

Liverpool City Region National Local Growth Assurance Framework

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AUTHORITY*

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1. Introduction and Overview

1.1 The National Local Growth Assurance Framework

In January 2019, HM Government published a revised Assurance Framework, the ‘National Local Growth Assurance Framework’, subsuming the Local Enterprise Partnership (“LEP”) National Assurance Framework as well as Single Pot Assurance Frameworks, where they apply to Mayoral Combined Authorities.

The amalgamation of these frameworks reflects the evolving relationship between LEPs and Combined Authorities and seeks to provide clarity on the respective roles of these organisations in working together, particularly in relation to the development and delivery of Local Industrial Strategies.

This document, the Liverpool City Region National Local Growth Assurance Framework (“the Assurance Framework”) has been developed jointly in response to this change by central government and by the Liverpool City Region Combined Authority (the “LCRCA”, “Combined Authority” or “CA”) and the Liverpool City Region LEP (“the LEP”, “LCR LEP”). As a result of this change, the following pre-existing frameworks were made redundant:

- i. Liverpool City Region Local Enterprise Partnership National Assurance Framework – dated 10 December 2018; and
- ii. Liverpool City Region Combined Authority Strategic Investment Fund Assurance Framework – dated December 2018.

This document replaces the previous National Local Growth Assurance Framework of April 2019, agreed jointly by the LCRCA and the LEP. The Assurance Framework will be reviewed annually, with any significant divergence from the current format to be submitted to MHCLG for approval.

Both the LCRCA and LEP are committed to meeting the required standards set by this framework and all attending guidance, both direct and indirect, explicit and implicit. Such commitment will extend to all executive functions carried out on behalf of the LEP and CA, in this respect, whether directly managed or through commissions and contracts.

1.2 Purpose of Assurance Framework

The aim of the Assurance Framework is to set out how the LCRCA and LEP will make use of public funds, in a way that achieves value for money and inclusive growth for the Liverpool City Region. It also aspires to improve transparency of decision making in pursuit of these aims, ensuring accountability for activities and spending, both to HM Government as well as residents of our locality.

HM Treasury states that Assurance Frameworks are *“an objective examination of evidence for the purpose of providing independent assessment on governance, risk management, and control processes for the organisation”*.

Put simply, an Assurance Framework is a record of the local systems and arrangements, employed by a Combined Authority and their LEP, to provide a robust and independent analysis of whether public money is being allocated in an appropriate manner, in accordance with legal, fiscal and best practice requirements.

1.3 The Investment Strategy

In order to administer and distribute the devolved funding it receives; the CA established the Strategic Investment Fund (the “SIF”). The SIF’s purpose is to invest in “good growth” – growth that supports the economic development ambitions for the Liverpool City Region that is both socially inclusive and environmentally responsible.

The Investment Strategy, published in September 2020, provides detailed information relating to the SIF, including its sources of funding, operating principles, investment priorities and management processes. As such, the Investment Strategy is fundamentally linked with this Assurance Framework and each document should be read having regard to the other.

1.4 Adult Education Budget

Please note, that there are separate assurance arrangements in place for administering the functions of the Adult Education Budget (AEB) provided by the Department of Education. Further detail on the separate arrangements for AEBs are provided in Annex C of the [National Local Growth Assurance Framework](#).

The AEB Assurance Framework specifically meets the requirements of the AEB readiness conditions for Combined Authorities set by the Department for Education (DfE), providing the Departmental Accounting Officers and Parliament with information about the systems and processes the Liverpool City Region Combined Authority, as the accountable decision-making authority, has in place to manage effectively the process and risks associated with the allocation of devolved funding.

More latterly, the award of Lifetime Skills Guarantee Level 3 Adult Offer via delegation from the DfE is aimed to complement not replicate AEB provision and therefore require the commissioning and delivery to be closely aligned to AEB. The AEB Assurance Framework was updated in February 2021 and agreed in March 2021 to reflect this delegated resource.

2. Governance and Transparency

2.1 The Liverpool City Region Combined Authority Governance

All aspects of the LCRCA and its procedures are subject to the core principles of transparency and good governance.

The Combined Authority meets frequently in a public forum, with dates of CA and Committee meetings set annually and published on the CA website. Relevant

documents for each meeting are also published on the website in advance, allowing the public to stay informed of key decisions and strategic issues.

The Combined Authority also has a publication scheme, to remain transparent and accountable in relation to its finances, performance and decision-making. This scheme details who the LCRCA are and what they do, and contains information on:

- LCRCA spending;
- LCRCA priorities and performance;
- How the LCRCA makes decisions;
- LCRCA policies and procedures;
- Lists and registers; and
- The services offered by the LCRCA.

The CA also debates key decisions to ensure that matters presented to the public reflect the combined views of the CA Members.

2.1.1 Membership of the CA

The LCRCA Metro Mayor (the “Metro Mayor”) chairs meetings of the Combined Authority, where each member, save for the Chair of the LEP, has one vote. The Members of the CA are currently the Metro Mayor, the five local authority leaders of Halton, Knowsley, Sefton, St Helens and Wirral Councils, the elected Mayor of Liverpool City Council and the Chair of the LEP.

Warrington and West Lancashire Borough Councils are Associate Members of the CA and both the Merseyside Police and Crime Commissioner and the Chair of the Transport Committee are co-opted Members.

2.1.2 Decision Making Bodies of the CA

The role and powers of the Combined Authority and the Metro Mayor are as detailed within the November 2015 and March 2016 Devolution Agreements with HM Government. Additionally, the Constitution of the Combined Authority provides further information on these powers and how they can be exercised. The Metro Mayor is required to consult the CA members on his strategies, and the CA may reject these proposals in accordance with the voting requirements as set out in the LCRCA constitution. The CA also examines the Metro Mayor’s spending plans and are able to amend these plans, if two-thirds of the constituent council members agree.

In order to most efficiently discharge the CA’s powers, the Metro Mayor has divided the Combined Authority’s key priorities into a number of portfolios, tasking a Member of the Combined Authority with leading on these issues. The portfolios are set out below:

- Business Support (led by the Chair of the LEP);
- Inclusive Economy and Third Sector;

- Climate Emergency and Renewable Energy;
- Culture, Tourism and the Visitor Economy;
- Digital Connectivity and Inclusion;
- Education, Skills, Equality and Diversity;
- Housing and Spatial Framework;
- Policy, Reform and Resources;
- Transport and Air Quality; and
- Criminal Justice.

It is important to note that the responsibility to manage the above portfolios does not currently permit the Portfolio Leads to take decisions on behalf of the Combined Authority. This position can be amended, if desired, through the Constitution of the LCRCA.

The CA predominantly governs through several dedicated Committees, each with their own remit. Committees are necessary to ensure the effective management and delivery of certain obligations and objectives specific to the LCRCA. The Committees established in pursuit of these aims are as set out below:

Committees



Overview and Scrutiny Committee – Exists to achieve greater public accountability over all CA decisions made and services delivered to the whole Liverpool City Region. The Committee can review and/or scrutinise decisions made by the CA or the Metro Mayor and make recommendations/reports to the CA and/or Metro Mayor. Annually, it publishes its work plan which indicates how it will exercise its powers. It may choose to scrutinise the SIF. This Committee is also able to review the business of the LEP Board, as well as scrutinise delivery and compliance in relation to this Assurance Framework. The business of the LEP Board may also be reviewed by the equivalent committees within the six constituent councils of the CA.

Appointments & Disciplinary Committee – Makes recommendations to the CA on matters related to senior staffing, remuneration, terms and conditions.

Transport Committee – Oversees transport matters and has oversight of Merseytravel as the Passenger Transport Executive and Executive Body of the CA.

Audit and Governance Committee – Provides assurance on the adequacy of the internal control, governance and risk management framework (including reviewing the Annual Governance Statement) including in relation to this Assurance Framework and promotes and maintains high standards of conduct by CA Members. The Section 73 Officer is responsible for reporting on the financial management and assurance of the SIF to the LCRCA Audit and Governance Committee through the delivery of internal audit work and the Statement of Accounts.

2.1.3 LCRCA as Accountable Body; Financial Management

The Combined Authority acts as the ‘Accountable Body’ for the SIF and for any devolved or delegated funds (such as the AEB and the Lifetime Skills Guarantee Level 3 Adult Offer) from Government for the Liverpool City Region. Accountable bodies are required and regulated by law, responsible for the proper administration and financial probity of external funds received. The CA is therefore responsible for ensuring that public money is used effectively, as well as for the proper administration of funding received and CA expenditure.

The establishing order of the LCRCA in 2014 states that any economic development and regeneration functions of the CA’s constituent councils are also exercisable by the CA, relying on the general power of competence as set out in the Localism Act 2011. It is under this general power that the Combined Authority discharges its functions as an accountable body.

As accountable body, the Combined Authority is required to ensure that the SIF is managed in a manner that is lawful, transparent, evidence-based, consistent and proportionate. It is responsible for overseeing policy, the prioritisation of funding, ensuring value for money, evaluating performance and managing risk. The Combined Authority will:

- hold the Investment Funds and make payments in accordance with the decisions of the CA/Metro Mayor;
- record and maintain the official record of proceedings relating to decisions made on all investment projects; and
- account for SIF funds in such a way that they will be separately identifiable.

The Executive Director of Investment and Delivery, appointed to manage the Combined Authority’s Investment Team, will present quarterly financial reports for the LCRCA in relation to the CA’s funds, costs of investment projects and profiling of spend.

The Combined Authority's Section 73 Officer, the Director of Corporate Services, is ultimately accountable for the SIF's financial management including budgeting and reporting of performance. The Combined Authority discharges this responsibility with reference to the finance team, the internal audit team and Programme Management Office (PMO), which form part of the directorate for corporate services. The Section 73 Officer, provides a letter of assurance to the Government each year (by 28 February) to confirm the reliability of these arrangements.

Annual accounts are prepared and published in accordance with Local Government accounting standards.

2.1.4 Corporate Governance and Code of Conduct

The Combined Authority has in place a number of policies that seeks to improve the transparency and uphold standards of integrity amongst its Members. Policies include:

- Confidential Reporting (Whistleblowing);
- Complaints;
- Gifts and Hospitality;
- Member Code of Conduct;
- Freedom of Information;
- Data Protection; and
- Declaration of Interests.

Further, individuals employed by the Combined Authority have a responsibility to report any conflicts of interest, as defined in the Officers Code of Conduct (LCRCA Constitution, Part 6, Section B).

Both the Officer and Member codes of conduct require a declaration of any interest, whether personal or financial, for that individual or any of their wider relationships.

Should there be any complaints or concerns about the conduct of members or the application of the funding process, in pursuance of this Assurance Framework, these should be directed to and administered to the CA's Monitoring Officer. To contact the Monitoring Officer, please use the following email address:

Jill.Coule@liverpoolcityregion-ca.gov.uk

2.2 The LCR LEP Governance Arrangements

The Liverpool City Region LEP and Combined Authority work together to deliver the Growth Strategy for the City Region. Although the LEP has adopted the legal personality of the CA, it remains independent and individually accountable to HM Government for any funds received and decisions that it takes over their use.

The LEP Board has its own Constitution, which can be found [here](#). The LEP Constitution sets out the aims, objectives and priorities of the LEP Board as well as its functions and responsibilities. It also sets out the composition of the LEP Board as well as arrangements for publishing its meeting agendas, minutes and associated papers; the latter are published on the LEP website.

A maximum of three positions on the LEP Board are filled by nominated representatives of local government, taken from a pool comprising the Metro Mayor, the elected Mayor of Liverpool City Council and the five leaders of the remaining constituent councils of the LCRCA. Nominations are determined by this pool through identifying which LCRCA portfolio holders would be most appropriate for inclusion on the Board. This provides the LEP Board with Democratic accountability.

Accountability to the business community is provided by business representation at the LEP Board, Sub-Boards and Advisory Council and its relationship with representative organisations in the Liverpool City Region. Its representation is further widened and enhanced with the inclusion of LEP Board Members from Higher and Further Education, Third Sector and the Trades Union Congress.

As the LEP has been incorporated into the legal personality of the LCRCA, it has been incorporated into the LCRCA's Constitution. As a result, it is within the scope of the CA's Overview and Scrutiny Committee.

2.2.1 Decision Making Bodies of the LEP

A key strength of the partnership between the CA and the LEP lies in their ability to harness the breadth of skills, experience and priorities of the large number of their private sector and public sector partners. The LEP does so through its Board, Advisory Council and Sub-Boards.

The LEP Board

The [LEP Board](#) makes no funding decisions, but advises on the strategic merit of programmes and projects. Made up of 20 members, the Board has a Chair taken from the private sector, as well as representatives from other sectors relevant to the Liverpool City Region, such as higher education, further education and voluntary sectors.

The LEP Board provides a unified platform, which fuses the private and public sectors, to solidify inclusive governance and decision-making processes, which ultimately lead to funding decisions taken by the Combined Authority. Members with the necessary expertise are sought from all sectors of the LCR economy, its geography and its diverse community to ensure appropriate representation.

Apart from resignations through reaching the end of term, LEP Board Members must give one month's notice of termination to the LEP Chair unless it is a disciplinary matter. Upon being notified of a resignation, the LEP Chair will inform the LEP Board who will then determine whether to take steps to put in place procedures to select a replacement.

Vacant positions on the LEP Board are filled through open recruitment and are advertised on the LEP website, Government website(s) and social media channels. This wide publication attempts to ensure that as many candidates as possible, throughout the business community, are enabled with the opportunity to apply to be a member of the LEP Board. Successful recruitment and succession of representation from defined sectors of the economy is enhanced through the provision of Sub-Boards, run by the LEP, that provide the LEP Board with an expert and engaged pool of individuals from which LEP Board members can be recruited.

Recruitment to the various boards of the LEP are presided over by the [Appointments Committee](#). A member of the LEP Board, appointed as an Equality and Diversity champion of the Board, also sits on the Appointments Committee to ensure that these principles are actively adhered to.

Once recruited, the LEP provides newly-appointed LEP Board members with an induction pack on their role and responsibilities. Further, the appointee also meets with the LEP Board Chair, LEP Managing Director and LEP Finance Director in turn to enhance the understanding and benefit imparted during this induction period.

Functions and Responsibilities of the Board are set out below:

- Provide strategic insight on the challenges and opportunities for growth of the Liverpool City Region economy;
- Inform key sub-regional, regional and national strategies, in particular the Combined Authority's Plan for Prosperity
- Inform the City Region Economic Strategy, Local Growth Deals, Single Growth Strategy and any other strategic economic plans for the City Region and any subsequent amendments or updates;
- Monitor delivery of the LCR Growth Deals, Single Growth Strategy and Strategic Economic Plan together with enabling and supporting action plans;
- Approve the Liverpool City Region Plan for Prosperity;
- Approve the use of any funds designated to directly support LEPs e.g. Core Funds, Growth Hubs etc schedule;
- Approve and amend the Constitution;
- Appoint its Chair and Vice Chair;
- Appoint other Members of the Board;
- Form appropriate sub-boards and appoint a Chair to develop terms of reference and membership for agreement by the LEP Board;
- Appoint representatives to selected outside bodies; and
- Establish any task and finish groups appointing their Chairs and determining their terms of reference.

Where decisions are reserved to the LEP Board, they are generally reached through a simple majority, although the LEP Constitution allows for voting. The LEP Chair does not have a casting vote, nor automatic authority to take decisions independently of the LEP Board. However, the LEP Chair can be given delegated authority by a majority decision of the LEP Board.

Following appointment, the successful appointees participate in an induction process.

LEP Sub-Boards

The LEP further provides its expertise, knowledge-base and representation through a number of **Sub-Boards**. However, these delegated bodies do not have authority in directing or deciding on the use of public funds; their role is purely advisory to the LEP Board on ‘Key Growth Sectors’ within their delegated remit.

Sub-Board members are often leaders from business and the public sector who provide strategic insight, intelligence and guidance to the LEP Board relating to policy and activities for the Liverpool City Region.

To ensure effective interaction and information sharing between bodies, either the Chair of a Sub-Board will be a member of the LEP Board, or an existing member of the LEP Board will be appointed as a ‘champion’ of a particular Sub-Board.

The LEP also has an **Advisory Council**, which acts as a senior stakeholder sounding board and aims to provide additional and focussed feedback.

2.2.2 Corporate Governance and Code of Conduct

In addition to the LEP Board Constitution, the LEP have a number of policies and documents (that can be accessed [here](#)) that seek to regulate the conduct of LEP Board Members. Policies include:

- Code of Conduct, underpinned by the Seven Principles of Public Life (the Nolan principles);
- Conflicts of Interest;
- Declarations of Interest;
- Confidential Reporting (“Whistleblowing”); and
- Expenses, Gifts and Hospitality.

LEP Board Members are required to abide by the above policies and, on appointment to the LEP Board, are required to sign an offer letter indicating that they accept this as a term of appointment.

3. Decision Making

Only the CA is able to make funding decisions with regard to public funds allocated to the Liverpool City Region. Even funds allocated to the LEP are received and administered by the CA.

In relation to other devolved or delegated funds, there will also be reference to their decision-making arrangements in other documents. For example, with the AEB, annual allocations to providers are agreed by the CA. However, in year performance management enables funding changes under £500k (this includes both reduction and growth) to be agreed by the AEB Project Board, as outlined in the AEB Assurance Framework.

The CA's Director of Corporate Services (and section 73 Officer) is required to ensure that the LEP supports decisions taken by the CA and, equally, that the CA does not take decisions under pressure from the LEP that would be improper or inappropriate.

3.1 SIF Investment Team

The SIF is operated and managed by the CA's Directorate of Investment and Delivery (the "Investment Team"). This team is responsible for managing projects from their identification through to their approval.

The Investment Team is led by the Executive Director of Investment and Delivery, who reports to the CA's Head of Paid Service, and is responsible for the performance and risk management of the SIF. This Executive Director of Investment and Delivery also participates in senior CA management.

The Investment Team combines conventional public sector regeneration acumen with commercial investment experience and is adept at underwriting investments and assembling high-quality projects.

The team provide assistance to project sponsors to prepare their project for investment to maximise the SIF's impact.

The Investment Team's working hypothesis is that the combination of commercial acumen and the provision of proactive support will maximise value for money when using public funds.

In carrying out their functions, the Investment Team is supported by a number of other CA departments:

- **Directorate of Policy Strategy and Government Relations** – who assist in collaborating on the potential for commissioned projects, SIF alignment with strategic priorities and maximising value for money through options appraisal. The policy function plays an integral role in formulating SIF project calls;
- **Directorate of Corporate Services – including:**
 - **Finance** – who manage the SIF and provide performance reporting and insight on programmes;
 - **Legal** – who provide support i) in managing the legal documents required to effect the project, and ii) to oversee governance and compliance with the Constitution as well as assessing overall risk;

- **Internal Audit** – which provides independent assurance of the effectiveness of the systems of internal control, governance and risk management; and
- **PMO** – whose engagement is described in section 3.2.4.
- **Merseytravel** – who provide assistance to identify, assess and deliver integrated transport projects, including through the Transport Advisory Group whereby local authorities engage in transport pipeline formation.

3.2 SIF Decision Making

All applications to the SIF are subject to a standardised, rigorous investment appraisal process, although this process follows the principle of proportionality. Applications are appraised by three bodies; the internal panel, the full investment panel and the CA.

3.2.1 Internal Panel

This panel is designed to meet regularly, monitor pipeline and portfolio performance and maintain governance standards. Reports to the full investment panel and the CA are made quarterly on the panel's activities and decisions. It is made up of the following members:

Member	Role on panel
Assistant Director (Finance)	Full member with veto right
Head of PMO	Full member with veto right
Executive Director of Policy, Strategy and Government Relations	Full member with veto right
Executive Director – Place (for all transport projects) (or nominated staff member)	Full member with veto right
Chief Legal Officer (or nominated staff member)	Full member with veto right
Managing Director or Financial Director of LEP	Full member
CA Head of Paid Service	Observer
Director of Corporate Services	Observer

Members are permitted to delegate an alternate to ensure continuity of process to the SIF.

The panel will consider called projects at their outline stage and reach decisions by consensus. Members with a right of veto may use this to refuse a project or decision that would either breach SIF governance requirements and/or run contrary to good economic development policy.

The internal panel will also act as executive board in the management of portfolio projects, with its decisions once again being reported quarterly to the full investment panel and the CA.

The Panel is chaired by the Executive Director of Investment and Delivery (or an officer nominated by the Panel to do so).

3.2.2 The Investment Panel

The full investment panel (occasionally referred to as the 'external panel') comprises all members of the internal panel, as well as 6-8 independent members selected for their experience, expertise and alignment with the LCRCA's objectives.

These independent members are likely to have previously acted as senior executives in their organisations and will be familiar with the duties of an executive or supervisory board member. They will have no executive responsibility, but will provide advice on strategy, planning, proposed investments and overall SIF performance. Recommendations from this full investment panel will critically inform decisions taken by the CA.

The full investment panel's remit requires them to:

- Review the SIF business plan and identify opportunities for improvement;
- Review the SIF portfolio and identify opportunities to improve performance;
- Critique each proposed project, testing its assumptions, plans, delivery and expertise to maximise the potential for successful delivery and generation of the targeted economic outputs;
- Consider project submissions at the strategic outline, outline and final review stages and provide guidance (detailed where necessary) on:-
 - The project's strategic fit with LCRCA's objectives and investment strategy;
 - The project's quality with respect to its structure, delivery, operations, financing and impact;
 - The project's risks, control measures to manage these risks and their overall portfolio impact;
 - The structure, role and risks of LCRCA's proposed financial contribution;
 - Opportunities to enhance LCRCA's impact by linking and/or modifying other projects and interventions under consideration.

Independent Members will operate by consensus in formulating meeting minutes to guide LCRCA in conducting diligence, negotiations and decisions about projects. Internal panel members will hold rights of veto on projects, again designed to ensure that each department (legal, finance, PMO etc.) can assure compliance with its operating requirements.

More detail on the terms of reference for the Investment Panel can be found in Annex 1.

3.2.3 Fund-specific Board

Certain funding streams will not be referred for consideration to the Investment Panel, but rather be considered by an appropriately specialised board with a dedicated and proportionate Terms of Reference.

Funds likely to be appropriate for consideration by a fund-specific board will be those that are not competitive and are allocated to the Combined Authority, or the Transport Executive on their behalf.

Typically, membership of these fund-specific boards will comprise:

- A Senior Officer of the Combined Authority;
- The Executive Director of Investment and Delivery;
- The LCRCA programme lead for the relevant fund;
- The Head of the PMO;
- External stakeholders for the fund.

Fund-specific boards will occupy a similar role to the Investment Panel in relation to appraising the merits and deliverability of any submitted projects. However, as the funding to be allocated will be uncontested, the LCRCA will use these fund-specific boards to expedite delivery of projects whilst maintaining an appropriate level of scrutiny in accordance with our principles of proportionality, referenced hereafter at section 4.5.1.

Where a fund-specific board is to be enlisted in the appraisal process, this will be agreed in advance with the project.

3.2.4 Combined Authority Meetings

The CA ultimately decides on all SIF projects and associated strategy. These proposals will be either approved or rejected by simple majority, in accordance with the CA's constitution. Spending proposals may be put forward by the Metro Mayor or any other CA Member.

3.2.5 Role of the PMO

The PMO belongs to a separate directorate from the Investment Team, in order to maintain the independence of its assurance role in providing regular reporting on SIF activity and performance. These reports highlight project progress (milestone tracking), financial performance, dependencies, key delivery risks, issues and other Key Performance Indicators (KPIs).

The PMO obtains performance updates from project sponsors (and their representatives) proportionate to the scale, complexity and risk associated with any given project. All of these activities enable information to feed back into the decision-making processes to inform future management of the SIF.

The PMO is a vital tool in providing independent assurance of project health, providing the following key functions in the management of the SIF:

- Providing programme management expertise and support to the Investment Team by coordinating the internal investment decision-making process. They apply a rigorous approach to the management of SIF applications covering risk, project plans and decision-making. It also provides assurance that the decision-making process is consistent with the Investment Strategy and this Assurance Framework;
- PMO, in collaboration with the Investment Team, also assists SIF applicants in providing a complete application in the correct format. It scrutinises application data, commercial and legal documentation and highlights any issues of concern. They also coordinate Business Case appraisals with the independent assessors;
- Once a project moves into its delivery phase, the PMO monitors ongoing contractual performance until project closure. PMO work with Finance to produce regular reports to highlight progress made towards project completion and benefit realisation;
- Once a project has closed, the PMO assists and coordinates post-completion Monitoring and Evaluation activity, working closely with the LCRCA's Research and Intelligence Team.

3.2.6 LEP Board

The LEP Board contributes to the SIF in a number of ways.

Firstly, it contributes actively to strategy formation. The LEP reviews strategy to ensure that the SIF properly reflects the aims and policies identified for the Liverpool City Region.

The LEP also collaborates with the CA on policy formation, particularly in relation to the Plan for Prosperity and ['Building Back Better'](#), the LCR's Economic Recovery Plan, as well as influencing the long-term priorities that the SIF targets.

The LEP is also able to name a senior executive representative, independent of the CA and local authorities, to sit on the SIF's internal investment panel. This provides the LEP with an active voice in project prioritisation and portfolio monitoring.

Further, LEP sector specialists also routinely join project teams for SIF investments to lend sector expertise to any proposed project, allowing for the CA and LEP to co-develop investment propositions.

The LEP also permits certain funds that it receives, predominantly Local Growth Funds (LGFs), to be invested through the SIF platform. In doing so, the LEP relies on this Assurance Framework. The LEP Board has satisfied itself that its

reliance on this Assurance Framework meets HM Government reporting requirements.

Finally, with the Chair of the LEP being a member of the CA, the LEP view relating to any projects is routinely provided at the time of their submission – providing a further check and balance on the administration of the SIF.

3.3 LEP Decision-Making - Award and Receipt of Government Funds

In 2019, the LCR LEP adopted the legal personality of the LCRCA, an action permitted by the Government-issued National Local Growth Assurance Framework (NLGAF). However, the NLGAF was clear on preserving the independence of LEPs, and as such, LEPs remain accountable to HM Government for any funds awarded to them. This applies principally to legacy funds.

As discussed elsewhere in this Assurance Framework, legally the CA is the final decision-maker and accountable body on public sector spend and holds responsibility for making sure that public sector risks and responsibilities are met.

By local agreement, the LEP does not make decisions on all of the funds awarded to it. Schedule 2 sets out which funding decisions are reserved to the LEP to make and those which are made by the CA on their behalf.

Where the LEP does make decisions on funding and the LCRCA is the sole Accountable Body for the administration of funds awarded to the LEP, LCRCA is responsible for executing decisions taken by the LEP. Although the LCRCA will subject these decisions to the usual scrutiny that the distribution of public funds requires, these decisions do not require the approval of the CA.

Where decisions are made by the CA, the LEP remains involved in the decision-making process by advising on the strategic merit of programmes and projects in the context of the Single Growth Strategy. The Chair of the LEP, whilst a non-voting member of the LCRCA, is also able to provide further scrutiny to decisions of the LCRCA on these decisions by voicing their assent or dissent at a meeting of the CA, which will then be a matter of public record.

3.4 Cross-LEP Board Working

The LEP is an active participant and supporter to the [LEP Network](#), both financially and in staff engagement. Staff members are also involved in national working groups and on advisory boards such as [Scale-Up](#) and [Growth Hubs](#).

The LEP is also a member of the Northern Powerhouse Council of LEPs (NP11) at both Chair and executive level. Through the Chair, the LEP is a member of the [Transport for the North Board](#) and Transport for the North Partnership Board.

At regional level, the LEP Chair meets regularly with other LEP Chairs of LEPs in the North West and the Deputy Chair is a member of Net Zero North West and the LCR LEP hosts the North West Local Energy Hub with these other LEPs.

3.5 LEP Board Executive

The LEP Board and Sub-Boards are provided with executive support through an incorporated entity - the Liverpool City Region Growth Company. This entity employs staff and enters contracts to provide support and also to undertake direct interventions in the LCR economy to stimulate growth.

This body is subject to the oversight of nominees of the LEP Board and LCRCA, and who assume Company Director responsibilities. The LEP and CA have the power to terminate as well as appoint these nominees.

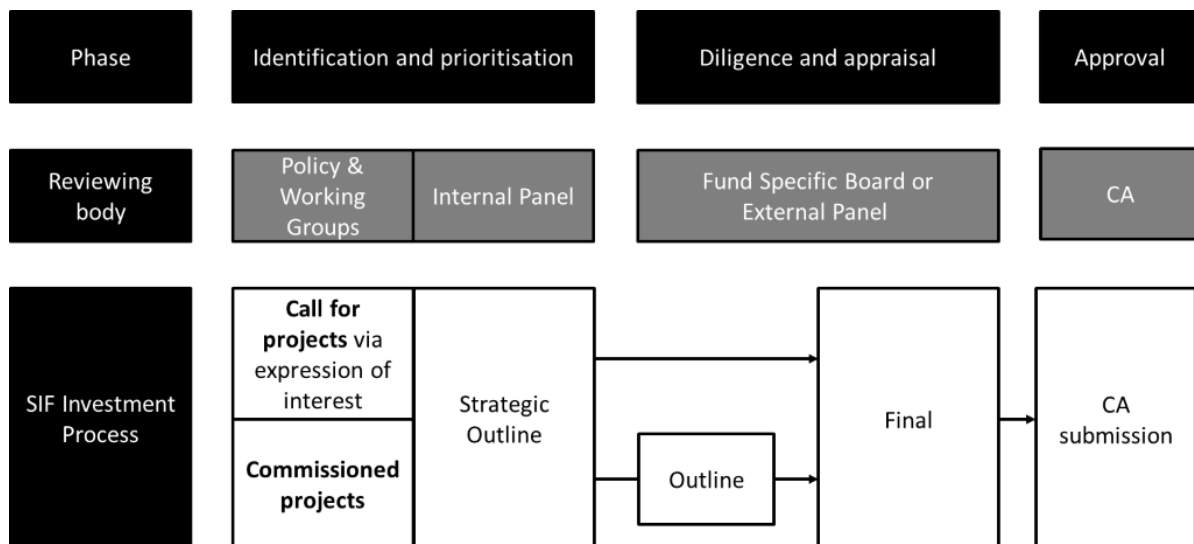
4. Project Lifecycle and Ensuring Value for Money

4.1 Project Lifecycle

The purpose of having regard to the stages of the project lifecycle is to provide a framework within which the LCRCA can conceptualise, develop and evaluate the quality and value for money of its projects and investments.

In order to do this, all applications to the SIF are subject to the same rigorous investment appraisal process, although this process does follow the principles of proportionality. This is designed to create a robust yet efficient journey to funding.

Each approval stage of the investment process, and the steps necessary to reach that stage, are set out in detail at section 4 of the Investment Strategy. A visual representation of the process is set out below:



In summary, there are usually five steps in a project's journey to approval.

Identifying Projects – Calls and Commissions

The CA, through consultation with its constituent local authorities, has identified a number of 'strategic priorities' for the Liverpool City Region; up to 80% of SIF funding is allocated to projects that address these priorities. These projects may be delivered

by the CA itself or by organisations successful in a procurement process. Such projects are known as *commissioned* projects.

However, the CA may also publicly call for projects to be submitted that address certain investment priorities, specified by the CA. This is known as a *call for projects*. Called projects submit an expression of interest to begin their journey through the SIF process.

Information obtained by the CA at this stage equips the Investment Team with the information necessary to submit a short outline paper to the Internal Panel, intended to identify those projects which are most likely to meet the CA's objectives, therefore being most suitable for progression.

Strategic Outline Case – SOC

The Investment Team will engage with the sponsor of a project (and/or their representatives) to obtain information relating to the financial ask of the project, as well as information on proposed milestones, good growth, social value, diversity and environmental and sustainability assessments.

Information obtained by the CA at this stage equips the Investment Team with the information necessary to submit a strategic outline paper to the Internal Panel, intended to identify those projects which are most likely to meet the CA's objectives, therefore being most suitable for progression.

This assessment enables the Internal Panel to prioritise and progress the most attractive projects through to:

Either the Outline Business Case – where a project is identified as potentially suitable for funding, and is judged to be of higher risk following an assessment of factors such as level of SIF commitment, project complexity, delivery partner(s), etc.

Or the Final Business Case – where a project is identified as potentially suitable for funding, and is judged to be of lower risk following an assessment of factors such as level of SIF commitment, project complexity, delivery partner(s), etc.

This avoids spending unnecessary time on projects that are not fundamentally aligned to the goals of the SIF and encourages a proportionate approach that aligns resource to those projects deemed to be of higher risk.

Projects which do not credibly demonstrate that they will address one or more of the LCRCA's strategic investment aims will be rejected. Further information on the scrutiny and assessment that the LCRCA will apply in order to prioritise projects at this stage is detailed in Appendix 1 to the Investment Strategy.

Outline Business Case - OBC

On progression to the Outline stage, a fund-specific board, (where applicable - for example, in relation to the current Transforming Cities Fund, the Transforming Cities Fund Board), or the Investment Panel will engage with the sponsor of a project (and/or

their representatives) to understand the project in greater depth, as well as obtain an assessment of its value.

Projects will be subject to market, operational, financial and structural due diligence, to assess its strategic fit, deliverability, potential value for money and prospect of bringing about 'good growth'.

Further information on the scrutiny and assessment that the LCRCA will apply in order to prioritise projects at this stage is detailed in Appendix 2 to the Investment Strategy.

Final Business Case – FBC

The main purpose of the FBC stage is to provide active scrutiny and endorse projects for approval by the CA Board. Projects with satisfactory diligence, term sheet and external appraisal will be submitted for consideration by either a fund-specific board or the Investment Panel to the CA, accompanied by a final commentary on the project's merits. Annex 3 provides an illustration of the content of a final review submission.

Please note that all schemes will continue to be independently appraised by the CA or a consultant of the CA, not by the project's sponsor.

Approval

The CA, equipped with the commentary of the fund-specific board or Investment Panel, will then make a final decision on whether a project has been accepted for SIF funding in principle.

The papers submitted to the CA for consideration contain a summary of the OBC for any given project and, where appropriate, will also include the FBC as an appendix. As aforementioned, the majority of CA meeting papers are available for public comment due to being published on the CA website, enabling the public to impact upon decision-making.

However, this is not possible in every instance, for example where the papers contain commercially sensitive data which is exempt from public consumption.

Once projects are approved, funding is not committed until legal documentation is executed to this effect. Where a project is rejected, this project will receive reasoned feedback.

4.2 Stakeholder Engagement

The LCRCA has published the 2020 Local Industrial Strategy, the principal economic development strategy for the Liverpool City Region. This document identifies the priorities that are best placed to improve the Liverpool City Region's economy in an inclusive and environmentally sound manner.

Following the global Covid-19 pandemic, the LCRCA has also published its economic recovery plan, [Building Back Better](#), designed to enable the Liverpool City Region to mitigate the impact of the pandemic on the area.

A new Investment Strategy has also been developed in conjunction with this Assurance Framework. The Investment Strategy builds on the aforementioned policy documents and strategies, designed to provide a sound basis for taking investment decisions through the SIF.

Section 3 above provides detail on how the SIF process will engage the Combined Authority and the LEP, both strategically and at the project level. The LEP will play an important role in identifying sector-led opportunities and the Investment Team will interact and consult with the LEP sector leads to help achieve this objective.

The CA will engage with its constituent local authorities at the CA board level, through Chief Executive or senior officer meetings, and through regular working groups amongst delivery groups such as the transport advisory or major projects delivery working groups.

The LCRCA will also use its website to engage with the wider community and will be used as a platform for transparent sharing of the SIF processes and objectives. Details of all SIF investment calls, decisions and funding allocated will be published online, in line with the LCRCA's publication scheme and the Local Government Transparency Code.

Further, the Investment Team will maintain ongoing dialogue with the Liverpool City Region's business, third sector and public organisations to inform them of the availability of funding, the current objectives, and to identify and co-design project opportunities from an early stage.

4.3 Pre-Development Funding

The Combined Authority considers project development to be a significant barrier to growth. To fully reach its potential, the CA must improve the City Region's project development capacity. The CA must ensure that the risk of having more funds than projects does not materialise, in order that the CA does not struggle to generate the economic growth it was established to enable.

In order to commit SIF funds in an orderly way, the CA will, *selectively and with caution*, intervene to expand and improve the pipeline of projects that it might fund, providing risk funding and expertise to help analyse markets, identify opportunities and develop projects towards a deliverable state.

The CA will allocate a portion, typically up to 5% of non-transport funding and 10% of transport funding to the pre-development of strategic projects, attaching conditions to maximise its impact and minimise the moral hazards associated with pre-development funding.

The funds will be drawn from SIF revenue sources until they can be capitalised into a project per the Section 73 officer's confirmation.

Annex 4 contains further information of the guidelines the CA will observe in managing pre-development funding.

4.4 Use of Evidence

The CA has committed to an evidence-based approach to policy and investment. For each investment proposition, it will obtain and review evidence on the strategic case for intervention as well as its financial and commercial assumptions. There are three main sources for evidence:

1. Evidence obtained from third parties to support diligence on projects. For example, a property intervention is typically supported by a market report and valuation from a professionally qualified firm of surveyors;
2. Evidence obtained from the CA policy team, Merseytravel and LEP following their own research and policy examination;
3. Evidence submitted by project sponsors, to the extent this meets a minimum standard for rigour and methodology and can be verified through external reference.

The Investment Team is not required to be expert in all areas, but rather to assure evidence and expertise is brought into the investment process at each stage.

The CA will identify best practice in public investment, including from the [What Works Centre for Local Economic Growth](#). It will use this best practice to shape calls and commissions, as well as to work with project sponsors to maximise the benefit of their proposal.

4.5 Appraisal

A key objective of this Assurance Framework is to support the LCRCA in assessing whether potential investments offer good value for money (VfM) and have the capacity to generate and deliver the growth objectives set out in the aforementioned policy documents and strategies.

The appraisal process for the SIF will be consistent with HM Treasury's [Green Book and Business Case Appraisal Process](#) including supplementary and departmental guidance, such as the Department for Transport's (DfT) WebTAG¹ appraisal guidance and MHCLG's Appraisal Guide.

This follows the recommended five cases model:

- Strategic Case – a project must provide a compelling case for change and explain how its aims fit with the objective of the organisation and wider public sector agendas;
- Economic Case – this must justify how the project or preferred option represents best public value;
- Commercial Case – it must be demonstrated that the project is attractive to the market, can be procured and is commercially viable;

¹ <https://www.gov.uk/guidance/transport-analysis-guidance-tag>

- The Financial Case – the project must be assessed and the proposed spend confirmed as being affordable;
- Management Case – assesses whether the demands on each party are achievable.

4.5.1 Proportionality

The CA undertakes to apply a proportionate application of HM Treasury's Green Book and its attendant five business case model to maximise efficiency. Three key features of the LCRCA's approach to proportionality are as follows:

1. The CA will allow projects judged to be of a lower level of risk to progress directly from strategic outline approval to final approval. This eliminates the outline stage, allowing the project to be funded more quickly and the Investment Team to focus its scarce resources on larger funding requests;
2. The CA will also adopt a risk-based approach under which it will allocate Investment Team development and diligence time according to the size, risk and complexity of projects and programmes. Even in accepting differences in the depth of analysis and diligence it undertakes, the CA will adopt the same base approach and templates to prepare and submit its papers. Please refer to Annex 3 for the summary headings of the final review (FBC).
3. Where funding streams are uncompetitive, reserved for the Combined Authority or the Transport Executive on their behalf, the LCRCA will look to use internal processes such as fund-specific boards, as opposed to the full Investment Panel, in the allocation of funding to projects.

4.5.2 Consideration of Options

Where a project promoter is a public sector organisation, the CA requires consideration of options per HM Treasury's Green Book as detailed above. Where the project promoter is a private or third sector organisation, the CA's ability to require options analysis may be limited since it may fund the project under consideration but is not leading its delivery. In these cases:

- The CA may consider options at a higher level, i.e. choose amongst a number of projects that deliver the same outcomes (e.g. multiple proposals for office development in the city centre);
- Engage with the project promoter to consider alternative options for delivery within that promoter's financial and operational parameters; and
- Accept that the project itself has no alternative options but consider the different financing approaches the CA could take, also to optimise VfM.

In appraisal relating to transport, central case assessments will be based on forecasts consistent with the DfT's National Trip End Model (NTEM). Further,

the CA is also able to factor in its own reasonable opinion of forecast travel demand, based on our local policies, when determining whether to approve any given scheme.

4.5.3 Appraisal Criteria

A single appraisal approach will be applied to all projects, regardless of sector or geography, which will be transparent and equitable. The project appraisal criteria are outlined in Appendix 1 and 2 of the Investment Strategy and are summarised below:

- Strategic Fit;
- Clear case for investment;
- VfM;
- Deliverability;
- Good growth.

The SIF has been established with a principle of becoming a self-sustaining fund over time. Where the project's financial profile can support it, preference will be given to support in the form of loans or investments that generate a return, and in future may include business rates and/or Council Tax generated, being recycled to the Fund on a basis that reflects the SIF's investment. In addition, private and other public sector leverage will be maximised.

Projects will be appraised against these criteria and should also meet minimum thresholds and requirements. For transport projects, the expectation is that all schemes must adhere to the VfM principles (as set out within DfT's guidance) at all stages of the approval process, and be independently verified on behalf of the Combined Authority as part of the assessment process. Such projects must also have been subject to earlier rigour to de-scope the scheme, or else to explore higher VfM alternatives.

Whilst the above principles on value for money are an important part of the appraisal process, they are one factor, among many, to be considered when appraising schemes. For example, the CA will be able to approve schemes with lower VfM, having regard to specific circumstances including:-

- very convincing² wider economic, social and environmental benefit;
- the ability of the scheme to address multiple city regional policy objectives;
- circumstances where very significant levels of match funding are being provided by the scheme promoter; or
- where there are other urgent³ considerations.

² I.e. benefits that are core to the Combined Authority's strategy, as described in its corporate plan or investment strategy but which may not be captured entirely in value for money calculations, even considering the social impacts contained in HM Treasury's 2020 Green Book update. An example of this may be in addressing localised air quality problems, which is vital for public health but may not generate sufficient value for money in a conventional transport appraisal to permit focused intervention.

The Investment Team will offer professional advice on the relative weight that should be afforded to such considerations. Recommendations to the CA will clearly explain the rationale for approving a lower VfM scheme and the implications of the recommendation. It is entirely conceivable that a project that strongly aligns to the CA's strategic objectives could be considered as a preferential candidate for investment, when compared with a project solely scoring highly based on economic metrics.

4.5.4 Assessing Value for Money (VfM)

Further to the 2020 updates to HM Treasury's [Green Book](#), the CA intends to consider VfM as being more than merely favourable economic metrics, with the attainment of strategic objectives being ample justification for choosing to invest in any given scheme.

Good VfM, as defined by the National Audit Office (NAO) is the optimal use of resources to achieve the intended outcomes. 'Optimal' being 'the most desirable possible given expressed or implied restrictions or constraints'. VfM is not just about achieving the lowest initial price, it is defined as the optimum combination of whole life costs and quality, with due regard to propriety and regularity.

The NAO uses three criteria to assess the VfM of government spending, i.e. the optimal use of resources to achieve the intended outcomes:-

- economy - minimising the cost of resources used or required (inputs) – spending less;
- efficiency - the relationship between the output from goods or services and the resources to produce them – spending well; and
- effectiveness - the relationship between the intended and actual results of public spending (outcomes) – spending wisely.

The focus of the SIF appraisal will be on projects that deliver growth, provide VfM and meet the wider strategic objectives set out in the [Economic Recovery Strategy](#). The CA will make investment decisions based on a range of evidence, such as the strategic case and other local impacts and analyses of cost effectiveness (including jobs and GVA), as well as the wider VfM appraisal.

The CA will take account of a range of evidence when deciding to invest in a project (such as the local impacts on the economy and investment unlocked) within the context of a wider VfM appraisal. Even if the national Benefit Cost Ratio is low/poor, the LCRCA may decide to invest in a project based on the overall business case, including local impacts, by referring to the specific circumstances described in the appraisal criteria above. This includes the

³ This applies where a project becomes necessary to safeguard initiatives or projects that are core to the Combined Authority's strategy, as described in its corporate plan or investment strategy.

expectation that only in exceptional circumstances should a scheme with lower than “high” value for money be put forward (Benefit Cost Ratio above 2 and accounting for significant non-monetised impacts and key uncertainties).

As set out in the National Guidance, in addition to following the Green Book Business Case guidance, the methodology used to assess VfM for the Single Pot funding (known as the Strategic Investment Fund (SIF) locally) will reflect the established guidance of the relevant government department and is detailed in Appendix A of the [Single Pot Assurance Guidance](#); for transport projects, this will be the established DfT WebTAG methodology.

4.5.5 Responsible Senior Officers

The Executive Director of Investment and Delivery is the senior officer responsible for assuring adherence to the Investment Strategy, including the investment process and the standards outlined above for prioritisation, appraisal and securing value for money. The Director and the Investment Team’s role is to prepare optimal submissions for consideration by the Investment Panel and the Combined Authority.

The Investment Panel is responsible for providing scrutiny and recommendations on each business case. The veto rights available to the Head of Finance, Chief Legal Officer, PMO, Executive Directors of Integrated Transport, and Policy, Strategy and Government Relations assure a separation between those responsible for preparing a project submission and those responsible for approving/recommending it. It also assures that projects submitted for funding by the Directorate of Investment and Delivery are considered by responsible officers outside that directorate.

To create an appropriate working tension between project submissions and value for money, the Director of Corporate Services, who is also the Section 73 Officer and to whom the heads of PMO, and Finance and Chief Legal Officer report, carries responsibility for assuring value for money.

4.6 Risk Management

Risk Management is at the heart of the SIF investment process. Section 5.18 of the Investment Strategy sets out how risks will be monitored at a Project, Programme and Portfolio level. The Executive Director of Investment and Delivery is the senior officer responsible for the propriety and performance of SIF projects and portfolio.

The Investment Team makes risk integral to its structuring and presentation of projects, maintaining its own view of risk. The CA also requires project sponsors to maintain a risk register, with risk control measures to be agreed prior to approval. When a project is in delivery, the CA will require the risk register to be maintained, regularly reviewed and reported on.

Additionally, the PMO, will regularly report on performance to the Combined Authority meeting. The Corporate Risk Register is reported to each meeting of the Audit and Governance Committee.

5. Monitoring and Evaluation

Monitoring and evaluation (M&E) is a critical component of an effective performance management regime. M&E assesses the relative impacts and benefits of a scheme or series of policy interventions, including how it was delivered and whether the investment generated the intended benefits and delivered value for money. M&E provides a useful service to inform future policy development, priorities and budgets.

5.1 Effective Monitoring and Evaluation

The LCRCA is committed to implementing effective M&E in order to understand the delivery progress, impact and effectiveness of its investments and activities. The Combined Authority's approach to M&E will provide robust and credible evidence that can be used to:

- a) **Monitor and manage delivery progress** and provide the required returns to funders in respect of project expenditure and delivery of outputs and outcomes;
- b) **Understand delivery quality** and explore how effectively and efficiently projects have been implemented and the factors underpinning this;
- c) Understand and, where feasible, quantify the **economic, environmental, health and social impact** of the Combined Authority's investments and activities;
- d) **Provide local accountability** to the public by demonstrating how devolved funding is spent and the benefits achieved, and tracking progress against local strategies and action plan. As such, M&E will be important to demonstrate the value and effectiveness of local decision-making and to shape future priorities;
- e) **Comply with external scrutiny requirements** i.e. to satisfy conditions of the Devolution Deal. Specifically, M&E will be used to demonstrate local progress and delivery to senior government officials and Ministers who are ultimately accountable to parliament for devolved funds;
- f) **Understand which policies/interventions work and are effective**, and justify reinvestment or further funding. M&E will provide a useful feedback loop and enable this to be communicated to relevant stakeholders;
- g) **Develop an evidence base** for input into future business cases and land use/transport models; and can also be used for developing future submissions when competing for funds. M&E will collect, collate and analyse data which can be utilised for future work.

The LCR Combined Authority's Devolution Deal specifically includes a commitment between Government and the LCRCA to work together in developing an approach to monitoring and evaluating the impact of the Deal.

The Combined Authority will use its performance management regime as the primary means of monitoring progress of the objectives/deliverables set out in the Devolution Deal. The same system will also be used to undertake performance management of other key areas of the LCRCA's activity and interest such as the projects funded from the Strategic Investment Fund.

Performance management reports will be provided regularly to the LCRCA's governance structures to inform decision-making and if necessary additional interventions to deliver the agreed outcomes.

This also applies to performance management of other devolved or delegated funds, but they will also have their own regulations. For example, in relation to the AEB, the monitoring and managing of performance is outlined in the annual published Funding and Performance Management Rules document, which looks at how they deal with provider under or over performance.

The LCR LEP Board will also receive reports on the performance and effectiveness of Local Growth Funds being invested through the SIF, in order to check progress towards the achievement of the Single Growth Strategy's Objectives.

Furthermore, all projects funded by the SIF, regardless of the size, are required to demonstrate that they are able to comply fully with the Combined Authority's monitoring and evaluation requirements. These are:

1: A Requirement to Complete a Project Monitoring and Evaluation Plan

All SIF applicants will be required to complete a SIF Project Monitoring and Evaluation Plan **before project approval**. The plan will outline the broad scope and timing of monitoring and evaluation activity encompassing:

- **Logic Model Summary:** an overview of the key elements of the project logic model to guide the development of the M&E plan and inform project evaluation.
- **Evaluation Objectives and Questions:** linked to the project logic model, a concise summary of the overall objectives for the evaluation and the specific research questions that it will explore.
- **Impact assessment methods:** an overview of the likely evaluation methods to be used for impact assessment and attribution of impacts to project activities. This should include an exploration of the feasibility of Counterfactual impact Evaluation.
- **Timing Evaluation Research:** an outline timetable for the phases of evaluation research.
- **Monitoring data requirements:** a summary of the output, outcome and impact indicators that the project will report against and a clear specification for the additional monitoring information that the project should collect to enable high quality evaluation.

Individual monitoring and evaluation plans must be proportionate, in line with procedures for appraisal and in line with the latest government department guidance, where relevant. The Investment Team and Evidence and Research Team will work

with the project applicant to develop and agree the content of the plan. The final Project Monitoring and Evaluation Plan will need to be signed off before the project can be approved for SIF funding.

2: A Requirement to Collect Appropriate Project Monitoring Data

SIF applicants are required to provide sufficient data and information to allow the Combined Authority to:

- Understand the project's delivery progress
- Identify and address any barriers to delivery and / or mitigate project risks
- Capture information and evidence about the direct outputs and (in some instances) outcomes arising as a result of project activities
- Meet the monitoring requirements of funders of the SIF
- Support effective future project evaluation.

The specific monitoring data requirements will be agreed during the SIF application process and detailed in the Project Monitoring and Evaluation Plan. Monitoring data requirements will be included within the project Funding Agreement.

All SIF funded projects will be expected to provide regular (at least quarterly, in some instances monthly) submissions which detail project expenditure and progress towards output targets. The format for these submissions will be specified by the Combined Authority and the frequency of reporting will be specified in the project Funding Agreement.

Some projects will be asked to collect more in-depth monitoring data which is bespoke to the design of the project. The principle of proportionality will be applied here, and the Combined Authority will ensure that there is a clear rationale and purpose for all monitoring data requested.

3: A Requirement to Participate in Project and Programme Evaluation

All SIF funded projects are required to participate fully in any project or programme evaluation that is commissioned by the Combined Authority or organisations that provide funding into the SIF. This could include:

- Evaluation of a programme of activity of which the SIF funded project is a part. Here the SIF funded project would be examined alongside others and used as part of a wider evidence base to draw conclusions about the overall success or impact of the programme of activity. This includes, but is not limited to, evaluation activities required by government departments such as the Gainshare and Transforming Cities Fund evaluations.
- Evaluation of the SIF Funded Project. Participation in a project level evaluation commissioned or undertaken by the Combined Authority. Here the SIF funded project would be the sole focus of the evaluation activity and conclusions would focus on the impact and effectiveness of the SIF funded project.

In both instances, the Combined Authority will draw extensively on the information submitted by the applicant during the SIF application process and project monitoring data submitted during delivery.

Project sponsors and the project delivery team will be expected to provide reasonable inputs into the evaluation research, for example by:

- Providing access to project documents and information relating to the design and delivery of the project.
- Ensuring that strategic, managerial and operational members of staff will participate in any interviews, workshops or other primary research to inform project or programme evaluation.
- Facilitating access to direct beneficiaries of the project’s activities (e.g. SMEs using business support services, learners participating in training etc). Applicants will be expected to ensure that appropriate data releases are in place to allow contact details and background information on clients to be shared.

The likely focus and requirements of project level evaluation activity will be agreed with applicants during the SIF approval process. The Combined Authority will work to ensure that monitoring and evaluation requirements are proportionate to the scale and complexity of the project.

Findings from project and programme level evaluations and best practice lessons will be disseminated to individual projects and programme teams and more widely across the Combined Authority. The Executive Director of Investment and Delivery will also submit an annual report to the Combined Authority, summarising investments made and lessons learned, within the previous year. These measures will ensure that the evidence, insight and lessons that M&E activity creates (on what works, how and why) is embedded into the design and delivery of future interventions.

5.2 Responsibilities and Resources

The primary M&E responsibilities under this Assurance Framework are outlined in the table below:

Responsibility	Resource
Setting the LCRCA’s strategic approach to Monitoring and Evaluation, including annual review	Head of Paid Service
Monitoring progress of Devolution Deal objectives and of LCRCA wider programme of activity, including projects and programmes funded from the SIF	Research and Intelligence Team (with support/input from PMO, policy leads and the LEP)
Preparation of individual Monitoring and Evaluation Plans	Devolution Theme Leads/SIF applicants
Undertaking individual evaluation	Independent teams that are in the same organisation as the Devolution Theme Leads/SIF applicants

Developing the Local Framework in support of the Gateway Assessment	Research and Intelligence Team / PMO (with support/input from policy leads and the LEP)
Maintaining a repository of Monitoring and Evaluation data	PMO / Research and Intelligence Team (with support/input from policy leads and the LEP)
Dissemination of evaluation conclusions and lessons	PMO / LCRCA / LEP Communications Team

5.3 Ongoing Project Performance Monitoring

As aforementioned, performance information is co-ordinated and assessed by the LCRCA's PMO team. Individual monitoring and evaluation plans, along with project specific KPIs will be agreed as part of the project business case and contract.

All projects in delivery will be expected to report to the CA on:

- Performance against Business Plans and Milestones;
- Risks;
- Issues;
- Financial performance information (as appropriate for the investment instrument);
- Quality; and
- Benefits, Outputs and Outcomes (as appropriate).

Portfolios

Using an agreed list of metrics, reports on overall portfolio performance will also be provided. Delivery progress will be summarised alongside other KPIs. To ensure transparency, this information will be published on the CA website.

5.4 Benefits Management

All projects will be required to produce a benefits realisation plan as part of their Business Case, which identifies the outcomes (benefits) they are planning to deliver, how outcomes will be measured, a baseline assessment, and how they intend to implement, monitor and assess the project to identify whether the benefits have been realised.

This process is vital to meeting the ongoing monitoring and evaluation requirements later in the project lifecycle and will be co-ordinated by the PMO team.

5.5 Change Control

The CA has a formal change request process in place which ensures that project changes are well understood and agreed before a change takes place. This process is

co-ordinated by the PMO team. This includes changes to project documentation, plans and funding agreements.

The PMO team, with assistance from the Investment Team, will engage with project sponsors on changes requested and will encourage a collaborative approach that encourages early discussion of changes that may become necessary. The Change Control process is intended to be an open and transparent method of managing expectations according to the reality of the project's lifecycle and may assist in avoiding non-compliance or breach of funding agreements.

5.6 Enforcement; Non-compliant Funding

It is vital that the LCRCA maintain an effective and consistent system of financial enforcement to encourage present and future projects to use public funds in accordance with their approved use and terms. Failing to meet breaches of funding agreements with proportionate enforcement measures risks creating a perception that such breaches can be committed without repercussion.

Left unchecked, this in turn risks creating an environment where public money is distributed and used other than in accordance with agreed objectives, requirements and restrictions. Projects that deviate from the terms must be in no doubt that the LCRCA is willing and able to exercise the remedies available to it.

Further, the LCRCA is resolute in its desire to ensure that the maximum benefit possible for the Liverpool City Region is obtained from the distribution of its funding. Where it becomes clear that projects are not doing so, the CA will not hesitate to recoup this money via legal remedies so that funding may be better allocated elsewhere.

5.6.1 Breaches and Non-Compliance

There are many ways in which a project may become non-compliant with and/or breach the terms of a funding agreement *and this section does not seek to list these in their entirety*. However, three broad themes are explored hereafter for illustrative purposes.

Firstly, the PMO has previously encountered projects which have failed to deliver, or are highly unlikely to deliver, agreed objectives detailed within the funding agreement. This may be in relation to the number or type of jobs created, the date of completion (whether actual or financial completion) or the specifications of any construction to be undertaken under this project.

Secondly, the PMO has also encountered difficulties in relation to the information provided by project sponsors. Projects are required to submit regular reports updating on their status, which serve a vital tool to track the progress on any given project. However, non-compliant projects may fail to provide these updates on time, in the correct format or with the necessary detail required by the funding agreement.

Finally, another recurring issue that PMO has identified relates to how funds from each financial year are dealt with. For example, recipients often fail to use the 'Change Control' process to bring funds from one financial year to the next within a reasonable period of time, often rendering these projects non-compliant.

Where non-compliance or breach of a funding agreement is identified, the LCRCA will seek to rectify this non-compliance or breach in a manner proportionate to the offending act. The manner by which they will do so is set out hereafter.

5.6.2 Enforcement Panel

For a detailed description of the process the LCRCA will follow when considering whether to pursue enforcement measures, please read Annex 6, containing the 'Enforcement Pathway'.

A key decision-making body within this pathway is the 'Enforcement Panel'. This Panel is made up of a representative from each of the LCRCA's Legal, Investment and PMO departments and is designed to provide informed debate, according to the principles of enforcement (see below), on whether enforcement action is appropriate in the circumstances.

5.6.3 Principles of Enforcement

Where non-compliance with, or a breach of, a funding agreement is identified, the Enforcement Panel will seek to apply two guiding principles to the project in determining whether enforcement action is appropriate.

The first principle is that of *cooperation*. This principle has been specifically chosen in an attempt to foster positive working relations between the LCRCA and the recipients of its funding. Where a project has defaulted on a specific funding agreement, but is cooperating fully and in good faith to identify and rectify this breach, the LCRCA is keen to ensure, where possible, that the relevant public monies continue to be used for the purposes for which they were originally distributed.

The second principle is consideration of the *context* of the non-compliance or breach, as it is viewed as an inherently relevant factor in determining whether enforcement action is to be taken. The LCRCA is conscious of the plethora of reasons through which a breach may be committed and acknowledges that there is a marked difference between a breach committed in bad faith and hidden from the LCRCA, compared with what may be a technical breach that is largely beyond the recipient's control. Further, any previous history of breaches or non-compliance is likely to be considered under this principle.

These two principles are not an exhaustive summary of the LCRCA's approach when considering whether enforcement action is appropriate. It may be necessary for the LCRCA to depart from these principles or consider additional factors when determining what action, if any, to take.

5.6.4 Legal Remedies

Where non-compliance or breach is identified and the initial stages of the Enforcement Pathway have been adhered to, the Enforcement Panel may determine that the only appropriate action to be taken is for legal remedies to be sought by the LCRCA.

CA funding agreements contain enforcement provisions, legally entitling the CA to take certain actions if a project is non-compliant with, or breaches, the relevant agreement.

An example of the enforcement provisions within these agreements typically enables the CA to suspend or vary funding to a project until such a time as the CA is satisfied that any offending actions have been rectified. Further, the CA is also entitled to cease the provision of funding in its entirety and/or demand repayment of the funding.

The LCRCA is both willing and able to seek any and all remedies available to it against offending projects and is prepared to enforce the terms of the relevant funding agreement in Court, where necessary.

5.7 Five-year gateway review

As a condition of the LCRCA's £30 million Investment Fund ("Gain Share") allocation over the next 30 years, there will be five-yearly gateway reviews undertaken by a national evaluation panel. SQW has been appointed to put in place the national framework for conducting these gateway reviews and to work with localities on developing a Local Framework to assess the impact of projects and intervention that are funded from gainshare.

5.8 Project Closure

All projects will be required to produce a closure report on completion of the project. This report must confirm:

- All activities have been delivered in accordance with the contract;
- The final financial profile for the project;
- That there are no outstanding risk or issues requiring attention; and
- Any other matters reasonably required by the Investment Team and/or PMO.

Schedule 1 - Joint Statement of the LCRCA and LEP on Roles and Responsibilities

This Schedule seeks to set out the respective roles and responsibilities and agreed local governance arrangements between the LCRCA and LEP, in accordance with the requirements of HM Government's National Local Growth Assurance Framework guidance.

Greater detail can be found in sections 2 and 3 of the Liverpool City Region National Local Growth Assurance Framework. A summary of the local processes and procedures are provided within this Schedule.

Advisory and Challenge Function of the LEP

The LEP has a Board comprising of twenty members. Membership is drawn from the private sector, the Third Sector, Higher Education, Further Education, the Trades Union Congress and the public sector. The public sector membership consists of the Liverpool City Region Metro Mayor together with two CA portfolio leads.

The LEP Chair (or their deputy), is a non-voting member of the MCA and is also the LCRCA portfolio holder for Business Support. Further, the LEP Chair (or their delegate) represents the Liverpool City Region alongside the LCRCA on extra-boundary groups such as Transport for the North. The LEP Chair also acts independently on the Management Board of the LEP Network.

Supporting the LEP Board are a range of sector specific and thematic sub-boards that extend the LEP Board's expertise as well as its representation. The sub-boards are providing executive capacity through a dedicated entity and not by officers of the LCRCA, nor its constituent local authorities. The LEP Board also receives most of its support through this entity, but the LCRCA provides further support through its Head of Paid Service (the LCRCA CEO), the Section 73 Officer and its Chief Legal Officer & Monitoring Officer.

Alignment of Decision-Making

The LEP and LCRCA enjoy a coterminous boundary and have agreed who will make decisions over the use of funds whether awarded to the LEP or the LCRCA. Schedule 2 of the Liverpool City Region National Local Growth Assurance Framework details the reserved and delegated powers for decision making over funds awarded to the LEP, which will be kept under review as funding sources change.

The funds are not explored in detail within this statement, though broadly they fall into

either capital or revenue. Decisions on the former are taken by the LCRCA within pre-agreed parameters, operated as a Single Pot investment framework called the Strategic Investment Fund.

Accountability

The LEP has nominated the LCRCA to be its sole Accountable Body and it has also adopted the legal personality of the Combined Authority. Despite the delegated arrangements described above, the LEP remains accountable to HM Government for the funds it is awarded and in turn holds the LCRCA accountable for their use and impact.

Although capital funding decisions are taken by the LCRCA, the LEP Board maintains oversight through the receipt of performance reports and updates and through the involvement of the independent executive, in various groups and panels, that oversee the administration of these funds.

As the LEP has adopted the legal personality of the LCRCA, the latter executes those decisions as if they were their own. As such, where funding decision are taken by the LEP, the LCRCA will subject them to all of the required regulation and scrutiny pertinent to the use of public funds.

Efficiency and Corporate Identity

In utilising the LCRCA as its Accountable Body, the LEP utilises the expertise and resources of the CA with regard to functions such as project appraisal, legal, monitoring and evaluation.

The independent executive, previously mentioned, provides support to the LEP Board and its Sub-Boards in advising and informing policy, strategy and modes of intervention. These are in areas in which the LCRCA does not employ staff and so the Combined Authority gains further expertise from the private sector on those areas.

Whilst the main relationship of import is between the LEP and LCRCA, there is also alignment with the constituent local authorities, whereby a central hub is supported and operates through local satellites such as the Growth Hub.

Despite the close relationships, the joint working and the alignment of resources, branding is not unified but reflects the distinct and separate personalities of the LEP and LCRCA. However, there are agreed and clear branding guidelines and protocols that ensure local and regional branding such as Northern Powerhouse and HM Government branding, where appropriate, are used to ensure the origin of funds and the responsibility for their use is clearly articulated.

Overview and Scrutiny

The LEP has retained its independence and has its own Constitution and Code of Conduct and other relevant policies. In adopting the legal personality of the LCRCA the LEP has been incorporated into the LCRCA's Constitution, and as such is within scope of the Combined Authority's Overview and Scrutiny Committee.

Further, by virtue of its membership of the LCRCA, the LEP Chair can be subject to scrutiny through Combined Authority meetings by other members of the CA or the public.

This is further enhanced as Overview and Scrutiny and is not restricted to the LCRCA but extends to any of the Overview and Scrutiny Committees of the constituent local authorities.

LCR Local Enterprise Partnership (LEP) Board and Delivery Companies: Roles and Responsibilities

The LCR LEP is distinct from the Combined Authority, yet it works with the Combined Authority to deliver the Growth Strategy for the Liverpool City Region. It operates as an independent partnership board of representatives of the private and public sectors, plus other relevant stakeholders. Its chairperson, drawn from the private sector, is a non-voting member of the Combined Authority.

The LEP Board operates with the support of a series of sector and thematic specific sub-boards, providing focused insight and advice to inform LCR and HM Government policy/activities. The LEP has a Board comprising of twenty members. Membership is drawn from the private sector, the Third Sector, Higher Education, Further Education and the public sector. The public sector membership consists of the Liverpool City Region Metro Mayor together with two CA portfolio leads.

Sub-board members are leaders from business and the public sector who provide strategic insight, intelligence and guidance to the LEP board. The LEP board and its sub-boards are supported by executive capacity provided by a self-standing Group of LEP Delivery companies.

The LEP Board has a key interface role with HM Government in progressing interventions and supporting the development of the overall growth strategy for LCR. The growth strategy provides the evidence base for making investment decisions and allocating the SIF, in addition to local transport objectives and statutory requirements.

In line with HM Government policy, the CA leads on the development of economic strategies at the city-region level, but with the close support and advice and insight of the LEP together with executive resource through revenue funding awarded to the LEP.

As stated earlier, the LEP has adopted the legal personality of the CA and the constitutions of both the LEP and CA allow for decisions reserved to the LEP to be executed by the CA. These largely relate to specific activities or funding streams as detailed in Schedule 2 of the Liverpool City Region National Local Growth Assurance Framework. Where decisions are reserved to the LEP Board they are generally reached through a simple majority although the LEP Constitution allows for voting. The LEP Chair has no casting vote and has no automatic authority to take decisions independently of the LEP Board. However, the LEP Chair can be given delegated authority by a majority decision of the LEP Board.

However, in general, the LEP reserves decision making over revenue funds awarded to it but capital funds are invested through the Strategic Investment Fund (SIF) that is

governed and administered by the CA. The CA reports on the use of these funds, including impact, and also produces the Local Growth Fund Data Returns for the LEP Board's consideration before submission to HM Government.

With regard to the SIF, the LEP Board engages in the following way:

- It contributes actively to strategy formation;
- It will name a senior executive representative(s), independent of the CA and the constituent local authorities, to the SIF's internal and external investment panels, giving it an active voice in project prioritisation and portfolio monitoring;
- LEP sector specialists will routinely join project teams for SIF investments to lend sector expertise to the proposition. In this way, the CA and LEP will co-develop investment propositions;
- Its chair is a non-voting member of the CA board and will routinely provide a LEP view of projects at the time of their submission for approval;
- It collaborates in policy formation, most notably with the Plan for Prosperity ;
- It allows certain funds that it receives – Local Growth Funds in the main – to be invested on the SIF platform. In so doing, it relies on this the Liverpool City Region National Local Growth Assurance Framework. The LEP Board has satisfied itself that its reliance on this Assurance Framework meets HM Government reporting requirements.

Besides SIF investment, the Combined Authority and LEP are collaborating on inward investment, place and destination marketing, internationalisation strategies and other growth promoting areas, in response to the 2018 LEP review, the Liverpool City Region LEP and CA reviewed its executive structures and resources and re-purposed the pre-existing commercial entity to provide delivery capacity for LCR priorities.

LCR Combined Authority (LCRCA): Role and Responsibilities

LCRCA is a mayoral combined authority whose membership currently comprise the Liverpool City Region Metro Mayor (the "Metro Mayor"), the five local authority leaders of Halton, Knowsley, Sefton, St Helens and Wirral Councils, the elected Mayor of Liverpool City Council and the Chair of the LEP. Warrington and West Lancashire Borough Councils are Associate Members, and the Merseyside Police and Crime Commissioner and the Chair of the Transport Committee are co-opted Members.

The remit and authority of the LCRCA is detailed within the two devolution agreements (November 2015 and March 2016) as well as the LCRCA's constitution.

The LCRCA governs through a small number of dedicated Committees, each with their own remit. These Committees operate to ensure effective management and oversight of delivery against LCRCA obligations and objectives.

The LCRCA also has a number of portfolios, in order to balance democratic accountability with delivery capacity. These portfolios cover the LCRCA's key priorities and competencies and are each led by a different Member of the LCRCA.

The portfolios of the LCRCA are set out below:

- Business Support (led by the Chair of the LEP);

- Inclusive Economy and Third Sector;
- Climate Emergency and Renewable Energy;
- Culture, Tourism and the Visitor Economy;
- Digital Connectivity and Inclusion;
- Education, Skills, Equality and Diversity;
- Housing and Spatial Framework;
- Policy, Reform and Resources;
- Transport and Air Quality; and
- Criminal Justice.

The portfolio teams may include SIF interventions in their delivery plan and may use their portfolio responsibility to engage with the Combined Authority's Investment Team (directly or through the CA board). SIF activity forms a base component of the "Inclusive Economy and Third Sector, Digital Connectivity and Inclusion", "Housing and Spatial Framework" and "Transport and Air Quality" portfolios.

Clearly the portfolio responsibilities describe a wider range of responsibilities than the relationship between the LEP and CA require, but in including the LEP it is ensured that a truly inclusive approach to growth is followed.

Schedule 2 - Reserved and delegated powers for decision making over funds awarded to Liverpool City Region LEP

September 2020

1. Introduction

- 1.1 In 2019, following the publication of the National Local Growth Assurance Framework (NLGAF) guidance, the Liverpool City Region LEP (LCR LEP) adopted the legal personality of the Liverpool City Region Combined Authority (LCRCA).
- 1.2 The NLGAF, whilst allowing this arrangement, was clear on the continued accountability of LEPs for all funds awarded to it and the need to preserve the independence of LEPs even where adopting the legal personality of the Mayoral Combined Authority (MCA) rather than becoming an incorporated entity in its own right.
- 1.3 To aid transparency and provide clarity over how decisions are made over the funds awarded to LCR LEP, this schedule details the funds received and whether the LEP makes the funding decision or has delegated that authority to another entity. Where these decisions are made by the LCR CA these are covered by LCR's NLGAF which is a joint Assurance Framework between the LEP and MCA.
- 1.4 Decisions taken by the LEP are executed by the LCR CA as its accountable body but are not subject to LCR CA approval, but they are subject to the normal checks and balances associated with using public funds. The legality and appropriateness of these decision and the use of the funds is subject to Section 73 Officer approval and is within the scope of the LCR CA Overview and Scrutiny Committee.
- 1.5 This schedule will be updated whenever there are changes to the funds awarded to the LCR LEP and in any case annually alongside a review of the NLGAF.

2. Funding Awards to LCR LEP and decision-making powers

Fund/Grant	Funder (Original Source)	Purpose	Value £'000	Term	LEP Reserved Decision	Delegated Decision
REVENUE						
LEP Core	MHCLG	Basic capacity provision for LEP -- refer to guidance and fund use submission	500	Annual allocation following Annual Performance Review outcome and submission of application	Yes	
Local Growth Hub Core	BEIS	Provision of Growth Hub function for LCR	780	Annual allocation following submission of Annual Report and funding use proposal	Yes	
Local Growth Hub Peer to Peer Networks	BEIS		210	Annual allocation after application process	Yes	
Careers and Enterprise Hub	Careers and Enterprise Company	To provide an Enterprise Advisory service to schools	546	Total from Sept 2018 to Sept 2021	Yes	
			543	Extension to Sept 2022	Yes	
Key Account Management	DIT	To manage the relationship with primes in LCR	54	Annual allocation (2021-22 value)	Yes	
North West Local Energy Hub	BEIS	Provision of a North West Energy Hub based in LCR	1,242	3 years from Sep 2018	Yes – subject to NW LEP Board	

Growing Places Fund - Revenue	MHCLG	To support the development of projects	283	One-off grant	Yes	
Growing Places Fund – Interest Repayments	GPF Recipients	GPF was provided as interest bearing loan support	340	Non-recurring	Yes	
CAPITAL						
Growing Places Fund – Original allocation	BEIS	To support development and remediation of stalled sites – intended as a loan fund	7,652	One-off grant	No	LCR CA
Growing Places Fund – Recycled Funds	BEIS	Repaid GPF loans	10,398	Non-recurring unless provided as loan	No	LCR CA



Annex 1 - Terms of Reference of the Investment Panel

To support LCRCA's policy and investment team in providing the right type of funding to the highest impact projects, LCRCA will establish an Investment Panel (the "Panel") including seasoned leaders from priority business sectors, investment and other cross-cutting areas. The Panel will comprise these independent members and LCRCA officers whose role is to represent their area of service in the combined authority (policy, finance, legal, programme management etc.)

LCRCA may fund projects promoted by third parties (for example, by lending to a real estate developer) or created by the policy team to address a known priority (for example, to offer digital skills and maths training to a certain group of people). Either way, projects will move through a staged investment process from strategic outline review to outline review to final review, and finally to CA approval. The Panel shall oversee projects from strategic outline to final review. Projects submitted for CA approval are considered by LCRCA's political leaders.

It is critical that the Panel be considered competent and engaged, capable of assuring a first-class investment process and demonstrating to all that LCR is credible in performing its economic growth responsibilities.

Independent members will have no executive responsibility but will provide advice on strategy, planning, proposed investments and overall SIF performance. The Panel's recommendations will critically inform LCRCA leaders' decision making.

Independent Members

LCRCA will select independent members on the basis of their experience, expertise and alignment with the city region's objectives. Members are likely to have acted as senior executives in their organisation and be accustomed to the duties of an executive or supervisory board member.

LCRCA may favour members in the sectoral expertise in land and property (commercial and residential), life sciences, advanced manufacturing, infrastructure, energy and low carbon, digital and creative, tourism and the maritime/offshore industry. The CA may also favour cross-sectoral expertise in investment management, finance, innovation and the provision of skills and education.

Inclusive growth and sustainability form a core part of our investment strategy and should be represented.

Duties of the Panel

The Panel shall:-

- Review the SIF business plan and identify opportunities for improvement
- Review the SIF portfolio and identify opportunities to improve performance
- Consider project submissions at the strategic outline, interim and final review stages and provide guidance (detailed where necessary) on:
 - The project's strategic fit with LCRCA's objectives and investment strategy



- The project's quality with respect to its structure, delivery, operations, financing and impact
- The project's risks, mitigation of these risks and portfolio impact
- The structure, role and risks of LCRCA's proposed financial contribution
- Opportunities to enhance LCRCA's impact by linking and/or modifying other projects and interventions under consideration

Operation of the Panel

The Panel will discharge its duties on the basis of submissions prepared by LCRCA's investment team. Project submissions may be accompanied by external economic appraisals designed to evaluate the project's contribution to economic, social and environmental outcomes. The Panel may call for support in analysing projects where it wishes better to understand it. Papers will be distributed five business days in advance (unless by exception).

Independent Members will operate by consensus in formulating meeting minutes that will guide LCRCA in conducting diligence, negotiations and decisions about projects. In particular, the Panel will submit concise but detailed commentary to LCRCA leaders before they consider approving a project.

LCRCA Panel members will hold rights of veto on projects. These rights are designed to assure that each department (legal, finance, programme management etc.) can assure compliance with its operating requirements. The Panel will initially comprise 6-8 independent members. It will meet up to twelve times a year. LCRCA will facilitate independent members' attendance at those meetings where their expertise is most valuable.

LCRCA will appoint independent members following an open advert and selection process led by the Authority's Nomination Committee which includes the Combined Authority's Head of Paid Service, the Executive Director of Investment and Delivery and Managing Director of the Local Enterprise Partnership. The target term of membership will be two or three years.

LCRCA will appoint a chairperson and deputy chairperson to oversee the Panel's efficient operation.

Panel members will not receive any remuneration, but reasonable expenses will be met.

Annex 2 - Minimum Criteria for a "Call"



Approach to Calling Projects

The constituent councils and CA wish to identify and fund those projects that best fit the investment strategy in ways that have the greatest cumulative impact in reaching the objectives rather than projects that are simply available to be funded. The investment strategy states:

We will strive to be flexible, creative and “mode agnostic”, i.e. to fund the most effective delivery of our objectives without favouring any one type of intervention. Our aim is not a physical legacy but a human one, benefitting all our residents and communities.

The approach, therefore, will start by defining funding available, the strategic outcomes the CA wishes to facilitate and then work to set parameters for how those outcomes can be realised.

Funding Available

LCRCA will clearly state the total sum of funding to be invested and the source(s) of that funding. The type of funding available and who may apply for that funding will be defined.

Minimum requirements: volume and source of funds.

Outcomes Sought

The way the CA identifies the outcomes it seeks to “buy” will depend on the funds available to invest. The Strategic Investment Fund is a platform for diverse government and other funding, and each source may have its own objectives and requirements.

When calling projects, the CA will state the outcomes the funds available are targeting. Outcomes may apply whatever the sector or type of project, for instance where the CA wishes to consider projects that improve local productivity and employment, and recognises that both, say, innovation funding and property development are credible ways to realise those outcomes. Alternatively, funds may be restricted to a single theme, like skills, where projects must realise improved learner outcomes.

Minimum requirements: strategic objectives and outcomes by source of funds.

Sectoral and Thematic Allocations

After defining the outcomes sought, the CA will establish the themes and sectors that – and are not – eligible for the funding round.

The CA will draw themes and sectors from the approved investment strategy. When doing so, it may refer to the priorities already contained in the investment strategy or may further specify priorities that the CA wishes to address to support the realisation of outcomes sought by narrowing the range of project and output types. If further



priorities are specified in a call, the CA will indicate how these priorities will be treated in the prioritisation process.

For each theme and sector, the CA will indicate commitment targets/ranges and whether these indications are firm or soft. For example, it might state that the CA proposes to provide £10-15 million out of a total £30 million in funding to business support services and that in no case will the CA provide more than £15 million in total.

Minimum requirements: Eligible sectors and themes, priorities from the investment strategy or further guidance, parameters for funding allocation, parameters for individual projects.

Project Parameters

After establishing these allocations, the CA will provide project level guidance, identifying requirements and restrictions that each project must observe in order to be considered. It will specify which elements of this guidance are compulsory and which are advisory.

This guidance will be provided at the fund and/or sectoral/thematic level, whichever is most likely to guide project sponsors in understanding the criteria.

Project parameters will include size; likely SIF/public funding intensity (for which we will differentiate between repayable and non-repayable funding); timing of launch, delivery and operation; stakeholder support; private investment and match funding. The CA will address impact and outputs separately; this section will refer to the formation and delivery of the project rather than its impact.

Minimum requirements: Necessary and desired project parameters, excluding impact.

Funding Parameters

The CA will outline a range and limits for the repayable and non-repayable funding we will consider providing to any project. As with the project parameters, it will specify whether the range is indicative or compulsory.

When specifying these parameters, the CA may provide non-binding guidance on the funding approach it is seeking to obtain for different types of project.

Minimum requirements: Advisory and compulsory funding parameters.

Outputs Sought and Appraisal Criteria

For funds overall, and each eligible sector or theme, the CA will specify the intermediate outputs it is targeting in making the call.

For example, transport projects requesting £5 million or more of public funds are required to submit a more detailed appraisal. It follows naturally that projects of this type will provide a Benefit Cost Ratio calculated under the WebTAG methodology and that the CA will consider that output in reaching its funding decision.



The CA may provide reference rates that indicate the output intensity it expects from projects as well as hurdle rates that projects must achieve in order to be considered for funding. For instance, the CA may state that the national cost per job range in sector A is £10,000 and that it expects all projects to meet a cost per job hurdle of £15,000 or less.

The CA may also provide guidance on outputs it expects to be delivered but not expect formally to appraise. These may include local employment intensity, contributions to inclusive growth or environmental improvements. Wherever guidance is issued it will state clearly the role the outputs have in project appraisal.

Finally, the CA will confirm the approach it will take in appraising projects. This will be done with reference to the investment strategy and assurance framework since these documents formalise the CA's approach, and to provide further guidance only by exception.

Minimum requirements: target outputs by funding source, sector and theme, detailing reference, hurdle and additional criteria; confirmation of appraisal methodology.

Call Particulars

Finally, the CA will define the key dates and requirements for each call. It will confirm the timing of the call and the date by which project sponsors must have submitted their completed and satisfactory expression of interest; the format of the expression of interest to be submitted; and other factors sponsors need to observe in considering their position.

As the CA matures, it will look to provide indicative timescales for project approval.

Minimum requirements: timing of call, format of registering interest.



Annex 3 - Summary Contents of a Final Business Case (FBC)

Full Business Case Requirements	
All Applications	Supporting Evidence (to include as appropriate)
<p>Project Details and Overview Overview, sector, funding sought, timetable and changes since last submission</p> <p>Fit with LCR investment priorities Impacts Financial performance Deliverability Value for money Key risks</p> <p>Strategic Case Strategic Fit and Case for Change Investment Objectives Outcome of Options Analysis Equality and Diversity and Inclusive Growth</p> <p>Economic Case Results of Economic Appraisal Key Metrics (NPPV, BCR, Jobs, Leverage) Non-monetised Impacts</p> <p>Financial Case Business Plan Key Sensitivities Financial Projections Funding Sought and Key Terms Explanation of Market Failure</p> <p>Commercial Case Risks – to CA and for Project Diligence and Legal Commentary</p> <p>Management Case Deliverability & Leadership Outstanding Issues and Conditions to Funding</p>	<p>Green Book RAG summary</p> <p>Sector specific due diligence</p> <p>Options Annex</p> <p>Economic Appraisal, including AST and benchmarking where available</p> <p>Financial Model</p> <p>Organogram of the project</p> <p>Risk register</p> <p>Heads of Terms</p> <p>State Aid opinion</p>



Monitoring and Evaluation Plan

Other

State Aid Approach

Panel Comments

Other Factors



Annex 4 - Guidelines for the Provision of Pre-development Funding from the Strategic Investment Fund

Item	Detail
Pre-development Funding	Financial support in aid of potential SIF projects, to be drawn from funds available for SIF investment.
Duration	Pre-development Funding shall be available for 2 years under this funding. The CA may at any time seek to amend these terms by approval of CA Members.
Amount	The CA shall request 10% of funds SIF available for transport projects and 5% of all other funds available to invest.
Purpose	To provide funding that could identify, improve or expedite a project with high probability of receiving SIF support under the SIF investment strategy and, usually, within the scope of an existing / forthcoming funding round.
Eligible Projects	<ol style="list-style-type: none"> 1. A project which, sufficiently elaborated, has a high probability of meeting the objectives, priorities and requirements established by the SIF Investment Strategy and therefore receiving support. 2. A study which seeks to establish the market and key parameters for a project which, sufficiently elaborated, has a high probability of meeting the objectives, priorities and requirements established by the SIF Investment Strategy and therefore receiving support. <p>For the avoidance of doubt, these requirements include the ability to meet the SIF's value for money criteria and expectations.</p>
Eligible Activities	<ul style="list-style-type: none"> • Project preparatory work until the earlier of: <ul style="list-style-type: none"> ○ Selection of a preferred option for detailed design (e.g. GRIP stage 3 for Network Rail) ○ Ability of the sponsor to capitalise costs associated with preparation ○ Approval of SIF funding commitment <p>Such work may include:</p> <ul style="list-style-type: none"> • Feasibility Studies; • Options Appraisals; • Market Studies; • Business Plan Development;



Item	Detail
	<ul style="list-style-type: none"> • Outline design work; • Master Planning; • Pre-application planning activities / scoping studies, transport impact analysis, environmental impact. <p>Such development work must be required in order for the applicant to submit a later application for SIF funding.</p> <p>No Pre-development Funding shall support a recipient organisation's internal costs (though internal costs may be considered as co-financing at the CA's sole discretion).</p>
Approval Process	<p>The CA, through its Internal Panel, will determine the eligibility of projects and studies.</p> <p>Unless by exception, it will consider project funding requests at the Outline stage of the SIF approval process. It will consider studies at an earlier stage.</p> <p>Application for development funding to be presented to Internal Panel, detailing:</p> <ul style="list-style-type: none"> • Proposed long-term project; • Purpose of Development Funding/Eligible Activities and link to overall project / why required prior to SIF application; • Link to SIF objectives and priorities; • Amount required; • Confirmation that funding requested is additional; and • Public Procurement approach (see below). <p>Information above to be incorporated into a standard short application form.</p>
Reporting to the CA	<p>The Investment Team will report quarterly on:</p> <ul style="list-style-type: none"> • Projects supported with Development Funding; • Amount allocated; • Amount spent; and • Outcome of support.
Review of Decision Making	<p>A CA Member may request the review of an award or refusal to award Development Funding. The Metro Mayor and portfolio holder for Inclusive Economy & Third Sector will hear this review.</p>
Minimum/Maximum	Pre-development funding shall be:-



Item	Detail
Funding Available	<ul style="list-style-type: none"> • provided in the minimum amount necessary to secure the specified (and agreed) outcome • additional, and is not intended to replace other organisations' project development capacity.
Main Conditions	<ul style="list-style-type: none"> • Development Funding shall only meet external costs (such as professional advisors) related to such eligible activities. Organisations' internal costs (staff time etc.) are not eligible. • Funding required to be approved by CA prior to commencement of Eligible Activities; • For projects sponsored by the CA (Commissioned Projects): up to 100% of the cost of Eligible Activities; • For projects sponsored by 3rd parties: up to 90% of the cost of Eligible Activities in the transport sector and up to 60% in all other sectors; • A development work agreement in place with the Sponsor (for projects sponsored by 3rd parties) covering: • Agreed scope of work of third parties or such scope to be agreed with CA prior to commencement; • Requirement of CA to approve identity of parties and contracts (so that there are no adverse limitations on Intellectual Property / restrictions of use) undertaking the work (if not already identified); • CA to be co-beneficiary/addressee of work undertaken / relevant 3rd party to have equivalent duty of care to CA. All reports / deliverables to be provided to the CA. • Except where commercial confidentiality requires otherwise, CA be able to use deliverables for wider purpose; • Sponsor accepts CA's obligations as a public body (such as FOI and public sector procurement requirements); • Where considered appropriate, CA entitlement to



Item	Detail
	<p>attend any meetings with external third parties in respect of progress reporting / interim findings etc.; and</p> <ul style="list-style-type: none">• Funding drawn down on provision of copy invoices certified as properly payable by the Sponsor. <p>In general, it is anticipated such agreement will be set out in a letter to be countersigned.</p>
Public Procurement	Where 3 rd parties are being engaged by recipient of funding this may fall within CA requirements to undertake a procurement exercise. Where relevant, waiver of requirement to undertake a procurement exercise will be sought as part of the Approval Process.
State Aid	It is expected that any funding provided will fall below <i>de minimis</i> limits. Where this is not the case, the CA will require a State Aid compliant funding route.



Annex 5 - The Governance of Growth Hub Funding

1. Introduction

- 1.1 As part of the Liverpool City Region Growth Deal, the Liverpool City Region has secured funding to deliver a wide range of initiatives that support growth.
- 1.2 To secure the effective use of funding awarded by HM Government to the LEP and CA, the Liverpool City Region's LEP and CA have agreed an Assurance Framework. This is to ensure that robust local arrangements are in place to ensure value-for-money and the effective selection, delivery and management of projects. This framework extends to the use of funds awarded to support the provision of a Local Growth Hub.
- 1.3 This document details the specific arrangements pertaining to the use of Growth Hub funding and is annexed to the National Local Growth Assurance Framework agreed by the LEP and CA March and April 2019, respectively. It should also be read in conjunction with the Growth Hub offer letter from the department for Business, Innovation and Skills (BIS) on 6 March 2015 and updated in subsequent years by the department for Business, Energy and Industrial Strategy (BEIS).

2. Governance and project management

Governance

- 2.1 Oversight of the Growth Hub is the responsibility of the Enterprise Advisory Board, a sub-board of the Local Enterprise Partnership Board. The membership of this board consists of representatives from LEP partners including; Local Authorities, Chambers of Commerce, and other private sector bodies. This group works closely with Growth Hub staff to set a suitable strategy of business growth for the City Region which the Growth Hub leads on.
- 2.2 The terms of reference of the Enterprise Advisory Board clearly set out the roles and responsibilities of the board and how the Growth Hub is intended to operate. These can be found here;

<https://www.liverpoollep.org/wp-content/uploads/2017/02/Enterprise-Board-TOR-Mar-17.pdf>
- 2.2 The accountable body for the Growth Hub is the Liverpool City Region Combined Authority who execute this role through Merseytravel. The latter issued a Grant Funding Agreement (the 'Agreement') to the LCR Growth Company to commission it to deliver the Growth Hub project on its behalf and to support activities specified in Schedules 1 and 3 of BIS' offer letter dated 6 March 2015.



- 2.3 The Combined Authority will scrutinise the LEP's activities in respect of this fund in accordance with existing processes. The Audit and Governance Committee and Overview and Scrutiny Panel within the CA's structure may scrutinise delivery and compliance with this assurance framework. The LEP's activities are subject to audit by the Combined Authority's Internal Auditors.
- 2.4 As the Growth Hub fund is limited in scope to the provision of business services, a separate process of prioritisation is not required in order to release funding for specific projects, as is the case with other Growth Deal funds.
- 2.5 In the event that Growth Hub funds are used as match for subsequent funding bids (e.g. a European Regional Development Fund bid), then an accountable body shall firstly be identified and agreed by the CA. The agreed accountable body shall assume all liabilities associated with any such subsequent bids and funding.

Management

- 2.6 £550,000 of Growth Hub funding was initially granted for the 2015-16 financial year to the Combined Authority, as the accountable body for Growth Deal-related funds. Subsequently, £451,000 per year was awarded for 2016-17, 2017-18, 2018-19 and 2019-20 but further funds were added and consolidated into an annual award of £780k from 2020-21 onwards. This award is supplemented from time to time such as for Peer Networks. The Growth Hub project is being delivered by a co-operative of delivery partners under the leadership of a lead delivery agent.
- 2.7 The day to day management of the Growth Hub is by the lead delivery agent through a dedicated role (the Head of Business Growth) who reports directly to the Managing Director of the lead delivery agent. They have primary responsibility to manage the contracts with the brokerage partners, BEIS and the CA. The Managing Director also attends the Enterprise Advisory Board.
- 2.8 The lead delivery agent will provide Merseytravel with full access to financial and progress reports in order to ensure the assurance framework conditions are met and an independent audit certificate is required at the end of each financial year. This process ensures there is a full audit and management trail for both funding and activity as well as a level of transparency across the Growth Hub and partners.
- 2.9 The Agreement made clear that the Combined Authority's funding contribution is a capped contribution and will be subject to clawback in the event of any mismanagement or misuse. In the event that the project costs escalate, then the Combined Authority will not be liable for any costs, as its contribution is capped. Any overspends will need to be managed from within existing contingency budgets of the delivery body.



Merseytravel will require regular updates on spend profiles and on any emerging issues or problems.

- 2.10 Any future funds from BEIS for the continuation or extension of Growth Hub activities after 2019-20 and beyond shall also be transferred to the LCR Growth Company for delivery on the same terms, unless otherwise stipulated by the Combined Authority.
- 2.11 The lead delivery agent will meet the definition of a contracting authority for public contract regulations. As such, it will be subject to Public Contract Regulations 2015 (PCR) for all of its procurement activity.
- 2.12 The LCR LEP Company issued a formal OJEU notice in respect of services required to deliver Growth Hub brokerage and management activities. This was an open procurement process, with all of the appropriate contractual documentation published as required with the notice. All background documentation was made available to the Combined Authority's Head of Corporate Services.
- 2.13 This process was managed by the LCR LEP Company, in a fully OJEU compliant manner. The Agreement stipulated that the LCR LEP Company shall comply with all aspects of the PCR, and that the LCR LEP Company is financially liable in the event of any deviation from these processes or in the event of any external challenge. This liability is assumed by the present lead delivery agent, the LCR Growth Company.
- 2.14 Each broker has an SLA and handbook which details targets and definitions and how the broker is an unbiased position which means brokering businesses into the most suitable destination be it either a funded programme or a private sector advisor. All interactions and brokerages are recorded in a dedicated CRM system and detailed reports and analyses are produced to ensure that businesses are indeed receiving an unbiased and effective service.
- 2.15 No financial advantage shall be gained by the delivery body as a result of this grant and programme of activity. Mechanisms shall be developed to prevent cross subsidy of public funding into commercial activities, and confirmed in writing with Merseytravel.

3. **Other aspects**

- 3.1 The Agreement from Merseytravel stipulated that a funding condition will be to monitor and evaluate the Growth Hub project. The delivery body will develop and submit to Merseytravel a monitoring and evaluation method statement, in addition to BEIS's monitoring requirements, and which shall be funded by the LEP.



- 3.2 The LEP shall be responsible for securing compliance with the Accountable Body's Equality and Diversity policies and with the provisions of the Equality Act 2010. The project could have implications in terms of the diversity of businesses and entrepreneurs that are beneficiaries from the project. This will need to be addressed by the LEP in its delivery of the project, in terms of the diversity of businesses and entrepreneurs targeted.

- 3.3 Any complaints or concerns about Growth Hub funding shall be directed to and administered by the Combined Authority's Monitoring Officer.



Annex 6 - Enforcement Pathway

As specified in section 5.6 of this Assurance Framework, the CA is prepared to enforcement action against projects that it deems to be non-compliant or in breach of funding agreements. The below process is the pathway that the CA will adhere to in determining whether enforcement action is appropriate:

Step 1 – Identification

Where a member of the PMO team has identified a concern that a project is, or is likely to become, non-compliant or in breach of the funding agreement, this should be clearly documented. Any dialogue or correspondence highlighting the concerns of the relevant PMO team member should also be logged.

Step 2 – Communication

Once the PMO team have satisfied themselves that the above concerns have materialised and are not being addressed, correspondence will be issued to the relevant project by a Director or suitable delegate. This correspondence will highlight the concerns of the CA in relation to this project and ask that the matters of concern be addressed. At this stage, the project will be brought to the attention of the Enforcement Panel.

Step 3 – Enforcement Panel

Should the identified concerns continue to develop and not be addressed within 30 days of the communication detailed in Step 2, the Enforcement Panel will convene. The Panel will examine the alleged default on the funding agreement, according to the Principles of Enforcement, and identify what, if any, enforcement measures are appropriate as a remedy.

Step 4 – Recommendation

Where the Enforcement Panel determines that this matter has not and cannot be resolved without entering legal proceedings, they will notify the PMO, the Investment Team and the CA's Legal Department of their recommended action for enforcement. The Legal Department will then forward correspondence to the relevant project informing them that legal proceedings will be initiated, as well as the nature of those proceedings.

If the Enforcement Panel determines that legal measures are not appropriate in the circumstances, they may still provide the PMO, the Investment Team and the Legal Department with a recommendation as to how to proceed in relation to this project. Where no official enforcement action is identified, this will be communicated to the project by a representative of the Enforcement Panel.

Annex 7 – LCR LEP Statement on Equality and Diversity Commitment

Liverpool City Region Local Enterprise Partnership (LCR LEP) is dedicated to supporting a fully inclusive and diverse culture. We recognise that we have a leadership role in promoting diversity and eliminating discrimination and seek to do this in the way we conduct ourselves and our business and, in encouraging others, to embrace inclusion at the heart of all that we do.

LCR LEP recognises that diversity and inclusion is vital for the sustainability of businesses and economies. Everyone stands to benefit when we embrace and value the diversity of thoughts, ideas and ways of working that people from different backgrounds, experiences and identities bring.

Our aim is to ensure that the LCR LEP Board and its sub-boards will provide an environment where individuals are treated on the basis of merit and without prejudice. The LCR LEP aims to become a board that is made up of people who represent the diversity of the Liverpool City Region. We recognise, respect and value equality and diversity and will strive to embrace this as our underpinning approach in all we do to serve the interests of our membership.

LCR LEP is committed to ensuring that at least one third of board members and of its sub-boards are women by 2020, with the expectation for equal representation by 2023.

This statement recognises our belief that everyone should have the right to be free of any direct or indirect discrimination and harassment or bullying. This includes on the basis of age, disability, gender reassignment, marriage/civil partnership, pregnancy/maternity, race, religion or belief, gender or sexual orientation, as well as different backgrounds, life experiences, career paths and diversity of thought. We are opposed to all forms of unlawful, unfair and inappropriate discrimination.

LCR LEP understand that a 'one-size-fits all' approach does not achieve fairness and equality of opportunity for everyone. People have different personal needs, values and beliefs. A truly diverse Board and sub board structure will include and make good use of differences in the skills, geographical, community and industry experience, background, race, gender and other qualities. These differences will be considered in determining the optimum composition of the Board and its sub-boards, when possible, should be balanced appropriately.

Boards whose members have different backgrounds and experience are more likely to encourage debate and to make better decisions. The Appointments Committee will review and assess the Board and its sub boards composition on behalf of the Board and, when recommending new appointments, to the LCR LEP Board and will be mindful of achieving the optimum composition. In so doing, the Appointments Committee will act upon the benefits of all aspects of diversity including, but not limited to, those described above, in order to maintain an appropriate range and balance of skills, experience and background on the Board

and its sub-boards. In identifying suitable candidates for appointment to the Board, the Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board and its sub- boards.

In addition to making these requirements of the Appointments Committee, the LEP Board will nominate from its number, one member, to act as its Champion for Equality and Diversity supported by a Task Group to proactively develop initiatives and actions to promote and embed best practice.

The Champion will be a member of the Appointments Committee. They will consider the LCR LEP Board's conduct and the sub-groups in fulfilling their commitment to promote equality and diversity and to eliminate discrimination. This will be undertaken by measuring performance through regular review and evaluation and by taking positive action for a whole system approach in achieving this.