

# SEMLEP Assurance Framework

## 1 Introduction

The South East Midlands Local Enterprise Partnership (SEMLEP) was set up in May 2011 as one of 38 Local Enterprise Partnerships (LEPs) in England to enhance and support economic growth.

SEMLEP is a locally owned public private partnership and therefore involves a large number of stakeholders including 14 local authorities, local businesses, business organisations and many other private, public and third sector organisations. SEMLEP is a company limited by guarantee. We work closely with Luton Borough Council as our Accountable body.

With a population of over 1.8M, an economy with a Gross Value added of over £39 Billion and including the UK's fastest growing city in Milton Keynes, SEMLEP covers a dynamic growth area, central to Oxford and Cambridge and embracing the rail, road and air links North West of London towards the Midlands.

In 2017 SEMLEP has merged with Northamptonshire Enterprise Partnership (NEP) to increase effectiveness and efficiency and build on the best practice of both LEPs. We are also refreshing our Strategic Economic Plan in 2017 to cover the broader geography and respond to the current economic position and challenges beyond.

With the merger complete early in 2017, SEMLEP is ambitious to build on its professionalism, accountability and prudent use of public funds to continue to support further growth projects across the geography. This will allow us to contribute even more effectively to the success of the UK economy.

Our 2017 SEMLEP Assurance Framework responds to the DCLG November 2016 guidance to ensure necessary systems and processes are in place to manage delegated funding from central Government. Our framework therefore covers robust governance and decision making, accountability and transparency and strong practices to ensure probity. It specifically covers how we ensure, when running a growth programme, value for money, clear project prioritisation, independent appraisal, approval, due diligence, risk management, project delivery and evaluation. For Growth Deal projects, this 2017 Framework builds on our existing approach and adds a second process with further due diligence before a funding agreement is signed.

Our 2017 Framework builds on the 2015 and 2016 SEMLEP and NEP frameworks. We will be continuing to enhance our processes during 2017 to ensure our complete compliance and have an action plan to do this. We will have a focus on these actions which will be overseen by our Finance, Risk and Audit Committee. Our ambition is to ensure we are recognised for our highest standards of decision making and financial systems by 2018. We will work alongside our Accountable body and

partner, Luton Borough Council, to achieve this. We are also pleased to work with colleagues at the Cities and Local Growth Team in BEIS to ensure good practice and support. Given this, the 2017 Framework will be reviewed formally in early 2018 and any revisions will be approved by the Board and Luton Borough Council as the Accountable Body.

The 2017 Framework and any subsequent approved versions following the review will be published on the SEMLEP website.

## 2 Governance and Decision Making

### 2.1 Accountability

Local Enterprise Partnerships now have considerable sums of Local Growth Fund and other public monies flowing through to growth projects. The Local Assurance Framework provides a structure to ensure that these funds are allocated to key strategic priorities and managed using robust systems. A critical part of that system is the Governance and decision making structure. This is laid out in the chapter below.

In fulfilling the conditions of the 2016 DCLG Assurance Framework guidance and preparing the 2017 SEMLEP assurance framework, SEMLEP works closely with our Accountable body, Luton Borough Council, to ensure that we are compliant and to review our processes. Luton Borough Council sign off the framework, annually in February, whilst participating in the governance, decision making and programme fund management to ensure compliance on a day to day basis.

### 2.2 SEMLEP Board and Governance

#### 2.2.1 SEMLEP Governance

SEMLEP has a robust governance structure with a wide ranging network of groups to ensure that the Board and Committees with decision making powers have access to the widest range of expertise. The diagram below illustrates the roles within the Governance structure that maximise engagement and effective evidence based decision making.

**Enabling Groups** – engage practitioners and experts in their field to work on key policy and programme areas to propose actions and explore solutions. For instance the PDIIDG group has lead work on housing and hosted the January 2016 Housing Summit to take forward this agenda.

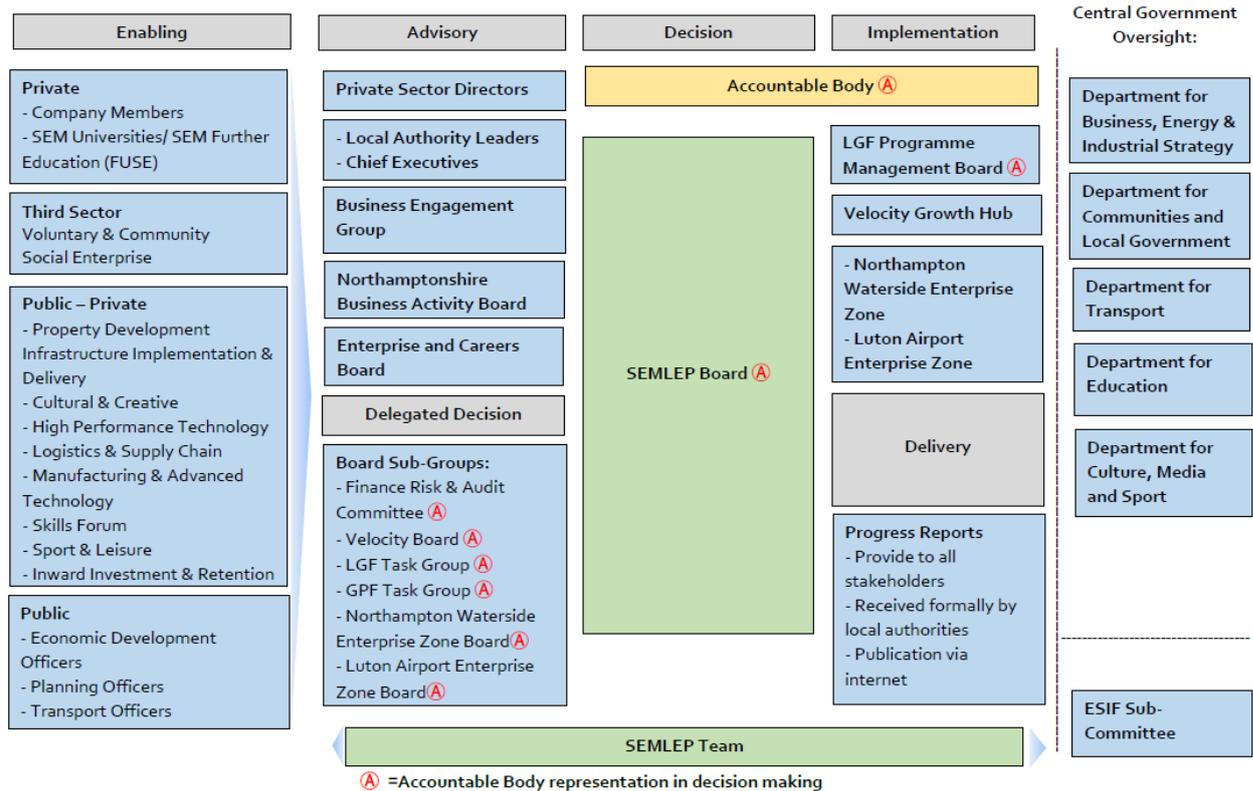
**Advisory Groups** – groups meet to directly advise the SEMLEP Board of the perspective of that group or member organisations. For instance the political leaders meet a week before the SEMLEP Board to ensure that all 11 local authority leaders have contributed to key issues on the Board, where they are represented by 7 leaders.

**Delegated Decision Making** – these sub-committees are established by the Board to ensure focus on key work areas for the LEP and more details are set out below.

**Implementation groups** – these groups are officer level groups that feed into the Board or sub-committees to provide further governance of public money and key SEMLEP Priorities. For instance the LGF Programme Management Board, comprising the project managers, meets 2 weeks before the LGF Task Group, who oversee the programme.

The chart also indicates where Accountable Body representatives sit to ensure robust governance and decision making.

## SEMLEP Governance Structure



Version 10 – 27/02/2017  
Author – Ellen Withey

### 2.2.2 Board: Membership and Recruitment

The SEMLEP Board has a private sector Chair, Dr Ann Limb CBE and 60% private sector membership. The Articles of Association state that the Board of 18 consists of no more than:

- 8 public sector Directors, who are generally leaders of 8 of the 14 local authorities in the area
- 11 private sector directors (including the Chair)
- 1 director from the Higher Education sector
- 1 director from the Further Education sector
- a permanent observer representing the voluntary and community sector.

The terms of reference are available [here](#). The full Articles of Association are available here (Link to be added).

Board recruitment was underway in early 2017 to fill three private sector vacancies and the profiles of current board members can be seen [here](#).

Board members have a term of 3 years and the places are filled by an open recruitment process. The private sector member places are advertised widely and proactively to ensure a diverse business representation. Public sector members are nominated by those local authorities, to reinforce the local democratic accountability.

As suggested above, the SEMLEP Board takes reports from a number of advisory groups comprising public and private sector members. There are specific groups of board members: Leaders Groups, Chief Executive Groups and Private sector members groups that meet prior to Board meetings to ensure that interests of a wide range of public sector and private sector members are fed into Board decisions.

### 2.2.3 SEMLEP Leaders Group

The [Leaders Group Terms of Reference](#) are available online. The Leaders of all 14 local authorities meet prior to each Board meeting and feed their views into the Board. This provides a key element of the necessary democratic accountability to each local authority in the LEP area. In addition, the 14 local authority Chief Executives meet prior to each Board meeting and local authority officer groups on key economic development issues including planning and transport also meet as advisory groups and brief Chief Executives and leaders.

### 2.2.4 SEMLEP Board: Sub-Committees

There are Board sub committees that meet and have delegated responsibilities from the Board for taking forward particular actions. The Local Transport Board no longer exists and has been incorporated into the LEP groups with responsibility for transport including the LGF Task Group

[SEMLEP Board and sub-group Terms of Reference](#) are available on the website. Delegations are illustrated in the table below. In 2017, with the merger with NEP completed, we will review the sub-groups to the board, the terms of reference, representation of the Board and the documentation setting out the delegation of decisions and funding.

Overall SEMLEP operates on the basis that decisions should be taken at the lowest appropriate level so they can be taken quickly and efficiently. In practice this means that decision making can take place at different levels across the governance structure. When in doubt, any decisions are ratified by the full Board to confirm a decision.

Authority and Delegations within SEMLEP Governance structure (to be updated later in 2017)

Group	Membership	Authority/Delegation from Board includes (please refer to <a href="#">full terms of reference</a> for further details)
<b>SEMLEP Board</b>	<ul style="list-style-type: none"> <li>• 8 public sector Directors</li> <li>• 11 private sector directors</li> <li>• 1 director from the Higher Education sector</li> <li>• 1 director from the Further Education sector an observer representing the</li> </ul>	<ul style="list-style-type: none"> <li>• Setting the strategic direction in the Strategic Economic Plan (SEP)</li> <li>• Providing stewardship of funds, programmes and projects.</li> <li>• Agreeing an annual budget and ensuring that resources are available to deliver the priorities</li> <li>• Agreeing the prioritisation of projects for funding</li> </ul>

	voluntary and community sector.	<ul style="list-style-type: none"> <li>Overseeing Governance process</li> <li>Overseeing the Assurance Framework</li> <li>Maintaining a risk register</li> </ul>
<b>Northampton Enterprise Zone (Accountable body is Northampton Borough Council)</b>	SEMLEP Chair and Deputy Chief Executive Northampton BC Northamptonshire CC West Northamptonshire Development Corporation University of Northampton Homes and Communities Agency (HCA) Environment Agency (EA) Highways Agency (HA)	<ul style="list-style-type: none"> <li>Works within the strategic direction and resource allocation set by SEMLEP Board</li> <li>Performance and monitoring report to each SEMLEP Board meeting</li> <li>Lead operational delivery and monitoring detailed progress of the Enterprise Zone through the Executive Group</li> </ul>
<b>Luton Airport Enterprise Zone</b>	SEMLEP Chair and Chief Executive Luton BC Central Bedfordshire Council London Luton Airport Ltd London Luton Airport Operations Ltd	<ul style="list-style-type: none"> <li>Works within the strategic direction and resource allocation set by SEMLEP Board</li> <li>Performance and monitoring report quarterly</li> <li>Lead operational delivery and monitoring detailed progress</li> </ul>
<b>Finance, Risk and Audit Committee</b>	3 public sector members 3 private sector members Accountable Body SEMLEP CEO and staff team	<ul style="list-style-type: none"> <li>Oversee the SEMLEP finances in accordance with the Board approved budget</li> <li>Oversee corporate risk and escalate where appropriate</li> <li>Oversee HR and Remuneration</li> </ul>
<b>Velocity Board</b>	2 private sector members as chair and vice chair with member of the Business Engagement Group and local authority officer. SEMLEP CEO is a member and Head of Business Services attends with Accountable Body representative.	<ul style="list-style-type: none"> <li>Oversee the Velocity Growth Hub</li> <li>Monitor risk and escalate where appropriate</li> <li>Ensure that the growth hub project is delivered to time and to budget</li> </ul>
<b>LGF Task group</b>	Chaired by Chief Executive of Bedford Borough Council,	<ul style="list-style-type: none"> <li>Oversee the delivery of the Local Growth Fund</li> </ul>

	<p>Vice Chair is Chief Executive of Luton Borough Council</p> <p>Comprises the Chief Executives of each member Local Authority</p> <p>Representatives from overlapping LEPs as required</p> <p>Accountable Body</p> <p>Chief Executive of SEMLEP and officer team</p>	<ul style="list-style-type: none"> <li>• Compliance with Assurance Framework</li> <li>• Oversee appraisal and prioritisation for new funding rounds</li> <li>• Escalate high risks and new programmes to Board</li> <li>• Approve funding agreements and payments in line with Board approved programme</li> <li>• Approve change requests at project level within the agreed programme and escalate where risks are significant</li> <li>• Report to each Board meeting on programme performance</li> </ul>
<b>GPF Task group</b>	<p>Chaired by Chair of PDIIDG</p> <p>Accountable Body</p> <p>Deputy Chief Executive of SEMLEP</p> <p>HCA Representative</p> <p>Other invited advisers or representatives</p>	<ul style="list-style-type: none"> <li>• Oversee drawdown and repayment of loans for projects agreed by the Board, following due diligence</li> <li>• Provide regular reports to the Board on progress and risks</li> <li>• Oversee appraisal and prioritisation for new funding rounds</li> <li>• Approve loan agreements and payments in line with Board approved programme</li> <li>• Approve change requests at project level within agreed programme and escalate where risks are significant.</li> </ul>

The Board will appoint Board member “Champions” of particular topics to ensure energy and focus on particular issues. We have identified Cheryl Smart MBE as our SME champion and will appoint equality and diversity champion to work with staff and stakeholders. These roles will be reviewed annually by the Board. Our Chief Executive will lead on risk and Value for Money and report to the relevant committees and Board on this.

As stated above, with the merger with NEP completed, we will later in 2017 review the sub-groups to the board, the terms of reference, representation of the Board and the documentation setting out the refreshed delegation of decisions, membership and funding.

### 2.2.5 Implementation Groups

Our Governance structure has a robust focus on implementation to ensure that day to day project and programme delivery is overseen and approved. Our Accountable body also participates in all stages of the governance structure implementation to ensure due processes are followed with public funds. For the Local Growth Fund, which is the largest fund held by SEMLEP we have a three tier governance process:

1. **LGF Programme Management Board** sits 5 times per year and comprises the project managers of each LGF funded project. The group has Terms of Reference outlining their roles and responsibilities and was revised in 2016. This includes providing effective stewardship of public funds and allows best practice to be shared between projects
2. **The LGF Task Group** sits at least 5 times per year and comprises the Local Authority Chief Executives Group. The group has [terms of reference](#) and this will be reviewed with the merger with NEP in 2017. The group oversees the delivery of the LGF fund and takes decisions on funding approval, project change requests, programme spend and payments, programme wide policies such as evaluation and new funding rounds.
3. The **SEMLEP Board** receives reports from the LGF Task Group and provides final approval for decisions.

The **Growing Places Fund (GPF) Task Group** meets to oversee the management of that fund and with the merger with the NEP GPF programme, the [terms of reference](#) and delegations for this group will be reviewed in 2017. Similarly the two **ESIF committees** are merging and this too will be incorporated into the next version of this framework.

The Accountable body attends the officer, task groups and the main SEMLEP Board to whom the task groups report. Reports on all LGF projects are available on the [LGF page](#) of the website.

### 2.3 SEMLEP Executive Team

Working to the Board, SEMLEP has a small Executive team. This is funded by the core LEP funding and the financial contributions of the local authority and other members. Support from the private sector largely comes through the provision of time and expertise as well as attendance at board meetings. SEMLEP has a Chief Executive and a Deputy Chief Executive who head up a Senior Management Team with the Head of Business Services. The officer who oversees the Growth Deal and Assurance Framework on a day to day basis is the Programme and Assurance Manager. This team works closely with the Accountable Body and the wider SEMLEP staff team and growth hub team to deliver the SEP priorities.

### 2.4 Overlapping, neighbouring and other LEPs

Although each LEP may have a different focus and priorities, we always work collaboratively where possible for the wider benefit. There is a frequent and regular high level contact between the Chief Executives and Directors of all local LEPs to ensure the opportunities of collaboration are maximised.

In 2016/17 SEMLEP began the process of merging with Northamptonshire LEP which concluded by 31 March 2017. SEMLEP also overlaps with Buckinghamshire Thames Valley LEP and Oxfordshire LEP. We work collaboratively with our overlapping LEPs in a number of areas and in particular on the delivery of Local Growth Fund projects and the ESIF programme. For example in 2016 we worked with all three overlapping LEPs to discuss the LGF3 bidding round: we ran a joint bidding round with NEP and we worked with OXLEP and Bucks Thames Valley LEP to ensure that we were keeping up to date on applications that may have been made to both LEPs. We also work with our neighbouring and overlapping Growth Hubs.

We work closely with our neighbours on England's Economic Heartland and continue to participate with the Midlands Engine Financial Instrument initiative for the benefit of local businesses to address access to finance constraints to growth. As a key player in England's Economic Heartland, SEMLEP coordinated the submission of 'joint evidence' to the National Infrastructure Commission in 2016. We also led the development of the transport statement in October 2016. We participate in ERDF projects that cross LEP boundaries going into Greater Cambridgeshire and Greater Peterborough and beyond. With the completion of the merger, we will be reviewing any updates required to these relationships and also ensuring that this is reflected on our website in 2017.

## **2.5 Delivery and Implementation of Projects**

SEMLEP has close and ongoing partnerships with delivery bodies to ensure that approved schemes are implemented and delivered to agreed timeframes. The two stage process for agreeing the projects that will be funded is set out in Chapter 5 of the document. This process covers the lawful and effective delivery and sets out:

- Open call for projects
- Independent assessment and appraisal process
- Approval for a programme
- Due diligence prior to funding

The LGF Task Group with the Accountable body, reporting to the Board, oversees this process to ensure that the stages of the process are being carried out correctly.

Officers maintain all key documents to ensure a complete audit trail of decision making. Electronically, through Sharepoint, SEMLEP retains all the key documents associated with each project as it goes through the appraisals, approval, management, monitoring and evaluation stages. These are available for audit. For each project, the following are held:

- Original business case
- Any updates to the business case including supplementary information
- Independent appraisal of the business case
- Approval decisions and basis for them
- Copy of the funding agreement and schedule including milestones
- Monitoring forms sent in by projects with attachments including risk registers and communications plans

- Minutes of all LGF Programme Management Board and LGF Task Group for decisions
- Reports to the SEMLEP Board
- Evaluation plan for each project
- Any change requests and decisions on this with supporting information
- Funding approvals
- In addition, all electronic approvals are also reported to the LGF Task Group

At the LGF Programme Management Board, the meeting requests updates from each project on 5 worksheets about performance against milestones and targets to enable a view to be taken about the availability of the next tranche of funding. This process is all set out and agreed with the grant recipient as the funding agreement was agreed. BEIS, the Accountable body and all delivery bodies are represented at the Programme Management Board which meets 5 times per year and reports to the LGF Task Group. This monitoring data is reported to Government via LOGASnet quarterly.

The Programme Management Board also plays a critical role in supporting SEMLEP to meet the terms and conditions set out in the government's Local Growth Fund Grant Offer Letter. Membership of the Board consists of SEMLEP's Head of Infrastructure (Senior Responsible Owner) and the Programme and Assurance Manager and the project manager(s) for each of the projects. The worksheets are completed on a quarterly basis and these provide updates on delivery against key milestones, outputs and spend and update on risks and issues and any change control requests.

Reports are provided to the LGF Task Group on the basis of the risk assessment at the Programme Management Board. All medium and high risk projects are reported in detail to Task Group with an overview on others and a programme spend update. Presentations are received by the Programme Board from all projects to ensure that the outcomes and lessons learned for all projects are shared. All approvals for funding are undertaken at the LGF Task Group with advice from the Programme Management Board, within the delegations of the Board. These meetings are supplemented by one site visits by the Programme and Assurance Manager.

Where particular issues arise e.g. on state aid for a SME lead project, we would seek reassurance on this issue from the project and request that they set out their legal advice indicating whether the project is compliant with state aid rules. This will be reviewed in detail and recorded prior to any funding being agreed.

Where procurement needs to be undertaken to facilitate the programme delivery this will be subject to compliance with the SEMLEP procurement policy which is overseen by the Finance, Risk and Audit Committee.

SEMLEP has a corporate risk management policy in addition to the LGF project level risks identified and managed as described above. There is a LGF programme risk register which is managed by the Programme and Assurance Manager. Where individual projects are higher risk, the programme management team at SEMLEP have regular fortnightly contact with the projects, for medium risk this is monthly and low risk it remains quarterly. There is a programme of site visits during the year to verify progress and these are reported to the Programme Board.

With LGF3 projects coming on stream in 2017 and the focus on public accountability for public funds, we will be reviewing the funding agreement that we have with all projects. Luton Borough Council prepare this and send it out but we will be looking to work with them to make sure it is fit for purpose for the assurance framework requirements before using for 17/18 funding.

## **2.6 Equality and Diversity**

SEMLEP is committed to promoting equality and eliminating unlawful discrimination in everything we do as an employer and service provider. Our vision is to embed equality and diversity into our day to day business and create an inclusive working culture where everyone is treated with respect and dignity and feels valued. We have a corporate equality and diversity implementation plan which is reviewed by the Board annually and this covers our governance, employment and service delivery role.

We recognise that in 2017 we need to review our performance and ensure that we reach the highest levels of compliance with the legislation and ensure we maximise the inclusion of all parts of our community in our governance, employment and delivery. We also wish to enhance our staff knowledge of our responsibilities on this agenda and ensure that we are maximising our impact, within the constraints of our resources.

To have an impact on this agenda, we will start at the top and our board recruitment is aimed to generate a diverse and representative group of people committed to taking forward economic growth reflecting the local businesses and communities including our geography and protected interest. This is challenging and although we have a female chair, we recognise that our Board does not reflect the protected groups. To address these issues in 2017 we will be bringing a focus on equality and diversity to enhance our performance in this area and we will bring regular reports on this agenda to our Board.

## **2.7 Standards in Public Life**

All our Board members sign up to the Seven Principles of Public Life and these are highlighted in Board recruitment and interviews and reflected in our robust approach to conflicts of interest which are considered in chapter 3. These principles are central to our commitment to reach the highest standards of decision making and financial systems by 2018 and are repeated here:

*Seven Principles of Public Life (2015)* are worded as follows:

- Selflessness – Holders of public office should act solely in terms of the public interest.
- Integrity – Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.
- Objectivity – Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
- Accountability – Holders of public office are Accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

- Openness – Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.
- Honesty – Holders of public office should be truthful
- Leadership – Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

## 3 Transparent Decision Making

### 3.1 Introduction

SEMLEP recognise the importance of having clear arrangements in place which enable effective and meaningful engagement with local partners and the public. We are committed to transparency in decision making and aim to be transparent in our decision making giving the public confidence that decisions are made properly, based on evidence and capable of being independently scrutinised. To support this we have ensured that all staff have been trained in the principles and requirements of the Assurance Framework and that this is built into the staff induction process.

In order to facilitate this transparency we use our website [www.semlep.com](http://www.semlep.com) as a portal for publishing relevant documentation. All of our key documents can be found on the website including our [Strategic Economic Plan](#) and the 2017 refresh process. In 2017 we will report on delivery against the SEP and include the evidence for this report. This will go to the Finance, Risk and Audit committee and the Board.

Within the resources available we believe that the most effective and accessible form of information to the public is through our website and social media. We monitor the usage of our website and social media monthly and in 2017 will take reports to the Finance, Risk and Audit committee so that we can monitor and respond to the levels of engagement through that platform.

#### 3.1.1 Stakeholder Engagement Strategy

In 2016 the Board approved the SEMLEP [Stakeholder Engagement Strategy](#) which sets out all the people and groups with whom SEMLEP should and does engage and how this is done. Engagement will also take place on specific topics with key individuals and stakeholders through events and online consultations. SEMLEP produce e-newsletters and Velocity growth hub also have an extensive mailing list for e-newsletters and updates. A report on the progress with the Stakeholder Engagement Strategy will go to the Board later in 2017.

SEMLEP has four showcase sector groups that represent the key growth sectors identified in SEMLEP's Strategic Economic Plan. Membership consists of public, voluntary and private sector whose role is to represent the interests of each sector. They act as a mechanism for SEMLEP to engage with each sector and to inform our decisions including the development of our Strategic Economic Plan and interventions for each sector. The showcase sector groups are High Performance Technology, Logistics, Cultural and Creative and Manufacturing and Advanced Technology.

In addition as illustrated above, we have a number of enabling and advisory groups who we consult and engage through regular quarterly meetings on key decisions and consult on proposed interventions through Local Growth Fund. For example, the Economic Development Officer Group is a key advisory group. All the [groups](#) are shown on the governance diagram on the website.

Our decisions are accessible through the website where all [Board minutes](#) are available. We also provide project updates and the ability to sign up to newsletters and social media. We hold open events on a variety of topics e.g. January 2016 Housing Summit which are open to attend to any interested stakeholders.

### **3.1.2 Board papers**

SEMLEP takes a proportionate approach to sharing and publishing information in line with the Schedule 12A of the Local Government Act 1972, as amended by the Freedom Of Information Act 2000. All Board papers relating to decision making items are reviewed by the Accountable body and then published one week before each meeting. This can be found in our [online Resource Hub](#).

Our website shows all of the groups and links to their [Terms of Reference](#) and the diagram can be seen above. The only documents that are not published are those deemed personally or commercially sensitive. This is in line with existing local authority rules and regulations. This is overseen by the Accountable body.

### **3.1.3 Freedom of Information requests**

We work with our Accountable Body to ensure that any requests for information are responded to within the timescales set by the legislation. As above, SEMLEP is committed to ensuring compliance with existing local authority rules and regulations and ensuring our compliance through this framework. Luton Borough Council ensures that any Freedom of Information and Environmental Information Regulation requests are dealt with in line with relevant legislation via their [website](#).

### **3.1.4 Conflict of Interest**

SEMLEP has a [Board Conflict of Interests Policy](#) to ensure that any conflicts of interest which may arise in SEMLEP's decision making processes are managed and recorded appropriately. The Conflict of Interest Policy is available on the website. SEMLEP holds a Declaration of Interests register for Board members which is kept updated and published on our website in our Board section. This will be reviewed in 2017 to ensure that it is compliant with the latest best practice in this area.

### **3.1.5 Communications about Growth Deal spend**

Within the SEMLEP website, our [Local Growth Fund website](#) page is updated on a bi-monthly basis and with ad hoc developments to reflect the progress with Growth Deal projects. This is also reflected in social media. Site visits, milestones and openings are subject of active social media campaigns with project delivery teams. All funding calls will be widely published.

At each LGF Programme Management board, SEMLEP seeks updates on communications and material that can be used to post online to demonstrate the progress on delivery. We also undertake to work with communications officers from the project teams to ensure that we are aware of key dates and communications opportunities and link in with this. We have used social media to widen knowledge of the projects and reflected this information in SEMLEP newsletters. The website will be kept up to date to reflect funding opportunities. In 2016 we provided a training session for all project managers on how to publicise progress on their project.

The detailed arrangements for developing, prioritising, appraising and approving are outlined below in Chapter 5. The process will be set out on the website and available for all project developers to see and review. Updates will be provided on the website as and when available as well as direct mailing to key stakeholders.

### **3.1.6 Social Value**

In 2016 the SEMLEP Board adopted a new policy on social value and also ran a training session for all staff to ensure that this is embedded into project thinking and development. This is included in the project pro-forma and the thinking for the SEP refresh. A report will be made to the Board on progress against the Social Value policy later in 2017. Social value is included in all procurements that SEMLEP undertake and is never less than 5% of the scoring.

### **3.1.7 Accountable Body Role**

The Accountable Body role is set out above and is governed between Luton Borough Council and SEMLEP by an Accountable body agreement. This is reviewed annually; quarterly all the areas covered by the agreement are reviewed jointly. This document is available [here](#). In particular this governs the Accountable body arrangements for the Local Growth Fund and other funding sources from Government. Through this agreement, all the resources are subject to the usual local authority checks and balances and overseen and checked by the s151 officer. Compliance with the Assurance Framework is reviewed at every quarterly meeting with agenda items from both SEMLEP and the Accountable body.

The annual accounts of the Local Growth Fund and other funds will be reported annually to the Finance, Audit and Risk Committee. Delegations and terms of reference are shared with the Accountable body and will be reviewed in 2017 to refresh them all post the merger with NEP to ensure that all the responsibilities and membership terms are updated.

The Finance, Audit and Risk Committee oversee all issues of risk for the organisation and also the procurement policy directly. Luton Borough Council as the Accountable Body attend all the Finance, Audit and Risk Committees and are able to ensure that approaches taken confirm with all relevant law. Regarding State Aid on Growth Deal projects this is also highlighted through the Local Growth Fund Task Group and the independent appraisals of projects prior to funding. This risk is therefore also reported to Task Group where required.

All official records, minutes and reports are saved on Sharepoint and are accessible to the Accountable body as required. Luton BC has an audit programme agreed with SEMLEP each year and that will be approved for 17/18 to ensure that it is at least equivalent to those in place for local authority spend.

Luton BC only release funds to a project with the necessary approvals and ensuring that the funding is compliant with the terms of the fund. A schedule of milestones is agreed with a project manager and the funds are only released once this milestone has been reached and approved by the Task Group. Where a milestone is no longer achievable this will be reviewed and considered by Task Group as a change request. Luton BC sit at the Task Group to advise. The funding agreement that is currently used will be reviewed for 2017/18 by SEMLEP and Luton BC to ensure that it continues to be fit for purpose and has all the necessary arrangements for protection of public funds including in the event of non-delivery or mis-management.

## **4 Accountable Decision Making**

### **4.1 Strategic Economic Plan**

All LEPs have responsibility to set a strategic direction for their geography through a Strategic Economic Plan (SEP). SEMLEP's 2014 SEP is [available](#) on line in full, in summary and with the evidence base so stakeholders and the public can see how the priorities were reached. The primary purpose of this document is to reach a consensus on key priorities and then align activity and funding to make progress on those agreed key objectives. The SEP is signed off at Board level after consultation with all the key engagement groups. This document then forms a key element of implementation, as for a project to be supported with funding it must contribute to the achievement of SEP priorities. The agreement of the SEP is a key platform of our ongoing decision making.

#### **4.1.2 Accountable Body Role**

Luton Borough Council is the Accountable body for SEMLEP. The Accountable body is responsible for ensuring that SEMLEP prepares an assurance framework and then makes decisions in accordance with it. Luton Borough Council will ensure that SEMLEP have a SEP and then that the processes are in place to enable the delivery of key priorities.

The relationship with the Accountable body is key and is set out in a formal annual agreement between SEMLEP and Luton. This sets out the scope of the role of SEMLEP and Luton and the reporting against the framework and financially. This agreement also oversees the administration of funding and sets out the process for this. SEMLEP and Luton BC hold senior level quarterly review meetings as well as an annual review each February with the Chief Executive of SEMLEP and the s151 officer at Luton BC; this includes the review of the Assurance Framework and action planning for the following year to ensure compliance. However to ensure compliance and day to day support for good governance and practice, the Accountable body attend all high level decision making meetings within SEMLEP to ensure decisions are made in line with due financial process. Luton BC also attends all LGF Programme Management Board and Task Group meetings and the Growing Places Fund Task Group. Regular dialogue continues between meetings. Prior to Board meetings, Luton BC review decision making Board papers, prior to them being sent out to members. Luton BC is represented at the Board and also attends the Leaders Group.

This senior review and officer contact, at all levels in the governance structure of SEMLEP, supports the successful delivery by the Accountable body of their legal and financial responsibilities. It enables and supports the leadership role and democratic accountabilities of SEMLEP. Their close engagement and advice throughout the decision making and funding processes ensure accountability; transparency and value for money during SEMLEP programme develop and service delivery.

#### **4.1.3 Audit**

Audit of financial processes is within the remit of the Accountable body role. Luton BC has in place appropriate arrangements for the proper use and administration of funding, building on their local government systems and their own audit requirements. Luton BC undertake sample audits of the Local Growth Fund projects. In October 2015, SEMLEP were subject to a Government Internal Audit

Agency audit which did not indicate substantive issues to address. In 2016 we responded positively to issues arising from an NAO audit of LEPs. These actions were signed off by Luton BC in March 2016. In 2017 a new programme of audit will be agreed and carried out to ensure that the Accountable body can be further satisfied that due processes and decision making are being carried out and recorded.

The responsibility of the SEMLEP Board's Finance, Risk and Audit Committee is to maintain oversight and scrutiny of all SEMLEP's HR, remuneration and financial transactions. The Accountable body is represented at that Committee.

#### **4.1.4 Scrutiny**

The SEMLEP Board has 8 political leaders on the Board and the wider group meet a week before the Board with the Board papers to ensure democratic accountability.

All and any local authority can call SEMLEP to give evidence as part of their scrutiny committee functions. This has been utilised several times by local authority scrutiny committees. SEMLEP does not propose to set up its own scrutiny committee function as the Board believes that democratic accountability is enhanced by the ability of any local authority member scrutinising SEMLEP's activities. We will review this annually with the Local Assurance Framework review and will report on any scrutiny findings to the Board.

In addition, there is an opportunity at the AGM each year for company members to scrutinise representatives of the SEMLEP Board and Executive Team on the basis of Annual Report on achievements.

#### **4.1.5 Management of a dispute**

Where a dispute between SEMLEP and the Accountable body arises, how this is handled is set out in the Accountable body agreement. It can be raised at officer or committee level. Where the Accountable body raises an issue, this would be handled at officer level and if not resolved, handled at board level to bring to a conclusion. Regular discussion at officer, task group and board level mean that advice is received and proposals developed with that advice to avoid a formal dispute developing.

In the event that there is an irreconcilable difference arising between the Accountable Body and SEMLEP and the Accountable body structures, the dispute will be resolved through a mediation process led by an independent party.

#### **4.1.6 Managing funding through the Accountable Body**

The Accountable body, Luton Borough Council, oversees and supports SEMLEP's use of public funds and is therefore critical to the accountability for public funds. Luton Borough Council holds the public funds in their bank accounts for SEMLEP and manages the defrayal of these funds. SEMLEP make decisions on these funds, through the governance processes set out above, within stated criteria and the rules of public accounts, with the support of the Accountable body. The Accountable body makes the payments following due process and appropriate checks and balances.

Luton Borough Council ensures that the SEMLEP Board is complying with government regulations for the use of public funds. This includes legal requirements such as equalities; sustainability and social

value are embedded into the monitoring, reporting and evaluation requirements for each project. Requirements include:

- Through Luton Borough Council's Section 151 Officer, to ensure that the SEMLEP funds are used appropriately
- To consider state aid in all cases where this may apply and to take legal advice where necessary, ensuring that all decisions are recorded and reported
- To oversee the development and application of the SEMLEP wide procurement policy alongside the Finance, Risk and Audit Committee, once again ensuring that all decisions are recorded and reported
- To ensure that all funding agreements reflect the conditions that need to be placed on any grant and that these conditions are upheld
- To ensure that clawback is enforced where mismanagement or a failure to delivery has occurred and where this is appropriate but only when other options have been exhausted by the LEP to enable delivery
- To retain copies of all LGF and other government funding documentation and to ensure that the LEP is retaining the complete record
- To ensure transparency in the annual accounts
- To ensure that this assurance framework as approved by Government is adhered to.
- To maintain the official record of SEMLEP proceedings and approving the system for holding all SEMLEP documents.
- To check that the SEMLEP's decisions are lawful and follow the correct processes

Luton Borough Council Accountable Body Agreement sets out the agreed role of how the Council will oversee the financial practices of SEMLEP to ensure the usual local authority checks and balances – including the financial duties and rules which require councils to act prudently in spending.

As stated above, for LGF funds, Luton Borough Council as an Accountable body attend and inform:

- LGF Programme management board
- LGF Task group
- SEMLEP Board
- Audit of the LGF process meetings
- Quarterly Accountable body review meetings and annual review meeting
- Minutes of all meetings are saved on a secure folder, which can be accessed by Luton Borough Council in a system approved by them.

From 2017, in addition to the programme and project reports on the SEMLEP website covering key LGF projects, SEMLEP will work with Luton to publish an annual account of LGF as well as the balance and status of other funds from Government on our website and to keep this updated annually. This will also be reported to Finance, Risk and Audit Committee and to the Board.

## 5 Ensuring Value for Money

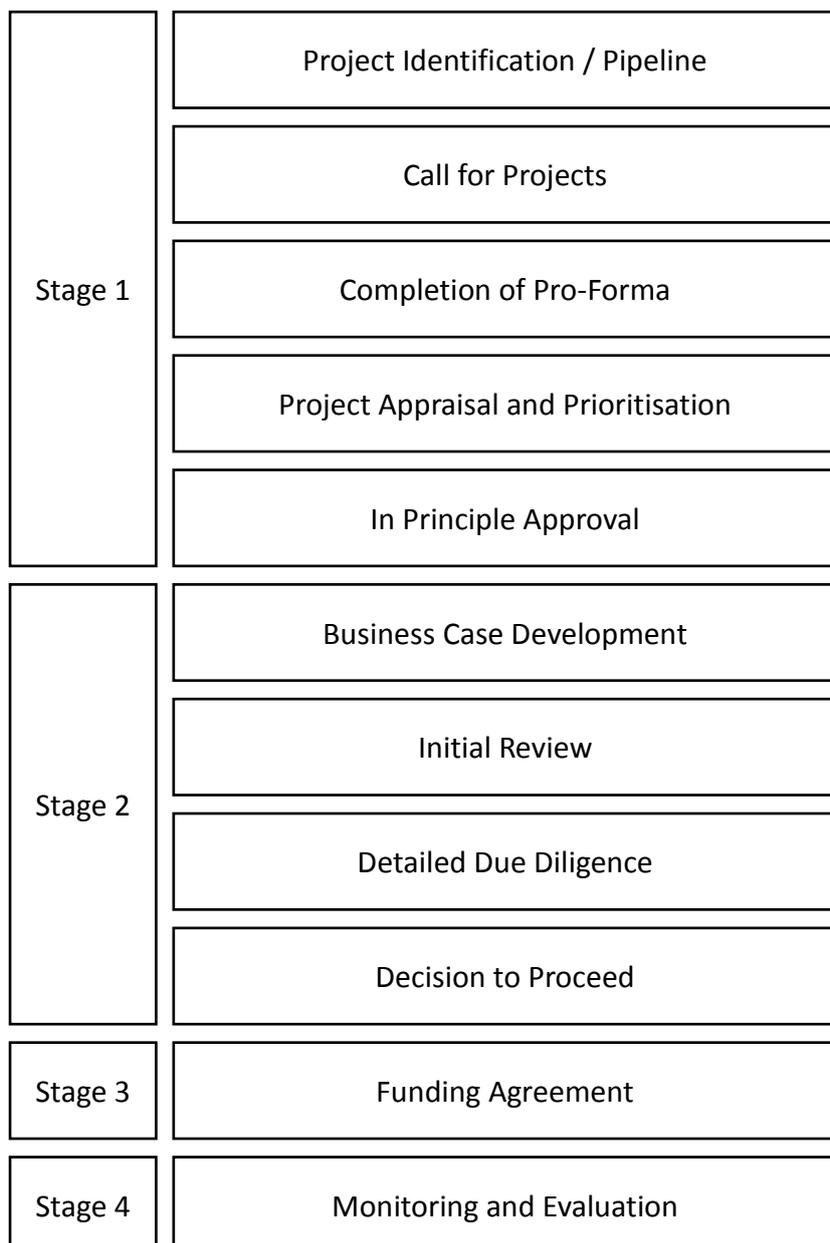
### 5.1 Introduction

The SEMLEP Strategic Economic Plan (SEP)(2014) currently provides the basis for identifying, developing and prioritising investment in the region. This is being refreshed in 2017. It sets out an economic vision and a series of supporting Strategic Economic Objectives for the South East Midlands and identifies its key challenges, opportunities for growth and priorities.

However, it is necessary to ensure that the decision-making process for identifying, developing and prioritising investments is undertaken on a transparent and consistent basis. As well as contributing to the SEP objectives. All projects will also need to demonstrate that they deliver Value for Money, and can be delivered effectively.

This section sets out the process by which SEMLEP will identify its priority investments across a range of intervention areas. It also sets out the minimum requirements that all SEMLEP funded projects are expected to deliver. An overview of the process for identifying and prioritising projects and ensuring value for money is set out in the figure below.

**Figure 5.1: Project Prioritisation and Selection Process**



## 5.2 Stage 1: Options Appraisal and Prioritisation

### 5.2.1 Project Identification and Pipeline

#### *Open Calls for Projects*

The primary method for identifying projects will be through a series of *Open Calls for Projects*. These 'calls' will be issued on a periodic basis in response to the availability (or expected availability) of funding. SEMLEP does not expect to issue calls on a speculative basis (i.e. where no funding has been identified).

In general, SEMLEP will invite applications from public and private sector organisations for each call, however in some cases eligibility may be restricted by the requirements of the funding streams available to SEMLEP. Each call will be advertised on SEMLEP's website, through social media, and details will also be circulated to relevant contacts and partner organisations. SEMLEP will also use relevant business networks and contact lists to ensure that the call is sufficiently well publicised among private sector organisations in the region.

Each Call for Projects will include guidance to applicants setting out the deadline for responses, information on the application process (including the information required at each stage) and the requirements and expectations of projects. The supporting guidance will also set out the basis on which projects will be selected and prioritised (i.e. how SEMLEP plans to allocate a fixed amount of funding among a number of eligible projects).

The selection and prioritisation criteria are set out in greater detail in the following section, however the precise requirements may vary between calls to reflect:

- The balance of projects funded to date and any requirement to boost funding against specific objectives
- SEMLEP's progress against the SEP objectives
- The requirements of Central Government and relevant funding bodies

Project submissions to SEMLEP at this stage should be in the form of a completed Pro-Forma which will be made available for each Call and will be available on the SEMLEP website.

#### *Project Pipeline*

SEMLEP does not expect to put out calls on a speculative basis (i.e. where no funding has been identified) in order to develop a formal pipeline of projects. However, through the course of delivering its strategic priorities, SEMLEP may identify suitable projects that could be considered as part of a future call for projects. Such projects may include:

- Projects applications from earlier calls for projects that were identified as suitable for funding, but not prioritised for investment.
- Additional projects identified through the strategic and day to day working of the LEP and facilitated through its members and advisory groups.

These pipeline projects will have the potential to contribute to SEMLEP's Strategic Objectives and will have a clear rationale for public investment. Applications will be invited from pipeline projects under

relevant future calls, however it is important to note that the prioritisation of projects under each call will take place on a competitive basis and preference will not be given to projects included in any SEMLEP Pipeline.

### **5.2.2 Completion of Pro-Forma: Requirements of Scheme Applicants**

Project applicants should respond to a Call for Projects using the Pro-Forma. Applicants should ensure that they are using the most up to date pro-forma, as the requirement may vary between calls as a result of changes to national guidance and/or the specific priorities of each call.

The pro-forma is to be completed independently by the scheme applicants, however applicants are advised to discuss their proposals with SEMLEP prior to submission to confirm whether the proposals will be eligible for funding and that they are suitably aligned with the SEMLEP Strategic Objectives.

SEMLEP will endeavour to make resources available to assist with the completion of the pro-formas. The guidelines for each call will set out the process by which SEMLEP (or its external advisors) can provide impartial advice and guidance to applicants in a clear and transparent manner. This option will be available to all applicants and may include an initial review of applications to advise on missing information and relevant options for demonstrating Value for Money.

The pro-forma should be completed in line with relevant national guidance. All pro-formas should satisfy the requirements of the HM-Treasury Green Book, however supplementary guidance will also be relevant to specific categories of projects. For example:

- Applications for transport projects (i.e. any project that significantly changes the transport network infrastructure) must be based on the [DfT's appraisal guidance \(WebTAG\)](#).
- Project applications involving funding for skills capital investment should be based on the latest good practice guidance established by the Skills Funding Agency.
- Projects including residential or non-residential development or regeneration projects should be developed in line with then DCLG Appraisal Guide.
- Enterprise, innovation and business support related projects should ensure a connection to national expertise and infrastructure and non-duplication of existing support, investment and finance options. Such projects should also consider their net additional impact on employment within the SEMLEP region and the associated contribution to Gross Value Added (GVA).

The level of detail required from scheme applicants in the pro-forma should be in line with a Strategic Outline Business Case, as set out in the Green Book Supplementary Guidance<sup>1</sup>.

Where necessary, more detailed information or supplementary guidance, relevant approaches for assessing value for money and the level of detailed required from applicants may be provided alongside each call for projects.

Applicants may seek independent advice when completing the pro-formas, however this would be at their own cost and would not be reimbursable should funding be granted at a later date.

---

<sup>1</sup> Green Book Supplementary Guidance On Delivering Public Value From Spending Proposals ([https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/469317/green\\_book\\_guidance\\_public\\_sector\\_business\\_cases\\_2015\\_update.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/469317/green_book_guidance_public_sector_business_cases_2015_update.pdf))

### 5.2.3 Project Appraisal and Prioritisation

Once a Call for Projects has closed and applications have been received, project applications will be assessed on the following basis:

- Project applications will be independently assessed to check whether they meet the minimum requirements for all projects funded by SEMLEP.
- Projects that meet the minimum criteria will then be prioritised according to the criteria set out below.

#### *Project Appraisal: Minimum Requirements*

In order to be considered suitable for funding by SEMLEP, all projects must demonstrate the following in their Pro-Forma:

- A clear case for public sector intervention, including a strong market failure rationale.
- The potential to contribute to SEMLEP's Strategic Economic Objectives, as specified in the current SEP.
- The project has clearly defined inputs, activities, outputs and outcomes and provides sufficient evidence to demonstrate that the project outcomes are likely to provide an 'additional' improvement over a baseline scenario<sup>2</sup>.
- The benefits of the scheme (assessed in line with relevant guidance, as specified in section 5.2.2) are likely to exceed the public sector costs of the intervention. (For transport, the requirement is that project will offer at least 'high' value for money which is equivalent to a Benefit Cost Ratio (BCR) of 2 or more. Further information on transport projects is provided in Appendix A).
- Projects plans are sufficiently developed, given the proposed phasing of delivery (e.g. consideration of project costs, planning permission, contractual arrangements and project management is sufficiently advanced).
- A risk assessment has been completed and reasonable mitigating actions are in place, where necessary, which are appropriate to the stage of project development. This assessment should consider the potential for State aid and other significant risks to project delivery.
- The project aligns with available funding (e.g. phasing and the eligibility of proposed activity).

SEMLEP recognise that projects will be at different stages of development and this will be reflected in the assessment process. For example:

- In relation to Value for Money, for non-transport related projects it is recognised that a detailed Value for Money Assessment may not be available for all projects at this stage. However, all pro-formas should provide sufficient detail, proportionate to the stage of project development, demonstrating that there is the potential for the scheme benefits to exceed the public sector costs of intervention. This may include an assessment of the potential net additional impacts linked to the scheme and any proposals for quantifying the wider benefits.
- Where information relating to the project plan is unavailable at this stage and/or external decisions concerning the project are pending, the project plan should set out how this relates to the overall delivery of the scheme, when this information is expected, and that appropriate risk mitigation measures are in place.

---

<sup>2</sup> The HCA Additionality Guide provides further information on the estimation of net additional impacts. [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/378177/additionality\\_guide\\_2014\\_full.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/378177/additionality_guide_2014_full.pdf)

### *Project Prioritisation*

Projects that satisfy the minimum project requirements will be prioritised according to the following criteria:

- The strategic case for investment and potential links to wider SEMLEP activity.
- The scale of the potential contribution to SEMLEP objectives (e.g. number of jobs created, homes delivered, learning outcomes, etc.).
- Project Value for Money (or the potential to deliver value for money).
- The scale of additional investment unlocked for the region, including private sector investment.
- The ability to phase activity in line with the expectations of available funding.

At a programme level, SEMLEP will also consider the requirement to deliver a balanced programme of activity, including:

- The availability of funding.
- The balance of activity across SEMLEP's Strategic Economic Objectives, and
- The ability to deliver a flexible programme of activity that is not overly dependent on a small number of projects.

SEMLEP will identify a proposed programme of activity based on the appraisal and prioritisation criteria set out above.

### **5.2.4 In Principle Approval**

The proposed programme of activity will be recommended to the SEMLEP LGF Task Group who will make a recommendation to the Board to approve the proposed programme of activity. This approval will be granted 'in principle', subject to the satisfactory completion of an Outline Business Case and agreement of a Funding Agreement with SEMLEP.

Once approval in principle has been granted by the Board, applicants of prioritised projects will subsequently be invited to submit an Outline Business Case.

Projects that satisfy the minimum section criteria, but are not included in the prioritised list of projects may be placed on a secondary list of projects that may be drawn on in situations where prioritised projects are withdrawn by scheme applicants, fail to satisfy the requirements of the detailed due-diligence process, or in cases where further funding becomes available. Projects that have failed to meet the minimum requirements will be notified and may be placed on a pipeline list with advice about how the project may need to develop to be more successful in a later funding round.

## **5.3 Stage 2: Outline Business Case and Value for Money**

### **5.3.1 Business Case Development**

Applicants of projects prioritised and approved in principle by SEMLEP Board will be invited to submit further information or an Outline Business Case. Once submitted, this will undergo a detailed due-diligence assessment and be submitted to the SEMLEP LGF Task Group who will make a final decision recommendation on each project. This will be reported to the Board.

The Outline Business Case development and assessment process will proceed when individual projects are at a suitably advanced stage of development.

SEMLEP recognises that projects seeking LEP funding can vary considerably in size and complexity and that there is a need for the assessment process to be proportionate to the value of funding requested. To ensure that the level of information requested from applicants is proportionate to the level of funding requested:

- Projects requesting less than £5 million will be requested to submit an updated Pro-Forma (which will cover all relevant aspects of the Five Case Business Case, detailed below)
- Projects requesting £5 million or more will be required to develop an Outline Business Case.

In addition, transport projects (i.e. projects that are expected to significantly change the transport network infrastructure) will be required to follow a separate process outlined in Appendix A, which aligns with the requirements of WebTAG. Where transport projects also have non-transport related outcomes (e.g. projects that unlock land for housing or employment development), these additional impacts can be captured as part of the assessment of wider economic benefits within the WebTAG framework.

<b>Requirements for an Outline Business Case</b>		
	<b>Small Projects (&lt;£5m)</b>	<b>Large Projects (≥£5M)</b>
Transport Project	Revised Pro-Forma including WebTAG assessment	WebTAG compliant Five Case Business Case
Non-Transport Project	Revised Pro-Forma based on principles of HM-Treasury Green Book, drawing on relevant national guidance.	Green Book compliant Five Case Business Case, in line with relevant national guidance

Projects that are not expected to have a significant impact on transport infrastructure should follow relevant national guidance, as specified below.

### **Value for Money Guidance for Non-Transport Projects**

An overview of the relevant guidance for various categories of non-transport projects is provided below. This section provides a guide on the type of information that is required for different projects and is not intended to replace the relevant national guidance.

#### **Skills Projects**

Projects are expected to demonstrate compliance with SFA Best Practice Guidance relating to skills capital projects. In relation to Value for Money, this will cover:

- Project cost per square metre compared with relevant benchmarks
- Premises savings compared with premises costs over a 20 year period for the base case and preferred option.
- Return on investment (NPV) for the proposed project compared to the base case, based on the SFA investment appraisal template.

In addition to the SFA guidance, applications should also consider:

- The number of learners (including level and duration of course)
- Number of learners assisted into employment.

#### **Housing**

Projects are expected to demonstrate value for money in line with HCA good practice and the DCLG Appraisal Guide. This will consider:

- The private impacts of the proposed development (estimated through Land Value Uplift), measured at a national level
- The external impact of the proposed development, measured at a national level

In addition to the DCLG Guidance, applications should also consider the wider benefits of the proposed development, including impacts linked to the spatial distribution of housing and the scheme's potential contribution to SEMLEP's strategic economic objectives.

#### **Regeneration**

Projects are expected to demonstrate value for money in line with HCA good practice and the DCLG Appraisal Guide. This will consider:

- The private impact of the proposed development or refurbishment (measured through Land Value Uplift), measured at a national level.
- The external impact of the proposed development, measured at a national level.

However, it is important that the assessment also demonstrates the economic impacts of the scheme that accrue to the SEMLEP region. This can include an assessment of:

- The net additional impact on local employment and its contribution to GVA
- Its contribution to wider economic impacts, including SEMLEPs strategic economic objectives

For large projects (requesting £5 million or more) that result in the development of commercial floorspace it will also be necessary to include an assessment of local market demand.

#### **Enterprise, Innovation and Business Support**

Projects falling under this category can vary in scope significantly and the approach for assessing value for money should be tailored to the proposal. However, project applications where possible should:

- |   |
|---|
| <ul style="list-style-type: none"><li>- Identify the range of potential economic impacts (e.g. net additional employment, improved productivity, etc.)</li><li>- Identify the project contribution to GVA</li><li>- Demonstrate that the project does not duplicate alternative existing support, investment and finance options</li><li>- Demonstrate how the project connects to national expertise and infrastructure.</li></ul> |
|---|

In addition to the requirements for projects to demonstrate a strategic rationale for investment and Value for Money, SEMLEP will also ensure that the commercial, financial and management arrangements in place are appropriate for effective delivery. These issues should be considered in the pro-forma or Five Case Business Case to be submitted at this stage, however applicants may wish to consider relevant guidance provided by Infrastructure UK (part of the Infrastructure and Projects Authority). It's Project Initial Routemap Handbook and associated Modules provide a framework to support public and private sector infrastructure providers in improving the delivery of their projects and programmes.

The Outline Business Case or updated pro-forma is to be submitted to the Chief Executive Officer of SEMLEP who will be responsible for approving the business case and ensuring Value for Money of all projects and programmes.

SEMLEP does not provide development funding for applicants, however SEMLEP recognises that there are resource implications for applicants associated with the development of an Outline Business Case, particularly if it is necessary to utilise external independent advice and support. Where it is possible for these costs to be capitalised alongside any other professional fees that are directly attributable to the capital investment, they can be included in the costs of delivering the project and may be reimbursable if the project is approved for funding.

In addition to the professional fees associated with developing the Outline Business Case, applicants should also allow for the cost of undertaking a due-diligence review of the Outline Business Case and any costs associated with project monitoring and evaluation. SEMLEP will advise on the appropriate level for these costs in their initial discussion with applicants.

The remainder of this section relates to non-Transport projects. For guidance on projects that are expected to significantly change the transport network infrastructure, please refer to Appendix A.

### **5.3.2 Initial Review**

For all categories of project identified above, SEMLEP and/or SEMLEP's independent appraisers will arrange a meeting with applicants to discuss:

- The information provided at that stage
- The requirements of the Assurance Framework
- Any obvious evidence gaps that should be completed prior to submitting the Outline Business Case for formal Due-Diligence.
- Whether the approach proposed by the applicant is fit for purpose, given the national guidance.

It is recommended that this initial review takes place prior to the development of the Stage 2 Outline Business Case so that an approach that satisfies the applicant and SEMLEP can be agreed at an early

stage. However, applicants may alternatively wish to delay the timing of the initial review in order that a draft version of the business case can be discussed.

### 5.3.3 Detailed Due-Diligence

Once the Outline Business Case has been submitted to SEMLEP, its independent appraisers will undertake a detailed assessment to ensure that:

- The evidential basis on which the need for intervention has been determined is in line with best practice and appropriate national guidance
- There is a clear rationale for the intervention linked with the strategic objectives of the SEP
- The project has clearly defined inputs, activities, outputs and outcomes, including a formal review of additionality (including deadweight and displacement).
- An evaluation framework has been identified for monitoring the outputs and outcomes identified above. (Please refer to Section 5.5 for further information. Additional guidance will also be provided if required).
- The business case includes a Value for Money assessment which incorporates an assessment of the wider economic benefits of the project and demonstrates that the benefits of the project exceed the cost of intervention.
- The economic case and Value for Money assessment incorporates sensitivity testing and considers the potential for optimism bias<sup>3</sup>.
- The project includes a full design and specification and an independently verified cost plan (if applicable)
- Planning permission submitted where relevant, or a clear timetable for achieving this is set out, which is considered in the Risk Register'
- A detailed Risk Register is included with the Business Case
- Profile of funding requested matches availability of funding
- Match funding has been identified and the applicant can provide confirmation that the funds will be made available.
- Relevant internal approvals are met (e.g. council approval, board approval, financial/budget approval).
- Land purchases are identified and under legal instruction/in legals, where relevant, or a clear timetable for achieving this is set out, which is considered in the Risk Register.
- A contracting and procurement process has been identified and timescales provided.
- There is sufficient consideration of State aid risk.
- Project delivery lead can demonstrate sufficient experience of delivering the proposed activity.

Following the due-diligence process, projects will be classified by the independent appraisers as:

- Ready to proceed
- Ready to proceed, pending limited additional information
- Not ready to proceed / requiring significant additional information

---

<sup>3</sup> Guidance on how Optimism Bias could be considered is included in the Green Book Supplementary Guidance: <https://www.gov.uk/government/publications/green-book-supplementary-guidance-optimism-bias>

### **5.3.4 Decision to Proceed**

A report setting out the independent appraiser's recommendations will be submitted to the SEMLEP LGF Task Group who will make a final decision on which projects should be granted a Decision to Proceed.

## **5.4 Stage 3: Funding Agreement**

For projects granted a Decision to Proceed by the LGF Task Group, SEMLEP will work with the project applicant to develop a formal funding agreement. This will require the production of a Full Business Case that confirms:

- Final scheme design.
- The project costs and procurement arrangements
- Project management and contracting arrangements
- The quarterly profile of spending and appropriate milestones.
- All funding is in place to deliver the project along with written confirmation of how cost/programme overruns are to be managed.
- The assessment of the strategic case for investment, value for money, and wider economic impacts remains valid or has been updated appropriately.

The Full Business Case will be reviewed internally by SEMLEP as part of developing the Funding Agreement. If there are significant changes to the project that may impact on the strategic or economic components of the scheme, SEMLEP may request that further independent due-diligence advice is sought with a further report to the LGF Task Group

## **5.5 Stage 4: Monitoring and Evaluation**

All projects receiving funding from SEMLEP must ensure that there is an appropriate output and outcome monitoring and evaluation process in place. This process should be proportionate to the size of the project and will be set out in the project Business Case and as agreed in the funding agreement.

The evaluation objectives should relate back to the business case and build on the assumptions used in the appraisal process. It is recognised that the specific outcomes that will be monitored and measured will differ depending on the type of intervention, with specific focus placed on those outcomes most relevant to the project objectives.

Where appropriate the Monitoring and Evaluation Plan should reference the Growth Deal Evaluation Plan.

The monitoring and evaluation process will be confirmed with the scheme applicant as part of developing the Funding Agreement and updated subsequently.

SEMLEP will work with project managers to agree a schedule of post completion project monitoring and reporting of outputs and outcomes including evaluations. This will be shared with the Programme Management Board and outputs data will be entered into LOGASnet as part of the BEIS DCLG reporting.

A refreshed Growth Deal Evaluation Plan is intended for 2017.

## **Appendix A: Additional Outline Business Case Guidance for Transport Related Projects**

### **Introduction**

Given the specific requirements of the Department for Transport (DfT), transport schemes have specific requirements for value for money assessment, assurance and evaluation that are set out in Appendix B of the document “Local Enterprise Partnership National Assurance Framework” (November 2016)<sup>4</sup>. This section sets out SEMLEPs interpretation of these requirements which scheme promoters must adhere to when developing their proposals.

A ‘transport scheme’ is defined as any scheme that significantly changes the transport network infrastructure, whatever its objectives.

### **Transport Business Case**

DfT has issued guidance on developing Transport Business Cases. The document “The Transport Business Cases” (2013)<sup>5</sup> sets out how the department assesses the business case for major investments in support of decision making. A staged approach to major transport investment decisions is set out as well as the five case model for producing a business case, both being aligned with HM Treasury’s Green Book guidance.

It is the intention of SEMLEP to adopt this approach given that it is HM Treasury’s standard methodology and recognised as best practice, given it provides a progressive structure for the development of business cases provides the opportunity for proportionate assessment according the size of project being considered.

### ***Business Case Stages for Transport Projects***

The DfT document, The Transport Business Cases (2013), sets out three business case stages:

1. **Strategic Outline Business Case (SOBC)** – This sets out the need for intervention (the case for change) and how this will further stated aims and objectives (the strategic fit).
2. **Outline Business Case (OBC)** – reconfirms the conclusions of the SOBC but concentrates on detailed assessment of the options to find the best solution.
3. **Full Business Case (FBC)** – Confirmation of the schemes value for money and details the proposed contract management resourcing, processes and benefit realisation plans.

DfT propose that the decision making process should take place in accordance with the three stages outlined above. However, DfT acknowledge that smaller or more straightforward investments may require fewer phases. Drawing on this guidance SEMLEP will expect scheme promoters to develop transport schemes as follows.

---

<sup>4</sup> Local Enterprise Partnership National Assurance Framework (November 2016)  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/567528/161109\\_LEP\\_Assurance\\_Framework.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/567528/161109_LEP_Assurance_Framework.pdf)

<sup>5</sup> The Transport Business Cases (2013)  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/85930/dft-transport-business-case.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/85930/dft-transport-business-case.pdf)

- **Stage 1 of SEMLEP Assurance Process:** For SEMLEP Local Growth funded schemes and any future Growth Deal pipeline schemes the content of the Project Proforma is sufficient and a formal SOBC for transport projects is not required.
- **Stage 2 of the SEMLEP Assurance Process:**
  - Schemes of greater than £5m in total scheme value will need to complete both an Outline (OBC) and Full Business Case (FBC).
  - Schemes of less than £5m value will need to complete an updated Project Proforma and Full Business Case (FBC).

### The Five Case Model

All schemes submitted by promoters are required to follow the DfT's Transport Business Case guidance, which is available at [www.dft.gov.uk/publications/transport-business-case](http://www.dft.gov.uk/publications/transport-business-case).

The Business Case guidance sets out the minimum requirements of the development of a scheme and use of the guidance will ensure that the information and assessment of a scheme is set out according to five cases:

- **The Strategic Case:** demonstrates the case for change including a clear rationale for making the investment; and strategic fit, how an investment will further the aims and objectives of the organisation;
- **The Economic Case:** assesses options to identify all their impacts, and the resulting value for money, to fulfil Treasury's requirements for appraisal and demonstrating value for money in the use of taxpayers' money;
- **The Financial Case:** concentrates on the affordability of the proposal, its funding arrangements and technical accounting issues;
- **The Commercial Case:** provides evidence on the commercial viability of a proposal and the procurement strategy that will be used to engage the market; and
- **The Management Case:** assesses whether a proposal is deliverable. It tests the project planning, governance structure, risk management, communications and stakeholder management, benefits realisation and assurance.

### Advice for Scheme Promoters

There are a number of guidance documents that scheme promoters will need to be aware of when producing their business cases. These documents are listed below:

- HM Treasury: The Green Book (<https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government>)
- The Transport Business Case ([https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/85930/dft-transport-business-case.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/85930/dft-transport-business-case.pdf))
- Transport Analysis Guidance – WebTAG (<https://www.gov.uk/guidance/transport-analysis-guidance-webtag>)
- Value for Money Assessment: Advice Note for Local Transport Decision Makers ([https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/267296/vfm-advice-local-decision-makers.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/267296/vfm-advice-local-decision-makers.pdf))
- Design Manual for Roads and Bridges (DMRB) (<http://www.standardsforhighways.co.uk/ha/standards/dmr/>)
- Governance for Railway Investment Projects (GRIP) – For Rail Projects Only (<http://archive.nr.co.uk/aspx/4171.aspx?cd=2>)

- Highways England Project Control Framework – For Road Projects on the Strategic Road Network Only (<http://assets.highways.gov.uk/our-road-network/managing-our-roads/project-control-framework/The%20project%20control%20framework%20handbook%20v2%20April%202013.pdf>)
- HM Treasury: The Magenta Book (<https://www.gov.uk/government/publications/the-magenta-book>)

SEMLEP expects scheme promoters to undertake modelling and appraisal work in line with the standards set out in WebTAG. However, in accordance with WebTAG requirements SEMLEP does not want promoters to undertake excessive appraisal work and will provide scheme promoters with early advice on whether the approach to be adopted is fit to purpose, particularly in relation to modelling and Social and Distributional Impacts. SEMLEP will also work with DfT to understand their own requirements and timelines so the processes work effectively together if possible.

SEMLEP will provide early advice to scheme promoters via external independent technical specialists procured and managed by the LGF Task Group in two ways:

1. Through opportunity to discuss the scheme and application requirements with an independent technical specialist nominated by SEMLEP at Stage 1 of the SEMLEP assurance process (completion of Project Proforma)
2. Discussion with an independent technical specialist nominated by SEMLEP following completion, by the scheme promoters at the beginning of Stage 2, of an Appraisal Specification Summary Table (ASST) and the provision of details of the modelling approach to be adopted (if applicable). The production of an ASST <sup>6</sup>will provide the good base of information to begin discussions between the scheme promoter and nominated independent technical specialists regarding the most appropriate appraisal approach for each scheme.

### **Proportionate WebTAG Appraisal**

SEMLEP expect scheme promoters to make appropriate and proportionate use of the DfT's WebTAG guidance in presenting value for money evidence. In particular, scheme promoters should consider Section 2.2 and 3.2 of the Transport Appraisal Process (January 2014) guidance document as well as the specific advice provided in individual WebTAG Units that provide guidance on the preparation of necessary outputs for the appraisal of transport schemes. It is important for scheme promoters to also consider how to deal with any updates to WebTAG that might occur during the progression of the scheme through the SEMLEP Assurance Process. Scheme promoters should refer to the WebTAG Proportionate Update Guidance<sup>7</sup> and discuss the approach for the scheme as part of the early advice they receive from independent technical specialists nominated by SEMLEP. Scheme Promoters should keep SEMLEP and DfT informed of progress.

### **Assessing WebTAG compliance**

Modelling and the appraisal of transport schemes should be carried out by scheme promoters using central case forecasts that are consistent with the definitive version of NTEM (DfT's planning dataset) and in accordance with the guidance set out in WebTAG. Alternative planning assumptions will only

---

<sup>6</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/427107/tag-worksheet-assr.xlsx](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/427107/tag-worksheet-assr.xlsx)

<sup>7</sup> WebTAG Proportionate Update Guidance  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/427079/webtag-tag-proportionate-appraisal.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/427079/webtag-tag-proportionate-appraisal.pdf)

be considered by SEMLEP through the use of sensitivity tests that can be determined by scheme promoters according to their needs.

The modelling and appraisal work will be carried out by the promoter and assessed on behalf of SEMLEP by independent technical specialists nominated by SEMLEP. These independent technical specialists will have the necessary skills and expertise to ensure that the assessment and scrutiny of business cases is quality assured.

The assessment and scrutiny undertaken will review compliance with WebTAG and identify if the required standards have been met, with a particular focus on modelling and appraisal.

If a scheme is assessed as not meeting the required standards, a series of recommendations will be produced that the scheme promoter will be expected to address. The independence of each review will be checked and signed off by the LGF Task Group with relevant skills and expertise. The LGF Task Group will be responsible for ensuring that scheme promoters act upon any recommendations resulting from a review and that the results are made available to promoting authorities and the SEMLEP LGF Task Group.

### **Value for Money**

A value for money statement for each scheme, in line with published DfT WebTAG guidance and DfT advice on assessing VfM, must be presented by the scheme promoters for consideration by SEMLEP at each stage of the approval process.

Value for money statements at Stage 1, are likely to be based on limited evidence. In Stage 2 (OBC and FBC) more robust Value for Money statements will be required.

The VfM statements will be checked by an independent technical specialist and adjusted if necessary. They will then be signed off as true and accurate by the Section 151 Officer of Luton Borough Council, the Accountable Body of SEMLEP.

The VfM statement will be presented to the SEMLEP LGF Task Group as part of the decision-making process at appropriate stages in the approval process.

At each stage of the approval process SEMLEP will only approve schemes that offer at least “high” value for money, as assessed using DfT guidance (currently a BCR of greater than or equal to 2:1) except in the following limited circumstances:

- such as a scheme that unlocks a key development site
- scheme that supports significant jobs/GVA growth

In Stage 2 of the assurance process the production of the OBC and FBC will identify whether the scheme continues to offer high value for money. If a business case indicates a scheme will not provide the required value for money SEMLEP can decide to withdraw it from the programme. The scheme promoter is responsible for all business case costs – including if the scheme is withdrawn by SEMLEP at any point in the process.

### **External Views**

Summaries of the transport business case documents (OBC and FBC) will be published on the SEMLEP and scheme promoter websites prior to a funding approval decision being made. This will allow for external comment. However, there will be a small number of exceptions to this rule where explicit reasons are given for not publishing information, such as that the material is commercially sensitive. It is recommended that the summaries are publicly available on the websites for a 3 month period

prior to a funding approval decision, although the length of consultation can be determined in accordance with the needs of the scheme promoters.

Opinions expressed by the public and stakeholders will be made to the SEMLEP TGF Task Group when decisions are taken. In doing so, scheme promoters and the SEMLEP LGF Task Group will be required to identify (and make public via the SEMLEP website) how external comments have been taken into account prior to a funding approval decision is made.

### **Monitoring and Evaluation**

Scheme promoters are required to put in place mechanisms to ensure that schemes are monitored and evaluated in line with the latest DfT guidance on the evaluation of local major schemes<sup>8</sup>. This will feed into the requirements of the LGF Task Group. Compliance with this aspect will be assessed as part of the due diligence process. In addition to the requirements of the DfT guidance, SEMLEP has also developed the following minimum requirements that scheme promoters must include in their business case documents:

- Identify the impact of delivering the transport scheme on sustainable growth in jobs, housing and investment in town centres (Objective 7 of SEP);
- Identify the contribution of the transport scheme to economic output (GVA);
- Identify the impact of delivering the transport scheme on providing high quality, safe access to services and opportunities including training and apprenticeships;
- Identify the impact of delivering the transport scheme on maintaining and enhancing links with the wider economy.

Monitoring and Evaluation Plans will be published on the SEMLEP website as well as the website of the scheme promoter. A scheme promoter will be required to ensure an independent review of the monitoring and evaluation of their scheme, and the arrangements for this, including the production of an evaluation “handover pack” must be agreed with SEMLEP prior to a decision to proceed is granted.

---

<sup>8</sup> 7 Monitoring and Evaluation Framework for Local Authority Major Schemes  
<http://www.dft.gov.uk/publications/evaluation-local-major-schemes>

## Appendix B

### Supporting Documents to be found on our website:

Diagram of Governance arrangements for SEMLEP

All Board and group Terms of Reference

Expressions of interest requests

Procurement Policy

Strategic Economic Plan Main report and Evidence Base:  
<http://www.semlep.com/news/2014/strategic-economic-plan-submitted-to-government/>

Local Growth Deal

Arup LGF 15/16 Independent Project Appraisal Report

Regeneris LGF 16/17 Independent Project Appraisal Report

SEMLEP Local Growth Fund Business Case Pro forma

Accountable Body Agreement with Luton Borough Council

LGF Task Group Terms of Reference

LGF Programme Management Board Terms of Reference

Evaluation and Monitoring Plan