



**SOLENT  
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Solent Local Enterprise Partnership  
Meeting of the Board to be held on Friday 20 March 2015  
08.00am – 10.00am, University of Portsmouth

<b>Time</b>	<b>Title</b>	<b>Original Item No.</b>
08:00 - 08:05	Welcome and Introduction to University of Portsmouth	1
08:05 - 08:15	Apologies for absence	2
	Minutes of meeting held on Friday 23 January 2015	3
	Matters Arising and declarations of interest	
08:15 - 08:45	Executive Update (to include European Structural Investment Funds) - Anne-Marie Mountifield	6
08:45 - 09:20	7.1 Local Growth Deal update: Round 1 and extended growth deal - Executive	7
	7.2 Consideration of Cross-Solent Connectivity LGD Proposal	
09:20 - 09:30	Update from LEP Chairman	9
09:30 - 09:45	Financial update to include forecast out turn for 2014/15 and indicative budget for 2015/16 – Chris Ward	8
09:45 - 09:55	Verbal Updates: 5.1 Strategic Land and Infrastructure Board/Land Property and infrastructure Panel	5
	5.2 Anne-Marie Mountifield - Funding, Finance & Performance Management Group	
09:55 - 10:00	Any other business	9

Meeting close: 10:00am

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**20.3.15**

**Item 6**

**European Structural and Investment  
Fund Presentation**



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# Solent LEP – European Structural Investment Fund Strategy 2014 - 2020



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# ESIF – Overview

In England in 2012, strategic responsibility for the major part of two of the ESI Funds and ERDF and some of EAFRD was devolved to LEPs who were asked to draw up their ESIF strategies taking account of local circumstances and priorities to support the Thematic Objectives.

The actual expenditure of the Funds will continue to be the responsibility of the Managing Authorities. Managing Authorities for the ESI Funds in England are as follows:

- ERDF – Department for Communities and Local Government (DCLG)
- ESF – Department for Work and Pensions (DWP)
- EAFRD – Department for Food and Rural Affairs (Defra)



# Solent LEP ESIF Strategy

Published May 2014 it sets out:

- Overview of Local area
- The Solent Economic Overview
- Our vision for Growth
- POLICY THEMES and KEY ACTIVITIES
- EAFRD
- Alignment of European Funds
- Delivery arrangements (note this will need to be reviewed in light of guidance that has since been published)

Further information see:

[http://solentlep.org.uk/uploads/documents/Solent\\_EU\\_SIF\\_Strategy\\_-\\_19.05\\_.2014\\_.pdf](http://solentlep.org.uk/uploads/documents/Solent_EU_SIF_Strategy_-_19.05_.2014_.pdf)

Policy themes and key activities

- Strengthening research, technological development and innovation
- Enhancing the competitiveness of SME's
- Climate change adaptation/protecting and enhancing the environment
- Investing in education, skills and lifelong learning
- Promoting Employment
- Promoting social inclusion and combating poverty
- EAFRD – enhancing the competitiveness of SME's



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# Solent ESI Indicative Funding summary

(subject to changes in the EU reference rate for €)

Activity	sub-activity	EUSIF allocation	Structural Fund	Priority Axis	Thematic Objective
Solent Innovation		£3,596,040	ERDF	Priority Axis 1	1. Research and Innovation
Graduate Placements		£2,131,938	ERDF	Priority Axis 3	3. SME competitiveness
Solent Business hub		£6,892,410	ERDF	Priority Axis 3	3. SME competitiveness
Access to finance		£2,397,360	ERDF	Priority Axis 3	3. SME competitiveness
Low Carbon		£3,775,842	ERDF	Priority Axis 4	4. Low Carbon Economy
Low Carbon		£599,340	ESF	Priority Axis 2	10. Education
Employer responsive		£5,265,630	ESF	Priority Axis 2	10. Education
Support for unemployed		£2,697,030	ESF	Priority Axis 1	8. Employment and Labour Mot
Solent Jobs pilot		£3,424,800	ESF	Priority Axis 1	9. Social Inclusion and Poverty
Community Grants		£1,455,540	ESF	Priority Axis 1	9. Social Inclusion and Poverty
Supporting young people		£4,495,050	ESF	Priority Axis 1	8. Employment and Labour Mot
	IAG	£899,010.00			
	Traineeships	£1,798,020			
	Apprenticeship grants	£1,798,020			
		<u>£4,495,050.00</u>			
		<b>£36,730,980</b>			
Support for tourism					
Activities in rural areas		£423,699	EAFRD		
Funding new and					
Developing micro & small					
Rural businesses		£706,183	EAFRD		
Building knowledge and					
Skills in rural areas /					
Enhanced bus support		£282,765	EAFRD		
		<u>£1,412,647</u>			



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# Solent ESI (ESF and ERDF) Financial profile summary (subject to changes in the EU reference rate for € )

ESIF Allocation (excluding matched funding) Financial Profile Summary	THEMATIC OBJECTIVE		
ESI Fund		UP TO 2018 (£)	UP TP 2023 (£)
ERDF - Solent Innovation	1. Research and Innovation	1,179,501	3,596,040
ERDF - Graduate placements/Solent Business Hub/Access to Finance	3. SME Competitiveness	4,295,455	11,421,708
ERDF - Low Carbon	4. Low Carbon Economy	1,238,476	3,775,842
ESF - Low Carbon/Employer responsive	10. Education	5,921,479	12,072,420
ESF - Support for unemployed/Solent Jobs pilot/Community Grants/Supporting young people	8. Employment and Labour mobility 9. Social Inclusion and Poverty	2,176,460	5,864,970
<b>TOTAL</b>		<b>£ 14.811,372</b>	<b>£ 36,730,980</b>

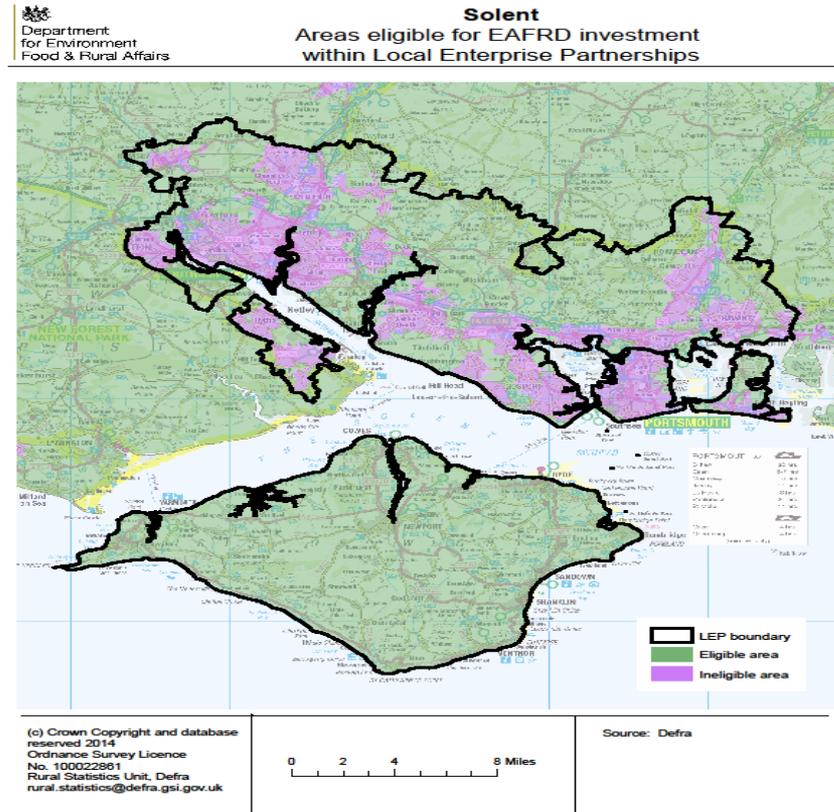


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# Solent LEP EAFRD Funding summary

1. Area eligible for investment as detailed on map.
2. EAFRD seeking to focus on :
  - Tourism activities in rural areas – £423,699
  - New micro and small rural businesses - £706,183
  - Building knowledge and skills in rural areas/enhanced business support - £282,765

**Total Funding available for Solent  
£1,412,647(subject to change due to EU  
reference rate fluctuations on €)**



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**20.3.15**

**Item 6**

**Draft Consultation Response to  
Consultation on Sites Proposed for  
Designation in the Second Tranche  
of Marine Conservation Zones  
(MCZ)**



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Solent LEP Office  
Ground Floor  
1000 Lakeside  
Western Road  
Portsmouth  
PO6 3EZ

Sent by email only to: [mcz@defra.gsi.gov.uk](mailto:mcz@defra.gsi.gov.uk)

20 March, 2015

Dear Sir / Madam,

**Re: Solent LEP Response to Consultation on Sites Proposed for Designation in the Second Tranche of Marine Conservation Zones (MCZ)**

Solent LEP welcomes the opportunity to respond to the consultation on sites proposed for designation in the second tranche of marine conservation zones. We have read the consultation document and the relevant site summary documents and are responding to raise a number of concerns.

Further to our letter to the Secretary of State, dated 9<sup>th</sup> December 2014, the LEP is encouraged to read in the consultation document that three of the previously proposed MCZ designations (Bembridge, Yarmouth to Cowes and Norris to Ryde) are not proposed to be taken forward in the second tranche. However, it is noted that these will be in scope for further consideration when a third tranche is looked at in detail, and this is of particular concern.

Three proposed MCZ designations local to the Solent LEP area (The Needles, Utopia and Offshore Overfalls) feature in the formal consultation document as part of the second tranche of zones and the Solent LEP does have concerns over these proposed designations.

It is noted that in developing the second tranche of proposed MCZs, Statutory Nature Conservation Bodies and Regulators have worked with you to verify and update the evidence. However, as environmental considerations need to be balanced against socio-economic considerations, it has been our expectation that the verification and updating of evidence on social and economic costs would draw upon the work of Local Enterprise Partnerships and in particular the strategic economic plans that were prepared in 2014. It has also been our expectation that Defra would deliver on its commitment to "remove regulatory and other barriers to growth".

We would also highlight that there appears to be a policy disconnect between government departments, with the Maritime Growth Study<sup>1</sup>, which is currently in train, within which, the Government states that it is focused on generating an environment in which the maritime sector can thrive and that this includes, amongst other things, cutting back on red tape affecting the sector.

The Maritime Growth Study identifies that the UK's position as a globally leading centre for marine and maritime economic activity and the marked growth of the sector over a number of years, now faces strong competition, particularly from the Far East. Indeed, a recent decline in several indicators of UK shipping interests may be a possible early symptom of this. It is acknowledged that aspects of the maritime sector are internationally mobile and therefore, any moves that impact on operations or increase costs have the potential to result in a loss of investment in the UK.

Whilst the Solent boasts a mixed economy, it is our marine and maritime sector that sets us apart. The clustering of businesses and educational strengths places the Solent at the heart of the UK's marine and maritime economy. This sector, defined broadly, accounts for 20.5% of our GVA and provides 40,000 jobs locally; it supports more than 3,000 businesses. Over the period to 2025, these sectors are projected to grow by 5% in the Solent region. Ensuring that our economic strategy facilitates the growth of these sectors is therefore critically important, and therefore, the impact of these designations does present the potential to undermine our Growth Strategy, and our economic potential.

Having reviewed the documentation, Solent LEP cannot see any reference to Local Enterprise Partnerships or Strategic Economic Plans, and it is absolutely critical that you do update the social and economic cost assessment for the second tranche of MCZs to inform decision-making. For sites that impact on the competitiveness of the Solent economy, this update should draw on the Solent Strategic Economic Plan and supporting evidence base, as well as the government commissioned Solent Marine and Maritime Strategy which was published in April 2014. Copies of both can be accessed via our website at:

[http://solentlep.org.uk/uploads/documents/Solent\\_Strategic\\_Economic\\_Plan.pdf](http://solentlep.org.uk/uploads/documents/Solent_Strategic_Economic_Plan.pdf); and  
[http://solentlep.org.uk/uploads/documents/Solent\\_Marine\\_Maritime\\_Report.pdf](http://solentlep.org.uk/uploads/documents/Solent_Marine_Maritime_Report.pdf)

The proposed second and third tranche sites will have impacts on port and shipping operators within the Solent region, including the potential restriction of essential anchorages serving south coast ports, potential future dredge restrictions and concerns over continued ferry operations to / from the Isle of Wight.

Whilst it is acknowledged that it is not included in the second tranche immediately under consideration, the principal concern is the proposed Bembridge MCZ, which would cover the St. Helen's anchorage. This anchorage is used by over 1300 vessels visiting south coast ports (including the Port of Southampton, the Esso oil refinery and Portsmouth) or seeking shelter every year. There are also serious concerns regarding the proposed Yarmouth to Cowes MCZ in the Western Solent which covers the Saltmead anchorage, currently used by around 350 vessels every year. Both these anchorages are essential for the continued operational logistics of South Coast ports e.g. for the Port of Southampton alone, these anchorages enable 23% of the port's incoming trade. In addition, both St Helen's and Saltmead provide essential places of refuge to passing traffic which cannot be provided for in other locations due to their unique sheltered characteristics – approximately 200 vessels pass these sites simply for refuge i.e. are not visiting a Solent port.

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<sup>1</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/396607/dft-maritime-growth-study-2a-web.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/396607/dft-maritime-growth-study-2a-web.pdf)

We note that impacts on specific sectors are identified within the site summary documents, and that this sets out annual cost estimates. Our view is that these estimates are extremely conservative. For the Port of Southampton alone, restricting the use of St Helen's and Saltmead anchorage could cost the Solent region an estimated £164 million every year and put 2,435 jobs at risk. The Port of Southampton is of national strategic importance and makes a vital contribution to the local, regional and national economy. The port currently contributes almost £1 billion to the UK economy every year, including £714 million for the Solent region and supports 10,590 local jobs.

There is also concern that even if the use of the St. Helen's and Saltmead anchorages is not restricted, Solent marine industries could be faced with significant disproportionate and prohibitive costs for providing environmental offsetting measures. This is especially pertinent given these anchorage sites cannot simply be re-located due to the sheltered places of refuge they provide.

A further concern is that the proposed Utopia MCZ could limit the use of the Nab disposal site. This disposal site is used by a number of south coast ports, such as Southampton and Portsmouth, who depend on dredging to provide safe access channels. Limiting the use of the Nab disposal site could therefore have further serious and damaging implications, potentially costing yet more trade and jobs.

Solent LEP understand that a range of Solent ports and shipping stakeholders have raised these issues with the Defra Marine team on a number of occasions, but we are not aware that feedback has been provided as to the implications of these sites for Solent port and shipping operators. It is our expectation that the points raised in our correspondence and the issues raised by stakeholders in the Solent LEP area will form a core part of the case-by-case consideration that you have committed to undertake to inform the designation of the second tranche of sites, and we will be seeking evidence that this has been undertaken.

Should you have any questions regarding this response, please do not hesitate to contact [stuart.baker@solentlep.org.uk](mailto:stuart.baker@solentlep.org.uk) in the Solent LEP executive team.

Yours sincerely,

Gary Jeffries  
Chairman  
Solent Local Enterprise Partnership

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**20.3.15**

**Item 6**

**National Audit Office Report on  
Conflicts of Interest**



National Audit Office

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## **Report**

by the Comptroller  
and Auditor General

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## **Cross-government**

# Conflicts of interest

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Our vision is to help the nation spend wisely.

Our public audit perspective helps Parliament hold government to account and improve public services.

The National Audit Office scrutinises public spending for Parliament and is independent of government. The Comptroller and Auditor General (C&AG), Sir Amyas Morse KCB, is an Officer of the House of Commons and leads the NAO, which employs some 820 employees. The C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether departments and the bodies they fund have used their resources efficiently, effectively, and with economy. Our studies evaluate the value for money of public spending, nationally and locally. Our recommendations and reports on good practice help government improve public services, and our work led to audited savings of £1.1 billion in 2013.

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National Audit Office

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Cross-government

# Conflicts of interest

Report by the Comptroller and Auditor General

Ordered by the House of Commons  
to be printed on 26 January 2015

This report has been prepared under Section 6 of the  
National Audit Act 1983 for presentation to the House of  
Commons in accordance with Section 9 of the Act

Sir Amyas Morse KCB  
Comptroller and Auditor General  
National Audit Office

23 January 2015

This report provides an overview of what conflicts of interest are, the risks and how and why they occur and includes various examples from public sector situations

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**Appendix Two**

Managing conflicts of interest – good practice 23

The National Audit Office study team consisted of:

Ee-Ling Then, Simon Reason, under the direction of Paul Oliffe.

This report can be found on the National Audit Office website at [www.nao.org.uk](http://www.nao.org.uk)

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# Summary

**1** This report outlines the importance of recognising and adequately managing conflicts of interest in the public sector. We define a conflict of interest as a set of circumstances that creates a risk that an individual's ability to apply judgement or act in one role is, or could be, impaired or influenced by a secondary interest. The perception of competing interests, impaired judgement or undue influence can also be a conflict of interest.

**2** In the last year we have gathered a significant amount of intelligence on conflicts, particularly in the health and education sectors. These are areas of government where services are increasingly commissioned and delivered by parties at arm's-length to departments.

**3** Conflicts of interest can occur naturally as a product of the way a system is designed. Providing services via third parties increases the potential for conflicts of interest as organisations act as both commissioner and provider of related services. A clear approach to managing these conflicts is necessary to counter concerns about lack of transparency and the view that conflicts of interest are influencing decisions. A particular concern alleges that commissioners have been able to buy services from private businesses in which they have a financial or family interest.

**4** It is important to recognise the risk of conflicts of interest and their impact on how decisions and operations are perceived. A failure to recognise a conflict of interest can give the impression that the organisation or individual is not acting in the public interest and could potentially lead to a decision being subject to challenge. This can damage reputations and undermine confidence in government.

**5** This report gives examples of potential conflicts to illustrate how and where they may arise in the provision of public services. Our objectives were to:

- define conflicts of interest (Part One);
- explain how and where conflicts of interest can arise and the importance of recognising them when they do occur (Part Two); and
- determine what guidance and policies govern the management of conflicts of interest and establish what should be in place to identify and manage the risks (Part Three).

**6** This report uses examples of potential conflicts as illustrations. We have not sought to judge whether an actual conflict of interest has arisen and/or influenced decision-making. We also did not assess government or departmental conflict of interest policies or practices in this report. We plan to focus on how conflicts of interest are managed in specific sectors separately in planned future work.

**7** Our methods are set out at Appendix One. We summarise key elements of good practice on managing conflicts of interest in Appendix Two.

# Part One

## Defining conflicts of interest

### What are conflicts of interest?

**1.1** A conflict of interest is a set of circumstances that creates a risk that an individual's ability to apply judgement or act in one role is, or could be, impaired or influenced by a secondary interest. It can occur in any situation where an individual or organisation (private or government) can exploit a professional or official role for personal or other benefit. This definition is based on generally accepted standards.

**1.2** Conflicts can exist if the circumstances create a risk that decisions *may* be influenced, regardless of whether the individual actually benefits. The perception of competing interests, impaired judgement or undue influence can also be a conflict of interest.

**1.3** Conflicts might occur if individuals have, for example:

- a direct or indirect financial interest;
- non-financial or personal interests; or
- conflicts of loyalty where decision-makers have competing loyalties between an organisation they owe a primary duty to and some other person or entity.

**1.4** Conflicts of interest exist on a spectrum of severity. In public services, they can take many forms, for example:

- accepting hospitality or gifts from private sector companies during a procurement exercise;
- providing policy advice to government while also working, or consulting, for industry;
- awarding contracts to suppliers in which the decision-maker has a personal or financial interest; and
- in the delivery of public services, where individuals or organisations assess service needs as well as providing the services.

## **Consequences of not recognising the risk of conflicts**

**1.5** It is important to manage conflicts of interest. Not only can they bring decision-making into disrepute but often the perception of conflict alone is enough to cause concern. This can lead to reputational damage and undermine public confidence in the integrity of institutions.

**1.6** A failure to recognise a conflict of interest can give the impression that the organisation or individual is not acting in the public interest. More seriously, if left unresolved, some conflicts can result in criminal action, for example fraud, bribery or corruption through abuse of position.

**1.7** There is also a potential risk of legal challenge to decisions made by public bodies. If a decision-maker has a conflict of interest then the decision is potentially vulnerable and could be overturned on judicial review.<sup>1</sup>

<sup>1</sup> Article 6 of the European Convention on Human Rights and Articles 41 and 47 of the EU Charter of Fundamental Rights enshrine the principle that decisions should be made free from actual and apparent bias.

## Part Two

### Recognising the risk of conflicts of interest

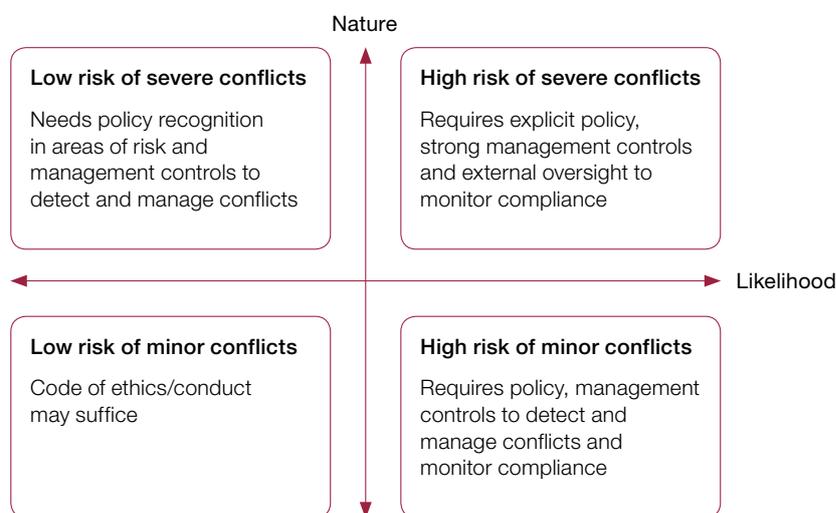
**2.1** This part of the report describes why it is important to recognise conflicts. It also provides examples of where they commonly arise.

**2.2** Conflicts of interest are a common and unavoidable part of management that can arise in a range of situations and environments. They can result from policy decisions or systems or can occur naturally in certain management situations. It is therefore not reasonable or desirable to completely eliminate the risk of conflicts of interest. It is better to recognise the associated risks and put measures in place to identify and manage conflicts when they do arise. Departments and other bodies should design a proportionate approach that reflects the nature and scale of conflicts that they are exposed to and their risk appetite (**Figure 1**).

**2.3** The following sections describe the types of situations where conflicts are more likely to occur. We use case examples to illustrate our points not to form a judgement. At times, the examples highlight allegations reported by the media. We use such examples to show how conflicts are perceived, not with the intent of supporting the allegations or commenting on whether the conflicts were appropriately managed.

**Figure 1**

Taking a proportionate approach to managing conflicts



## Conflicts arising from the design of policy/system

**2.4** Conflicts of interest can arise from system or policy design. Changes in public service provision have created devolved delivery models. Private or semi-private organisations assess service needs and then, either directly or indirectly, provide the service. For example, GPs could be both commissioners and providers of services for clinical commissioning groups. They are responsible for selecting providers and deciding on spending, while potentially being involved in delivering some of those services.

**2.5** Academy trusts and local enterprise partnerships are in a similar position. Members of such groups come from different backgrounds, bringing valuable local, specialist or business expertise. However, there are allegations surrounding the lack of transparency in decision-making and the risk that the private interests of members could influence public spending decisions, for example through related party transactions.

**2.6** Related party transactions are a type of conflict of interest. The accounting standards define them as “a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged”.<sup>2</sup> Most commonly, they take the form of buying goods or services from companies in which the organisation – or individuals within that organisation – has some relationship with. They are not inherently irregular and are permitted.

### Related party transactions in government

#### Health

**2.7** When the Department of Health planned the reform of the health system in England which occurred in April 2013, it recognised the proposals increased the likelihood of conflicts of interest. But it felt the benefits outweighed the risks, so the Health and Social Care Act 2012 explicitly outlines how to manage conflicts.<sup>3</sup> The design of the reformed system means there is the potential for some GPs to profit personally from the decisions of commissioners, for example by commissioning services from a provider to which they have links.

**2.8** A *British Medical Journal* investigation in 2013 found that 426 (36%) of the 1,179 GPs on the governing body of new clinical commissioning groups have a potential conflict of interest because they have directorships or shares in private healthcare companies.<sup>4</sup> These figures are not a cause for concern as long as each group identifies and manages these conflicts appropriately. We plan to produce a separate report on this area in 2015.

<sup>2</sup> International Accounting Standard 24 on related party disclosures.

<sup>3</sup> See Health and Social Care Act 2012, Chapter 2, Section 140, available at: [www.legislation.gov.uk/ukpga/2012/7/part/1/crossheading/further-provision-about-clinical-commissioning-groups/enacted](http://www.legislation.gov.uk/ukpga/2012/7/part/1/crossheading/further-provision-about-clinical-commissioning-groups/enacted)

<sup>4</sup> G Iacobucci, ‘*BMJ investigation finds GP conflicts of interest “rife” on commissioning boards*’, *BMJ* 12 March 2013, available at: [www.bmj.com/press-releases/2013/03/12/bmj-investigation-finds-gp-conflicts-interest-%E2%80%9Ccrife%E2%80%9D-commissioning-boards](http://www.bmj.com/press-releases/2013/03/12/bmj-investigation-finds-gp-conflicts-interest-%E2%80%9Ccrife%E2%80%9D-commissioning-boards)

## Education

**2.9** Academies is another sector where conflicts occur and in some cases, they have not been appropriately managed. Academy trusts are charitable companies limited by guarantee, so must comply with relevant charities and companies law. This legislation includes the requirement that trustees act in the trust's interest, and disclose all related party transactions in its annual report and accounts. Academies must also comply with the *Academies financial handbook*. This guidance previously prohibited trustees from 'benefiting personally' from their relationship with a trust. However, the new guidance for the year ended 31 August 2014 says all related party transactions should be 'at cost', without any profit element.

**2.10** The Department for Education and the Education Funding Agency oversee the academies sector. The Agency requires transparent self-declaration of related-party transactions in academies' audited and published accounts. It also investigates shortcomings in performance, publishing its investigations to promote openness.<sup>5</sup> In a recent review, it found that in a small number of cases, conflicts of interest were not managed appropriately.<sup>6</sup> Academy trusts or individuals were in breach of the guidelines, sometimes leading to a *Financial Notice to Improve* or even to criminal proceedings. We have examined the Education Funding Agency's wider management controls on related party transactions but have not undertaken a systematic review to quantify the scale of the issue.<sup>7</sup>

**2.11** This report provides illustrative examples drawn from the published education investigations. The number of examples in this report should not be taken to demonstrate greater issues in this sector relative to others. There is more information available on education due to the Department and Agency's efforts to examine this issue in more detail.

**2.12** Cases show schools awarding contracts to private businesses in which their staff, trustees, governors or sponsors had a financial interest. Potentially these give trustees or their families opportunities to profit from their relationship with the academy or school trust. There are examples where:

- trusts awarded contracts for services to companies in which certain members of the trust had an interest;
- members failed to declare their interests when taking the decisions to award the contracts in question; and
- sponsors provided paid services through licensing arrangements.

5 Education Funding Agency, *Academies investigation reports*, 7 March 2014, available at: [www.gov.uk/government/collections/academies-investigation-reports](http://www.gov.uk/government/collections/academies-investigation-reports)

6 Education Funding Agency, *Review of related party transactions in academies*, November 2014, available at: [www.gov.uk/government/publications/review-of-related-party-transactions-in-academies](http://www.gov.uk/government/publications/review-of-related-party-transactions-in-academies)

7 Comptroller and Auditor General, *Investigation into the Education Funding Agency's oversight of related party transactions at Durand Academy*, Session 2014-15, HC 782, National Audit Office, November 2014.

**2.13** The Institute for Education published research in September 2014 into conflicts of interest in academy sponsorship arrangements. The research was small-scale and rapid. It noted that:

“The widespread view, is that the majority of academy trusts are staffed by honourable people working hard to address educational underperformance, often in challenging circumstances. Cases of deliberate fraud are rare and many of the instances where real or perceived conflicts have arisen are the result of people being asked to work too fast with too few controls. Nevertheless, the general sense... is that the checks and balances on academy trusts in relation to conflicts of interest are still too weak. In the course of the research we came across a significant number of real or potential conflicts of interest that we found concerning.”

*Source: Professor Toby Greany and Jean Scott, Conflicts of interest in academy sponsorship arrangements: A report for the Education Select Committee, London Centre for Leadership Learning and Institute of Education, September 2014*

### **Local government**

**2.14** Local Enterprise Partnerships are another area of potential risk. These were established in 2011 as voluntary partnerships between local authorities and businesses to help lead economic growth and job creation. They decide what the local priorities should be for investment in roads, buildings and facilities in defined areas. Members are drawn from the public and private sector, with the chair coming from business. There has been some media attention questioning the impartiality of funding decisions given the risk that some members have business interests and could benefit personally, for example in planning applications.<sup>8</sup> However, we have not yet looked at this and therefore cannot comment on the extent to which there is an issue. The government has developed an assurance framework which sets out how conflicts of interest should be dealt with.<sup>9</sup>

### **Conflicts arising from operational situations**

**2.15** Conflicts of interest are more likely to arise where individuals or organisations are transacting with a third party. This includes commissioning and procurement decisions; recruiting staff; leaving public office; partnering with private firms; and when receiving gifts. Organisations should manage this risk by putting in place appropriate safeguards around these operations.

<sup>8</sup> Media articles, available at: [www.bournemouthecho.co.uk/news/11241945.LEP\\_member\\_accused\\_of\\_staggering\\_conflict\\_of\\_interest\\_after\\_supporting\\_Winter\\_Gardens\\_scheme/](http://www.bournemouthecho.co.uk/news/11241945.LEP_member_accused_of_staggering_conflict_of_interest_after_supporting_Winter_Gardens_scheme/), [www.coventrytelegraph.net/news/coventry-news/call-block-bizarre-coventry-warwickshire-3022034](http://www.coventrytelegraph.net/news/coventry-news/call-block-bizarre-coventry-warwickshire-3022034) and [www.bbc.co.uk/news/uk-england-coventry-warwickshire-18718966](http://www.bbc.co.uk/news/uk-england-coventry-warwickshire-18718966)

<sup>9</sup> Department for Business, Innovation & Skills, *Local enterprise partnership assurance framework*, December 2014, available at: [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/386642/bis-14-1241-local-enterprise-partnership-LEP-national-assurance-framework.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/386642/bis-14-1241-local-enterprise-partnership-LEP-national-assurance-framework.pdf)

## Commissioning and procurement decisions

**2.16** Public procurement is vulnerable to conflicts of interest. Selecting a contractor to provide supplies or services provides opportunities for conflicts as personal and professional connections can influence choice. For example, someone could influence the tender procedure to allow a relative, friend or commercial or financial partner to increase their chances of success. They could leak information on the tendering procedure, bias the selection criteria or influence the final evaluation. **Figure 2** gives an example of a public official awarding a contract for personal gain.

## Recruitment and selection of staff

**2.17** Recruiting and selecting staff is open to the same risks as selecting suppliers. There needs to be transparent processes and criteria to ensure decisions are made objectively and without bias. **Figure 3** describes an example of nepotism in an academy.

## Additional employment, outside appointments and activity after leaving public office

**2.18** Individuals transferring from government to private sector roles are associated with many apparent conflicts of interest, for example:

- Abuse of office: an official might use his or her power while in office to shape a policy or decision in favour of a certain company, with a view to opening up opportunities to future employment.
- Undue influence: a former officer now employed by a private company might influence his or her former colleagues to make a decision that favours the company.
- Profiteering: an individual might profit from public office by drawing on information, knowledge or stature derived from his or her public role to profit financially.
- Switching sides: an individual might leave public office to take up employment with a private sector organisation in a role that requires him or her to oppose the government's position on an issue, which he or she had previously represented. This can be problematic because they may have had access to privileged information.<sup>10</sup>

<sup>10</sup> Taken from Transparency International UK, *Corruption in UK local government, the mounting risks*, October 2013, pp. 26–27.

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**Figure 2**

## Procurement practices

**Revenue & Customs Prosecutions Office (example from NAO financial audit)**

In 2005-06, the Comptroller and Auditor General qualified the accounts of the Revenue and Customs Procurement Office and highlighted procurement irregularities. The chief operating officer had engaged his wife to do a human resource review in 2005-06. In 2006-07, he made payments to a company owned by his wife of which he was the company secretary. Payments over 2 years totalled £97,907 (including VAT). There were no clear procurement controls (including inadequate separation of duties), no code of conduct and the organisation failed to alert HM Treasury before the transaction. It was also not disclosed as a related party transaction.

Source: Revenue and Customs Prosecutions Office Resource Account 2006-07; Select committee on public accounts, Memorandum by the Comptroller and Auditor General updating his reports HC 273 of 2005-06 and HC 870 of 2006-07, May 2008

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**Figure 3**

## Recruiting family members

**Priory Federation of Academies (example from Department for Education investigation)**

An investigation into the Federation found a history of employing relatives of staff. The former chief executive officer (CEO) employed his wife at the federation, and also his daughter, son and the former finance director's son.

The CEO's daughter was engaged as a consultant from May 2010 to April 2011 at a cost of £55,585. This figure was not declared in the 31 August 2011 accounts as a third party transaction. The investigators were told it was not clear from guidance what constitutes a 'close relative' – the trigger for a declaration. His son was employed for 5 months from February 2011 and paid around £19,000. His wife was paid £6,030 in October 2008 for consultancy.

The CEO resigned and was subject to police investigation in 2012-13.

Source: Department for Education. Internal Audit, *Investigation Report on Priory Federation of Academies Trust*, March 2012. Available at: <http://media.education.gov.uk/assets/files/pdf/d/priory%20federation%20of%20academies%20trust%20dfe%20investigation%20report%20march%202012.pdf>

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**2.19** There are business appointment rules which apply to civil servants who intend to take up an appointment or employment after leaving the Civil Service. Senior civil servants may need to seek approval from the Advisory Committee on Business Appointments who can impose certain conditions such as a waiting period and/or a prohibition on the individual being involved in lobbying government on behalf of their new employer. Other restrictions could include a condition that for a specified period, the former civil servant should stand aside from involvement in certain activities, for example, commercial dealings with his or her former Department, or involvement in particular areas of the new employer's business. The advice for the most senior civil servants is usually made public once the appointment is announced or taken up. Recent changes to the rules also now require Departments to publish summary information on the advice and restrictions imposed on their former civil servants below this senior level.<sup>11</sup>

<sup>11</sup> Cabinet Office, *the business appointment rules for civil servants*, available at: [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/382937/Business\\_Appointment\\_Rules\\_\\_2014\\_.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/382937/Business_Appointment_Rules__2014_.pdf)

**2.20** Figure 4 gives 2 examples, reported in the media.

### Contracted-out services

**2.21** The private sector is increasingly involved in providing a range of public services including directly delivering front-line services. As a result, employees of private companies can be expected to make important decisions about the delivery of services on the government's behalf. However, for a private company, balancing delivering value to the public with maximising returns to shareholders can sometimes lead to conflicts.

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## Figure 4

### Movement of staff between government and private companies

#### Procurement of search and rescue helicopters (example from open source media)

In 2011, the Ministry of Defence (MoD) and Department for Transport (DfT) terminated their procurement of new search and rescue helicopters. The preferred bidder in the competition, a consortium, had come forward to inform them that there were irregularities in their bid team. Specifically the consortium had gained access to commercially sensitive information regarding the joint MoD/DfT evaluations of industry bids.

In 2013, an investigation by the Ministry of Defence police found there was insufficient evidence to warrant further police action. At the time of our fieldwork the Department in partnership with the MoD was pursuing a civil claim.<sup>1</sup>

#### From designing policy to private delivery (example from open source media)

The BBC reported on the case of a former director general of commissioning at the Department of Health, who in 2009, 3 months after leaving his position, became Global Head of Healthcare at KPMG. Having been responsible for designing ways of commissioning healthcare, the individual then worked for a company that was bidding for many of the contracts resulting from his reforms.

The individual sought advice on his career move from the Advisory Committee on Business Appointments (ACoBA), as he was required to do. The appointment had been approved subject to a 3-month waiting period and a 12-month ban on lobbying ministers. His successor at the Department of Health also joined KPMG a year later. He did not have to seek ACoBA approval as he had only served as 'acting' Director General of Commissioning. However, the Department gave its approval and imposed the same conditions on him.<sup>2</sup> KPMG went on to win 3 NHS related contracts.

KPMG stated that "both men had actively observed and fully complied at all times with the restrictions placed on them... KPMG has ensured that neither was involved in contract bids which would have been in conflict with those restrictions. KPMG requires all new joiners to sign a confirmation that they will comply with specific requirements to act with integrity and ensure that conflicts of interest do not occur. These contracts have been awarded via competitive tenders under formal public sector procurement processes."

#### Notes

1 Hansard, Parliamentary question by Sir Alan Beith, HC Deb, 25 April 2013, c1266W.

2 This case was reported by BBC Radio 4's File on 4 programme, broadcast on 26 July 2011 (programme number: 11VQ5007LHO). Transcript available at: [http://news.bbc.co.uk/1/shared/bsp/hi/pdfs/fileon4\\_26\\_07\\_11\\_revolve.pdf](http://news.bbc.co.uk/1/shared/bsp/hi/pdfs/fileon4_26_07_11_revolve.pdf) It was quoted in a Transparency International UK policy paper: *Fixing the revolving door between government and business*, May 2012.

Source: See notes

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**2.22** Departments who decide to contract out their services should identify any potential conflicts of interest that its contractors may have, and ensure they and their contractors have appropriate means to manage them. Our recent report *Transforming government's contract management* sets out the need for the contractor to take greater responsibility for providing a control environment which will maintain ethical behaviour and public service standards. The report also suggests that government ask its contractors to provide annual statements of assurance that they have operated appropriate controls.<sup>12</sup> **Figure 5** describes an example of how conflicts are being managed in a contracted-out service.

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## **Figure 5**

### Handling dual roles

#### **Supplying temporary workers to government (example from open source media)**

In June 2013, The Crown Commercial Service (CCS) introduced the 'Contingent Labour One' contract to provide temporary resources into central government and arm's-length bodies. All temporary posts are now sourced by one of three suppliers: Capita Business Services; Hays Plc; and Brook Street. These suppliers contract with employment agencies who, in turn, recruit temporary contractors to fill posts. These suppliers or their parent companies also own employment agencies directly.

Capita Business Services provides a service to source specialist contractors and interim managers from a supply chain of some 290 agencies. The supply chain is managed by Capita Business Services and all suppliers are vetted and approved for use in the contract. Suppliers can submit up to 2 candidate CVs per advertised role that are then reviewed and sifted by Capita Business Services. It then provides the 5 most appropriate CVs to the employer (department or arm's-length body) to select. The successful supplier then receives a fixed mark-up of the day rate as a commission.

Press reports have focused on how Capita Business Services faces a conflict of interest as there are businesses in the Capita Group which are employment agencies and can supply contractors as well as being the service provider. The CCS manages it by:

- requiring the Capita Group employment agencies to compete with other employment agencies when a new role is advertised;
- including a contractual clause that caps the total value of work Capita Group employment agencies can provide to a maximum of 20% over a six month period – at least 80% of vacancies by value must be fulfilled by non-Capita Group employment agencies; and
- monitoring performance against this by requiring Capita Business Services to report monthly information on the source of candidates for the value of contracts won. Capita Group cannot submit candidates from its own employment agencies if the cap is breached without CCS's prior permission.

The 20% cap was put in place following CCS costing research. This found that it would be prohibitively expensive for a supplier to administer the system without the ability to compete for roles through the employment agencies within its own group. CCS therefore decided to allow the supplier to compete with the supply chain to provide contractors up to a specified threshold.

Brook Street provides a managed service for the provision of administrative and clerical roles and Hays plc for operational roles. Due to the lower costs associated with these types of roles, both Hays plc and Brook Street can provide their own candidates for up to 80% of the work by value.

Source: Crown Commercial Service

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<sup>12</sup> Comptroller and Auditor General, *Transforming government's contract management*, Session 2014-15, HC 269, National Audit Office, September 2014, paragraph 3.17.

## Gifts and hospitality

**2.23** Accepting significant gifts or hospitality creates a perception of biased decision-making even if the gift has no bearing on judgement. The Bribery Act 2010 defines bribery as offering or receiving a bribe in return for breach of expectation or improper performance and sets out 4 criminal offences: bribing another person; being bribed; bribery of a foreign public official; and failure of a commercial organisation to prevent a bribe. Under Section 7, commercial organisations need to show they have 'adequate procedures' in place to prevent persons associated with them from undertaking such conduct.

**2.24** The legislation does not criminalise corporate hospitality or other expenditure which is reasonable and proportionate. It is accepted that this is a recognised and established part of doing business. But in some instances it may be perceived that the real purpose behind the expenditure is to influence an individual in order to secure business or a business advantage.

**2.25** The civil service code states that "civil servants must not receive gifts, hospitality or benefits of any kind from a third party which might be seen to compromise their personal judgement or integrity." We expect departments should have arrangements in place to declare and register gifts and other benefits. However, they decide the situations in which they require staff to report offers of gifts, hospitality and other benefits and the circumstances in which they need to seek permission before accepting them.<sup>13</sup>

**2.26** Transparency is an important part of holding individuals to account for their actions. Since 2010, government has required departments to publish online, information about hospitality, gifts, travel and meetings with external organisations for ministers, the most senior officials and special advisors.<sup>14</sup> The latest data relates to 2013-14.

<sup>13</sup> Available at: [www.gov.uk/government/publications/civil-servants-terms-and-conditions](http://www.gov.uk/government/publications/civil-servants-terms-and-conditions)

<sup>14</sup> Available at: [www.parliament.uk/business/committees/committees-archive/public-administration-select-committee/pasclobbbying/](http://www.parliament.uk/business/committees/committees-archive/public-administration-select-committee/pasclobbbying/)

# Part Three

## Managing conflicts of interest

**3.1** This part of the report describes the UK’s approach to reducing the risk of conflicts arising and the practical measures public sector organisations should have in place to manage conflicts of interest.

### How to manage conflicts of interest

**3.2** Countries opt to ‘regulate’ conflicts of interest in different ways, reflecting historical, political and cultural circumstances. In most countries, preventing conflicts of interest is part of a broader policy to combat corruption. Approaches fall on a spectrum from an absolute, rules-based model to a more informal principles-based approach.

### UK government approach to managing conflicts

**3.3** The UK public sector takes a principles-based approach, indirectly addressing conflicts of interest through ethical standards and behaviour. There is high-level central government direction on how to manage conflicts of interest with guidance and codes of conduct to outline principles and expected behaviour for civil servants, board members and accounting officers. It relies on local implementation and enforcement:

- The Committee on Standards in Public Life’s ‘Nolan principles’, and the *Civil Service code of conduct*, refer to ‘integrity’ and the need to put obligations of public service above personal interests.<sup>15</sup>
- The Cabinet Office’s *Civil Service management code* sets out principles and rules for departments and agencies on terms and conditions of service – it includes sections on standards and propriety, including a requirement for civil servants to disclose business interests.<sup>16</sup>

<sup>15</sup> Committee on Standards in public life, *the 7 principles of public life*, May 1995, available at: [www.gov.uk/government/publications/the-7-principles-of-public-life](http://www.gov.uk/government/publications/the-7-principles-of-public-life); Cabinet Office, *Civil Service Code*, November 2010, available at: [www.civilservice.gov.uk/wp-content/uploads/2011/09/civil-service-code-2010.pdf](http://www.civilservice.gov.uk/wp-content/uploads/2011/09/civil-service-code-2010.pdf)

<sup>16</sup> The code states that civil servants should not be involved in any decision which could affect the value of their private investments, or the value of those on which they give advice to others, or use information acquired in the course of their work to advance their private financial interests or those of others. They must therefore declare to their department or agency any business interests which they or members of their immediate family could further as a result of their official position. They must comply with any subsequent instructions from their department regarding the retention, management or disposal of such interests. Cabinet Office, *Civil Service management code*, Section 4.3, October 2014, available at: [www.gov.uk/government/publications/civil-servants-terms-and-conditions](http://www.gov.uk/government/publications/civil-servants-terms-and-conditions)

- The Treasury's *Managing public money* outlines measures accounting officers and board members could take if they encounter a conflict<sup>17</sup> – its corporate governance code for good practice for departments mentions the need for board members to declare and record conflicts of interest but does not cover how these should be managed.<sup>18</sup>

**3.4** Public sector organisations are expected to develop and set up their own approach under this central framework. Departments and agencies are responsible for defining the standards of conduct they require of their staff and for ensuring that these reflect the civil service management code and framework.<sup>19</sup> Departments are also responsible for enforcing compliance.

**3.5** In contrast, the United States takes a rules-based approach where there are explicit, centrally-enforced requirements. **Figure 6** compares the approaches. For further information see the international reviews in the footnotes.<sup>20</sup>

### **Managing conflicts of interest in practice**

**3.6** As paragraph 3.4 notes, departments and agencies are responsible for putting in place arrangements to manage conflicts of interest. The way they decide to manage conflicts should reflect the risk of exposure to conflicts (discussed in Part Two). Those environments that are more prone to conflicts of interest need more management.

**3.7** As a minimum, an organisation should have a system to identify and manage conflicts of interest rather than to eliminate them. The effect should be to make everyone aware of what to do if they suspect a conflict and ensure decision-making is efficient, transparent and fair. Rules should be clear and robust but not overly prescriptive or complex. This could be addressed explicitly in a 'conflicts of interest policy' or in other guidance covering risky areas such as procurement or HR. The policy should require staff and contractors to routinely declare all private, personal and financial interests relevant to:

- decision-making;
- management of contracts; and
- giving policy advice.

Usually this should be completed annually in addition to ad-hoc declarations as conflicts occur, such as during a procurement exercise. **Figure 7** describes an incident where interests were not declared.

17 HM Treasury, *Managing public money*, Sections 3.7, July 2013, available at: [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/212123/Managing\\_Public\\_Money\\_AA\\_v2\\_-\\_chapters\\_annex\\_web.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/212123/Managing_Public_Money_AA_v2_-_chapters_annex_web.pdf)

18 HM Treasury, *Corporate governance in central government departments: code of good practice*, July 2011, available at: [www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments](http://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments)

19 Cabinet Office, *Civil Service management code*, October 2014, available at: [www.gov.uk/government/publications/civil-servants-terms-and-conditions](http://www.gov.uk/government/publications/civil-servants-terms-and-conditions)

20 Sigma 2007, *Conflict of interest policies and practices in nine EU member states: a comparative review*, June 2007, available at: [www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?doclanguage=en&cote=gov/sigma\(2006\)1/REV1](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?doclanguage=en&cote=gov/sigma(2006)1/REV1); OECD, *Managing conflicts of interest in the public sector, OECD guidelines and country experiences*, 2003; Transparency International, Anti-corruption Helpdesk, *Conflicts of interest in public procurement*, January 2013, available at: [www.transparency.org/files/content/corruptionqas/Conflict\\_of\\_interest\\_in\\_public\\_procurement.pdf](http://www.transparency.org/files/content/corruptionqas/Conflict_of_interest_in_public_procurement.pdf)

**Figure 6**

The difference between a principles versus rules-based approach to managing conflicts of interest

	<b>Principles-based approach eg UK</b>	<b>Rules-based approach eg USA<sup>1</sup></b>
Responsibility	Dispersed across government.	Office of Government Ethics.
Authority	No specific conflict of interest legislation. Local guidance. Companies Act applies to directors. Management code specifies some 'rules'.	Enforceable conflict of interest prohibitions defined in statute with criminal or civil penalties.
Other standards	Behavioural and ethical standards defined in codes of conduct and 'Nolan principles'.	Civil restrictions for certain outside activities. Administrative standards of conduct.
Disclosure requirements	Devolved, voluntary disclosure system for civil servants.  MPs' financial interests are declared and published.  Information on Senior civil servants and ministerial hospitality, gifts, travel and external meetings is published.	Central mandatory financial disclosure systems: <ul style="list-style-type: none"> <li>● Public reporting is required for all senior officials.</li> <li>● Other employees make confidential financial disclosures.</li> </ul>

**Note**

<sup>1</sup> US Office of Government Ethics, available at: [www.oge.gov/Topics/Financial-Conflicts-of-Interest-and-Impartiality/Financial-Conflicts-of-Interest---Impartiality/](http://www.oge.gov/Topics/Financial-Conflicts-of-Interest-and-Impartiality/Financial-Conflicts-of-Interest---Impartiality/) and J S Ley, 'Managing conflicts of interest in the executive branch: the experience of the United States', in Organisation for Economic Cooperation and Development, *Managing Conflict in the Public Sector*, OECD guidelines and country experiences, pp. 231–249.

Source: National Audit Office research

**Figure 7**

Procurement in academies

**Glendene Arts Academy (example from Department for Education investigation)**

A contract for facilities management was awarded to a supplier under the 'Chair's emergency powers' without any justification. It appears that the Chair knew the owner of the company who was awarded the contract as both the Chair and owner were directors in another company. The Chair should have had no involvement in letting the contract, however he made no declarations of a conflict.

Source: Department for Education, Glendene Arts Academy investigation report, November 2013. Available at: [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/296333/Investigation\\_report\\_Glendene\\_Arts\\_Academy.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/296333/Investigation_report_Glendene_Arts_Academy.pdf)

**3.8** Where conflicts do arise, these should be clearly detailed, for example in the minutes of meetings, including a record of the action taken to manage the conflict. There should be clear rules on abstention and withdrawal from decision-making when participating places an individual in a conflicted position. If the conflict cannot be resolved in any other way, options could include divestment, recusal, transfer or restriction of activity. Some conflicts of interest may be so acute or pervasive that it would be better to avoid them entirely, for example the individual could resign. **Figure 8** illustrates where actions were taken to reduce possible conflicts of interest.

**3.9** Departments and agencies should also have a code of ethics or code of conduct. Staff must confirm compliance with this regularly. The standards should define what behaviours and practices are acceptable and unacceptable and clearly state what will happen following non-compliance.

**3.10** There is no explicit government guidance that applies to private and third sector bodies delivering services on their behalf.<sup>21</sup> However, there are provisions in company law for company directors.<sup>22</sup> Departments and agencies should share their policy, procedures or guidance so that providers are aware of their responsibilities and the consequences of non-compliance. Organisations can use formal contractual requirements to ensure standards and processes are understood.

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## **Figure 8**

### Taking action to resolve a conflict

#### **Decision-making in the Hillsborough review (example from open source media)**

In 2013, the Director of Public Prosecutions (DPP), stood down from her supervisory role regarding the Hillsborough disaster prosecution. The appointment was criticised by campaign groups who said her involvement was inappropriate after it emerged that in 1996 she had provided advice to the Attorney General on the subject of a fresh inquest into the disaster.

Peter Lewis, chief executive officer of the Crown Prosecution Service, was appointed in her place. Although no conflict of interest was identified, he chose to recuse himself from decisions involving police conduct following the disaster, as he used to work as a prosecutor in the West Midlands. He remains overall decision-maker in respect of prosecution decisions with regards to the disaster itself but a colleague took over decisions related to police conduct following the disaster.

Source: R Pattinson, 'Second prosecutor steps down from Hillsborough role to avoid conflict of interest', Liverpool Echo, 20 October 2013, available at: [www.liverpoolecho.co.uk/news/liverpool-news/hillsborough-conflict-interest-sees-crown-6212855](http://www.liverpoolecho.co.uk/news/liverpool-news/hillsborough-conflict-interest-sees-crown-6212855)

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<sup>21</sup> The Committee on Standards in Public Life, *Ethical standards for providers of public services*, June 2014.

<sup>22</sup> Section 175 defines a duty for company directors to avoid situations in which they have, or could have, a direct or indirect interest that conflicts with, or might possibly conflict with, the interests of the company. Section 177 requires a director to disclose any interest, direct or indirect, that he has in relation to a proposed transaction or arrangement with the company. Section 182 requires a director to declare the nature and extent of any direct or indirect interest that he has in any transaction or arrangement entered into by the company.

## Monitoring compliance

**3.11** A system to manage conflicts of interest needs more than just policies, codes and declarations. A principles-based system assumes people will act honestly, and volunteer information about conflicts and exclude themselves from decision-making where conflicts exist. But there should be prompts and checks to reinforce this particularly where the risk of conflicts of interest is high. Preventative measures need to be supported by proportionate mechanisms to detect non-compliance and sanction where appropriate.

**3.12** There should be management, internal controls and independent oversight to detect breaches of policy. Such controls may include:

- external oversight arrangements – for example, independent assurance that conflicts are appropriately managed and, arrangements for detecting breaches such as external audit and regulator checks; and
- a reporting system – such as whistleblowing arrangements for staff to raise concerns.<sup>23</sup>

**3.13** In cases of non-compliance, there should be a system of proportionate, enforceable sanctions that include personal consequences (such as disciplinary action, dismissal or prosecution) and management actions (for example, retroactive cancellation of a decision or contract).

## Independent checks

**3.14** Independent checks are a way of dealing with conflicts and the perception of conflicts. **Figure 9** illustrates where a government programme introduced independent spot checks to strengthen oversight.

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### Figure 9 Strengthening compliance

#### Access to finance coaches (example from NAO review)

The Growth Accelerator Programme, run by the Department for Business, Innovation & Skills offers tailored support to help small businesses grow. One element of the programme is to improve access to finance via a coach who can suggest finance and investment options. The programme required coaches to declare any possible conflicts of interest as part of the selection process. However, once approved to deliver assignments, it relied on self-declaration to prevent conflicts of interest and did not prevent individual coaches encouraging clients to access finance or use investors the coach had a stake in. There were a small number of cases where investments were offered by an investor member of a brokerage or corporate finance company the coach was directly associated with.

The programme has since tightened up controls to minimise the risk of this happening. This includes banning introductory fees, requiring coaches to declare additional services recommended by clients, along with any benefit the coach would receive from those services and by monitoring the self-regulation by conducting spot checks of referrals.

Source: National Audit Office management letter to Department for Business, Innovation & Skills

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<sup>23</sup> Comptroller and Auditor General, *Making a whistleblowing policy work*, Session 2013-14, HC 1152, National Audit Office, March 2014. Available at: [www.nao.org.uk/report/making-a-whistleblowing-policy-work](http://www.nao.org.uk/report/making-a-whistleblowing-policy-work)

# Appendix One

## Our audit approach

### Scope

1 This report examined policy and practice on managing conflicts of interest in public services. Our objectives were to:

- define conflicts of interest;
- determine what guidance and policies govern the management of conflicts of interest;
- provide examples of conflicts that have arisen in the delivery of public services, drawing on existing work and other intelligence; and
- establish a framework of what should be in place to identify and manage the consequences and risks of conflicts of interest.

### Methods

2 In examining these issues, we primarily drew on **documentary review**.

3 We reviewed central policy and guidance to identify what guidelines and requirements exist on managing conflicts of interest in the public sector.

4 We reviewed a range of documents to identify examples of conflicts of interest, including:

- our back catalogue of financial audit, value for money and investigative work;
- investigative reports by other bodies, such as the Education Funding Agency; and
- media coverage on reported cases of conflicts of interest.

# Appendix Two

## Managing conflicts of interest – good practice

**1** This summarises the key elements of good practice contained in the report, based on generally accepted standards.

### **Prevention**

Promoting ethical standards (paragraph 3.9)

**2** Departments and agencies should have a code of ethics or code of conduct. Staff must confirm compliance with this regularly.

**3** These standards should define what behaviours and practices are acceptable and unacceptable. They should clearly state what will happen when people do not comply.

Identifying, understanding and managing conflicts of interest  
(paragraphs 3.6, 3.7 and 3.10)

**4** There should be openness and transparency about situations where conflicts can and do arise. The intention should be to identify and manage conflicts of interest, not eliminate them. The effect should be to make everyone aware of what to do if they suspect a conflict and ensure decision-making is efficient, transparent and fair.

**5** The way an organisation decide to manage conflicts should reflect the risk of exposure to conflicts. They should recognise the risk of conflicts of interest in policy, procedures or guidance, including what to do in cases where there is potential conflict of interest. This could be addressed explicitly in a 'conflicts of interest policy' or in other guidance covering risky areas such as procurement or HR. The procedures should comply with the law and good practice.

**6** Departments and agencies should share their policy, procedures or guidance so that providers are aware of their responsibilities and the consequences of non-compliance. Organisations can use formal contractual requirements to ensure standards and processes are understood.

### Transparency (paragraphs 2.25, 2.26)

**7** Departments should have arrangements in place to declare and register gifts and other benefits.

### Ensuring decisions are made independently (paragraphs 3.7, 3.8)

**8** A policy should require staff and contractors to routinely declare all private, personal and financial interests relevant to:

- decision-making;
- management of contracts; and
- giving policy advice.

**9** Usually this should be completed annually in addition to ad-hoc declarations as conflicts arise, such as during a procurement exercise.

**10** Where conflicts do arise, these should be clearly detailed, for example in the minutes of meetings, including a record of the action taken to manage the conflict. There should be clear rules on abstention and withdrawal from decision-making when participating places an individual in a conflicted position. If the conflict cannot be resolved in any other way, options could include divestment, recusal, transfer, restriction of activity or resignation.

### **Detection and response (paragraphs 3.11 to 3.14)**

**11** A principles-based system assumes people will act honestly and volunteer information about conflicts and exclude themselves from decision-making where they exist. But there should also be prompts and checks to reinforce this particularly where the risk of conflicts of interest is high. Preventative measures need to be supported by proportionate mechanisms to detect non-compliance and sanction where appropriate.

**12** There should be management, internal controls and independent oversight to detect breaches of policy. Such controls may include:

- external oversight arrangements – for example, independent assurance that conflicts are appropriately managed and arrangements for detecting breaches such as external audit and regulator checks; and
- a reporting system, such as whistleblowing arrangements for staff to raise concerns.

In cases of non-compliance, there should be a system of proportionate, enforceable sanctions that include personal consequences (such as disciplinary action, dismissal or prosecution) and management actions (for example, retroactive cancellation of a decision or contract).

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**20.3.15**

**Item 6**

**Local Growth Fund Correspondence**



Department for  
Communities and  
Local Government

Cities and Local Growth Unit  
1<sup>st</sup> Floor, Fry Building, 2 Marsham Street,  
London SW1P 4DP

Mr Chris Ward  
Head of Finance and Section 151 Officer  
Portsmouth City Council  
Civic Offices  
Guildhall Square  
Portsmouth  
PO1 2AR

Email: [chris.ward@portsmouthcc.gov.uk](mailto:chris.ward@portsmouthcc.gov.uk)

6 February 2015

Dear Mr Ward,

### **Local Growth Fund**

Following the agreement of the Growth Deal between Solent LEP (“the LEP”) and Government I am writing to confirm the arrangements for Local Growth Fund grant payments to be made in 2015-16 by the Department for Communities and Local Government (“DCLG”) to Portsmouth City Council (“the Council”) as the accountable body for the LEP.

DCLG will release a Local Growth Fund capital grant payment of **£40,391,667 in a single instalment on the 1<sup>st</sup> April 2015**. This covers funding for projects that start in 2015-16 as set out in the Growth Deal. This figure also includes £13.8m of pre-allocated Local Growth Fund (known as the Local Transport Body allocation). Payments will be made under section 31 of the Local Government Act 2003.

### Project ‘Tail’ Funding for 2015-16 project starts

As set out in the Growth Deal, 2015-16 project starts also come with a tail of future years’ funding where investment is needed over more than one year. For 2015-16 project starts the total associated tail funding to be paid to the Council in future years is £55.5m (this figure is rounded to one decimal place).

This means that Government is committed to continuing to fund these projects in future years. If projects are not taken forward, for whatever reason, the LEP will not automatically be entitled to receive the associated tail funding. Whether or not the LEP is awarded the tail funding, for projects not taken forward, is subject to discussions with the Government.

## Future Years Budget Profiles

The announcement of expanded Growth Deals on 29 January means that further conversations will be needed to finalise the overall annual Growth Deal budget profiles for 2016-17 onwards. These conversations will build on the recent discussions Government has been having with LEPs on annual profiles for the original Growth Deal.

Once these budgets have been finalised, in future years the annual grant letter and grant determination will reflect any changes to that year's overall budget as a result of spending performance in the previous year, and the discussions with Government on that performance.

## Local Growth Funding paid by DfT

You should also note that DfT will continue to hold and manage two elements of the Local Growth Fund. Separate arrangements will apply to that funding, as follows:

1. Funding for specific schemes which are still subject to business case sign off by DfT: DfT will pay the grant directly to the accountable body under arrangements to be advised by them.
2. The approved tail of existing major schemes included in the pre-committed element of the Local Growth Fund: DfT will continue to pay this funding directly to the scheme promoter.

## Funding Requirements

We expect that all funding paid pursuant to the Growth Deal, irrespective of whether paid by DCLG or DfT will fulfil the following requirements:

- 1) It will be used to support the Growth Deal agreed between the Government and the LEP and will be used to secure the outcomes set out in the Growth Deal.
- 2) It will be deployed solely in accordance with decisions made through a local assurance framework agreed between the LEP and the Council as the accountable body. This framework must be consistent with the standards set out in the national assurance framework. In the case of specific schemes which are still subject to business case sign off by DfT, the DfT business case sign-off process may mean that the local assurance framework process is not required in full. This will be agreed on a scheme by scheme basis.
- 3) That you will track progress against agreed core metrics and outcomes, in line with the national monitoring and evaluation framework.

As set out in the Growth Deal, the Council as the accountable body and the LEP will have the flexibility to manage the implementation of the Growth Deal in order to deliver the outcomes agreed. It is recognised that scheme spending profiles are not static and therefore the level of spending on any particular scheme in any particular year is for the LEP to manage. If the LEP wishes to make significant changes to projects that have been agreed as part of the Growth Deal, they should first discuss this with their LEP's Cities and Local Growth Unit relationship manager who will be able to advise on next steps.

The Council is reminded that as the accountable body for the LEP it is responsible for ensuring that expenditure is spent in accordance with all applicable legal requirements. This includes, for example, state aid and public procurement law. The Council is reminded that any development decisions for specific proposals must go through the normal planning process and be guided by local plans, taking into account all material considerations. The Council will, of course, be subject to their normal internal and external audit controls.

The LEP and the Council are also reminded of their responsibilities under the Public Sector Equality Duty as set out in Section 149 of the Equality Act 2010 and should have regard to these requirements when apportioning Local Growth funding.

Finally, as set out in the Growth Deal, the expectation is that the Council and the LEP will comply with any current publicity requirements (including any branding guidelines) for Growth Deals.

Yours,

A handwritten signature in blue ink, appearing to read 'Tom Walker', written in a cursive style.

Tom Walker  
Director, Cities and Local Growth Unit

**20.3.15**

**Item 8**

**Solent LEP Budget Update**

## SOLENT LOCAL ENTERPRISE PARTNERSHIP - CURRENT YEAR EXPENDITURE AND FORECAST TO YEAR END

Strategic Sector	Revised Budget 2014/15					Forecast Variance at 31 March				Revised Budget 2014/15 Proposed to FPPMG
	agreed at LEP Board on 21 Nov 14	Slippage / rephasing	Adjusted Budget 2014/15	Expenditure To 31 Jan 2015	Variance as at 31 Jan 2015	Forecast Outturn 31 March 2015	2015 against Adjusted Budget	Underspend to be carried forward		
	£	£	£	£	£	£	£	£	£	
<b>Enterprise</b>										
Solent RGF - Bridging the Gap:										
Bridging the Gap (Phase 1, Phase 2 and Solent Wide)	3,833,327	(934,934)	2,898,393	1,043,689	(1,854,703)	2,895,412	(2,981)	(2,981)	2,895,412	
RGF Solent EZ expansion Fund (Gosport Borough Council)	2,896,003	(2,793,000)	103,003	22,597	(80,406)	26,458	(76,545)	(76,545)	26,458	
RGF 3 IOW Private Sector Support - Fund	2,557,648	(2,300,000)	257,648	31,943	(225,705)	198,137	(59,511)	(59,511)	198,137	
Improving Digital Capability for SME's	90,000	20,000	110,000	0	(110,000)	110,000	0	0	110,000	
<b>Enterprise Total</b>	<b>9,376,978</b>	<b>(6,007,934)</b>	<b>3,369,044</b>	<b>1,098,230</b>	<b>(2,270,814)</b>	<b>3,230,007</b>	<b>(139,037)</b>	<b>(139,037)</b>	<b>3,230,007</b>	
<b>Infrastructure (Land &amp; Property)</b>										
Growing Places Fund:										
CEMAST	825,000	0	825,000	825,000	0	825,000	0	0	825,000	
Solent EZ Infrastructure package	3,500,000	0	3,500,000	3,500,000	0	3,500,000	0	0	3,500,000	
Red Funnel Ferry (earmarked)	0	0	0	0	0	0	0	0	0	
Griffon Hoverwork (earmarked)	1,000,000	0	1,000,000	1,000,000	0	1,000,000	0	0	1,000,000	
Welborne	400,000	0	400,000	0	(400,000)	400,000	0	(400,000)	0	
<b>Growing Places Fund:</b>	<b>5,725,000</b>	<b>0</b>	<b>5,725,000</b>	<b>5,325,000</b>	<b>(400,000)</b>	<b>5,725,000</b>	<b>0</b>	<b>(400,000)</b>	<b>5,325,000</b>	
Other Capital Funds:										
Building Foundations for Growth Capital Grant for EZ	7,009,000	(4,009,000)	3,000,000	0	(3,000,000)	3,000,000	0	0	3,000,000	
Capacity funding	20,000	0	20,000	0	(20,000)	20,426	426	426	20,426	
<b>Infrastructure (Land &amp; Property) Total</b>	<b>12,754,000</b>	<b>(4,009,000)</b>	<b>8,745,000</b>	<b>5,325,000</b>	<b>(3,420,000)</b>	<b>8,745,426</b>	<b>426</b>	<b>(399,574)</b>	<b>8,345,426</b>	
<b>Inward Investment</b>										
Capacity funding	50,000	0	50,000	40,000	(10,000)	50,000	(0)	0	50,000	
<b>Inward Investment Total</b>	<b>50,000</b>	<b>0</b>	<b>50,000</b>	<b>40,000</b>	<b>(10,000)</b>	<b>50,000</b>	<b>(0)</b>	<b>0</b>	<b>50,000</b>	
<b>Skills</b>										
CEMAST - Fareham College	1,045,000	0	1,045,000	1,028,001	(16,999)	1,044,583	(417)	(417)	1,044,583	
Capacity funding	50,000	15,000	65,000	41,108	(23,893)	60,840	(4,161)	(4,161)	60,840	
Solent Employer Ownership Programme	550,000	(550,000)	0	0	0	0	0	0	0	
<b>Skills Total</b>	<b>1,645,000</b>	<b>(535,000)</b>	<b>1,110,000</b>	<b>1,069,109</b>	<b>(40,891)</b>	<b>1,105,423</b>	<b>(4,577)</b>	<b>(4,577)</b>	<b>1,105,423</b>	
<b>Strategic Sectors</b>										
Solent Futures RGF Round 3:										
Training Scheme	4,415,373	(2,950,000)	1,465,373	875,251	(590,122)	1,389,980	(75,393)	(75,393)	1,389,980	
Supply Chain	4,323,764	(4,200,000)	123,764	35,423	(88,341)	39,235	(84,529)	(84,529)	39,235	
Maritime Supplement	75,000	0	75,000	5,208	(69,792)	35,625	(39,375)	(39,375)	35,625	
<b>Strategic Sectors Total</b>	<b>8,814,137</b>	<b>(7,150,000)</b>	<b>1,664,137</b>	<b>915,883</b>	<b>(748,254)</b>	<b>1,464,840</b>	<b>(199,297)</b>	<b>(199,297)</b>	<b>1,464,840</b>	
<b>Innovation</b>										
Capacity Funding	20,000	0	20,000	0	(20,000)	0	(20,000)	(20,000)	0	
<b>Innovation Total</b>	<b>20,000</b>	<b>0</b>	<b>20,000</b>	<b>0</b>	<b>(20,000)</b>	<b>0</b>	<b>(20,000)</b>	<b>(20,000)</b>	<b>0</b>	
<b>Operational Central Costs</b>										
Staffing costs	358,000	0	358,000	319,500	(38,500)	370,385	12,385	0	358,000	
Office costs	90,000	0	90,000	62,586	(27,414)	75,103	(14,897)	(14,897)	75,103	
Finance costs including forecast costs for Democratic Services for future years	100,000	0	100,000	67,057	(32,943)	62,001	(37,999)	(37,999)	62,001	
Legal support	50,000	0	50,000	56,289	6,289	43,716	(6,284)	(6,284)	43,716	
Marketing & Communication costs	80,000	0	80,000	38,195	(41,805)	77,520	(2,480)	(2,480)	77,520	
Contingency	200,000	0	200,000	0	(200,000)	0	(200,000)	(187,615)	12,385	
Solent Economic Plan and Structural Investment Fund	120,000	36,000	156,000	19,901	(136,099)	96,701	(59,299)	(59,299)	96,701	
LEP Network	8,256	0	8,256	8,256	0	8,256	0	0	8,256	
<b>Operational Central Costs Total</b>	<b>1,006,256</b>	<b>36,000</b>	<b>1,042,256</b>	<b>571,784</b>	<b>(470,472)</b>	<b>733,683</b>	<b>(308,573)</b>	<b>(308,573)</b>	<b>733,683</b>	
<b>Total LEP Budget</b>	<b>33,666,371</b>	<b>(17,665,934)</b>	<b>16,000,437</b>	<b>9,020,006</b>	<b>(6,980,431)</b>	<b>15,329,379</b>	<b>(671,058)</b>	<b>(1,071,059)</b>	<b>14,929,379</b>	

SOLENT LOCAL ENTERPRISE PARTNERSHIP - BUDGET FORECAST TO 2020/21

ENTERPRISE (BUSINESS SUPPORT)	Actual Expenditure 2012/13 & 2013/14	Revised Budget 2014/15 as at 31 Jan 15	Budget 2015/16	Budget 2016/17	Budget 2017/18	Future Years Budget (to 31 March 2021)	Total Budget	Total Forecast Expenditure	Variance
Solent RGF - Bridging the Gap:									
Awards	674,184	2,790,882	2,334,934	0	0	0	5,800,000	5,800,000	0
Due Diligence	151,076	104,530	45,828	0	0	0	301,434	301,434	0
RGF Solent EZ expansion Fund - Gosport Borough Council - Fund	0	0	2,793,000	0	0	0	2,793,000	2,793,000	0
RGF Solent EZ expansion Fund - Gosport Borough Council - Due Diligence	43,997	26,458	76,545	0	0	0	147,000	147,000	0
RGF 3 IOW Private Sector Support - Fund	0	160,000	2,300,000	0	0	0	2,460,000	2,460,000	0
RGF 3 IOW Private Sector Support - Due Diligence	12,352	38,137	59,511	0	0	0	110,000	110,000	0
Solent Growth Fund (Growth deal - 2015/16 to 2021)	0	0	1,850,000	1,850,000	1,850,000	5,550,000	11,100,000	11,100,000	0
Solent Growth Fund (Growth deal - 2015/16 to 2021) - Programme Management	0	0	150,000	150,000	150,000	450,000	900,000	900,000	0
Solent Growth Hub (Growth deal - 2015/16 to 2021)	0	0	250,000	0	0	0	250,000	250,000	0
Improving Digital Capability for SME's	0	110,000	0	0	0	0	110,000	110,000	0
<b>Enterprise Total</b>	<b>881,609</b>	<b>3,230,007</b>	<b>9,859,818</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>6,000,000</b>	<b>23,971,434</b>	<b>23,971,434</b>	<b>0</b>

INFRASTRUCTURE (Land & Property)	Actual Expenditure 2012/13 & 2013/14	Revised Budget 2014/15 as at 31 Jan 15	Budget 2015/16	Budget 2016/17	Budget 2017/18	Future Years Budget (to 31 March 2021)	Total Budget	Total Forecast Expenditure	Variance
Growing Places Fund:									
CEMAST	2,175,000	825,000	0	0	0	0	3,000,000	3,000,000	0
Solent EZ Infrastructure package	4,500,000	3,500,000	0	0	0	0	8,000,000	8,000,000	0
Red Funnel Ferry (earmarked)	0	0	3,000,000	0	0	0	3,000,000	3,000,000	0
Griffon Hoverwork (earmarked)	0	1,000,000	1,000,000	0	0	0	2,000,000	2,000,000	0
Welborne	0	0	0	0	0	0	0	0	0
Growing Places Fund:	6,675,000	5,325,000	4,000,000	0	0	0	16,000,000	16,000,000	0
Growing Places future rounds	0	0	2,108,371	2,380,839	1,500,000	7,794,534	13,783,744	13,783,744	0
<b>Solent Growth Deal confirmed funding:</b>									
Local Transport Body Pre-Commitment:									
The Hard Interchange (PCC)	0	0	4,660,000	165,000	0	0	4,825,000	4,825,000	0
Dunsbury Hill Farm Link Road (PCC)	0	0	4,372,000	166,000	0	0	4,538,000	4,538,000	0
Station Quarter North (SCC)	0	0	4,181,500	0	0	0	4,181,500	4,181,500	0
Station Roundabout / Gudge Heath Lane (HCC)	0	0	564,500	4,395,000	0	0	4,959,500	4,959,500	0
Uncommitted Balance	0	0	-	696,000	0	0	696,000	696,000	0
<b>Subtotal Local Transport Body Pre-Commitment Schemes</b>	<b>0</b>	<b>0</b>	<b>13,778,000</b>	<b>5,422,000</b>	<b>0</b>	<b>0</b>	<b>19,200,000</b>	<b>19,200,000</b>	<b>0</b>
Fareham and Gosport multi year scheme (Phase 1)	0	0	6,000,000	5,250,000	6,725,000	1,725,000	19,700,000	19,700,000	0
Cross-Solent connectivity	0	0	6,000,000	5,804,000	3,196,000	0	15,000,000	15,000,000	0
North Whiteley Transport improvements	0	0	3,700,000	7,057,000	2,608,000	635,000	14,000,000	14,000,000	0
Environmental Mitigation - Solent Mitigation Disturbance project	0	0	722,000	563,000	215,000	0	1,500,000	1,500,000	0
<b>Solent Growth Deal:</b>	<b>0</b>	<b>0</b>	<b>30,200,000</b>	<b>24,096,000</b>	<b>12,744,000</b>	<b>2,360,000</b>	<b>69,400,000</b>	<b>69,400,000</b>	<b>0</b>
Building Foundations for Growth Capital Grant for EZ	0	3,000,000	4,009,000	0	0	0	7,009,000	7,009,000	0
Capacity funding	0	20,426	29,574	0	0	0	50,000	50,000	0
Solent Growth Deal pre-commitment indicative funding:									
Growth deal provisional allocation for M27 Junction 10 (post 2016)	0	0	0	5,350,000	2,500,000	7,050,000	14,900,000	14,900,000	0
Environmental Mitigation - Flood Alleviation at Itchen Riverside	0	0	0	500,000	1,500,000	1,000,000	3,000,000	3,000,000	0
<b>Infrastructure (Land &amp; Property) Total</b>	<b>6,675,000</b>	<b>8,345,426</b>	<b>40,346,945</b>	<b>32,326,839</b>	<b>18,244,000</b>	<b>18,204,534</b>	<b>124,142,744</b>	<b>124,142,744</b>	<b>0</b>

INWARD INVESTMENT	Actual Expenditure 2012/13 & 2013/14	Revised Budget 2014/15 as at 31 Jan 15	Budget 2015/16	Budget 2016/17	Budget 2017/18	Future Years Budget (to 31 March 2021)	Total Budget	Total Forecast Expenditure	Variance
Capacity funding	0	50,000	225,000	0	0	0	275,000	275,000	0
<b>Inward Investment Total</b>	<b>0</b>	<b>50,000</b>	<b>225,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>275,000</b>	<b>275,000</b>	<b>0</b>

SKILLS	Actual Expenditure 2012/13 & 2013/14	Revised Budget 2014/15 as at 31 Jan 15	Budget 2015/16	Budget 2016/17	Budget 2017/18	Future Years Budget (to 31 March 2021)	Total Budget	Total Forecast Expenditure	Variance
CEMAST - Fareham College	2,000,000	1,000,000	0	0	0	0	3,000,000	3,000,000	0
CEMAST - Due Diligence	7,439	44,583	47,978	0	0	0	100,000	100,000	0
<b>Solent Growth deal FE Capital (2015/16 - 2021)</b>									
Eastleigh College Estates Renewal	0	0	4,400,000	4,600,000	0	0	9,000,000	9,000,000	0
IOW College Composites Centre	0	0	4,550,000	7,100,000	0	0	11,650,000	11,650,000	0
Capacity funding	0	60,840	75,000	50,000	0	0	185,839	185,839	0
Solent Employer Ownership Programme	0	0	1,300,000	200,000	0	0	1,500,000	1,500,000	0
<b>Skills Total</b>	<b>2,007,439</b>	<b>1,105,423</b>	<b>10,372,977</b>	<b>11,950,000</b>	<b>0</b>	<b>0</b>	<b>25,435,839</b>	<b>25,435,839</b>	<b>0</b>

STRATEGIC SECTORS	Actual Expenditure 2012/13 & 2013/14	Revised Budget 2014/15 as at 31 Jan 15	Budget 2015/16	Budget 2016/17	Budget 2017/18	Future Years Budget (to 31 March 2021)	Total Budget	Total Forecast Expenditure	Variance
Solent Futures RGF Round 3:									
Training Scheme - Awards	0	1,300,000	3,450,000	0	0	0	4,750,000	4,750,000	0
Training Scheme - Due Diligence	29,502	89,980	130,518	0	0	0	250,000	250,000	0
Supply Chain - Awards	0	0	4,700,000	0	0	0	4,700,000	4,700,000	0
Supply Chain - Due Diligence	34,981	39,235	125,784	0	0	0	200,000	200,000	0
MARITIME SUPPLEMENT									
Capacity funding	0	35,625	39,375	0	0	0	75,000	75,000	0
<b>Strategic Sectors Total</b>	<b>64,483</b>	<b>1,464,840</b>	<b>8,445,677</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,975,000</b>	<b>9,975,000</b>	<b>0</b>

INNOVATION	Actual Expenditure 2012/13 & 2013/14	Revised Budget 2014/15 as at 31 Jan 15	Budget 2015/16	Budget 2016/17	Budget 2017/18	Future Years Budget (to 31 March 2021)	Total Budget	Total Forecast Expenditure	Variance
Capacity Funding	0	0	60,000	0	0	0	60,000	60,000	0
<b>Innovation</b>	<b>0</b>	<b>0</b>	<b>60,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>60,000</b>	<b>60,000</b>	<b>0</b>

OPERATIONAL CENTRAL COSTS	Actual Expenditure 2012/13 & 2013/14	Revised Budget 2014/15 as at 31 Jan 15	Budget 2015/16	Budget 2016/17	Budget 2017/18	Future Years Budget (to 31 March 2021)	Total Budget	Total Forecast Expenditure	Variance
Staffing costs	293,567	358,000	500,000	500,000	500,000	384,274	2,535,841	2,535,841	0
Office costs	113,989	75,103	95,000	95,000	95,000	285,000	759,092	759,092	0
Finance costs incl forecast costs for Democratic Services for future years	72,710	62,001	100,000	100,000	100,000	300,000	734,711	734,711	0
Legal support	39,152	43,716	50,000	50,000	50,000	150,000	382,868	382,868	0
Marketing & Communication costs	32,314	77,520	50,000	50,000	50,000	150,000	409,834	409,834	0
Contingency	0	12,385	250,000	250,000	250,000	750,000	1,512,385	1,512,385	0
Solent Economic Plan and Structural Investment Fund	157,210	96,701	199,299	150,000	0	0	603,210	603,210	0
SEEDA legacy funding for business engagement	0	0	130,000	101,396	0	0	231,396	231,396	0
LEP Network	0	8,256	12,000	12,000	0	0	32,256	32,256	0
<b>Operational Central Costs Total</b>	<b>708,942</b>	<b>733,683</b>	<b>1,386,299</b>	<b>1,308,396</b>	<b>1,045,000</b>	<b>2,019,274</b>	<b>7,201,594</b>	<b>7,201,594</b>	<b>0</b>

LEP BUDGET GRAND TOTAL	Actual Expenditure 2012/13 & 2013/14	Revised Budget 2014/15 as at 31 Jan 15	Budget 2015/16	Budget 2016/17	Budget 2017/18	Future Years Budget (to 31 March 2021)	Total Budget	Total Forecast Expenditure	Variance
	<b>10,337,473</b>	<b>14,929,379</b>	<b>70,696,717</b>	<b>47,585,235</b>	<b>21,289,000</b>	<b>26,223,808</b>	<b>191,061,612</b>	<b>191,061,611</b>	<b>0</b>

FUNDING SUMMARY	Actual Expenditure 2012/13 & 2013/14	Revised Budget 2014/15 as at 31 Jan 15	Budget 2015/16	Budget 2016/17	Budget 2017/18	Future Years Budget (to 31 March 2021)	Total Budget
Bridging the Gap Phase 1	716,159	1,223,421	2,160,420	0	0	0	4,100,000
RGF Solent EZ expansion Fund - Gosport Borough Council	43,997	26,458	2,869,545	0	0	0	2,940,000
RGF 3 IOW SME Support Fund	12,352	198,137	2,359,511	0	0	0	2,570,000
Solent Growth Deal - confirmed funding	0	0	41,150,000	37,796,000	14,744,000	8,360,000	102,050,000
Solent Growth Deal - unconfirmed funding	0	0	0	5,850,000	4,000,000	8,050,000	17,900,000
Solent Growth Hub	0	0	250,000	0	0	0	250,000
Bridging the Gap Phase 2	109,101	1,671,991	220,342	0	0	0	2,001,434
Solent Futures RGF Round 3	71,922	1,482,401	8,445,677	0	0	0	10,000,000
Growing Places Fund - Capital	6,675,000	5,325,000	4,339,210	0	0	0	16,339,210
Solent Futures	2,000,000	1,000,000	0	0	0	0	3,000,000
Solent Employer Ownership Programme	0	0	1,300,000	200,000	0	0	1,500,000
Enterprise Zone Capital Grant	0	3,000,000	4,009,000	0	0	0	7,009,000
Growing Places Fund - Revenue	0	417,195	953,917	0	0	0	1,371,112
DfT - LTB Funding	62,493	69,087	0	0	0	0	131,580
SEP	160,000	340,000	250,000	0	0	0	750,000
Transport Excellence	0	36,000	0	0	0	0	36,000
BIS - Capacity Fund	65,900	10,900	0	0	0	0	76,800
BIS - Core Funding	270,549	4,889	79,094	282,194	189,000	49,274	875,000
PUSH	0	0	30,000	0	0	0	30,000
Growing Places Capital - CEMAST admin fee	0	0	0	0	75,000	0	75,000
LEP Network	0	13,900	0	0	0	0	13,900
Interest earned on funding yet to pay out	0	0	0	707,806	413,738	200,000	1,321,544
Local Authority Funding - PUSH, Hampshire & IOW	150,000	0	150,000	0	0	0	300,000
Growing Places Loan (net revolving fund)	0	0	2,000,000	2,647,839	1,867,262	9,564,534	16,079,636
SEEDA legacy funding for business engagement	0	0	130,000	101,396	0	0	231,396
BIS - Digital Capability for SME's	0	110,000	0	0	0	0	110,000
<b>Grant Total - Funding</b>	<b>10,337,473</b>	<b>14,929,379</b>	<b>70,696,717</b>	<b>47,585,235</b>	<b>21,289,000</b>	<b>26,223,808</b>	<b>191,061,612</b>