

Title: Business Case Development Fund
Report of: Mags Scott, Director of Finance and Investment
Portfolio: Finance and Investment

Report Summary

The purpose of this report is to set out a proposal for a Business Case Development Fund (BCDF) of £1m per annum for a period of three years, funded from the North East Combined Authority (North East CA) Investment Fund, to facilitate timely access to expert, technical skills and capacity in support of the development of comprehensive business cases that will catalyse additional investment into the region.

Recommendations

The Chief Executive is recommended to approve £3m of North East Combined Authority's Investment Funds for a three-year Business Case Development Fund.

1. Summary of Investment Proposal (Context)

- 1.1 Throughout the development of the North East CA's Investment Framework, it was acknowledged that for the North East CA to realise its strategic objectives there is a need to secure additional investment from both the public and private sectors.
- 1.2 A BCDF, with proportionate assessment and monitoring criteria, will enable the North East CA and delivery partners to access technical skills and capacity to support the development of robust five case business cases to support the North East CA to meet the requirements set out within the Single Assurance Framework. Where required, it will also strengthen any bids submitted to HM Government or other external organisations for additional funding, and catalyse additional investment, including from the private sector.
- 1.3 The report was recommended to the Chief Executive for approval by the North East CA Finance and Investment Board on 19 January 2026.

2. The Investment Proposal

- 2.1 It is proposed that £1m p.a. of revenue funding be invested from the Investment Fund for delivery of relevant business case development activity over the next three years.
- 2.2 Relevant business case development activity will comprise:
 - The procurement of external services to develop all or part of a five-case business case to support leveraging additional funding within the North East to deliver against the CA's objectives. This could include supporting specific requirements for a strategically important business case for North East CA funding.
 - Feasibility studies.
 - Physical design proposal & costing.
 - Economic and financial modelling.
 - Market research/demand assessments.
 - Options analyses.
 - Project or programme master-planning.
 - Preliminary site investigation.

The BCDF cannot be used for internal staff resources.

- 2.3 Calls upon the BCDF will be required to meet the following criteria:

- A maximum total investment of £250k investment per specified scheme/project.
- Where it is proposed that BCDF funding is to be distributed to external delivery partners, including our constituent authorities:
 - activity must support the strategic objectives of the North East CA;
 - proportionate SAF assurance principles will be applicable to ensure appropriate financial due diligence, contracting and monitoring arrangements;
 - decisions on funding will be delegated to the relevant North East CA Director.

2.4 BCDF allocations across business areas will be agreed as part of annual budget planning and take into consideration the strategic investment pipeline. Delivery of funding will be monitored through the budget monitoring process, led by the finance team, including regular reforecasts of expected spend. From an overall North East CA budget perspective, BCDF expenditure will be reported as committed and spent in full at the start of each year as part of the North East Investment Fund programme performance management, reflecting the fact that its usage has been committed. Individual decisions will be reported to Finance and Investment Board through the standing agenda item on Investment Decisions.

2.5 This flexibility supports the BCDF’s agile delivery model, enabling the Combined Authority to respond quickly to investment opportunities and optimise use of resources across portfolios.

3. Outputs and Outcomes

3.1 The anticipated outcome of the BCDF is increased leverage of additional funding into the North East region, achieved through successful bids for government funding and catalysed private sector investment, and delivery of associated onward benefits that support the North East CA’s strategic objectives, across all its strategic missions.

3.2 In addition, improved CA processes for smaller scale investments that are proportionate and provide the CA with the agility to respond to opportunities as and when they arise. It also supports the North East CA’s organisational health objective to be as efficient and effective as possible, reinforcing robust governance standards and ensuring resources are directed toward priority areas that align with strategic goals and deliver impact.

4. Timetable for Implementation

Milestone	Forecast Date DD/MM/YY
Proposal Start Date	01/02/2026
Process Evaluation	30/09/2026
Annual Review	01/02/2027
Annual Review	01/02/2028
Annual Review	01/02/2029
Financial Completion Date	31/03/2029
Anticipated Proposal Completion Date (date by which all outputs/outcomes will have been achieved)	31/03/2029

5. Evaluation

5.1 To ensure the BCDF delivers its intended outcomes, provides value for money, and informs future investment decisions, evaluation will be structured around two key stages:

1. Process Evaluation (February 2027)

- An early process evaluation will assess the effectiveness of governance, processes and fund allocation mechanisms. This will review compliance with Assurance Principles and whether the anticipated benefits of improvements in efficiency and effectiveness are being

met. It will also identify any operational challenges and recommend improvements. Feedback from North East CA Directorates and delivery partners will be sought as part of this process.

2. Annual Reviews (2027 & 2028)

- Annual Reviews will be undertaken to monitor progress against the programme objectives; improving the quality of business cases for investment within the region, leveraging additional investment and realising the related benefits. Consideration will be given to the number of projects approved; their alignment with strategic priorities and any leverage achieved. The annual review will also assess delivery timelines and the quality of outputs.

5.2 This approach will help to right-size the amount of funding in the BCDF and to ensure the processes around it are designed to provide appropriate governance and agility. The outcome of these reviews will be shared with our Local Authority Partners through Economic Directors and/or Financial Directors forums.

6. Appraisal

6.1 An internal appraisal has been undertaken on the business case and was rated Green overall.

6.2 The BCDF proposal sets out its purpose, strategic fit, and impact, with clear details on funding, timescales, and eligible activities such as feasibility studies and business case development. Governance and SAF compliance are addressed, and past successes demonstrate credibility. The fund aims to streamline processes and support regional priorities.

6.3 A funding gap for early-stage development slows priority schemes under current processes. A dedicated fund will enable faster responses and improve agility. No formal output targets are set due to the broad scope, but the programme is expected to attract significant public and private investment. Beneficiaries include the North East CA, local authorities, and other organisations linked to supported schemes.

6.4 Subsidy Control checks will be embedded in commissioning, but a residual risk exists where the North East CA procures on behalf of others. Internal legal consultation before procurement is recommended.

6.5 Funding conditions have been proposed to support governance, mitigate risk, and support strategic objectives while maintaining flexibility to respond to emerging opportunities.

6.6 A detailed review of future outputs and outcomes delivered by commissioned activities, including anticipated public/private sector leverage, will be undertaken as part of the evaluation.

7. RAG Assessment

The assessment follows the HM Treasury Five-Case Model.

Overall RAG assessment		
Risk Rating	Strategic case	Green
	Commercial case	Green
	Economic case	Green
	Financial case	Green
	Management case	Green
	Overall rating	Green

8. Recommended Conditions of Funding

None noted.

9. Potential Impact on North East Combined Authority Objectives

- 9.1 The BCDF aligns strongly with the North East CA's strategic objectives, the Local Growth Plan, the Mayoral Manifesto, and commitments under the Devolution Deal. Its flexibility allows adaptation to future priorities, including those arising from the integrated settlement agreement.
- 9.2 The BCDF particularly aligns to the Local Growth Plan's priority of the North East mission to be a 'Home to a growing and vibrant economy for all' by ensuring 'support and investment across a wide range of economic drivers: from advanced manufacturing to digital and the cultural sector, from skills training to good transport'. It also supports the mission to build a North East we're proud to call home by enabling investments that deliver improvements.
- 9.3 The BCDF contributes to organisational health objectives outlined in the North East CA's Performance Management Framework by ensuring strong governance, clear accountability, and the effective allocation of resources to priority areas that align with strategic goals and deliver measurable impact.

10. Key risks

- 10.1 A summary of key risks relating to the investment proposal is as follows:

The primary risks relate to financial demand exceeding available funding, projects not delivering as contracted, failure to achieve intended benefits, and insufficient leverage to maximise impact.

While several risks are assessed as medium likelihood, particularly those linked to delivery performance and strategic outcomes, the potential consequences could significantly affect programme credibility and future investment opportunities. Mitigation measures focus on ensuring adherence to governance and assurance processes, including evaluation. Clear funding parameters and evidence of match funding are also key to ensuring financial sustainability and leverage. In addition, internal legal consultation must be completed ahead of any procurement activity to assess subsidy risk at the end-beneficiary level.

Ongoing monitoring and reporting to the Senior Leadership Team, supported by monthly budget monitoring, will provide appropriate oversight and enable timely interventions. Collectively, these actions aim to reduce exposure, maintain programme integrity, and ensure that funded projects deliver maximum value for the region.

It is recommended that responsibility for managing key risks will rest with North East CA Directors and the relevant business areas.

11. Financial and other resources implications

- 11.1 The financial profile for the project/programme is included below:

Funding source	2025/26	2026/27	2027/28	2028/29	Total
<i>North East CA Investment Fund (£)</i>	£155,789	£974,737	£934,737	£934,737	£3,000,000
Total (£)	£155,789	£974,737	£934,737	£934,737	£3,000,000

11.2 Status of match funding:

The BCDF does not require match funding as a condition of award; however, external beneficiaries are encouraged to demonstrate any committed public or private contributions to strengthen leverage and value for money. Evidence of match funding may be requested.

12. Legal implications

The Monitoring Officer has been consulted and has no comments to add.

13. Equalities implications

The North East CA follows the Public Sector Equality duty and this report has due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010. Engagement has taken place with the North East CA's Equalities and Inclusion Team and a light Equalities Impact Assessment (EIA) has been undertaken to ensure funded projects promote equality, diversity, and inclusion. All grant agreements will require applicants to demonstrate how their proposals address accessibility, fair employment practices, and inclusive engagement, in line with North East CA equality objectives.

14. Consultation and engagement

Consultation has been undertaken with the North East CA Senior Leadership Team and the LA7 Finance Directors.

The report was also considered and supported by the North East CA Technical Officers Group at its meeting held on 19 December 2025 and the North East CA Finance and Investment Board on 19 January 2026.

The BCDF is also incorporated within the North East CA's Single Assurance Framework, which was approved by Cabinet in May 2024.

15. Appendices

None

16. Background papers

None.

17. Contact officers

Name: Chrisi Page
Title: Head of Investment Programmes
Email address: Chrisi.page@northeast-ca.gov.uk

Name: Melissa Wells
Title: Senior Investment Governance Manager
Email address: melissa.wells@northeast-ca.gov.uk

18. Glossary

BCDF – Business Case Development Fund
North East CA – North East Combined Authority
SAF – Single Assurance Framework

19. Consultee

Cabinet Member:	Director/Head of Service:	Director of Finance and Investment:	Monitoring Officer:
Yes	Yes	Yes	Yes