidy Control .....	26
Local Authority meeting(s).....	27
Deep Dive Outcome .....	27
Third Line of Defence - Government Internal Audit Agency.....	27
Towns Fund Performance Management .....	28
Engagement with DLUHC.....	28
Payments and Grant Determination.....	29
Project Adjustment Requests .....	30
Annex A - Chief Finance Officers across Devolved Nations .....	31
Annex B: LUF Assurance Timeline.....	32
Annex C – Towns Funds Annual Assurance Cycle .....	33

## Introduction

- 1) The Levelling Up Fund Local Authority Assurance Framework (this Framework) provides information to grant recipients, setting out the requirements for the following funds:
  - Levelling Up Fund (LUF) - Assurance
  - Town Deals Fund – Assurance and Performance Management
  - Future High Streets Fund (FHSF) – Assurance and Performance Management
  - Future local growth funds where relevant
- 2) This Framework establishes a common approach to how the Department for Levelling Up, Housing and Communities (DLUHC) will assure the funds in scope and describes the accountability in line with each fund's delivery model. The assurance cycle provides confidence to the DLUHC Accounting Officer and the Senior Responsible Officer for each fund.
- 3) In addition to the assurance, the performance management approach for Town Deals and FHSF is set out in this Framework in the Towns Fund section, providing details of the process and expectations for local authorities as grant recipients and as Accountable Bodies for Town Deals.
- 4) The specifics for each fund are set out in subsequent sections of this document.
- 5) In setting out the requirements of grant recipients, this Framework sets standards in line with the principles in Managing Public Money (MPM):
  - i) **Regularity:** compliant with the relevant legislation and wider legal principles such as Subsidy Control and procurement law, delegated authorities and following the guidance in MPM.
  - ii) **Propriety:** meeting high standards of public conduct, including robust governance and the relevant parliamentary expectations, especially transparency.
  - iii) The need for efficiency, economy, effectiveness, and prudence in the administration of public resources, to secure **value for public money**
- 6) DLUHC will review annually this Framework and how it is operating in practice.<sup>1</sup> The Department will update this Framework as necessary and communicate these changes to grant recipients.

## Principles

### Alignment with the Accounting Officer Systems Statement

- 7) [DLUHC Accounting Officer System Statement<sup>2</sup> \(AOSS\)](#) Outlines the accountability relationships between the Department, Mayoral Combined Authorities, local authorities, and unitary

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<sup>1</sup> There may be occasions where the Department reviews the Framework more frequently if required.

<sup>2</sup> The Accounting Officer's System Statement will be reviewed in 2022 to incorporate funds such as Levelling Up Fund and Town's Fund.

authorities. The steps we are taking through this Framework are complementary to and build on the checks and balances within the AOSS.

- 8) Local authorities in England operate according to the Local Government Accountability System.<sup>3</sup> Alongside this, local authorities in England should operate according to the Local Growth Fund Accountability System. Both systems are outlined in the AOSS. These systems provide assurance to the DLUHC Accounting Officer, Government, and the public on how funding routed through local government is allocated. It ensures that there are robust local systems in place so that resources are spent with regularity, propriety, and value for money.
- 9) This document does not replace any of the checks and balances prescribed by the existing accountability system and local authorities' statutory responsibilities. The purpose of this document is to provide additional clarity on Government's expectations of all grant recipients in scope of this Framework.

## Relationship Management

- 10) Engaging with grant recipients, including local authorities is central to the successful delivery of programme objectives. DLUHC engages with local authorities in a variety of ways to support performance management and assurance, and to bring together data and knowledge in a structured approach.
- 11) Area Teams form the main point of contact for local authorities and lead the engagement for DLUHC programmes across a range of communications, both formal and informal.

## Assurance

- 12) This Framework provides DLUHC, His Majesty's Government (HMG) more widely, stakeholders and the public with the necessary assurances that grant recipients have the policies and processes in place to ensure the robust stewardship of public money.
- 13) In accordance with the Cabinet Office Government Functional Standards<sup>4</sup>, this Framework sets out how the assurance for each programme provides three separate and defined levels of assurance, referred to as the **three lines of defence**.
- 14) The **first line of defence** should be delivered at an operational management level where the management responsibility is owned.
- 15) Where the grant is awarded via a non- Grant Funding Agreement (GFA) route, and the recipient is a local authority, the first line of defence is provided by the local authority and is the responsibility of the Chief Finance Officer (Section 151/127/114 in England & Wales, Section 95 Scotland, and Section 54 in Northern Ireland) as they act at an operational management level within the local

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<sup>3</sup> Note that the Local Government System Statement cross-references system statements for other departments that fund Local Authority spending, which also apply to decision-making authorities.

<sup>4</sup> <https://www.gov.uk/government/publications/grants-standards>

authority in receipt of the funding (Annex A). The Chief Finance Officer is therefore responsible for the delivery of HMG investment, through the agreed projects, with propriety, regularity, and value for money. In addition, local authorities are subject to their own independent external audits for their financial statements, which can include the use of grants.

- 16) DLUHC recognise the wider legislation and regulations governing local authorities throughout the United Kingdom and as such seeks a proportionate approach to assurance. The assurance and performance management does not duplicate the statutory duties and rules which require local authorities to use public money effectively and responsibly.
- 17) The assurance letter and statement of grant usage provided by DLUHC to local authorities will be used to secure evidence of the first line of defence. The Chief Finance Officer will be required to provide written confirmation that they have undertaken to actively apply all the necessary checks to ensure proper administration of its financial affairs regarding the funding programme, particularly in respect to financial administration and transparency of governance.
- 18) The **second line of defence** should be independent of the first line activity and should monitor the management of the risk to ensure that the first line has been appropriately constructed and is delivering as intended.
- 19) For programmes within scope of this Framework, where local authorities provide the first line of defence as demonstrated via the Statement of Grant Usage and Assurance Review Form, the second line of defence will be undertaken by DLUHC, to secure independent review of the first line activity.
- 20) This Framework sets out in each relevant programme section how DLUHC expects the second line of defence to be carried out.
- 21) Local authorities will be required to engage with and provide supporting information in response to further assurance activity undertaken by DLUHC and other Departments.
- 22) The **third line of defence** should be undertaken by independent audit or an independent body to secure an *'objective opinion on the effectiveness of governance, risk management and internal controls.'*<sup>5</sup> (This is inclusive of the second and first lines of defence.)
- 23) In respect of this Framework, the Government Internal Audit Agency (GIAA) will provide independent risk-based assurance over the design and operation of controls within the arrangements for the Levelling Up Fund, Town Deals Fund, Future High Streets Fund, and other funds as may be agreed – as operated within the DLUHC – and, if required, other government departments.

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<sup>5</sup> Grant Functional Standards – GovS 0015: Grants. Version 2.0 Issues 21 July 2021.  
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1004659/Final-CO\\_Govt\\_Functional\\_Std\\_GovS015\\_WEB.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1004659/Final-CO_Govt_Functional_Std_GovS015_WEB.pdf)

- 24) The scope and timing of this independent assurance will be discussed and agreed with the DLUHC Audit and Risk Assurance Committee, the Accounting Officer, and the respective SROs within the programme(s) of each Department.
- 25) The Government Internal Audit Agency (GIAA) will liaise with internal audit teams operating within Devolved Administrations as appropriate.

### Performance Management

- 26) Funding is approved based on the forecast outcomes, milestones, and financial profiles, therefore grant recipients will be expected to manage and deliver projects in line with these and report actual position against forecasts. This will provide a quantitative overview of the performance of each place against their key indicators and metrics.
- 27) All the Funds within this Framework will implement a range of performance management activities to ensure that projects are delivered utilising the highest standards of financial probity and good governance. For example, it is expected that this data will be used to assess the assurance and performance management processes, and in turn feed into all levels of evaluation. The ongoing analysis of the data will thus enable lessons to be learned and allow for more effective decisions to be made as the programme progresses.

# Levelling Up Fund Assurance

- 28) The Levelling Up Fund (LUF) is jointly run by the DLUHC and the Department for Transport (DfT), collectively referred to in this section as ‘the Departments.’ Each department has an Accounting Officer, responsible for LUF spend and performance within their department and these responsibilities are set out within the [Accounting Officer System Statements \(AOSS\)](#) for DLUHC and DfT. The lead department for each LUF project will be based on which investment theme the project is most closely aligned to. The LUF-specific assurance activities outlined in this section apply to LUF projects where the lead department is DLUHC.
- 29) For projects where the DfT is the lead department, a separate assurance framework sets out the appropriate requirements.
- 30) The LUF will provide funding to projects across the UK (United Kingdom). In England, Scotland and Wales, only local authorities may apply for funding. In Northern Ireland, applications may be submitted by a range of local applicants, including but not limited to local authorities, businesses, and community organisations. Further information can be found in the [LUF Prospectus](#).
- 31) The following sections apply to local authority grant recipients across the UK delivering projects in LUF. Arrangements for non-local authority grant recipients in Northern Ireland will be set out in a separate document.

## LUF Local Authority Grant Recipients

### Local Authority Memorandum of Understanding and Grant Determination Letter

- 32) Following notification of a successful application, local authorities will be asked to complete a project management update, providing updated financial forecasts, outputs, and delivery milestones. The updated information will be used to form the baseline data in the Memorandum of Understanding (MOU) to be issued to all local authority grant recipients.
- 33) The MOU will set out what is expected of grant recipients in relation to the grant, including but not be limited to the following:
- Eligible expenditure
  - Reporting
  - Accountability and Assurance
  - Monitoring and Evaluation
  - Branding and Communication
  - Performance Management
- 34) A grant determination letter will be issued to local authorities to accompany each payment. The letter will set out the total LUF payment to each local authority (this may cover more than one



project), and confirm the payment is made subject to the United Kingdom Internal Market Act 2020 powers under Section 50.

## Accountability and Assurance

- 35) The LUF assurance model follows the described three lines of defence approach set out in paragraphs 12 – 27 of this Framework.
- 36) The Department recognises that local authorities within the United Kingdom have a variety of statutory duties relating to how their financial affairs are administered to how decision-making and governance is conducted by the local authority in each nation. The assurance approach for LUF utilises these requirements and builds upon them with second line of defence assurance activity using a risk-based approach and sample testing.
- 37) The assurance activities described below (paragraphs 41 – 95) form the assurance cycle, an annual process with six-monthly elements to support payments. The assurance cycle supports the three lines of defence required to provide the necessary assurance of the LUF programme to the Accounting Officer.
- 38) Details of the timetable for the assurance cycle including reporting deadlines are provided in **Annex B**.

## First Line of Defence - Chief Finance Officer

- 39) Local authorities have oversight of operational management and are therefore responsible for providing the assurance of appropriate use of LUF grants as a first line of defence. The assurance activity within the first line of defence seeks to establish that the LUF grant is delivered with propriety, regularity, and value for money.
- 40) The Chief Finance Officer of the local authority should ensure that their oversight of the proper administration of LUF financial affairs continues throughout the year and lifespan of the MOU requirements.
- 41) To secure the first line of defence, the Chief Finance Officer will be required to complete two returns to DLUHC; the statement of grant usage is to be completed on a six-monthly basis and requires the Chief Finance Officer to:
- Provide details of the checks that the Chief Finance Officer or deputy has taken to assure themselves that the local authority has in place the processes that ensure proper administration of financial affairs relating to the LUF projects.
  - Respond directly to questions addressing the governance and transparency for aspects of LUF grant management including, procurement, conflict of interest, Subsidy Control and State Aid, counter fraud, and risk management.
- 42) The Chief Finance Officer is required on an annual basis to complete and return the assurance letter template, reflecting whether, having considered all the relevant information, they are of the

opinion that the LUF grant is being properly administered; and if not, information about their main concerns and recommendations as how best to mitigate those risks.

- 43) The assurance letter is addressed to the Permanent Secretary in their role as DLUHC Accounting Officer and submitted to DLUHC.

## Second Line of Defence – DLUHC

- 44) The second line of defence is undertaken by the Assurance and Compliance Team within DLUHC. This reflects information provided by the Chief Finance Officer and a range of sources of assurance and performance intelligence.
- 45) Through the LUF assurance cycle the Assurance and Compliance Team will undertake a range of checks during the lifespan of the project(s), on a risk and sample basis, to secure assurance at the second line of defence. These checks are described below (paragraphs 72 – 95.)
- 46) The assurance activity occurs in parallel with local authorities reporting performance information through the submission of qualitative and quantitative reports using a template provided by DLUHC and set out in separate guidance. The performance review outcomes are considered alongside assurance process outcomes and together inform payment schedules.
- 47) Intelligence will be gathered from across the Assurance and Compliance Team and from Area Leads, to provide a holistic understanding of the assurance secured by the local authority for the LUF projects and this will occur throughout the second line of defence process.
- 48) The DLUHC Assurance and Compliance Team will complete a review of the information provided by the Chief Finance Officer and Senior Responsible Officer (SRO) / Chief Executive on a six-monthly basis, identifying areas of concern raised by the local authority or based on the information provided. This will form the starting point for the risk-based approach detailed below and inform decisions on payments. Financial and delivery, performance information will also feed into payment considerations.

## Risk-Based Approach

- 49) LUF follows a risk-based approach to the second line of defence, with Deep dives being undertaken based on a suite of risk factors and random sampling.
- 50) The devolved nature of LUF is supported by the level of assurance secured at the first line of defence from the Chief Finance Officers within local authorities, and with the intention of focusing the assurance activity and resulting support where it is most needed. This supports both the outcomes of the programme and the ability to provide assurance to the Accounting Officer.

## Triggers

51) The suite of risk indicators for the LUF are set out in the table below, the risk information will be used to identify those Local Authorities (LA) where assurance and performance concerns are significant enough to trigger a deep dive.

Area of Risk	Method of Securing Risk Information	Threshold
<b>Chief Finance Officer</b>	Chief Finance Officer <b>communicates concern via:</b> <ul style="list-style-type: none"> <li>Assurance letter</li> <li>Statement of grant usage</li> </ul>	Chief Finance Officer, flags issues and/or responds to questions set out in the assurance letter and or statement of grant usage covering topics including conflict of interest registers, risk registers, procurement, governance, and Subsidy Control.
<b>Financial Performance</b>	Six-monthly performance returns reviewed and resulting Red, Amber, Green (RAG) rating provided by the LUF Delivery Team.	Financial performance for the LA's LUF project is 40% off quarterly profile for two consecutive quarters.
<b>Delivery Performance</b>	Deliverability review completed twice a year by the LUF Delivery Team.	Deliverability is RAG rated red.
<b>Area Lead Intelligence</b>	Area Lead relationship management intelligence, requested by Assurance and Compliance Team.	Judgement based on nature of the intelligence concerns including procurement / governance /performance
<b>External Auditor's Annual Report</b>	Local authority's latest certified accounts published on their website.	Judgement based on nature of the intelligence
<b>Assurance Intelligence</b>	Intelligence collated from across the Assurance and Compliance Team feeding in intelligence from other funding programmes as relevant.	Judgement based on nature of the intelligence concerns re procurement / governance /performance

52) The threshold of **40%** off the quarterly profile for two consecutive quarters for financial performance reflects several considerations:

- Performance thresholds utilised in previous growth programmes,
- Forecasts provided at application,
- Inception meeting intelligence.

53) DLUHC used this information to establish a threshold designed to prevent performance issues becoming systemic. A lower threshold would result in larger volumes of local authorities identified for a deep dive based on financial performance alone, and the risks may not be addressed by a deep dive.

- 54) The LUF Delivery Team will look to address performance issues through the regular Area Lead engagement with the local authority and performance management. The aim is to reduce the number of local authorities having two consecutive quarters at 40% off-profile, reducing the likelihood of a deep dive Review. The LUF performance management guidance is provided to local authorities by the LUF Delivery Team and managed by them.
- 55) LUF seeks to provide greater autonomy to local authority grant recipients and as most grant recipients are local authorities, the two-tier risk intervention approach supports a level of risk-tolerance whilst maintaining safety checks through which performance management and assurance issues can be identified.

### Risk-Based Deep Dive Selection

- 56) To establish whether a local authority requires a deep dive, the combined trigger information (paragraph 51), will be reviewed by the Assurance and Compliance Team on a six-monthly basis ahead of payments or as required. Proposals will then be made to the LUF Assurance Decision Group (LDG), for a final decision (details of the LDG are set out at paragraph 65). A deep dive may be triggered by the identification of a single risk or multiple risks, each deep dive will therefore be based on a judgement of whether the totality of risks is of sufficient concern.
- 57) Ongoing intelligence from the LUF Delivery Team will be shared at the LDG and the discussions aim to establish whether any areas of concern will be rectified within the next quarter. Where sufficient confidence is secured, the local authority may be removed from the deep dive list.
- 58) The LUF Delivery Team will carry out performance management through quarterly reporting and monitoring of active mitigations. Where underperformance concerns remain unresolved the local authority and associated projects will be considered at the next six-monthly review. The failure to resolve performance issues will be a factor when compiling the deep dive risk triggers.
- 59) In some instances, such as regional/national material shortages or seasonal construction delays, certain issues linked to financial and/or delivery performance may be rectified without requiring a deep dive. The LUF Delivery Team will however exercise discretion when submitting recommendations to the LDG, as to whether a deep dive is required.

### Sample-Based Deep dives

- 60) Sample-based deep dives are included within this Framework and will be undertaken using a random sampling tool for selection.
- 61) Sample lists will be established on an annual basis for the LDG to record before deep dives take place.
- 62) The Assurance and Compliance Team aims to conduct at least a 5% random sample per year, whilst reserving the right to suspend the sample-based deep dives where the number of triggered deep dives are of a sufficiently high volume to give confidence across the cohort.

### LUF Assurance Decision Group

63) The LUF Assurance Decision Group (LDG) will take informed decisions on which local authorities will receive a trigger-based deep dive, and review local authorities proposed for removal from the deep dive list. The LDG will also receive the post deep dive reports and ensure the implementation of any required action(s) led by the appropriate DLUHC Team(s) in conjunction with the local authority.

64) The LDG will be comprised of:

- Assurance and Compliance Head
- LUF Delivery Head
- LUF Assurance and Compliance Team Lead(s)
- LUF Delivery Team Lead(s)
- Further Assurance and Compliance and LUF Delivery Team representation as required.
- Area Lead representation as required.
- Cross-departmental stakeholders including Department for Transport and other representation as required.

65) Depending on the information being discussed, the LUF Delivery Team representative will be required to set out a proposal for the removal of a local authority from the deep dive list and/or the Assurance and Compliance representative will provide details of the triggers raised and the proposed rationale for a deep dive.

66) The LDG will be scheduled to meet regularly with Terms of Reference (ToR) to:

- Agree the risk-based deep dive list of local authorities
- Agree sample-based deep dive list as required
- Receive deep dive reports, agree remedial action, and recommend percentage payments
- Cover other topics as required relating to LUF assurance
- Provide reporting within the governance structure.

67) The LDG will agree the list of local authorities for a deep dive, based on the risk indicators and intelligence. This can be instigated ad hoc as required, where the Area Lead, or cross-funding programme intelligence raises concerns, between the six-monthly reporting periods.

68) For local authorities in England only, the LDG will consider intelligence from the DLUHC Local Government Accountability (LGA) Team, highlighting areas of concern, alongside risk indicators and LUF Delivery Team mitigation information.

69) The outcome of the LDG will be the deep dive list.

## Deep dive Process

70) The purpose of a deep dive is to enable the Assurance and Compliance Teams to review the governance, decision making, and delivery associated with the LUF funding. deep dives will, through a series of checks, secure assurance that the grant recipient has appropriate and effective systems in place for procurement, decision-making and financial management, Subsidy Control and State Aid (where appropriate) and counter-fraud.

71) Once a local authority has been confirmed for a deep dive, the following actions will be undertaken, and each stage is set out in detail in the subsequent sections:

- a) Letter sent to the local authority via email informing them of the deep dive, this will include:
  - i) Where a local authority has more than one project the letter stipulates the project(s) in scope of the deep dive
  - ii) Scheduling of meeting(s) with the local authority representatives
  - iii) Requesting evidence from the LA to support:
    - Sample testing of procurements including LA LUF procurement register
    - Review of decision-making and governance
    - Counter Fraud actions
    - Subsidy Control and State Aid practices – as appropriate
- b) Desk-based checks completed to identify specific topics for discussion and to provide questions for the local authority to respond. Information utilised during the desk-based checks includes:
  - Inception visit record and deliverability report(s) from LUF Delivery Team
  - Six-monthly and quarterly reporting outcomes presented by the LUF Delivery Team, resulting from the local authority reporting.
  - Data from assurance letter and statement of grant usage
  - Local Government Accountability Assurance intelligence – England
  - Other Funds delivery and assurance intelligence
- c) Sample test procurements for regularity and identify any areas of concerns for discussion with local authority.
- d) Review governance arrangements and identify any areas of concern for discussion with local authority.
- e) Review Subsidy Control and State Aid practices and identify key concerns for local authority discussion, as necessary.
- f) Actions **b** to **e** to be complete prior to the local authority meeting, to provide specific questions, shared in advance with the authority and for discussion during the meeting.
- g) The duration of the review is dependent on the complexity of issue/s identified and the number of projects in the scope of the deep dive.
- h) Meeting(s) with local authority which will be virtual or face to face as required/agreed.
- i) Attendees at deep dive meeting: -
  - Local authority day-to-day LUF project lead(s)
  - Chief Finance Officer or their deputy, depending on the level of concern and value of project(s)
  - Procurement leads as appropriate, depending on the level of concern and nature of the procurements
  - LUF Assurance and Compliance Team officer responsible for leading the review
  - Area Lead, LUF Delivery Team representative and or other representatives as appropriate
- j) Produce finding(s) and recommendations report and moderate within the Assurance and Compliance Team.
- k) LDG agrees course of action based on the report recommendations.
- l) Final report is provided to the local authority setting out actions and support as required.

## Procurement Testing

- 72) A procurement review will be undertaken on a random sample of the LUF procurements and where an issue or concern has been identified, to:
- Provide DLUHC, HMG and stakeholders with assurance that the appropriate public procurement regulations have been followed.
  - Seek assurance that the local authority has appropriate and effective systems in place for procurement.
  - Identify and spot any indicators of non-compliance/high risk
- 73) A sample of two procurements will be reviewed, alongside the relevant procurement regulations to ensure the following are being adhered to:
- Public procurement thresholds and appropriate procurement route has been taken in awarding contracts.
  - Advertising where required has been used including but not limited to the publication of notices for awarded contracts funded by the grant.
  - Local authority LUF procurement register is maintained.
  - Conflicts of interest for procurement is appropriately managed via the conflict-of-interest policy, register and declarations.
  - Local authority procurement policies and processes are being followed and are in line with the relevant contract regulations.
- 74) Reflecting the UK-wide nature of LUF, the following procurement regulations and or any subsequent regulation will be utilised as appropriate:
- [Public Contract Regulation 2015](#)
  - [Utilities Contract Regulation 2016](#)
  - [Concession Contract Regulation 2016](#)
  - [Public Contracts \(Scotland\) Regulations 2015](#)
- 75) To support the procurement review, the following information will be required, however this list is not exhaustive, and the information required, will be dependent upon the nature of the procurements checked:
- Latest version of LUF procurement register
  - Documentation as required, based on information in the procurement register, to demonstrate appropriate procurement process has been followed and contract(s) advertised in line with relevant contract regulations.

## Governance Review

- 76) The review of LUF governance will take into consideration the structures within which LUF decisions are taken, this includes engagement with appropriate scrutiny practices, to ensure that they are in line with the local authorities' own policies and offer both regularity and propriety.
- 77) Adherence to the MOU paragraph 9.3 regarding either the forming of a LUF Board or the incorporation of LUF within an existing and appropriate governance structure, will form a core of the review.

78) Evidence of active scrutiny of LUF project(s) in line with the local authority's overview and scrutiny policy will be reviewed.

79) To enable the review, local authorities will be required to provide:

- Terms of Reference for the LUF Board or board within which LUF sits
- Governance structure diagram including LUF arrangements
- Agenda, papers, and minutes of the two most recent meetings of the LUF Board / board when LUF sits
- Where relevant: agenda, appropriate papers and minutes of up to two scrutiny committee meetings where LUF activity was under consideration. This is **only** required, if LUF activity has had reason to go to scrutiny committee, when following the local authorities own processes
- The local authority's overview and scrutiny policy
- Conflict of interest policy and register of Interests – relevant to LUF, this may be the local authority policy and register, or specific to LUF
- Risk policy, this may be the local authority policy and register, or specific to LUF
- Financial policy or appropriate document describing delegation limits and separation of duties, relevant to LUF, this may be the local authority policy, or specific to LUF

## Counter Fraud

80) Whilst the role of the Assurance and Compliance Team is not to specifically investigate suspected fraud within LUF projects and practices, the deep dive process will include ensuring counter fraud actions are active for the projects selected for a deep dive.

81) The deep dive will look for evidence that active conflict of interest and risk management measures are in place within LUF governance. These two aspects support counter fraud measures and will be considered alongside the authority's counter fraud policy.

82) Documents to be provided by the local authority include:

- Local authority counter fraud policy (to include a fraud referrals process)
- Updated conflicts of interest register
- Updated gifts and hospitality register
- Updated fraud risk register (template in MOU)

The document may be the local authorities overarching policies and procedures which cover the LUF activities, or documents specific to the LUF activities.

83) Should the deep dive identify suspected fraud this will be initially referred to the Assurance Counter Fraud Officers.

## State Aid and Subsidy Control

84) Local authorities are responsible for managing both State Aid and Subsidy Control as appropriate for their LUF projects, however DLUHC will, during the deep dive process, perform checks on the approach taken by the local authority, as appropriate.

85) The checks will cover, but not be limited to checking that the local authority has, carried out their stated processes, their control of the projects operated by third parties, and assurance of



the separation of functions where projects are operated in-house, and ensuring that adequate in-house checks are in place.

- 86) A local authority should expect to provide State Aid and or Subsidy Control policy documents and documents reflecting the implementation of their respective controls when requested.

#### Local Authority meeting(s)

- 87) Meeting with key representation as set out at 73.i, provides for any concerns identified through the Deep dive review activities to be discussed and mitigations to be presented. The meeting(s) support(s) the development of potential remedial action including project adjustments and addressing any procurement process concerns.

- 88) The intended areas of focus will be shared ahead of the meeting(s) with the local authority attendees within an agenda as this will encourage a proactive discussion, the identification of supporting information and planning for remedial action(s) as required.

#### Deep Dive Outcome

- 89) The completion of a deep dive review will enable the Assurance and Compliance Team to produce a report with actions and outcomes for discussion and agreement with the LDG and to agree any remedial action(s).

- 90) Where remedial action is required, one or more of the following actions may be utilised to effect the necessary changes:

- A formal Project Adjustment Request (PAR)
- Payments being paid in stages or paused whilst remedial action is undertaken or until remedial action secures the improvement required
- Procurements may be removed if they are identified as non-compliant with regulations.
- LUF specialist support deployed to provide tailored expertise across procurement, delivery, commercial functions, and assurance
- Recovery plans formulated by the grant local authority and agreed by DLUHC to address any significant underperformance issues raised

- 91) Once the required remedial action has been satisfactorily implemented and evidenced to the Assurance and Compliance Team, the deep dive will be closed by the LDG, and any paused payments reinstated.

#### Third Line of Defence - Government Internal Audit Agency

- 92) As set out from paragraphs 22 to 25, the **third line of defence** will be carried out by the Government Internal Audit Agency (GIAA) and will take the form of a review of the activity completed by DLUHC for the second line of defence.

- 93) The GIAA will provide notice of their planned review and set out the scope and information required at that time.

# Towns Fund Assurance and Performance Management

- 94) The [Future High Streets Fund \(FHSF\)](#) and [Town Deals Fund](#) are run by DLUHC and are known collectively as the Towns Fund. For the purposes of this Framework, the term Towns Fund refers to both FHSF and Town Deals.
- 95) FHSF was open to local authorities in England, with 72 local authorities in England being successful in their funding applications by December 2020.
- 96) On 6 September 2019, 101 towns in England were invited to develop proposals for a Town Deal as part of the Towns Fund.
- 97) Town Deal Boards are responsible for producing Town Investment Plans, including putting forward suitable projects which align with the objectives of the Towns Fund, and for overseeing the delivery and monitoring of those projects.

## Grant Offer Letter and Agreements

- 98) For FHSF a Memorandum of Understanding (MOU) was signed between DLUHC and the local authority, as the grant recipient, which sets out the terms, principles and practices that will apply to the working relationship, including the allocated funding, scope, key assumptions, projected timeline, and key milestones. The MOU will be updated and signed by the parties annually.
- 99) The grant offer letter sets out the expectation of grant recipients in relation to the grant, and this includes but is not limited to the following:
- Eligible expenditure
  - Reporting
  - Accountability and Assurance
  - Monitoring and Evaluation
  - Branding and Communication
  - Performance Management
- 100) Each Town Deal is an agreement in principle between Government, the Accountable Body, and the Town Deal Board, confirmed in a Heads of Terms (HoT). The HoT is signed by the Chair of the Town Deal Board, the Accountable Body and by the Minister for Levelling Up. DLUHC will provide funding to projects across England through Accountable Bodies to Town Deal Boards
- 101) The Accountable Body is a local authority and for the purposes of this Framework, the term local authority refers to the role of the Accountable Body for Town Deal assurance.

102) Throughout the delivery period, DLUHC will liaise with the local authority on a regular basis. This may include visits to, and promotion of Towns Fund projects, in line with the communications and branding guidelines, to demonstrate the difference a project is making to the community. The local authority will also be expected to provide six-monthly reporting to enable monitoring of progress as set out in the MOU / HoT and in the [Monitoring & Evaluation \(M&E\) guidance](#).

103) DLUHC will look to make payments that correspond to the local authority's spend profile whilst being mindful of the annual budgets that have been set and the outcome of assurance reviews and performance management.

### Financial Arrangements

104) The agreed funds will be issued annually as non-ringfenced grant payments under Section 31 of the Local Government Act 2003.

### Accountability and Assurance

105) The Towns Fund assurance model follows the **three lines of defence** approach set out in paragraphs 12 – 27 of this Framework. A range of accountability activities will be required of the local authority, coupled with the corresponding assurance checks to form the assurance cycle detailed in paragraphs 41-95. This will provide assurance of the Towns Fund programme to the Accounting Officer.

106) Details of the timetable for the assurance cycle including reporting deadlines are provided in **Annex C** below.

### First Line of Defence - Chief Finance Officer

107) Local authorities have oversight of operational management and are therefore responsible for providing the assurance of appropriate use of Towns Fund grants as a first line of defence. The assurance activity within the first line of defence seeks to establish that the Towns Fund grant is delivered with propriety, regularity, and value for money.

108) To secure the first line of defence, the Chief Finance Officer will be required to complete two annual returns to DLUHC; the statement of grant usage requires the Chief Finance Officer to:

- Provide details of the checks that the Chief Finance Officer or deputy has taken to assure themselves that the local authority has in place the processes that ensure proper administration of financial affairs relating to the Towns Fund projects.
- Respond directly to questions addressing the governance and transparency for aspects of Towns Fund grant management including, procurement, conflict of interest, Subsidy Control, counter fraud, and risk management.

109) The assurance letter is addressed to the Permanent Secretary in their role as DLUHC Accounting Officer and submitted to DLUHC.

## Compliance Checks

- 110) Compliance checks will be completed annually by DLUHC for Town Deals. The checks review the Town Deal Board, in line with the governance and information provision requirements set out in the prospectus.
- 111) Resulting from the checks, any recommendations for action will be provided to local authorities and the Town Deal Board.
- 112) Confirmation that the actions have been addressed will be required and evidence may be requested.

## Second Line of Defence - DLUHC

- 113) The second line of defence is undertaken by the Assurance and Compliance Team within DLUHC. This reflects information provided by the Chief Finance Officers and a range of sources of assurance and performance intelligence.
- 114) Through the annual assurance cycle, DLUHC will undertake a range of checks during the life span of the project(s) both on a risk and on a random sample basis, to secure assurance at the second line of defence (see paragraphs 72 – 95.)
- 115) The assurance activity occurs in parallel with local authorities reporting performance information through the submission of qualitative and quantitative reports using a template provided by DLUHC and set out in separate guidance. The performance review outcomes are considered alongside assurance process outcomes and considered together to inform payment schedules.
- 116) Intelligence will be gathered from across the Assurance and Compliance Team and from Area Leads, to provide a holistic understanding of the assurance secured by the local authority for the Towns Fund projects and will occur throughout the second line of defence process.
- 117) The DLUHC Assurance and Compliance Team will complete a review of the information provided by the Chief Finance Officer on an annual basis, identifying areas of concern raised by either the local authority or based on other information provided. This will form the starting point for the risk-based approach detailed below. Any concerns identified, will help inform payments. Financial and delivery performance information will also feed into payment considerations.

## Risk-Based Approach

- 118) The Towns Fund follows a risk-based approach to the second line of defence, with deep dives being undertaken based both on a suite of risk factors and random sampling.
- 119) The devolved nature of Towns Fund is supported by the level of assurance secured at a first line of defence from the Chief Finance Officer function within the local authority, with the

intention of focusing the assurance activity and resulting support where it is most needed. This supports both the outcomes of the programme and the ability to provide assurance to the Accounting Officer.

## Triggers

120) The suite of risk indicators for Towns Fund are set out in the table below, the risk information will be used to identify those local authorities where assurance and performance concerns are significant enough to trigger a deep dive.

Area of Risk	Method of Securing Risk Information	Threshold
<b>Chief Finance Officer Statement</b>	Chief Finance Officer <b>communicates concern</b> via: <ul style="list-style-type: none"> <li>Assurance letter</li> <li>Statement of grant usage</li> </ul>	Chief Finance Officer, flags issues and or responds to questions set out in the assurance letter and or statement of grant usage, covering topics including conflict of interest registers, risk registers, procurement, governance, and Subsidy Control.
<b>Financial Performance</b>	Six-monthly performance returns	Financial performance for the Towns Fund projects is 40% off profile for any six-monthly return
<b>Delivery Performance</b>	Six-monthly performance returns	Delivery performance for the Towns Fund projects is 40% off profile for any six-monthly return
<b>Area Lead Intelligence</b>	Area Lead relationship management intelligence, requested by Assurance Team on an annual basis	Judgement based on nature of the intelligence Concerns re procurement / governance/performance
<b>External Auditor's Annual Report</b>	Local authority's latest certified accounts on their website	Judgement based on nature of the intelligence
<b>Assurance and Delivery Intelligence</b>	Both teams can feed in intelligence from other funding programmes as relevant.	Judgement based on nature of the intelligence  Concerns re procurement / governance/performance

121) The threshold of **40%** off the quarterly profile for two consecutive quarters for financial and delivery performance, reflects several considerations:

- Performance thresholds utilised in previous growth programmes,
- Forecasts provided at application,

122) DLUHC used this information to establish a threshold designed to prevent performance issues becoming systemic. A lower threshold would result in larger volumes of local authorities identified

for a deep dive based on financial performance alone, and the risks may not be addressed by a deep dive. Reprofitting via a Project Amendment Request (PAR) can be initiated by the local authority or DLUHC and forms a part of performance management.

- 123) Through Towns Fund, DLUHC aims to provide greater autonomy to local authorities and the two-tier risk intervention approach supports a level of risk tolerance, whilst maintaining safety checks through which performance management and assurance issues can be identified.

### Risk-based Deep dive Selection

- 124) Sample lists will be established on an annual basis for the Towns Fund Decision Group (TFDG) to scrutinise.
- 125) To establish whether a local authority requires a deep dive, the combined trigger information (paragraph 122), will be reviewed by the Assurance and Compliance Team and a proposal made to the TFDG for a final decision, details of the TFDG are set out at paragraph 134. It could be the case that a single risk is present, and this has sufficient concern to warrant a deep dive, or there could be multiple risks which trigger the deep dive.
- 126) If the TFDG determines a local authority could require a deep dive, this will be referred to the Towns Fund Delivery Team, which will arrange to discuss the issues with the local authority. The discussion aims to establish whether the financial and or delivery performance will be rectified within the next quarter. Where sufficient confidence is secured, the local authority may be removed from the deep dive list when considered by the TFDG.
- 127) In some instances, such as regional/national material shortages or seasonal construction delays, certain issues linked to financial and/or delivery performance may be rectified without requiring a deep dive. The Towns Fund Delivery Team will however exercise discretion when submitting recommendations to the TFDG, as to whether a deep dive is required.
- 128) In addition to the risk-based triggered deep dives, there will be a **5% random selection** made up of all local authorities to undergo deep dives; they are to be conducted in a timely manner and payments will remain unaffected unless the review identifies concerns.

### Sample-Based Deep Dives

- 129) Sample-based deep dives sit within this Framework and will be undertaken using a random sampling tool for selection random sampling.
- 130) Sample lists will be established on an annual basis for the TFDG to scrutinise, before deep dives take place.
- 131) The Assurance and Compliance Team aims to conduct at least a 5% random sample per year, whilst reserving the right to suspend the sample based deep dives, where risk triggered deep dives are in sufficiently high volume, to give confidence across the cohort.

### Towns Fund Decision Group

- 132) The TFDG will take informed decision on which local authorities will receive a trigger-based deep dive, and review local authorities proposed for removal from the deep dive list. The TFDG will also receive the post deep dive reports and ensure the implementation of any required action(s) led by the appropriate DLUHC Team(s) in conjunction with the local authority.
- 133) The TFDG will be comprised of:
- Head Assurance and Compliance Senior Lead
  - Head Towns Fund Senior Delivery Lead
  - Assurance and Compliance Lead
  - Towns Fund Delivery Lead
  - Assurance and Performance representation as appropriate.
  - Area Lead representation as appropriate
  - Cross department stakeholders and other representation as required
- 134) Depending on the nature of the information and triggers being discussed, the Delivery Team will be required to set out their proposal for the removal of a local authority from the deep dive list and/or the Assurance Officer will provide detail of the triggers raised and the proposed rationale for a deep dive.
- 135) The TFDG will meet regularly with Terms of Reference to support:
- Agreeing the risk based deep dive list of local authorities
  - Agreed sample based deep dive list as required
  - Receive deep dive reports and agree remedial action and percentage payments
  - Other topics as required allied to Towns Fund assurance
  - Provide reporting within the governance structure.
- 136) The TFDG will agree the list of local authorities for a deep dive, determining whether a local authority should be subject to a deep dive based on the range of risk indicators and intelligence. This can be instigated ad hoc as required, where Area Lead or cross funding programme intelligence raises concerns, between annual reporting periods.
- 137) The outcome of the TFDG will be the trigger-based deep dive list.
- 138) Ad hoc TFDG meetings may result in further local authorities being added to the deep dive list for a given period based on intelligence sourced between annual local authority reporting and performance reporting.

### Deep dive Process

- 139) The purpose of a deep dive is to enable the Assurance and Compliance Team to review the governance, decision making and delivery of the Towns Fund, where concerns have been identified through the triggers or from a sample selection. deep dives will, through a series of checks, secure assurance that the grant recipient has appropriate and effective systems in place for procurement, decision making and financial management, Subsidy Control, and counter-fraud.
- 140) Once a local authority is identified and agreed for a deep dive by the TFDG, the following actions will be undertaken. Each stage is set out in detail in the subsequent sections:
- a) Letter sent to the local authority via email informing them of the deep dive, to include:

- Where the Towns Fund has both FHSF and a Town Deal the letter stipulates and identifies the project(s) in scope.
  - Scheduling of meeting(s) with the local authority representatives, including evidence from the local authority to support
  - Sample testing of procurements including local authority procurement register
  - Review of decision making and governance
  - Counter fraud actions
  - Subsidy Control
- b) Desk-based checks completed to identify specific topics for discussion and to provide questions for the local authority to respond to Information utilised during the desk-based checks includes:
- Six-monthly reporting outcomes presented by the Towns Fund Delivery Team, resulting from the local authority reporting
  - Data from Chief Finance Officer Statement and Assurance Review Form
  - Other funds delivery and assurance intelligence
- c) Sample test procurements for regularity and identify any areas of concerns for discussion with local authority.
- d) Review governance arrangements and identify any areas of concern for discussion with local authority.
- e) Review Subsidy Control practices and identify key concerns for local authority discussion, as necessary.
- f) Actions B to E to be complete prior to the local authority meeting, to provide specific questions, shared in advance with the authority and for discussion during the meeting.
- g) The duration of review is dependent on the complexity of issue/s identified and the number of projects in the scope of the deep dive.
- h) Meeting(s) with local authority, which will be virtual or face to face as required/agreed.
- i) Attendees at deep dive meeting:
- Local authority day-to-day project leads(s)
  - Chief Finance Officer or their deputy, depending on the level of concern and value of project(s)
  - Procurement leads as appropriate, depending on the level of concern and nature of the procurements
  - FHSF Assurance Officer responsible for leading the review
  - Area Lead, Towns Fund performance officer and or other representatives as appropriate
- j) Produce finding(s) and recommendations report and moderate within the Assurance and Compliance Team.
- k) TFDG agrees course of action based on the recommendations from the Assurance Officer completing the deep dive.
- l) Report is provided to the local authority setting out actions and support package as required.



## Procurement Testing

141) A procurement review will be undertaken on a random sample of the local authority's procurements regarding the Towns Fund projects and where a high risk or an issue has been identified, to:

- Provide DLUHC, HMG and stakeholders with assurance that the appropriate public procurement regulations have been followed
- Seek assurance that the local authority has appropriate and effective systems in place for procurement
- Identify and spot any indicators of non-compliance/high risk

142) A sample of two procurements will be reviewed, if applicable alongside the relevant procurement regulations to ensure the following are being adhered to (this is not an exclusive list):

- Public procurement thresholds and appropriate procurement route has been taken in awarding contracts. Advertising (where required has been used) including but not limited to the publication of notices for awarded contracts funded by the grant and all relevant statutory obligations have been complied with
- Local authority Procurement Register is maintained for the Towns Fund
- Conflicts of interest for procurement is appropriately managed via the conflict-of-interest policy, register and declarations
- Local authority procurement policies and processes are being followed and are in line with the relevant public contract regulations

143) To support the procurement review, the following information will be required, however this list is not exhaustive, and the information required, will be dependent upon the nature of the procurements checked:

- Latest version of procurement register showing Towns Fund procurements
- Documentation as required based on information provided in the procurement register to demonstrate the appropriate procurement process has been followed and contract advertised in line with relevant contract regulations.

## Governance Review

144) The review of Towns Fund governance will take into consideration the structures within which Towns Fund decisions are taken, this includes engagement with appropriate scrutiny practices, to ensure that they are in line with the local authority's own policies and offer both regularity and propriety.

145) Evidence of active scrutiny of Towns Fund project(s) in line with the local authority's overview and scrutiny policy will be reviewed. Core to a Town Deal review is whether the Town Deal Board has adhered to the Towns Fund prospectus and Further Guidance.

146) To enable the review, local authorities will be required to provide:

- Governance structure diagram including Towns Fund arrangements
- Local authority meetings regarding Towns Fund including agenda, papers, and minutes for at least the most immediate past two meetings

- Where relevant: Agenda, appropriate papers and minutes of up to two Scrutiny Committee meetings where Towns Fund activity was under consideration. This is only required, if Towns Fund activity has had reason to go to scrutiny committee, when following the local authorities own processes.
- The local authority's overview and scrutiny policy
- Conflict of interest policy and register of Interests – relevant to Towns Fund, this may be the local authority policy and register, or specific to Towns Fund.
- Risk policy and risk register reflecting Towns Fund, this may be the local authority policy and register, or specific to Towns Fund
- Financial policy or appropriate document describing delegation limits and separation of duties, this may be the local authority policy, or specific to Towns Fund

147) In addition, for Town Deal focused deep dives the following is required:

- Terms of Reference for the Town Deal Board
- Governance structure diagram including Town Deal arrangements
- Town Deal Board papers including agenda, papers, and minutes for at least the most immediate past two meetings.

## Counter Fraud

148) Whilst the role of Assurance and Compliance is not to specifically investigate suspected fraud within Towns Fund projects and practices, the deep dive process will include ensuring counter fraud actions are active for the projects selected for a deep dive.

149) The deep dive will look for evidence that active conflict of interest and risk management measures are in place within Towns Fund governance. These two aspects support counter fraud measures and will be considered alongside the authority's counter fraud policy.

150) Documents to be provided by the local authority include:

- Counter fraud policy (to include fraud referrals process)
- Updated conflicts of interest register
- Updated gifts and hospitality register
- Updated fraud risk register

The document may be the local authorities overarching policies and procedures which cover the Towns Fund activities, or documents specific to the Towns Fund activities.

151) Should the deep dive identify suspected fraud this will be initially referred to the Assurance Counter Fraud Officers.

## Subsidy Control

152) Local authorities are responsible for managing Subsidy Control for the Towns Fund projects, however DLUHC will, during the deep dive process, perform checks on the approach taken by the local authority.

153) The checks will cover, but not be limited to, checking that the relevant local authority has carried out their stated processes, their control of the projects operated by third parties, and

assurance of the separation of functions where projects are operated in house and ensuring that adequate in-house checks are in place.

- 154) A local authority should expect to provide their Subsidy Control policy documents and documents reflecting the implementation of their controls.

### Local Authority meeting(s)

- 155) Meeting with key representation as set out at 142.i, provides for any concerns identified through the deep dive review activities to be discussed and mitigations to be presented. The meeting(s) support(s) the development of potential remedial action including Project Adjustments and addressing any procurement process concerns.

- 156) The intended areas of focus will be shared with the local authority attendees ahead of the meeting(s) as this will encourage a proactive discussion, the identification of supporting information and planning for remedial action(s) as required.

### Deep Dive Outcome

- 157) The completion of a deep dive review will enable the Assurance and Compliance Team to produce a report with actions and outcomes for discussion and agreement with the TFDG, to secure any remedial action, as necessary.

- 158) Where remedial action is required, one or more of the following actions may be utilised to secure the necessary changes:

- A formal Project Adjustment Request
- Payments being paid in stages or paused whilst remedial action is undertaken or until remedial action secures the improvement required.
- Procurements removed if they are identified as non-compliant with regulations.
- Specialist support deployed to provide tailored expertise across procurement, delivery, commercial functions, and assurance.
- Recovery Plans formulated by local authority and agreed by DLUHC to address any significant underperformance issues raised

- 159) Once the required remedial action has been satisfactorily implemented and evidenced to the Assurance Team, the report will be determined as closed by the TFDG and any suspended payments, shall be reinstated.

### Third Line of Defence - Government Internal Audit Agency

- 160) As set out from paragraphs 22 to 25, the **third line of defence** will be carried out by the Government Internal Audit Agency (GIAA) and will take the form of a review of the activity completed by DLUHC for the second line of defence.

- 161) The GIAA will provide notice of their planned review and set out the scope and information required at that time.

## Towns Fund Performance Management

162) The local authority will provide regular project, financial, and risk reporting to DLUHC, in such a format that DLUHC will provide, demonstrating expenditure of the previous funding and that outputs and outcomes are being met, in line with the approved application.

163) This information will be taken into consideration by DLUHC before subsequent annual payments to the local authority are finalised and paid. DLUHC may make appropriate adjustments to payments or withhold payments where there are significant concerns over delivery.

### Engagement with DLUHC

164) Regular meetings with local authorities and Towns Fund Delivery Support Managers form the basis of local authority engagement with DLUHC, including the Towns Fund programme performance, encompassing areas of concern and strategic issues.

165) Each place has a point of contact within DLUHC which should be used in the first instance for any Towns Fund related queries. Further support from the Towns Fund Delivery Team will be drawn into conversations with local authorities where required.

166) Local authorities will provide six monthly reporting using an Excel template designed to report progress against baseline data agreed in the MOU and the Monitoring and Evaluation (M&E) plan. The template will request six-monthly updates on:

- Financial expenditure on Towns Fund activity within the reporting period and forecasts for future quarters
- Committed contractual expenditure
- Progress against delivery plans
- Mitigating and/or identifying risks
- Identifying opportunities for publicity activity
- Achievement against output targets
- Achievement against outcome targets

167) The table below sets out the reporting periods for Towns Fund.

Reporting periods	Report Due Date	Information type	Anticipated grant payment date (incomplete submissions at due date will impact timing of payment)
Up to March 22	June	Six-monthly	No payment
Apr – Sept 22	December	Six-monthly	April 23 – Towns Fund This will be the final payment for FHSF places
Oct 22 – Mar 23	June	Six-monthly	No payment

Apr 23 - Sept 23	December	Six-monthly	April 24 – Town Deals
Oct 23 – March 24	June	Six-monthly	No payment
Apr 24 – Sept 24	December	Six-monthly (Town Deals)	Tbc – Town Deals
Oct 24 – March 25 25	June	Six-monthly (Town Deals)	No Payment

## Payments and Grant Determination

- 168) The first payment will be made after the grant recipient and DLUHC have signed the MOU or HoT and submitted a Summary Document, for Town Deals (including a M&E plan) and DLUHC is satisfied
- 169) Subsequent payments will be made on an annual basis.
- 170) The value of the payments will be based on several factors including:
- The expenditure profiles submitted by local authorities and agreed by DLUHC
  - Progress against delivery plans
  - Profile adjustments provided by the local authority, to reduce the amount required for the financial year, below that originally profiled.
  - Assurance and performance management review outcomes
- 171) Future years expenditure will be confirmed once the quantum of budget transferring from one financial year to the next, has been confirmed through the annual supplementary estimate process.
- 172) Payment will be subject to the combined performance and assurance activity. This requires satisfactory progress against the expenditure profiles and delivery plan, set out in the MOU and will be informed by the outcome of engagement via the annual review which considers:
- Six-monthly M&E and performance monitoring returns
  - Review meetings between Delivery Support Managers, Towns Fund Delivery team and the local authority
  - Town RAG rating (informed by reviews/returns)
  - The outcome of the assurance process
- 173) Payments could be partially or wholly deferred or stopped during a period of slippage in project delivery, i.e., missing a key milestone or falling significantly behind the expenditure profile. Should slippage occur, DLUHC will work with the local authority with the aim of bringing the project back on track, so that payments may be resumed. A Project Adjustment Request may be appropriate.

## Project Adjustment Requests

- 174) The project adjustment process will be available for local authorities to request a change to the project specific details set out in the MOU or HoT.
- 175) For Town Deals, the Accountable Body with the Town Deal Board, may take delegated decisions if they are within confines of the Project Adjustment Requests criteria, provided to all Accountably Bodies, as a separate performance information update. Outside of scope of the delegated approval process, requests will need to be made to DLUHC for approval.
- 176) DLUHC may also identify a need for a project adjustment as part of monitoring progress. All project adjustments will be subject to review and approval by DLUHC before changes can be agreed.
- 177) As appropriate, local authorities should notify their named Towns Fund contact if they believe a project adjustment is required for DLUHC decision, keeping their Area Team contact informed. Project adjustments may also be a recommended outcome from a deep dive or six-monthly payment review and may result in the withholding of a whole or part of a payment until such time as the agreed remedial action has been implemented.

## Annex A - Chief Finance Officers across Devolved Nations

DLUHC can implement minimal first level of controls, due to the obligations already imposed on Local Authority Chief Finance Officers (CFO) under the following powers.

England	<b>Local Authority Chief Finance Officer (S151 Officer)</b>	<b>Section 151 Local Government Act 1972</b> 'Requires local authorities to make arrangements for the proper administration of their financial affairs and appoint a CFO to have responsibility for those arrangements'
Greater London Authority	<b>Executive Director of Resources</b>	<b>Section 127 of the GLA (Greater London Authority) Act 1999.</b> The Executive Director of Resources is responsible for the preparation of the Authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code). In preparing this Statement of Accounts, the Executive Director of Resources: <ul style="list-style-type: none"> <li>• selected suitable accounting policies and then applied them consistently</li> <li>• made judgements and estimates that were reasonable and prudent; and</li> <li>• complied with the local authority Code.</li> </ul> The Executive Director of Resources has also: <ul style="list-style-type: none"> <li>• kept proper accounting records which were up to date; and</li> <li>• taken reasonable steps for the prevention and detection of fraud and other irregularities.</li> </ul>
Scotland	<b>Local Authority Chief Finance Officer (S95 Officer).</b>	<b>Section 95 Local Government Act 1973 (Scotland)</b> 'Requires local authorities to make arrangements for the proper administration of their financial affairs and appoint a CFO to have responsibility for those arrangements'
Wales	<b>Chief Finance Officer As England, same legislation.</b>	<b>Section 114 Local Government Finance Act 1988 – England and Wales</b> <b>Section 151 of the Local Government Act 1972 – England and Wales</b> Under the Accounts and Audit (Wales) Regulations 2014, councils are responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of their functions
Northern Ireland	<b>LA Chief Finance Officer (S54 Officer)</b>	<b>S54 Local Government Act (Northern Ireland) 1972</b> Local Government Finance Act (Northern Ireland) 2011 – the first section states that LAs will designate a chief financial officer. <a href="https://www.legislation.gov.uk/nia/2011/10/body">https://www.legislation.gov.uk/nia/2011/10/body</a> 'Requires LAs to make safe and efficient arrangements for the receipt of money paid to it and the issue of money payable by it and for those arrangements to be carried out under the supervision the chief financial officer.'

## Annex B: LUF Assurance Timeline

Exact deadline dates will be provided in direct communication with the local authority at the time of activity commencing and to support six monthly reporting. The timeline below is indicative and subject to change.

October to November	First line of defence	Local authority: Chief Finance Officer <b>assurance letter</b> and <b>statement of grant usage</b> issued by DLUHC to local authorities
		Local authority: Chief Finance Officer Completed <b>assurance letter</b> and <b>statement of grant Usage</b> returned to DLUHC
		DLUHC: scrutiny of returned assurance letter and statement of grant usage
By early December		DLUHC: outcome of first line of defence checks to the LUF Decision Group to inform payment recommendations and agree Deep dive selection with trigger information
January to February		DLUHC: inform local authorities as to the outcome of first line of defence and identification for a second line of defence deep dive.
April to March	Second line of defence	<b>Deep dives</b> active throughout the year
April to May	First line of defence	Local authority: Chief Finance Officer <b>Statement of grant usage</b> issued by DLUHC to local authorities
		Local authority: Chief Finance Officer Completed <b>statement of grant usage</b> returned to DLUHC
		DLUHC: scrutiny of statement of grant usage
By end of May		DLUHC: outcome of first line of defence checks to the LUF Decision Group to support payments and agree deep dive selection with trigger information
June to July		DLUHC: inform local authorities as to the outcome of first line of defence and



		identification for a second line of defence deep dive.
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## Annex C – Towns Funds Annual Assurance Cycle

Exact deadline dates will be provided in direct communication with the local authority at the time of activity commencing. The timeline below is indicative and subject to change.

November to December	First line of defence	Local authority: Chief Finance Officer <b>statement of grant usage</b> issued by DLUHC to local authorities Local authority: Completed Chief Finance Officer <b>statement of grant usage</b> returned to DLUHC  DLUHC: scrutiny of returned Chief Finance Officer statement of grant usage
January		Local authority: Chief Finance Officer <b>assurance letter</b> issued Local authority: Completed Chief Finance Officer <b>assurance letter</b> returned to DLUHC  DLUHC: scrutiny of returned Chief Finance Officer assurance letter
By end of February		DLUHC: outcome of first line of defence checks to the Towns Fund Decision Group to support payments and agree deep dive selection with trigger information and compliance check outcomes for Town Deals.
March to April		DLUHC: inform local authorities as to the outcome of first line of defence and identification for a second line of defence deep dive.
April to March	Second line of defence	<b>Deep dives</b> active throughout the year
May to Aug		DLUHC: <b>Town Deal Board compliance checks</b> completed.  Local Authorities: engagement as required with checks and any actions arising.