

Dorset Local Enterprise
Partnership CIC

Decision Making and
Due Diligence Policy

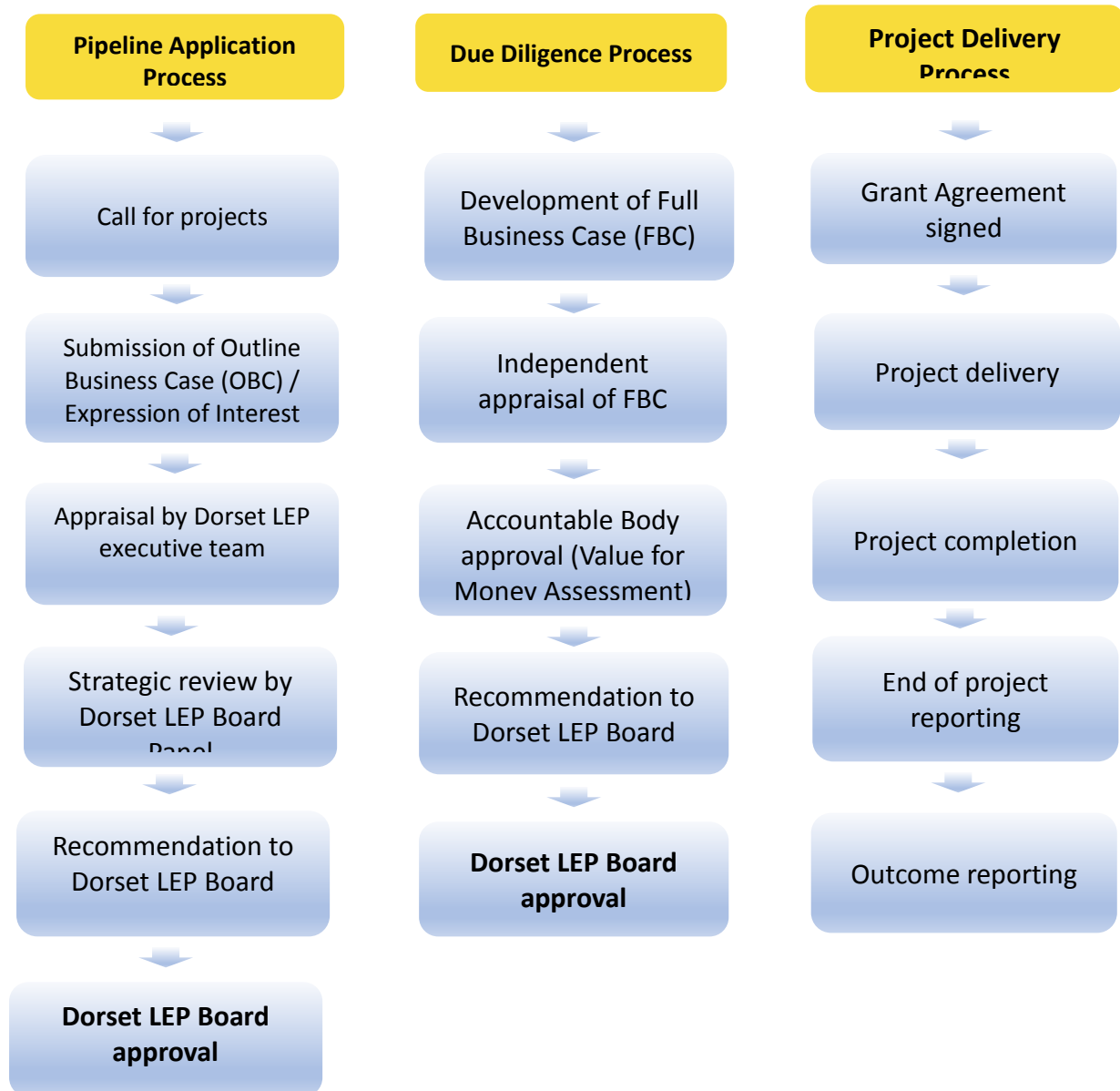
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Decision Making Process

Dorset LEP has robust arrangements in place to ensure value for money and effective delivery, through strong project development, project and options appraisal, prioritisation and business case development.



Pipeline Application Process

1. Call for Projects

Specification of projects

- 1.1. Funding opportunities will be identified by the Dorset LEP Board based on known or anticipated sources of funding. Any decisions for new projects will be taken by the Dorset LEP Board and formally recorded in the relevant meeting minutes.
- 1.2. The strategic objectives for new projects will be agreed by the Board and clearly articulated in a call for projects. This will typically take the form of a funding brief/prospectus, which covers the following items;
 - Strategic objectives of funding
 - Core eligibility criteria
 - Application assessment criteria
 - Application and selection process
 - Reporting and monitoring and evaluation
 - Additional funding-specific elements (e.g. interest rates)
 - Confidentiality
 - Advice and guidance
 - Strategic fit locally
 - Funding criteria as stipulated by the Government
 - Deadline for submission and anticipated funding decision

Identification of projects

- 1.3. Dorset LEP will ensure it engages with a wide range of partners and stakeholders to reach the widest audience in order to attract suitable project proposals for any current or potential future funding.
- 1.4. Dorset LEP will endeavour to actively engage partners through its network and communications and engagement routes, and will also make information publicly available via its website and other channels.
- 1.5. Public calls for projects will be published on the Dorset LEP website www.dorsetlep.co.uk
- 1.6. Public calls for projects will be regularly promoted on the Dorset LEP social media channels;
 - Twitter: @DorsetLEP
 - LinkedIn: <https://www.linkedin.com/groups/4165194/>
- 1.7. Where appropriate, opportunities will also be promoted through local print and radio media and other relevant mechanisms.

2. Submission of Outline Business Case / Expression of Interest

- 2.1. Dorset LEP uses the HM Treasury Green Book Five Case¹ methodology for assessing the suitability and value for money of projects. Project applicants are therefore required to complete an Expression of Interest form or an Outline Business Case, as stipulated in the funding brief/prospectus.
- 2.2. All applicants will be expected to bear development costs for the application process. There are no exceptions.
- 2.3. Completed expressions of interest or outline business cases must be returned to Dorset LEP by the specified deadline, after which they will then be independently appraised.

3. Project Appraisal by Dorset LEP Executive Team

- 3.1. Applicants will all have completed the same expression of interest/outline business case form, which allow all projects to be appraised in the same way.
- 3.2. The Dorset LEP executive team will undertake an initial assessment of the proposal based on the following criteria:
- 3.3. Strategic fit
- 3.4. Location – must be within Dorset
- 3.5. Links to other Dorset LEP or related funding programmes
- 3.6. Deliverability, to include
 - Maturity of project development
 - Delivery timelines
 - Delivery barriers or constraints (e.g. planning) identified and/or mitigated
 - Identified delivery risks and mitigation
- 3.7. Value for Money, including:
 - Economic or productivity benefits to be realised, including all outputs and outcomes
 - Capital funding requested (affordability)
 - Match funding
 - Potential for providing funding as a Growing Places Fund loan
 - High level assessment of benefit cost ratio
- 3.8. This initial assessment will determine whether the project is likely to receive Dorset LEP Board support, and the relative priority of the proposal. Dorset LEP Executive team will provide feedback to bidders following this assessment.

¹ <https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government>

4. Strategic Review by Dorset LEP Board Panel

- 4.1. The next stage in the process is for a panel of Dorset LEP Board directors to review applications and agree on a list of priority projects for investment.
- 4.2. All Dorset LEP Board directors are invited to take part in this panel. The panel must be chaired by a private sector board representative.
- 4.3. The panel will review information on all applicants, including any that have been deemed unsuitable during the initial internal appraisal. The panel must confirm their agreement with any decision deeming that an application is not suitable.
- 4.4. The panel will receive (as a minimum) the following information in order to enable them to reach a decision;
 - A copy of the original application for funding for each project and any associated documentation/appendices
 - An initial appraisal of the application
 - A copy of any relevant legal advice
 - A recommendation on whether to fund the proposal
 - A recommendation about any conditions which should be attached to the proposal
- 4.5. The panel will agree on a shortlist of projects to be taken forward for funding.

5. Recommendations to Dorset LEP Board and Board Approval

- 5.1. Shortlisted projects will be discussed at the Dorset LEP Board meeting and a decision must be made in accordance with the rules for decision making set out in the Articles of Association ss13-17 i.e. decisions are ideally unanimous, or otherwise by majority agreement.
- 5.2. Dorset LEP Board Members are committed to making decisions on merit and in full account of all relevant information available at the time, in line with the expectations clearly set out in the [Code of Conduct](#).
- 5.3. All decisions and their rationale are formally recorded in Dorset LEP Board papers and minutes.
- 5.4. In exceptional circumstances, for example when a decision is required promptly and before the next scheduled Dorset LEP Board meeting, there is a mechanism for the Dorset LEP Board to take decisions by written procedures. This is set out in the Articles of Association s18. Any decisions made by written procedures are ratified by the LEP Board and minuted at the next Board meeting.
- 5.5. The s151 Officer of the Accountable Body is invited to all LEP Board meetings.
- 5.6. Unsuccessful applicants will be informed of the decision.
- 5.7. Successful applicants will be informed and a letter setting out a conditional funding offer will be sent from the Dorset LEP Director.
- 5.8. Details of all projects receiving a conditional offer of funding will be published on the Dorset LEP website for a period of a minimum 3 months in order to allow for any external comment and scrutiny before a final decision on approving funding is made.

Due Diligence Process

6. Development of Full Business Case (FBC)

- 6.1. For all projects which received a conditional funding approved by the LEP Board, Dorset LEP will request the submission of a detailed full business case (FBC), based on the HM Treasury Green Book Five Case model. For transport schemes, the WebTAG² process must be used. A transport scheme is defined as a scheme that has the sole purpose of improving infrastructure.
- 6.2. For schemes below £5m, a proportionate use of WebTAG or Green Book is deemed appropriate and expectations will be agreed between the Dorset LEP and the applicant.
- 6.3. The FBC or WebTAG appraisal must set out a proportionate level of information to address the five cases within the HM Treasury Green Book business case development methodology. The outline and full business cases are the evidential basis on which assessment of projects is based, and upon which the final funding decision by the Dorset LEP Board will be made.
- 6.4. In some cases, the applicant will be able to apply for funding to assist with the cost of preparing the FBC or WebTAG appraisal. The mechanism for this is through a Preliminary Funding Agreement (PFA), which allows the applicant to draw down a portion of the conditional funding offer and allows the Dorset LEP Board to mitigate against some of the risk of project applicants not being able to bring forward the scheme quickly enough to remain within funding windows. In all cases, the award of a PFA must be agreed by the Dorset LEP Board.
- 6.5. Full business cases or WebTAG preparation are undertaken by the applicant and must be in line with the most recent guidance from the DfT and/or Dorset LEP, taking account of the advice on the proportional application of Green Book or WebTAG guidelines.
- 6.6. The applicant is required to confirm that a procurement strategy is in place for the scheme and that this is legally compliant and is likely to achieve best value for money.
- 6.7. For transport schemes, Dorset LEP will follow best practice identified by the DfT in the Value for Money Framework³ (July 2017).
- 6.8. As a general rule, Dorset LEP seeks to promote schemes that demonstrate "high" value for money, with a benefit cost ratio greater than 2.
- 6.9. Schemes with "low" value for money (BCR less than 1.5) would not be supported, except in exceptional cases as decided by the Dorset LEP Board, for example where there is strong evidence of strategic importance.
- 6.10. Consideration may be given to schemes that represent "medium" value for money (BCR between 1.5 and 2). The final decision for funding of projects with "medium" VFM is made by the Dorset LEP Board. The board shall make its decision considering the following points:

² <https://www.gov.uk/guidance/transport-analysis-guidance-webtag>

³ <https://www.gov.uk/government/publications/dft-value-for-money-framework>

- The schemes are supportive of the strategic objectives of Dorset LEP and include benefits that are currently not easily monetised.
- The schemes score highly in each of the five Green Book business cases, but not in value for money considerations.
- Schemes which form part of a wider package or initiative, where other components have a high value for money assessment.
- Schemes which are innovative or which trial new techniques or where the benefits of the schemes are not adequately captured by conventional assessment techniques.
- Where the interventions could help to maintain or grow unquantifiable business or consumer confidence in the area, and so lead to economic growth.

7. Independent Appraisal

- 7.1. Independent scrutiny is undertaken of all completed full business cases, verifying that the information provided is sound and can be used as evidence for decision-making around the priority and funding of the project. Rigour and data quality will be assessed, alongside the need and/or opportunity the project addresses.
- 7.2. This process ensures established best practice is considered appropriately in proposals and that all projects are quality assured in an independent manner. This independent appraisal will also test the extent to which clearly defined inputs, activities, outputs and economic outcomes; the additionality of these outputs, and factors such as impediment and displacement have been considered.
- 7.3. Dorset LEP maintains a list of suppliers able to carry the independent assessment of both Green Book FBCs and WebTAG, which is reviewed and updated as and when required. Suppliers complete a register of interests in order to clearly identify where any conflicts of interest may arise and allow Dorset LEP to select the right supplier for each FBC or WebTAG appraisal.

8. Accountable Body Approval – Value for Money Assessment

- 8.1. The Section 151 Officer of the Accountable Body is asked to review and comment on the full business case and the independent appraisal by providing value for money approval for each award. They are given the opportunity to comment in writing at least one week prior to the publication of the next Dorset LEP Board meeting papers on the specific recommendations relating to the project funding and associated evidence.

9. Recommendation to Dorset LEP Board

- 9.1. Based on the outcome of the independent review of the FBC and review by Section 151 Officer, a recommendation will be put forward to the Dorset LEP Board for consideration to approve the funding award.
- 9.2. The Dorset LEP Board has access to the copies of FBCs or WebTAG as well as the independent appraisal reports.

10. Final Funding Decisions

- 10.1. Once the due diligence process has been completed to satisfaction, all final decisions to approve funding and move to the contracting stage are taken by the Dorset LEP Board

10.2. All decisions are formally recorded in the Dorset LEP Board meeting minutes, which are published online within 10 working days.

Project Delivery Process

11. Grant Agreement Signing

- 11.1. Funding will be provided for schemes receiving final approval from the Dorset LEP Board.
- 11.2. Funding will only be used for schemes and/or purposes specified in the full business case and associated approval decisions, unless changes are expressly approved by the Dorset LEP Board.
- 11.3. The funding of any reasonable cost will be considered on a case by case basis. As a general rule, Dorset LEP will expect applicants to bear cost increases that could reasonably be considered to be within their control. Dorset LEP may fund cost increases, for example where the reason for the cost increase could have not reasonably been expected, such as a change in legislation or scope of the project, or the time taken by the Dorset LEP Board to give approval. This will be by exception and only if agreed in writing as part of the contract and if indeed additional fund is available.
- 11.4. Prior to disbursement of funding to a project, a legal funding agreement must be in place with the delivery organisation. The legal funding agreement will take the form of either a Grant Agreement, Preliminary Funding Agreement or Service Level Agreement, depending on the nature of the project or service to be delivered. In no circumstances will funding be able to be drawn down without a fully signed legal agreement in place.
- 11.5. The legal funding agreement will:
 - set out the total funding award, delivery milestones for the project, project risks, a projected payment schedule, project outputs and outcomes and will include arrangements for reporting monitoring information back to Dorset LEP;
 - provide assurance that any local contributions specified within the business case will be provided and accept liability for all cost increases; and
 - confirm that the awarded funding will only be used for the project for which it was awarded and that all reasonable efforts to control costs will be made.
- 11.6. All funding agreements for programme delivery must be signed by at least two parties:
 - The Chief Executive or senior responsible officer for the applicant
 - The Dorset LEP Chair

12. Project Delivery

- 12.1. The process of submitting a full business case requires applicants to clearly specify their approach to monitoring and evaluation. This forms an important part of an application. As part of the evaluation of a proposal, Dorset LEP will assess the suitability of the applicant's approach, giving consideration to processes that are proportionate to the value and scale of each scheme, whilst being affordable and representing value for money.

- 12.2. Dorset LEP will specify the monitoring metrics projects are expected to report on and the frequency on which these reports are required. These are included in the legal funding agreement along with the arrangements for recovering funding where non-compliance occurs. The monitoring and evaluation tools used through Dorset LEP's programme management and are outlined in detailed in Dorset LEP [Monitoring and Evaluation Plan](#), and include:
- Highlight Reports
 - Financial Reports
 - Risk and Issue Register
 - Project Programme
 - Outputs and Outcomes Reports, Certificate and Protocol
- 12.3. In addition to the above monitoring documents, the programme managers maintain a good working relationship with the project managers and communicate regularly, either through informal or formal meetings. These give the chance for programme managers to highlight any concerns they have with the supplied documentation and draw additional feedback on the delivery status of projects and ensure that projects are kept to time and budget and that risks are managed.
- 12.4. Reporting to Dorset LEP Board is on exception, which means that operational decisions can be taken by each project team, providing they are within the agreed scope, time and budget. Any changes to scope, time and budget must be submitted to the Finance, Audit and Corporate Risk Committee or Dorset LEP Board for decision. Any decision outside the delegated powers of the Committee are reported directly to the LEP Board for decision. The Terms of Reference for the Committee can be found on Dorset LEP [website](#). Any changes to the scope, time and budget to any project must be accompanied by change requests.
- 12.5. The Dorset LEP Board can make decisions by written procedures, which is stipulated in the Articles of Association, for instances where a decision cannot wait until the next scheduled Board meeting. In such instances, the LEP Board members are given 7 calendar days to make a decision in writing. Any approval provided by the LEP Board via written procedures is ratified and minuted at the next LEP Board meeting.
- 12.6. Each change to a project must be accompanied by a change request, which will be considered by the Finance, Audit and Corporate Risk Committee or the LEP Board on a case-by-case basis. Changes to projects that are part of a programme shall be made in one change request, thus reflecting how the changes will impact the overall programme delivery. A request for change is a request to change a project baseline and therefore should be within the scope of the original full business case approved by the LEP Board. Any changes outside of the original scope / baseline identified in full business cases will not be considered by the LEP Board as this constitutes a new scope, and a new project. An example of a permitted change request would be the case where a project has identified a financial saving and it is possible to deliver further related outputs with that saving, which were originally identified in the original full business case.
- 12.7. In the event of non-compliance with the monitoring arrangements, the legal funding agreement clearly sets out the arrangements for recovering funding.

- In the event that the Applicant has applied the Funding for purposes outside the scope of this Agreement, or in breach of it, Dorset LEP shall be entitled to demand that the Applicant returns of all or part of the Funding within 21 days of receiving the demand for repayment.
- Dorset LEP may, in its sole discretion, acting reasonably, terminate the Agreement and stop payment of the Funding or reclaim payments already made if:
 - Any portion of the Funding is used in breach of the Agreement;
 - The Applicant commits, or DLEP reasonably suspects it has committed:
 - fraud against DLEP or any third party; or
 - any offence under the Bribery Act 2010; or
 - any material financial mismanagement.
 - Dorset LEP reasonably considers that the Applicant has not made satisfactory progress with the Project or is carrying it out in a negligent manner or has failed to complete the Project in the Funding Period;
 - The Applicant provides Dorset LEP with any fraudulent, materially misleading or inaccurate information;
 - The Applicant fails to provide critical project governance information;
 - The Applicant fails to materially comply with any applicable laws that are material to the Project;
 - The Applicant changes the nature of its operations to an extent which Dorset LEP reasonably considers to be significant or prejudicial;
 - The Applicant fails to complete the Project for any reason;
 - Any director or employee or any person acting under the control or authority of the Applicant has acted fraudulently or negligently which might have a detrimental effect on the Project or does anything to bring Dorset LEP into disrepute;
 - The Applicant ceases to operate for any reason or passes a resolution (or any court of competent jurisdiction makes an order) for the Applicant to be wound up or dissolved;
 - An order for winding up is granted against the Applicant.
- It is expected that any requirements made of the Applicant under this Agreement will be mirrored in the Applicant's contractual arrangements with their sub-contractors.
- At the discretion of Dorset LEP any part of the Funding shall be repaid which has either been misused in breach of this Agreement, or if the Applicant fails to provide adequate evidence of the application of the Funding in compliance with the terms set out in this Agreement.
- Should either the Applicant or Dorset LEP cease to trade, they will notify the other party in writing that this Agreement will terminate. Under these circumstances, both parties agree to give the other as much notice as is

reasonable. In this instance obligations under this Agreement will be novated to an appropriate successor body with the agreement of the other party.

- Dorset LEP may terminate this Agreement with immediate effect by serving a written notice on the Applicant if they have failed to remedy any breach of this Agreement within 30 days of being served with a notice pointing out the breach and requiring its rectification.
- In the event of termination of this Agreement before completion of the Project, the Applicant shall reimburse the full amount of Funding provided up to the date of termination.
- The Applicant's Chief Executive and Dorset LEP's Director or their representatives will agree termination arrangements.
- Termination shall not affect any liabilities or rights of either party existing at the time of termination.

12.8. Any instances requiring the recovery of any funding must be formally reported to the s151 Officer and DLEP Board.

13. End of Project and Value for Money Report

- 13.1. Evaluation methodologies and requirements are agreed with applicants within the legal funding agreement and will be in accordance with government guidance for reporting and monitoring.
- 13.2. End of Project Reports are to be produced and reported to the Dorset LEP Board, following completion of the schemes.
- 13.3. The End of Project Report(s) aim to set out how the project was conducted, whether it completed in line with planned expectations, on time and budget, and whether it has delivered all of the expected outputs; and demonstrated the extent to which the assumed/ predicted impacts and benefits have been realised.
- 13.4. Dorset LEP also requires all applicants to produce a Value for Money Statement for each scheme upon its completion.
- 13.5. In carrying out the value for money assessment and completing the Value for Money Statement, Dorset LEP will follow the good practice advice set out in the National Local Growth Assurance Framework.

14. Outcome Monitoring

- 14.1. Outcomes and the realisation of benefits are monitored quarterly and annually, in line with Government reporting expectations, upon the completion of project delivery. The mechanism for monitoring and evaluation are fully described in the [Dorset LEP Monitoring and Evaluation Plan](#).
- 14.2. Monitoring of successful delivery is carried out through the individual project monitoring documentation, through governance structures and reported to the Dorset LEP Board and to Government (bi-annually).
- 14.3. All Government monitoring returns must be approved by the Dorset LEP Board and signed by the S151 Officer. When this is not possible due to timescales to gain

approval by the Dorset LEP Board, the return must be counter-signed by the Dorset LEP Chair and reported at the next Board meeting.