North East Local Enterprise Partnership Assurance Framework

January 2018

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1. Preamble

The North East Local Enterprise Partnership (North East LEP) supported by its Accountable Body, the North East Combined Authority (NECA), coordinates and manages significant public resources provided from Central Government and generated through local investment activities. These resources are channelled through a number of investment programmes that support the delivery of the North East Strategic Economic Plan (SEP), helping to create the right conditions to attract private sector investment and create jobs.

HM Government requires all Local Enterprise Partnerships (LEPs) to prepare an assurance framework that explains how their funding will be spent with regularity, propriety and deliver value for money. This Assurance Framework has been updated to reflect the current guidelines to LEPs and is kept under review. All North East LEP decisions about the use of public funding are held to account locally through the NECA which operates under the Local Government Financial Framework, as set out in the Ministry of Housing, Communities and Local Government's (MHCLG's) Local Government System Statement.

A number of amendments to this Assurance Framework were highlighted at the North East LEP Board meeting on 24th January 2018 as necessary in the context of the latest LEP governance and transparency best practice guidance issued by MHCLG. Alongside this updated Assurance framework document, the North East LEP website has been further updated to allow links from this document to more specific and detailed supporting strategic and operational policies. This includes a new joint statement published by the LEP Board Chair and Executive Director regarding their commitment to good governance and transparency, this can be viewed here.

I confirm that the North East LEP Assurance Framework has been reviewed and all financial resources are being managed in accordance with this framework and the guidelines set out by the MHCLG 'Local Enterprise Partnerships: National Assurance Framework' November 2016 and subsequent best practice guidelines.

P.U Woods

Paul Woods
Section 73 Officer
North East Combined Authority (Accountable Body for the North East LEP)
Date: 26th January 2018

1. Introduction

1.1 Purpose and scope of the Assurance Framework

This Assurance Framework sets out the operational management structures and decision-making accountabilities that are necessary for the effective control and delivery of all funding received by the North East LEP from Central Government and other sources. It sets out how we engage stakeholders, make transparent and fair decisions, secure value for money and communicate project funding decisions taken by the North East LEP Board and how we subsequently monitor and evaluate the impact of our investment decisions.

The North East LEP has a planned revenue budget of £2.962m in 2018/19. The majority of the LEPs resources are capital with an estimated Local Growth Fund budget expenditure of £51.7m in 2018/19, and potentially up to a further £10m in loans from the North East Investment Fund. In addition, £43.4m is forecast to be invested in Round 1 and 2 Enterprise Zone infrastructure subject to LEP Board approvals that allow delivery partners to borrow and to be repaid by future business rates income to the North East LEP. The vast majority of our budget, over 95%, is distributed through loans, grants and contracts for services to other public and private sector organisations who deliver activities in support of the North East Strategic Economic Plan(SEP).

Most funds are managed through programmes and distributed in the form of both project grant and loans with amounts varying from £200,000 to exceptionally over £40m. We have set out in this assurance framework the operational management arrangements for each funding programme that the North East LEP is currently directly responsible for managing and highlight the relationship and support that we receive from our Accountable Body, the North East Combined Authority.

Funding programmes currently directly managed are:

- Strategic Growth and Infrastructure Fund (funded by Growth Deal Local Growth Funding)
- North East Investment Fund (funded by Growing Places Funds and Regional Growth Funds)
- Enterprise Zone infrastructure investments (mainly funded by borrowing against future business rates income projections)

We have an important role, working with local authority partners, in preparing project calls for European funding, in line with local priorities and in providing guidance to prospective applicants. We work closely with national Government departments who actually make the funding decisions and control the budgets i.e. MHCLG for European Regional Development Fund (ERDF), DWP for European Social Fund (ESF) and DEFRA for the European Agricultural Fund for Rural Development (EAFRD).

We are also currently supporting the delivery of a 'Schools and College Innovation and Activity Fund' - funded through the Gatsby Foundation for National Pilot Schools and Colleges. In 2018 we plan to build on this pilot project by bidding for a range of funding, via our accountable body, to deliver a wider 'North East Ambition Education Challenge' programme.

1.2 Financial Accounts and latest Budget

Annual accounts and budgets for the North East LEP are audited and reported to the NECA. The latest accounts can be viewed HERE. Our core revenue budget for 2018/19 is £2.91m. Tables showing all externally contracted project funding awards are published on our website and can be viewed HERE.

Progress on Government funded schemes is reported to the North East LEP Board and Investment Board on a regular basis and as required, performance monitoring information is also submitted to Government on a regular basis.

1.3 About the North East Local Enterprise Partnership

Established in 2011, we are one of 38 LEPs in England approved by the Government to play a central role in determining local economic priorities and to undertake activities to drive economic growth and support the creation of local jobs. We are a local business led partnership that brings together 7 local authorities, businesses and further and higher education sectors. The North East LEP area covers the local authority areas of Newcastle upon Tyne, North Tyneside, South Tyneside, Gateshead, Sunderland, Northumberland and Durham. The North East LEP operates with a Board and a constitution but it is not a legal entity. Therefore, we rely on the NECA to perform an Accountable Body function on our behalf including the administration of budgets. This relationship is set out in a 'Host Authority and Accountable Body Agreement' that can be viewed HERE .

1.4 About the North East Combined Authority (NECA)

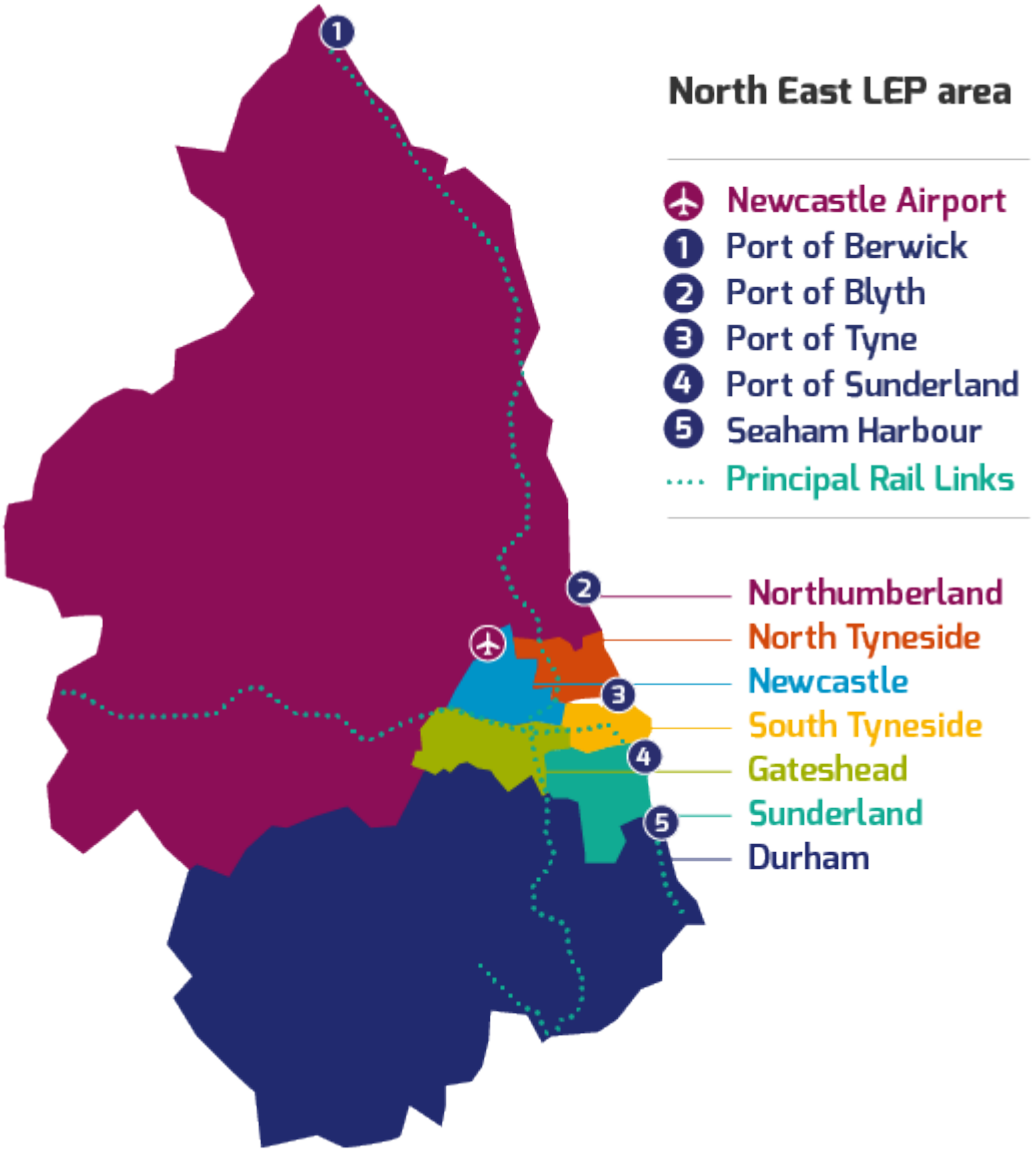
The NECA was formed under the Local Democracy, Economic Development and Construction Act 2009, which has been substantially amended by the Cities and Local Government Devolution Act 2016 that can be viewed HERE. Established in April 2014 the NECA brings together the seven local authorities which serve County Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland. Further information on our Host Authority can be found HERE.

2. Strategic Context

The North East LEP operates over a diverse economic geography, characterised by remote and sparsely populated uplands including the Northumberland National Park and North Pennines Area of Outstanding Natural Beauty and a bustling urban heart centred around the Tyne and Wear conurbation, flanked to the south by the historic Durham City and also 'new towns' and market towns.

The North East has a population of 1.97m and in 2016 the local economy contributed £38.7 billion or 2.6% towards England's total GVA. Since the 2008 recession the North East has showed signs of sustained recovery and now has more people than ever in employment. Our investment plans will build on this improved context and continue to overcome market failures and to support the realisation of new economic opportunities across all parts of the North East.

Figure 1: North East LEP area



2.1 North East Strategic Economic Plan (SEP)

All North East LEP funding programmes are designed to support our ambitions set out in the North East 10 year 'Strategic Economic Plan: More and Better Jobs', which drew on the evidence in the North East Independent Economic Review led by Lord Adonis in 2013. The cornerstone of the SEP is the ambition to create over 100,000 new private sector jobs creating a better balanced and sustainable economy. Following stakeholder workshops and consultations a refresh of the SEP and was published in March 2017. You can read the latest SEP update report HERE.

We are committed to directing and influencing local, national and European resources, towards the five key priority areas in the North East Strategic Economic Plan:

- Driving innovation and improving business support
- Working with schools, colleges and universities to improve outcomes in education
- Tackling skills and economic inclusion
- Building economic assets and infrastructure
- Enhancing transport and digital connectivity

To measure progress a number of high level performance indicators are being tracked over time, relative to the national economy, these are;

- Gross Value Added (GVA) per full time equivalent job.
- Employment rate.
- Private Sector employment density.
- Economic Activity rate.

During 2016 we updated the evidence base as part of a SEP refresh exercise and in March 2018 we plan an open event at which we will launch the first 'Our Economy' annual performance report that can be viewed HERE . Our on-going investment decisions will be informed by the latest available market evidence and policy context. The SEP objectives are being delivered through 6 operational themes – Transport & Connectivity, Business Support & Access to Finance, Innovation, Skills, Employability & Inclusion and Economic Assets & Infrastructure. In association with these themes we have created a number of Sub-Boards to challenge, develop and monitor progress. The roles, membership and responsibilities of these Boards can be viewed HERE.

2.2 European Structural and Investment Fund Strategy

European Structural and Investment Funds are managed nationally by Central Government Departments. The current European Programmes cover the period 2014-2020 and from the national budget the North East has an allocation of £437m. The North East LEP has a responsibility to produce locally, with our partners, a European Structural and Investment Fund Strategy (ESIFS)

which can be viewed HERE. The North East ESIFS sets out local priorities, consistent with the North East SEP and provides strategic direction to calls for projects and funding allocations under three European programmes. These are the European Regional Development Fund (ERDF), European Social Fund (ESF) and European Agricultural Fund for Rural Development. The North East ESIFS will continue to inform investment decisions on all three programmes until the UK exits the European Union.

2.3 Strategic Transport Plan for the North East

The Transport Manifesto for the North East (published in December 2016) sets out a 20 year vision that will guide the first Strategic Transport Plan for the North East. This will identify an ambitious programme of well-designed transport projects which:

- deliver economic growth in a way that promotes sustainable economic growth, travel choice and improved health
- have clear objectives and demonstrable value for money

Responsibility for the development of the Strategic Transport Plan rests with the Regional Transport Team based within NECA. This plan will help inform future LEP funding decisions.

3. Overview of North East LEP Funding Programmes

3.1 Summary of Current and planned funding schemes

The following table summarises the main funding schemes either directly managed by the North East LEP or where we have considerable influence over the allocation of funds that are managed by other bodies. This list will be updated annually.

Funding	North East LEP Role	Brief Description
Local Growth Fund **a)Strategic Growth and Infrastructure Fund (SGIF)**	Direct project funder	Project capital grant funding scheme using local growth fund resources to support major investments in innovation, transport, skills and economic infrastructure
Local Growth Fund **b) North East Growth Hub**	Direct project funder	The North East Growth Hub is part of a national growth hub network providing local business with easy access to a range of local business support services. We use revenue funding to procure services to support the Growth Hub digital platform and to deliver associated business support services.
NE Investment Fund (NEIF)	Direct project funder	Loan funding supporting private sector commercial property or business development projects.
	Provision of funds into an external fund scheme manager	**North East Property Fund** – pilot launched in June 2017 in partnership with Santander and FW Capital. Focussed on smaller scale, mainly residential market projects.
	Provision of funds into an external fund scheme manager	**JEREMIE Fund Extension** - comprises a suite of seven investment funds, providing debt and equity finance to SMEs based in the North East of England.
School / College Innovation Activity Fund	Scheme promoter and involved in funding decisions through Steering	Revenue funding, provided by Gatsby Foundation, for National Pilot Schools and Colleges to develop innovative approaches to improving the quality of career guidance.

	Group representation	
European Structural Investment Funds (ESIF)	Promotion and local strategic guidance to scheme management authorities.	Design and local promotion of project calls and assessment of strategic fit of projects in relation to the North East SEP priorities. Work closely with national funding awarding bodies DCLG (ERDF), DWP (ESF) and DEFRA (EAFRD)
North East Fund	Facilitator, enabling scheme development.	Establishment of an operational management company to oversee the appointment and subsequent performance management of five sub fund managers.

3.2 Strategic Growth and Infrastructure Fund (SGIF)

The SGIF is the name of our registered EU state aid scheme under which we deliver funding from our local growth fund budget allocations. We manage a combined total of £270m of new capital funding received from Central Government from Local Growth Fund Rounds 1, 2 and 3. This resource is now largely allocated and is assisting over 50 infrastructure projects / mini programmes that support the delivery of the Strategic Economic Plan. A dedicated Growth Deal: Local Growth Fund page is maintained on our website and can be viewed HERE . This page is used to help organisations access 'calls for projects', publish summary listings of project grant awards and makes links to individual project pages where details and progress on each projects is made available. During 2018/19 we plan to issue calls for innovation and business incubation projects.

The SGIF brings forward and supports projects through a combination of approaches. The three approaches are:

- 'Closed calls' - time limited calls for project expressions of interest - open to private, public and voluntary sectors.
- Restricted calls - normally restricted to local authorities and other public bodies involved with public transport and other non- commercial strategic public infrastructure provision.
- Commissioning - either through a grant award or procurement process - open to private, public and voluntary sectors – used in circumstances where the North East LEP may have a requirement for proposals to come forward to meet a specific need or economic opportunity.

A combination of the above approaches will be used over the lifespan of the LGF Programme 2015-2021. In 2016 for instance we held one closed project call that resulted in over 50 project expressions of interest and 12 projects being shortlisted. We also conducted a restricted call, at short notice, with local authority partners to inform a package bid under LGF Round 3 in October

that replaced an earlier programme bid in July to Government that was no longer able to proceed due to plans for a North East Devolution Deal not proceeding.

3.3 North East Growth Hub

Over the financial year 2018/19 we will commit revenue funding to further develop and manage the North East Business Growth hub digital platform and associated business support services. This budget is overseen by the LEP Business Growth Director and performance monitoring reports are taken to the North East LEPs Business Growth Advisory Board. All services procured are advertised in accordance with the Accountable Body procurement policies with successful tenderers selected by the North East LEP Board and awarded by the Accountable Body.

3.4 North East Investment Fund (NEIF)

This operates as a recycling loan fund and comprises of resources originally provided under the Government Growing Places Fund and Regional Growth Fund, with a total initial loan fund of £55m. Private, public and voluntary sector organisations can apply. The fund objectives, application forms and selection criteria can be found HERE

This Fund is accessible on an 'open call basis'. This means that applications are welcomed from eligible projects at any time. Applications are not considered competitively against other projects but on their merits against the NEIFs selection criteria. Applications are appraised prior to being taken to the North East LEP Investment Panel. The Investment Panel's recommendations are then reported to a North East LEP Board meeting for determination. We provide case studies of previously funded projects and a list of organisations receiving loans can be viewed on our website HERE. The **North East Property Fund** pilot is being manged under contract from the North East LEP by FW Capital. The objective of this 5 year pilot fund is to unlock smaller scale housing and commercial development schemes that typically find it difficult to secure bank loans. The £10m fund includes £5.7m from the NEIF. Performance updates are reported to the Investment Board.

In 2016 the North East LEP Board agreed to provide £4.5m from NEIF to enable the extension of the **North East JEREMIE Fund** into 2016. The JEREMIE Fund comprises a suite of seven investment funds, providing debt and equity finance to SMEs based in the North East of England. Managed by North East Access to Finance Ltd the scheme extension has bridged a gap over the period 31st January 2016 to 31st December 2016 with repayments to the NEIF expected within 5 years. The North East LEP has observer status on the Board and receives detailed quarterly reporting documentation covering:

- Progress towards investing funds
- Statement of ring fenced bank accounts
- List of investments made
- Returns generated
- Status of Legacy account

- Defaults and bad debts
- Outputs generated

3.5 Enterprise Zones (EZs)

The North East LEP has been successful in securing from Government Enterprise Zones through two bidding rounds.

In the first wave of EZs 115 hectares of land were designated on ten sites clustered in 3 localities with a strong focus on attracting investment from offshore, renewables and low carbon automotive sectors. Many of these sites are brownfield with abnormal development costs requiring significant advance investment in remediation, on and offsite highway and utility infrastructure with an estimated investment requirement of £65m. The localities are:

- Three sites adjacent to the A19 at Sunderland
- Three sites on the North Bank of the Tyne
- Four sites near the Port of Blyth

In November 2015, a second wave of EZ's were announced for the North East covering an additional 175 hectares across a further ten sites, in both urban and rural areas.

The second wave of EZ sites were launched in April 2017, with the exception of the International Advanced Manufacturing Park in Washington that will launch in April 2018. An implementation plan is to be updated in spring 2018. This will update the current total infrastructure budget estimate requirement of £43m for 2018/18. Further information on all EZ sites can be viewed HERE

Under EZ regulations the North East LEP is entitled to retain all income from additional business rates generated over a period of 25 years. To improve the competitiveness and to accelerate the pace of development and receipt of EZ rates income, NECA and the North East LEP are supporting advanced enabling infrastructure works, funded in the short-term by borrowing and repaid by future business rates income. To ensure this approach is financially sustainable, investment using the Enterprise Zone mechanism is based on a robust, externally-verified model. Each site was selected in line with SEP priorities and subject to an external, independent evaluation of the cost and income assumptions. This ensures that each site proposal met market need and represented a financially sustainable investment.

A Business Growth and Investment Strategy is used to guide Round 1 EZ investment plans. For Round 2 sites, following initial application, each site has developed a high-level investment plan. A final revised proposition will be taken through a further external validation and verification before investment decisions are taken. This provides a sound understanding and investment envelope for each site to inform subsequent investment recommendations to the North East LEP Board by the Investment Panel. The overall financial model will be updated on an annual basis in line with

actual performance to consider if any modifications are required or impacts on investment decisions.

An overarching Implementation Plan has been developed prior to the launch of the Round 2 sites setting out key activities, milestones and risks and performance management arrangements. The Implementation Plan will be submitted to Government following endorsement by the Investment Panel. This is supported by the national Memorandum of Understanding on delivery of Enterprise Zone sites and underpinned by a local agreement between the seven local authorities, the North East LEP and North East Combined Authority setting out the practical issues of delivery and providing long-term certainty over delivery. This includes approaches to borrowing which seek to minimise the costs of borrowing using low cost options through the local authorities and North East Combined Authority.

Individual applications for Enterprise Zone investment are assessed through a standardised approach as described under the NEIF; using corporate business case forms and guidance on an open basis. In addition to the internal strategic assessment to confirm that the application contributes to the delivery of the Enterprise Zone site and fit with the strategic ambition for the location, the process includes a further external assessment through due diligence processes to consider financial and legal elements and ensure value for money.

This evaluation including expert, external support informs the recommendations made by the Investment Panel to the North East LEP Board for approval and confirmation by the Accountable Body.

It is intended that EZ loans are repaid back to the NEIF as soon as practically possible so that this resource can be recycled through the NEIF for other loans.

3.6 Schools and College Innovation and Activity Fund

Funded by the Gatsby Foundation, the North East LEP has an allocated £250,000 budget under the 'Innovation and Activity Fund for National Pilot Schools / Colleges' to introduce innovative approaches to achieving 'career benchmarks' in the North East. The fund is designed to support schools / colleges to create sustainable methods of creating new partnerships, extending existing networks and developing /enhancing careers guidance systems, structures and opportunities.

The Pilot Programme Steering Group comprises Professor Sir John Holman (Chair), with representatives from the Gatsby Foundation, Schools North East and the North East LEP. It is responsible for determining funding awards against published criteria. Applications are invited and appraised by the North East LEP and are open to Pilot Schools and Colleges who may apply for funding as many times as they wish during each funding round. A list of schools benefiting from awards can be requested from the Gatsby Foundation. Grant awards made in previous years will continue to be spent in 2018/19.

3.7 The North East Fund

The is a new £120m business support fund that the North East LEP has helped establish in conjunction with local partners in December 2017. The fund comprises of legacy money generated from historical business funds which have operated in the North East LEP area since 2003 together with European Regional Development Fund and European Investment Bank(EIB) finance. North East (SPV) Ltd, a wholly owned subsidiary of the 7 constituent authorities of the North East LEP, has been established as a new holding fund management company and will commence in April 2017. The North East (SPV) Ltd has procured the appointment of five fund managers.

Around £120m budget is allocated between five individual FCA authorised fund managers. The new Fund will build on the successful North East 'JEREMIE' programme that has invested almost £160m over the past seven years. The North East Fund will manage a suite of venture capital and loan funds to support small and medium sized enterprises in the North East LEP area in the 2017-2023 period.

Having been instrumental in setting up the North East Fund, the North East LEP Board will receive performance monitoring reports and will help promote business access through the North East Growth Hub.

4. Governance of Resources – Accountable and Transparent Decision-making

4.1 North East LEP Board

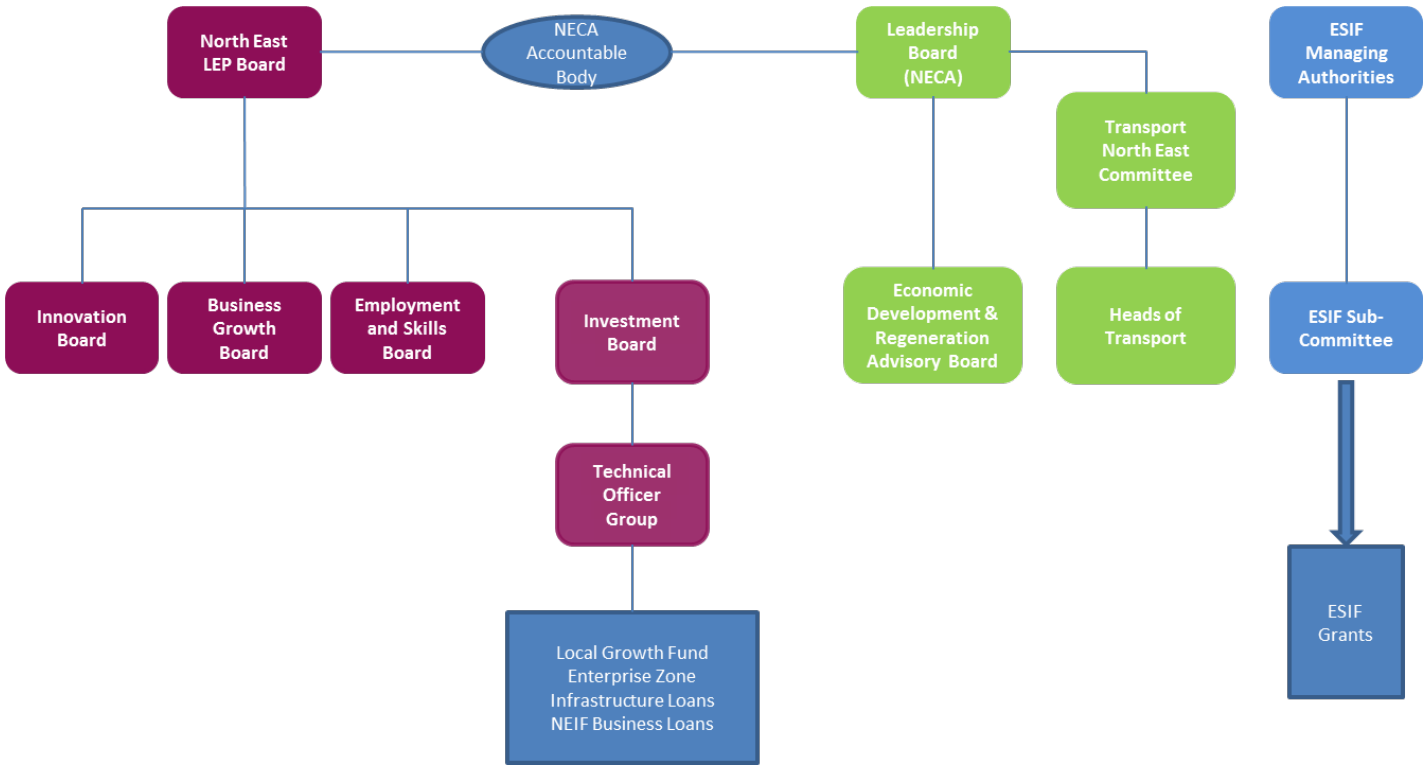
The North East LEP is a business led partnerships with an 18 strong Board that includes the Leaders and elected Mayor of the constituent local authorities, Higher Education and Further Education representatives and 9 local business leaders that are selected through an open recruitment process. In accordance with the latest Government LEP requirements, the North East LEP appointed Ammar Mirza CBE in 2016 as a new Board member with a brief to represent the interests of small medium sized businesses. A profile of each of our current Board members can be viewed HERE.

The North East LEP Board meets bi-monthly and is chaired by a private sector Board member with two Vice Chairs (one Private sector and one local authority). The Board constitution can be viewed HERE.

The North East LEP Board is supported by 3 'Advisory Boards' that are aligned to the priorities defined in the SEP. In addition, an Investment Board performs a supporting the North East LEP Board with a delegation to consider and determine capital investments of up to £5m. A Technical Officer Group in turn supports and provides advice and recommendations to the Investment Board / Board on project investment decisions.

Terms of reference for these and other Advisory Boards can be found on the governance page of our website HERE.

Figure 2: North East LEP Organisational Structure.



4.1.1 Investment Board

The Investment Board was formed in winter 2017 following an operational review by the LEP Board. It replaces the former Investment Panel and has been granted limited delegated authority to consider and approve project funding applications of up to £5m. The terms of refence for the Investment Board can and current membership can be viewed on the LEP website. It is chaired by a North East LEP Board member and includes non-voting specialist advisors, recruited through open advert, with extensive experience of investment in both commercial property development and business expansion schemes. The Investment Board meets on a regular basis to consider project requests for loan and grant finance. For projects requesting over £5m it makes investment recommendations to the North East LEP Board.

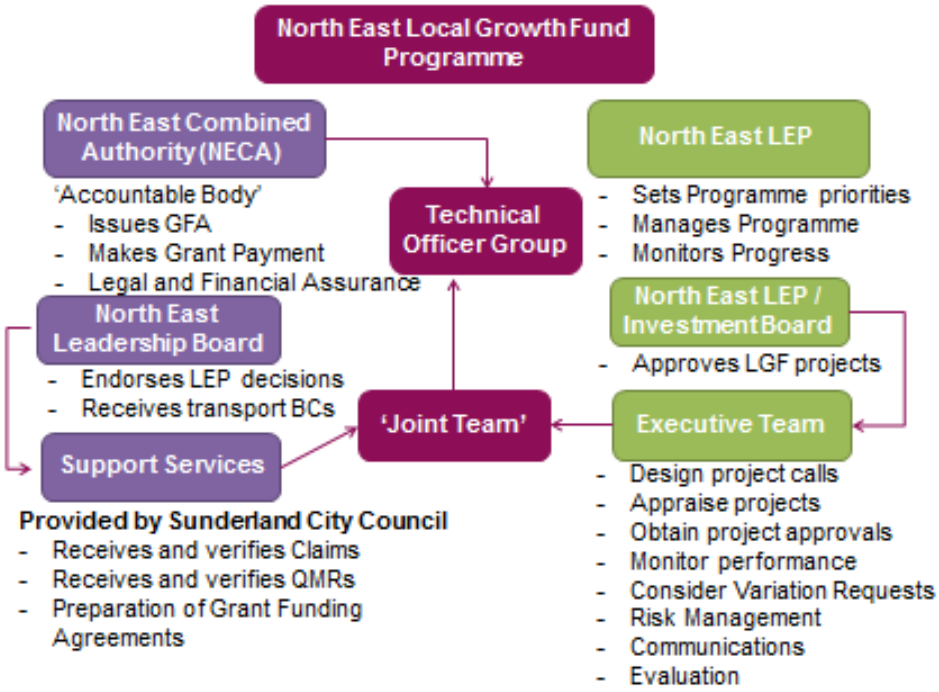
4.1.2 Growth Deal Technical Officer Group (TOG)

The TOG core function is to plan the delivery and monitor progress and appraise project business case proposals for NEIF, Enterprise Zone, Local Growth Fund programmes ahead of projects progressing to Investment Board/ main LEP Board for determination. The Group is chaired by the North East LEP Executive Director and has representation from the NECA Executive Team including Monitoring Officer and Section 73 Officer. The Local Authority 'Economic Directors Group' is represented and a representative from the Department for Business Energy and Industrial

Strategy (BEIS) attends as an observer. The Group is involved in establishing operational guidelines, preparing project calls, assessing project expressions of interest, making funding recommendations to the Board and monitoring progress of funded projects. Terms of reference for the TOG can be viewed HERE.

Operational management relationships between the North East LEP and NECA are set out in the diagram below.

Figure 3: Strategic Growth and Investment Fund Organisational Management



4.2 The North East Combined Authority (NECA)

The NECA was established by Order on 15 April 2014 as the Combined Authority for the North East covering County Durham, Tyne and Wear and Northumberland. It provides Accountable Body functions for the North East LEP in addition to its core functions and responsibilities:

a) exercising statutory functions relating to transport in the Combined Area

b) ensuring the effectiveness and efficiency of transport in the Combined Area

c) in exercising statutory functions and general powers relating to economic development and growth in the Combined Area; and

d) improving economic conditions in the Combined Area.

All decisions made by the NECA Leadership Board, including delegated decisions, taken as the North East LEP's Accountable Body, are published in accordance with the requirements of the Local Government Act 1972 and the Openness of Local Government Bodies Regulations 2014. The committee arrangements for NECA can be found HERE.

4.3 Scrutiny and independent Audit

The NECA Overview and Scrutiny Committee fulfils an independent scrutiny function. It has 14 representatives, two from each of the NECA constituent authorities and is the body that undertakes scrutiny of the NECA/North East LEP decisions and delivery programmes. The Overview and Scrutiny Committee may 'call-in' decisions including those taken in relation to those matters and funding decisions where NECA is acting as the Accountable Body.

The NECA Governance Committee fulfils the Audit Committee and Standards Committee functions for NECA. It has representatives from each of the NECA constituent authorities and an independent chair and vice chair. The Governance Committee is a key component of the NECA corporate governance arrangements and is an important source of assurance about the organisation's arrangements for managing risk, maintaining an effective control environment, reporting on financial and other performance and for the promotion and maintenance of high standards of conduct by elected and co-opted members.

The Governance Committee approves and monitors performance against NECA's Internal Audit plan. Internal Audit is required to provide an objective audit service in line with the Public Sector Internal Audit Standard and other professional auditing standards. Internal Audit reports are published. The most recent report, examining North East LEP governance controls and processes for grants and loans, can be viewed HERE.

The annual accounts of the NECA are subject to external audit by appointed auditors. Since 2016/17, Mazars have been appointed to this role by Public Sector Audit Appointments. The finances of the North East LEP are audited as part of the overall audit of NECA's financial statements, which include all North East LEP income and expenditure. In 2014/15, the first year of NECA taking on the Accountable Body for NELEP, Deloitte as appointed external auditors underwent a full audit of all North East LEP income and expenditure including that relating to the period before NECA took on the Accountable Body role, and raised no concerns or significant control recommendations. Consultation on NECA, including the North East LEP, planned budgets is undertaken in the 3 months prior to the new financial year.

The latest NECA accounts can be viewed HERE

4.4 Transparency of decisions

Reports for approval and minutes of decisions taken by the North East LEP Board and NECA Leadership Board are published on their respective websites. Where decisions are taken through delegated or urgent decision–making procedures (normally to the North East Chair / Vice Chairs

and the NECA Head of Paid Service), these are appropriately reported to the next North East LEP Board or NECA Leadership Board (NELB). Board papers can be found on the following links:

North East LEP Board HERE.

NECA Leadership Board HERE.

If reports are deemed to be confidential at the time of the Board meeting, papers will not be publicly available, however, once funding is awarded, the recipient, project and amount of funding awarded will be shown on the North East LEP website.

4.4.1 Freedom of Information

Both the NECA and North East LEP publish and make available information relating to their decisions and operational policies and programmes on their respective websites and additionally welcome enquiries from member of the public for to release any further information that is in the public interest.

Where members of the public choose to seek information more formally under the Freedom of Information (FOI) Act 2009 they are able to do so by contacting NECA. Where appropriate, in the first instance, members of the public may be directed to the policy of the North East LEP that can be viewed HERE

4.4.2 Conflicts of interest

All members of NECA Leadership Board and the North East LEP Board are required to adhere to codes of conduct as set out in their respective constitutions. These codes are consistent with 'Nolan's Principles of Public Life' that state those members will act with selflessness, integrity, objectivity, accountability, openness, honesty and leadership at all times. The Code of Conduct is set out in Appendix 2 of the North East LEP Constitution and can be viewed HERE . All staff employed by NECA and working within the North East LEP Executive Team are required as part of their terms and conditions of employment to adhere to a code of conduct. This can be viewed HERE

4.4.3 Register of Interests

Where members have personal interests these are required to be declared and registered as set out in the NECA constitution – Part 6 HERE or the North East LEP Constitution HERE. The register of North East LEP Board members interests are updated annually and can be viewed HERE. In addition to Board members, Independent Advisors (non-voting members) that may be able influence funding decisions are also required to complete a register of interests.

4.4.4 Conflict resolution

Every effort will be made by the NECA Leadership Board and North East LEP Board Chairs and Chief Officer to informally resolve conflicts without recourse to the provisions set out in the North East LEP and 'Host authority and Accountable Body Agreement'. As a last resort the procedure set out in section 23 of the Accountable Body Agreement will be pursued. This can be viewed HERE.

4.5 Raising a concern and whistleblowing

The North East LEP and NECA are committed to continuous improvement, the best use of public money and the absolute highest standards of probity. We know that things can always be done better and that sometimes, even with good intentions, sometimes mistakes do happen.

We welcome questions and concerns raised by anyone – staff, suppliers, grant recipients and the public. We have various policies under which matters will be investigated but each of them has common elements:

1) Matters raised will be acknowledged and logged. The substance is most important and if it has not been made under the appropriate procedure, it will not be lost, it will simply be addressed under the most appropriate procedure.

2) Chief officers will be made aware and may be personally engaged in investigation and resolution

3) We will seek to clarify and resolve enquiries at the lowest appropriate organisational level and if they cannot be resolved at the level there is a defined process for escalation

4) Appropriate measures will be put in place to respect the rights both the person raising the concern and staff involved to ensure all being treated fairly.

5) We will seek to respond within agreed timescales and keep the person who raised the issue appropriately informed.

6) Investigation will be conducted by person not connected with the matter

7) There will be a right to appeal or internal review of the outcome of any investigation.

The detailed relevant policies are:

For members of the public who wish to raise a concern - the North East LEP whistleblowing and raising a concern policy that can be viewed here

Concerns about the use of Public Money: Anti-Fraud Policy

Concerns about member or officer conduct: Member and Officer Protocols and Code of Conduct

Any other Complaints: formal complaint procedures through which service users may raise issues related to their experience of services received.

The NECA complaint procedure can be viewed on the NECA website HERE

The North East LEP complaints policy can viewed on the North East LEP website here

All staff employed by the NECA, including those employed to service the North East LEP, are made aware of the whistle blowing policy which is set out in the NECA constitution. Support staff and

secondees employed directly by Sunderland, Newcastle or North Tyneside Council also have the facility to raise issues under their own local authority whistle blowing policy and other related policies and procedures.

4.6 Promoting Diversity

The North East LEP is committed to promoting equal opportunities (in accordance with the Equalities Act 2010) throughout the organisation. This related to everyone engaged with our organisation – Board members, employees, suppliers, grant recipients and visitors. Our Equal Opportunities policy has been adopted by our highest decision making board and compliance is monitored by these boards and the Organisations' Chief Officers.

All organisational policies and every decision we make is assessed from an equality and diversity perspective.

We seek to ensure the overall make up the North East LEP Board reflects the diversity of our business population in terms of geography, business size and sectors and business leaders that reflect local gender and ethnicity characteristics. Where North East LEP Board vacancies arise we will seek to promote applications from any under- represented protected groups, business sector or geographic localities to help ensure we retain a diverse and representative balance.

All employees are made aware of the NECA Equal Opportunity Policy and their responsibilities to comply with this policy and avoid discrimination of any groups or individuals with protected characteristics:

- age
- race (which includes colour and ethnic/national origin)
- disability
- religion or belief
- gender
- gender reassignment
- pregnancy or maternity
- sexual orientation
- marital or civil partner status

4.7 Stakeholder engagement and communications

A wide range of media channels are used to disseminate information on funding opportunities, funding decisions and progress on supported projects. Members of the public can find a range of information on our website on each funding scheme. For instance a summary quarterly update on the Growth Deal Strategic Growth and Infrastructure Fund supported projects is provided along with dedicated project web pages and regular new releases.

The SEP Refresh process during 2016/17 provided a major and extensive opportunity for all stakeholders and the wider public to be able to inform and influence the direction and priorities

for investment decisions. This is being followed up in early 2018 with major engagement events e.g. launching the North East Scale Up programme to local businesses; to communicate support available from the North East LEP to intermediaries; and stakeholder event to launch 'Our Economy' (first annual progress report) and North East Data Hub.

The North East LEP Advisory Boards provide conduits for stakeholders to be engaged and to offer their expertise on an ongoing basis in the development and delivery of investment programmes.

A Communications team maintains both the North East LEP website www.northeastlep.co.uk and the NECA website www.northeastca.gov.uk. The public can make enquiries via the North East LEP website and also register to receive our regular 'Insight' e-bulletin.

Stakeholder engagement is also maximised via social media, with regular updates and news posted. We have circa 7,700 twitter followers and issue a regular North East LEP e-newsletter to over 2,000 subscribers on a regular basis. The LEP Communication Manager provides regular updates on media coverage and the 'reach' of the LEPs marketing and promotion activities to the Board.

North East LEP brand guidelines, Growth Deal brand guidelines and media protocols are in place, to ensure standards in messaging and consistency are maintained.

4.8 Publication of Board Agenda's, papers and minutes.

In accordance with the Local Government Act 1972, LEP Board and Investment Board agenda's and papers are published on the LEP website 5 days prior to the meeting and draft minutes are published within 10 working days after meetings are held. Finalised minutes are added to the website following approval at the next Board meeting. Where Board papers contain confidential or commercially sensitive information these are exempt from publication. Such papers are stored securely and are available if required, for auditing. The minutes of meetings record when a Board member, officer or advisor has declared an interest.

Where the LEP is aware that it holds "confidential information" under The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 this information may be withheld from publication. This may be in circumstances where:

- Information provided by a government department on terms which forbid the disclosure of the information to the public;
- Where disclosure to the public is prohibited by a court or;
- Where the Local Enterprise Partnership holds "exempt information" under Schedule 12A of the Local Government Act 1972. This includes information relating to an individual, relating to the financial or business affairs of a particular person, negotiations, labour relations, legal professional privilege and in connection to the investigation or prosecution of a crime.

5. Ensuring Value for Money: Prioritisation, Appraisal, Business Case Development and Risk Management

All funding programmes managed by the North East LEP have established processes and procedures that involve:

- Options appraisal and prioritisation
- Value for money and business case development
- Monitoring and evaluation (outputs and the management of risk)

A range of operational documents support the processes outlined in this section including a standard business case form, business case guidelines, Project Appraisal templates and Key Performance Indicator definitions.

5.1 Project identification, Options Appraisal and Prioritisation

The process for project identification, selection and investment decisions in relation to current funding programmes are illustrated in Annex 1. They all have bespoke systems but share many common operational management principles, procedures and rigour to help ensure value for money.

5.1.1 Growth Deal Local Growth Fund

Initial Growth Deal programme projects were jointly selected by the Government and North East LEP. Subsequently, projects have come through a published 'call for projects'. Calls are published on the North East LEP website and are open for a limited period. Calls are ad hoc, bespoke and issued on a needs basis with accompanying guidance notes. Prospective projects are required to respond to the specific requirements set out in each call. In addition, 'restricted calls' may on occasions be issued to statutory bodies e.g. transport delivery bodies or FE training providers.

The two stage process is illustrated in Annex 1 and involves a competitive process at stage 1 with projects assessed against published criteria. Projects selected by the Board progress to Business Case stage and are then assessed in a proportionate manner in line with the Treasury Green book guidelines.

5.1.2 North East Investment Fund

Project entry into the NEIF is open to eligible projects, at all times, subject to available funds. Each project is considered on its merit against the published criteria. Project selection criteria are standard and reviewed annually. A two stage process is followed as shown in Annex 1.

EZ infrastructure projects also follow this two stage process and are assessed against separate criteria including an assessment of future business rate receipt income.

5.1.3 Arrangements for Transport Projects

The North East LEP seeks strategic direction on the identification of major transport projects for inclusion in bids to Government from the NECA North East Leadership Board in recognition of its strategic transport function supported by a specialist Transport Executive Team.

The NECA Regional Transport Team use a 'restricted call' procedure to specifically invite transport promoting bodies i.e. local authorities and Nexus to prepare project 'expressions of interests'.

Once projects are selected into the North East LEP Growth Deal Programme these are subsequently subject to appraisal and determination under a separate 'Transport Assurance Framework' which follows the same principles and can be viewed HERE. The framework details how processes are in accordance with specific Department for Transport WebTAG guidelines and national transport assurance guideline requirements and is used by the NECA Transport Team to support the appraisal of North East LEP funded transport projects.

Scheme promoters will be required to use the Transport Scheme Development Process Note and Stage Templates, which is appended to the Transport Assurance Framework, when developing their business case and Value for Money (VfM) statement. The business cases and VfM statements are independently reviewed. The NECA Section 73 Finance Officer will sign off VfM statements following the advice of the specialist NECA Regional Transport Team; unless this presents a conflict of interest concern, where another senior officer from NECA or a Section 151 officer from a constituent authority will sign-off the VfM statement.

Project EOIs are initially assessed in regards to short –medium –long term delivery at 'Gateway 1: Conditional Programme Entry', and project prioritisation is undertaken in relation to the specific objectives of each transport funding pot - each having bespoke scoring criteria – and programme-entry status given to prioritised projects.

For large schemes requiring at least £1.5m central investment, Gateway 2 (interim independent assurance at outline business case) and 3 (full approval to proceed at full business case) apply and projects are assessed in accordance with the DfT WebTAG minimum appraisal requirements. For smaller scale transport projects, a proportionate WebTAG principled-approach is taken and projects may proceed from Gateway 1 to Gateway 3 e.g. for smaller scale schemes within the 'Local Sustainable Transport Fund capital programme'.

5.2 Value for Money and Business Case development

Appraisal criteria are based on the Treasury's Green Book, and specifically for transport projects, the DfT's WebTAG. In 'open calls' for projects the objectives of the call tend to be fixed. Where 'closed calls'are used, objectives tend to be bespoke to the project call but will be largely based upon agreed economic priorities in the SEP. Appraisal criteria will be published along with application forms and guidelines.

Projects in all programmes are subject to the following assessment:

- Fit with the Strategic Economic Plan

- Appraisal at each stage development processes - drawing on independent specialists e.g. economic, legal, property or sector expertise.
- Additionally – the need for public funding at the level requested. Appraisal will aim to quantify the additional public value that is created from an intervention taking into account displacement and deadweight.
- Options appraisal – showing why the proposed project represents the optimum solution.
- Risks to delivery and show how risks are effectively managed.
- Value for Money - in particular the WebTAG 'high value for money' benchmark. (For transport projects employment benefits are a strategic consideration and are not valued in the economic case in the BCR and NPPV calculation).

When assessing VfM the North East LEP will follow the HM Treasury Green Book business case guidance, and ensure there is a clear audit trail of decisions.

For each fund the North East LEP will assess the Benefit to Cost Ratio (BCR) and Net Present Public Value (NPPV) presented in each business case to produce an overall assessment of value for money based on these metrics and non-monetised impacts and will include this assessment in reporting to the Board. In principle, the North East LEP will fund schemes that have a positive NPPV and normally a minimum BCR of 1:1 subject to other assessment criteria (e.g. affordability, deliverability).

Where assumptions have been made, these will be set out and sufficient sensitivity testing carried out on these assumptions to understand the robustness of the economic assessment.

The value for money aspects of the Business cases and projects reported to the North East LEP Board and NECA Leadership Board for approval will be subject to sign off and given assurance by the Section 73 Chief Finance Officer of NECA, with support from the NECA Finance team.

The BCRs for all approved projects will be published on the on the LEP website. Business cases for transport projects can be viewed HERE.

5.3 Monitoring and Evaluation

The North East LEP has developed a monitoring and evaluation strategy and action plan that aims to:

- Meet the requirements of funders.
- Inform the on-going decision making by Board.

- Help secure future funds/responsibilities by enabling the LEP to demonstrate impact, effectiveness and value-for-money.

This plan follows the Treasury Magenta Book guidance and any supporting MHCLG guidance that is issued and will be based on:

- Monitoring of spend, milestones and outputs to check progress against targets
- Evaluation of effectiveness and efficiency of processes and outcomes and impacts of investment decisions against fund objectives.

All projects are currently monitored to ensure they adhere to their grant funding conditions. Core grant conditions require projects to report on any significant variations to costs or use of contingency budgets (where approved) above certain thresholds.

All approved projects provide monitoring information on a regular basis. Each project submits a Quarterly Monitoring Return setting out actual figures against those profiled in their approved business case in terms of funding, costs, performance outcomes, managed risks and where applicable the achievement of any project specific conditions. All projects have a contact in the Programme Team and are encouraged to bring forward and discuss any significant emerging changes to approved schemes that require a project be re-appraised and consented.

Any significant variations to a project e.g. slippage in programme milestones, changes to matched funding, revised scope including reduced scale or expansion will be reported to the Technical Officer Group in the first instance. Where changes are considered significant and with potential adverse impacts on VfM a revised business case will be required and recommendations taken to the North East LEP Board or NECA Leadership Board as appropriate.

Where a contracted project is underperforming and is forecast to fall short of contracted performance outcomes the North East LEP Board will be provided with a report with appropriate options including de-commitment and contract termination.

All projects will receive verification and performance progress visits during their lifetime.

Each project is expected to submit an evaluation plan and a final evaluation report. Programme level evaluation plans sets out how we will assess the impact of investments over the period to 2024 in meeting the SEP objectives. This covers all capital investment programmes and also other activities with partners. Within this context, a narrower evaluation plan will look more specifically at impact of the Growth Deal LGF and NEIF investments. The SEP set a goal of supporting the creation of 100,000 new private sector jobs over the period to 2024 of which the Growth Deal programmes currently forecasts a contribution of over 15,000 jobs.

Through undertaking a comprehensive evaluation approach, we seek to assess and understand the contribution of project interventions to outcomes and consider any overlapping contributions to

outcomes. The first evaluation study will be commissioned in 2018/19 and final impact evaluation report in 2024/25.

Baseline information, core metrics and monitoring systems are in place to capture qualitative and quantitative aspects of project investments and are kept under review by the TOG.

Where required funding programme financial and performance information is provided on a regular basis to Government using reporting templates provided by Government that are verified and signed off by the Section 73 Finance officer.

6 Financial accountability and management controls

6.1 Accountable Body functions

NECA holds all current North East LEP funds. It performs the following duties, with support from its Finance team, including staff based at Sunderland City Council and Legal Team at North Tyneside Council across all funding programmes:

- Ensures all financial regulations are adhered to through its Section 73 Finance Officer, including those relating to procurement, tendering, arrangements for contracts and processes. Payments made are subject to controls including segregation of duties and independent verification of bank account details of payees. Financial regulations of NECA can be found as part of the NECA constitution.
- Assesses lawfulness prior to endorsing all decisions for project funding contracts to be issued and any payments made.
- Provides timely statements of expenditure to Government as required under Section 31 Grant Agreements with Government.
- Ensures decisions made are consistent with any national or European Environmental, Equalities, Procurement or State Aid regulations and are otherwise lawful.
- Maintains separate accounts for each funding programme
- Provides expenditure monitoring reports
- Makes arrangements for the annual independent Audit of expenditure on all North East LEP and NECA programmes.
- Maintains a register of NECA and North East LEP Board member personal interests.
- Manages NECA and North East LEP funds in line with the Treasury Management and Investment Policy

Quality Assurance is undertaken by the Internal Auditor at NECA. This includes an inspection of programme and project records to ensure that proper procedures have been followed in the section and award of funding and on-going compliance with funding contracts.

When exercising their public functions the NECA will take into consideration s.149 of the Equality Act 2010 and consider the impact upon people/groups with protected characteristics and specifically will consider how the project has had regard to

1) the need to eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act;

2) the need to advance equality of opportunity between people who share a protected characteristic and people who don't; and,

3) the need to foster good relations between people who share a protected characteristic and people who do not.

During the application, project sponsors will be assessed in relation to equalities issues and grant funding agreements stipulate that recipients must comply at all times comply with the Equality Act 2010.

6.2 Programme Management Capability

An experienced Programme Management Team is in place North East LEP to oversee the development, delivery and effective day to day management of all investment programmes and resources. The team procures specialist appraisal support where necessary to support project appraisals. This may include:

- Legal advice
- Property market appraisals
- Technical or thematic specialists

Transport Officers from NECA Regional Transport Team who monitor and support the transport scheme promoters in the 7 local authorities and Nexus are co-located within the North East LEP as required to bring efficiency to the process. This arrangement enables close working relationships, sharing of experience and knowledge management.

The Programme Team manages all aspects of the North East LEPs investment portfolio supported by NECA Finance Team, Legal Team at North Tyneside Council and the Corporate Finance Team at Sunderland City Council.

Functions include:

- Strategic programme management and co-ordination of governance

- Programme/Project Development
- Project Assessment/Appraisal/Due Diligence
- Procurement and contracting
- Monitoring and evaluation

6.3 Programme management tools and systems

The Programme Team has developed an Excel based corporate programme management database to record, monitor and performance manage projects across all funding programmes. This is used to interrogate performance and generate update reports to the Technical Officer Group and Investment Board. NECA Transport Team has established systems using Project Vision software for project and programme management for all LEP LGF funded transport projects.

6.4 Risk Management

The NECA Section 73 Finance Officer is accountable for risk management.

All programmes have in place a Risk Register that is subject to monitoring with risk owners clearly identified. Risks are managed at project and programme level and escalated if required by the TSG or Investment Panel to the Board.

Risk status reports associated with the performance of all funding schemes are reported to the North East LEP Board on a regular basis. Where required mitigating actions are highlighted to address issues.

6.5 Funding Agreements

All Funding Agreements are entered into on behalf of the North East LEP by the NECA Monitoring Officer following appropriate North East LEP Board and NECA Leadership Board approvals and consultation with the Section 73 Officer and Head of Paid Service. Standard Funding Agreements include obligations requiring funding recipients to comply with financial, other statutory regulations and to adhere to performance reporting requirements. Provision is made to be able to cease and / or clawback resources where a project is under performing or otherwise in breach of its funding agreement.

6.6 State Aid considerations

All projects, in all programmes, are assessed in relation to whether or not the requested level and form of financial support would constitute State aid. Questions in relation to State aid are initially asked at the EOI stage. Where there is potential for State aid to be present, appropriate compliant state aid routes are required to be identified by the funding applicant and this is required to be supported at business case stage with expert legal opinion.

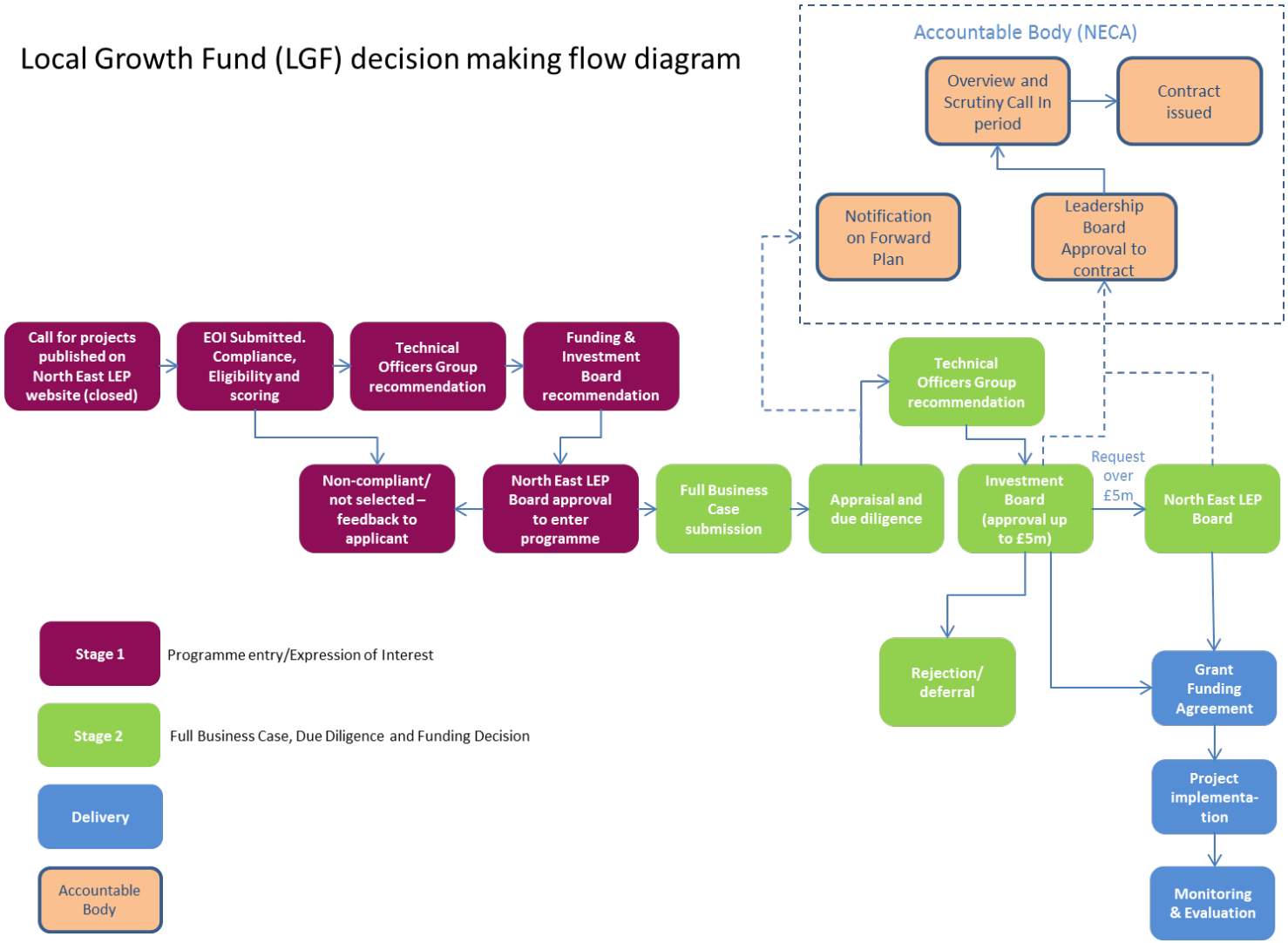
State aid appraisal at business case stage is undertaken by the NECA Monitoring Officer. Advice is provided to the North East LEP Programme Team on the state aid assessment submitted by

projects. Where appropriate and in complex and high risk cases, external legal advice is obtained by the NECA and North East LEP.

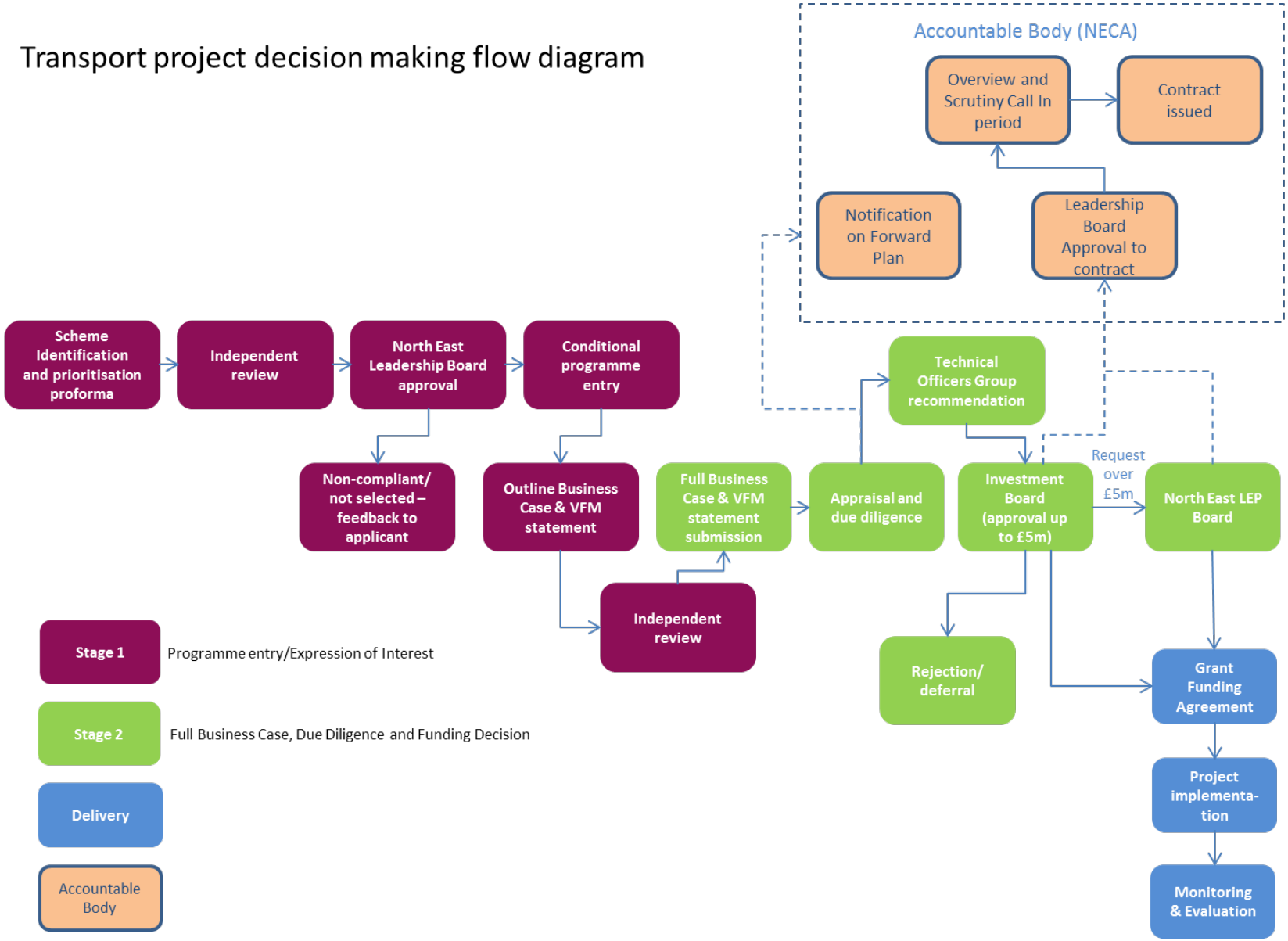
Where financial support is awarded as a form of permissible State aid this will normally be under the SANI 2 registered scheme 'North East Growth and Infrastructure Fund'. Further information on the scheme can be viewed HERE. Details of all awards of State Aid are published on the North East LEP website and can be viewed HERE In addition, and in accordance with EU Article 9 (6) of the General Block Exemption Regulations (GBER), from 1st July 2016 we shall supply information to HM Government for national publication on all projects receiving over €500,000 to comply with GBER provisions in relation to the transparency of awards.

ANNEX 1 – PROCESS MAPS

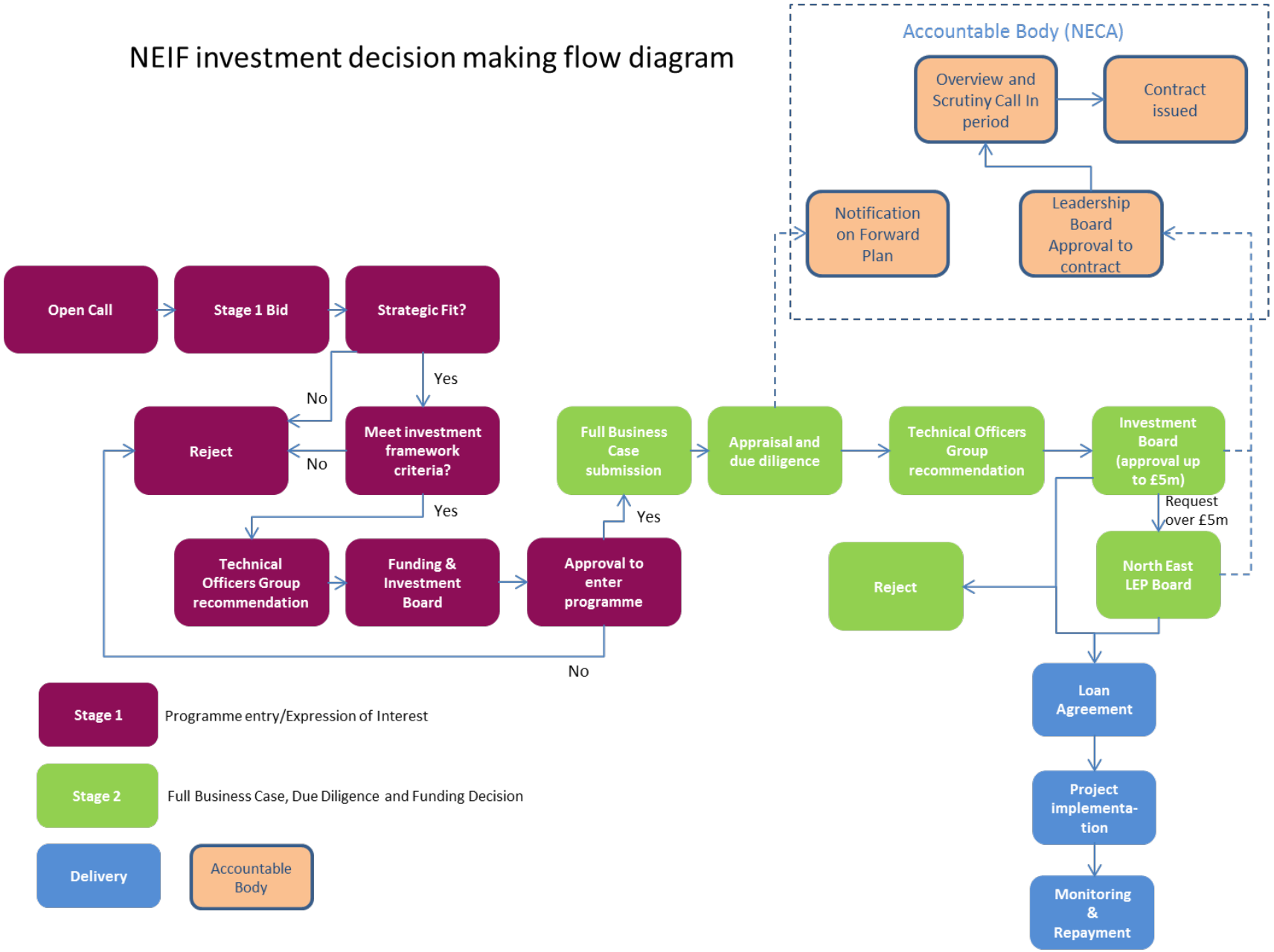
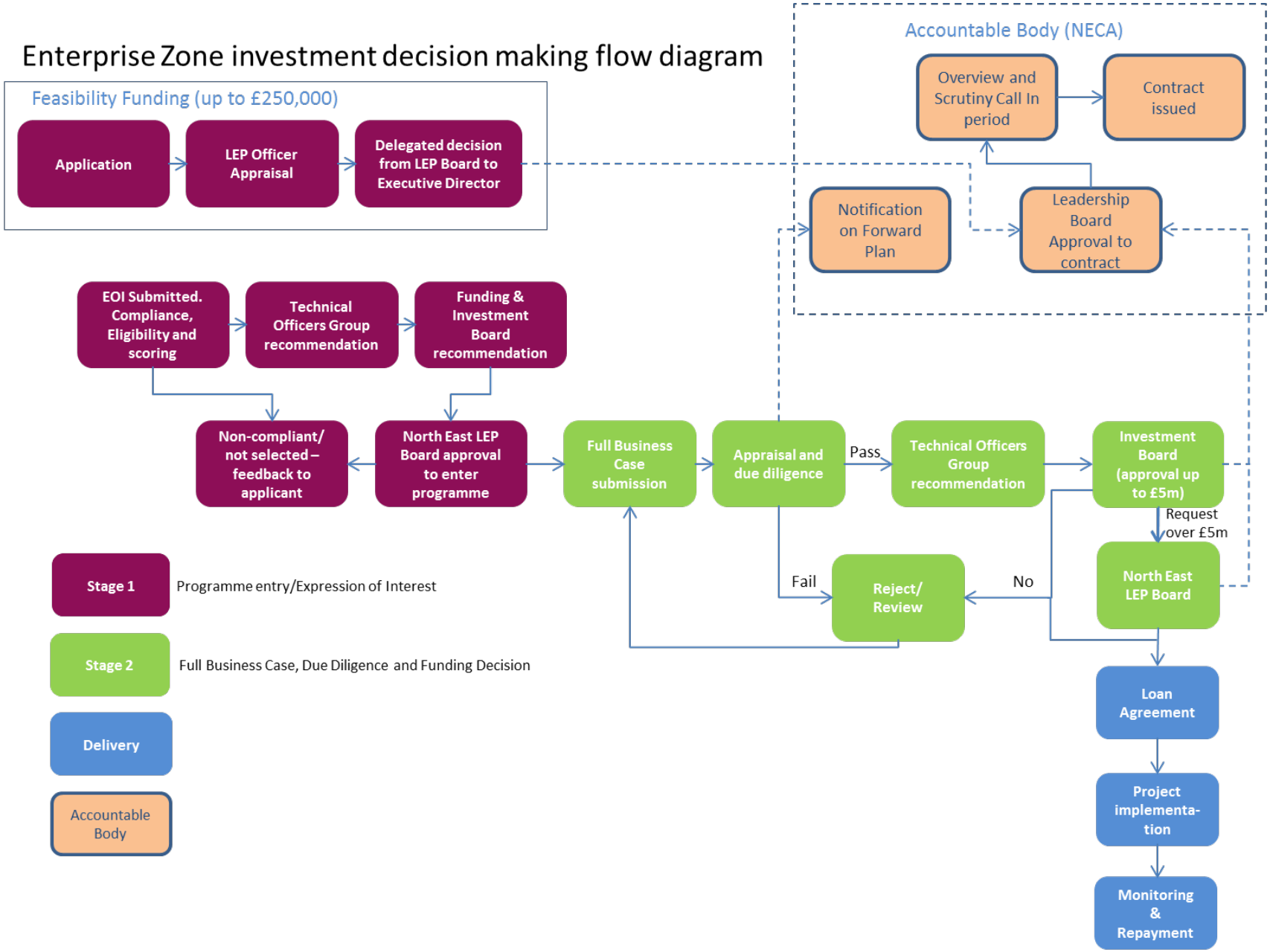
Local Growth Fund (LGF) decision making flow diagram



Transport project decision making flow diagram



NEIF investment decision making flow diagram



Enterprise Zone investment decision making flow diagram