

Cambridgeshire and Peterborough Devolution Assurance Framework February 2017



Cambridgeshire and Peterborough Devolution

Assurance Framework

1. Overview

- 1.1 Cambridgeshire and Peterborough agreed a Devolution Deal¹ with HM Government on 4th July 2016. This included the transfer of significant powers to the local level, awarded new funding and committed to the creation of an elected Mayor over the region to provide strong, accountable leadership.
- 1.2 The Cambridgeshire and Peterborough Devolution Deal sets out details of the powers and functions from central government devolved to the new Cambridgeshire and Peterborough Combined Authority and the new directly elected Mayor. The powers, funding lines and functions of the Combined Authority (CA) and the Mayor will be confirmed in Orders under the Cities and Local Government Devolution Act (2016).
- 1.3 A significant element of the devolution deal was the award of a single pot of investment. This single pot for Cambridgeshire and Peterborough CA will initially comprise of a devolved, multi-year transport settlement and an additional long-term investment fund grant, worth up to £600 million over 30 years.² Other funding streams may be incorporated into the single pot over time, at which point this assurance framework would be updated, with agreement from HM Government.
- 1.4 HM Government has asked devolution areas in receipt of single pot funding to write an assurance framework that explains how this flexible funding will be spent with regularity, propriety and value for money.
- 1.5 An assurance framework is a set of systems, processes and protocols. It is designed to provide an evidence-based and independent assessment of the governance, risk management, and control processes of an organisation. The independence inherent to an assurance framework is derived from the separation between the sponsorship of projects/programmes and their appraisal and evaluation.
- 1.6 An assurance framework enables an organisation to monitor, measure and scrutinise how well objectives are being met and risks managed. It also implements processes to ensure an adequate response if risks or performance are perceived to be unacceptable. HM Treasury defines assurance frameworks as “an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organisation”.
- 1.7 The Cambridgeshire and Peterborough CA will operate according to the Local Government Financial Framework, as set out in the Department for Communities and Local Government’s (DCLG’s) Local Government System Statement. This document does not replace any of the checks and balances prescribed by the

¹ http://www.cambridgeshire.gov.uk/download/downloads/id/4600/cambridgeshire_and_peterborough_devolution_proposal_17_june_2016_final.docx ² This investment fund grant has been awarded to the Combined Authority, working with the Mayor. As such, the CA cannot commit to funding beyond the first five-year tranche without the consent of the Mayor, and the Mayor will have the ability to review all investment decisions made before they were in office, once elected.

existing accountability systems and local authorities' statutory responsibilities. In performing its role, the Combined Authority will ensure that it acts in a manner that is lawful, transparent, evidence based, consistent and proportionate.

2. The Cambridgeshire and Peterborough Assurance Framework

- 2.1 An assurance framework will help the Cambridgeshire and Peterborough CA allocate public resources in accordance with the law and proper standards and in an efficient and effective way that delivers both the outcomes required and value for money.
- 2.2 The Cambridgeshire and Peterborough CA will establish an investment fund through which it will administer the single pot allocation of funding from DCLG alongside other local and national funding sources. Although the City Deal and Local Growth Funding streams are not components of the investment fund, an assessment of the totality of funding available to the area will be made to ensure there is an integrated approach across Cambridgeshire and Peterborough.

This assurance framework will apply to all funding the CA receives and is the accountable body for, which includes:

- £20 million per annum (pa) gain share funding (part of the devolved single pot allocation), which in line with the devolution deal is in the control of the Cambridgeshire and Peterborough CA, working with the Cambridgeshire and Peterborough Mayor²;
- £100m Housing capital grant over five years to meet the housing needs of Cambridgeshire and Peterborough;
- £70m Housing capital grant over five years to meet the housing needs of Cambridge;
- Single Transport Pot funds (part of the devolved single pot allocation). The process for allocating the consolidated transport funding from 2017/18 will be subject to review by the Mayor in line with their responsibilities outlined in the devolution deal;
- Recycled Business Rates, Council Tax and New Homes Bonus associated with specific fund investment projects (recycled to the Fund where appropriate on a pro-rata basis reflecting public sector investment);

The investment fund will provide the opportunity to combine funding, from the range of sources highlighted above, to maximise economic impacts. All projects funded through the investment fund will be subject to a single prioritisation, appraisal, and monitoring and evaluation procedure, with value for money assessments carried out as part of the appraisal process tailored to the nature, scale and source of funding for the proposed investment project. Investment decisions will be made for all funding with reference to statutory requirements, conditions of the funding, local transport objectives and the Strategic Economic Plan through formal LEP involvement.

The following sources may also form part of the investment fund, dependent upon

² No spending commitments beyond the initial five-year allocation will be made until the Cambridgeshire & Peterborough Mayor is in office and has agreed to the CPCA investment strategy. The Cambridgeshire & Peterborough Mayor will also have the authority to review all investment decisions related to this funding, taken before their appointment.

the future funding bids, changes in legislation, the specific nature of projects and future Cambridgeshire and Peterborough CA/Mayor decisions:

- the value of local authority land assets identified for projects and as part of the project funding package;
- capital receipts and income from investment assets at a CA level; any additional supplement on business rates to fund infrastructure;
- other funding sources, including project specific match funding;
- prudential borrowing at a CA level (currently only for transport projects). The investment fund will have access to local prudential borrowing where this is relevant to the scheme(s) that are funded through the investment fund, but the fund will not be making local prudential borrowing decisions on behalf of districts; and
- Adult Education Budget from 2018/19- subject to readiness conditions.

Other funding sources will be aligned with the investment fund to ensure that an integrated, comprehensive and strategic approach is adopted to promoting growth within the area. However, this funding will not be governed by this assurance framework.

Where any other funds from central government and their arm's length bodies is used alongside CA funds they will be subject to this assurance framework. They will also be used in line with the guidance, expectations and requirements of that funding body (for example, where Recycled Capital Grant Funding is used alongside investments, it will need to meet all HCA requirements). This is to ensure appropriate management of public funding: to limit the risk of double subsidy, for example. Any enhancement of investments with any other funding from central government and their arm's length bodies will also clearly set out the additional impact this delivers.

Notwithstanding these considerations, the CA is empowered to use its funding in flexible and innovative ways to maximise the numbers and speed of delivery of new affordable housing.

- 2.3 This assurance framework has been designed to align with the Single Pot Assurance Framework Guidance developed by the Department for Communities and Local Government (DCLG) and the Cities and Local Growth Unit.
- 2.4 It is also designed to align with existing assurance frameworks including the Cambridge City Growth Deal Assurance Framework and the Greater Cambridge Greater Peterborough Local Enterprise Partnership (GCGP LEP) Assurance Framework. There will be a distinction between the operation of these frameworks, though it is fully intended that their decision-making will operate with the same features and principles. Paragraph 3.14 below outlines the CA's approach to dealing with overlapping assurance frameworks.
- 2.5 The Cambridgeshire and Peterborough Combined Authority Assurance Framework provides additional assurance to the DCLG accounting officer by explaining how funding that is granted or devolved to the CA is allocated, and that there are robust local systems in place which ensure resources are spent with regularity, propriety, and value for money.

- 2.6 The assurance framework is also designed to provide assurance about the CA's activities and spending to the constituent and non-constituent authorities and to the taxpayer. It sets out clear and transparent arrangements for all stakeholders in the CA area including local authorities, residents and businesses about how the CA will conduct itself.
- 2.7 This assurance framework will be subject to an annual review (at a minimum) to ensure that it remains fit for purpose and up to date. There are a number of new structures, procedures and strategies being introduced as a result of the devolution deal that will take time to establish and become fully operational. Similarly, as the devolution process continues, new funding streams will be brought into the single pot and control of the CA and with them a requirement to provide assurance that this funding is being spent appropriately. Where significant changes are made, for example as a result of additional powers or funding, adjustments made to the assurance framework will be agreed with DCLG.
- 2.8 The prioritisation, appraisal and approval processes underpinning the single investment pot will also be reviewed on an ongoing basis to ensure that they remain proportionate, in line with up-to-date guidance and best practice (such as the most recent HMT Green Book and DCLG appraisal guide), and provide sufficient assurances regarding Value for Money (VfM) and the best use of public sector resources.
- 2.9 The structure of this document

This document is split into three further sections.

- Section 3 covers the governance and decision-making systems that underpin the CA's assurance framework.
- Section 4 outlines the apparatus and safeguards in place to ensure that the CA's decision-making is transparent and that decision makers are held accountable.
- Section 5 outlines the processes that will be followed in order to ensure a rigorous and robust appraisal of projects and programmes.

This assurance framework document should be read alongside the CA's constitution and is accompanied by a suite of further documents that are included in the appendices.³

3.0 Governance

- 3.1 This section describes the governance systems and mechanisms for the Cambridgeshire and Peterborough CA governance in relation to the use of the single pot funding.
- 3.2 This is the assurance framework for the Cambridgeshire and Peterborough CA. Geographically the area covering the boundaries of the following local authorities defines it:

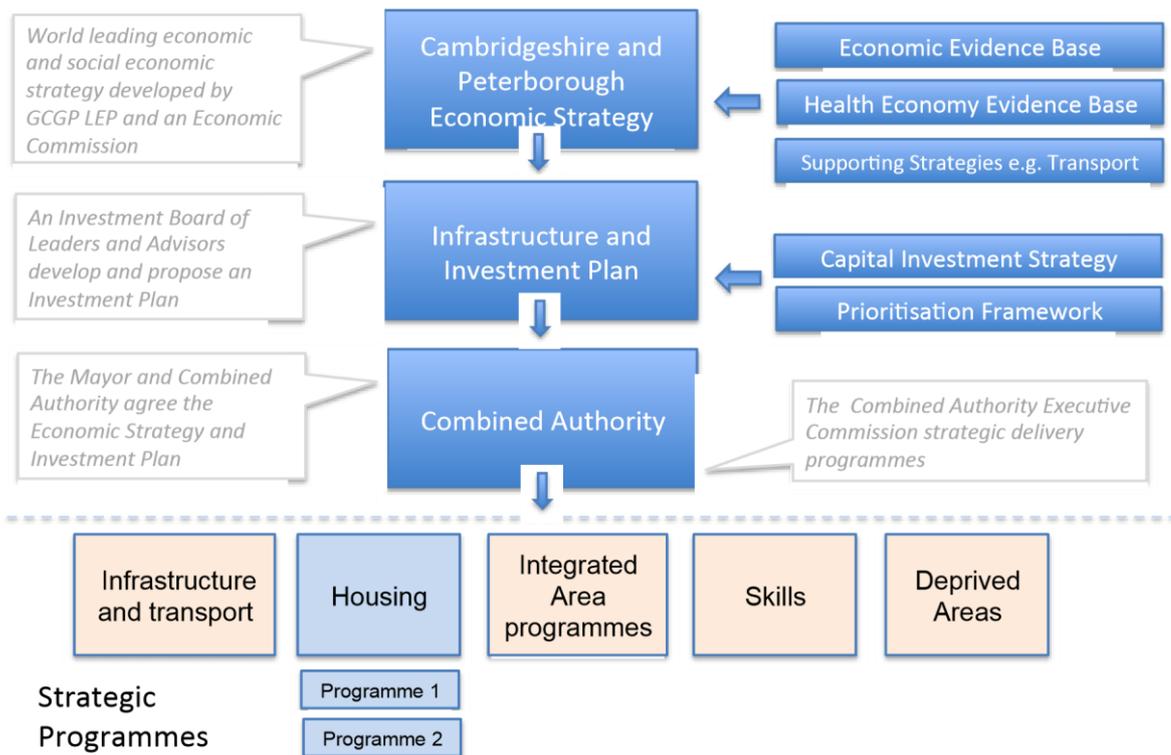
³ Link to constitution

- Cambridge City Council
- Cambridgeshire County Council
- East Cambridgeshire District Council
- Fenland District Council
- Huntingdonshire District Council
- Peterborough City Council
- South Cambridgeshire District Council

3.3 The CA also covers the geography encompassing a large part of the GCGP Enterprise Partnership area.

3.4 An overview of the process and governance system for managing the single pot is described below.

Single Pot Investment Process



Each of the main features of the process is considered in turn below.

3.5 Cambridgeshire and Peterborough Economic Strategy – single pot investments will be based on hard independent economic and / or health economic evidence. The Cambridgeshire and Peterborough CA will have an evidence base that is recognised by all stakeholders as the singular source of information and evidence. The GCGP Enterprise Partnership is responsible and accountable for the production of the economic strategy, which will be approved by the CA. To support their role in this respect, they will establish an independent Economic Commission. The Economic Commission will be made up of leading economists, predominately from within the Cambridgeshire and Peterborough area – it will draw on the leading experts in this field. The terms of reference of the Economic Commission are set out in Appendix A.

3.6 The Enterprise Partnership will also draw on relevant supporting existing strategies including transport, skills and employment to develop the economic strategy.

- 3.7 The economic strategy will provide the basis for investment decisions made by the CA, although investments may take into account the objectives of the Cambridgeshire and Peterborough Devolution Deal. This will form the basis for business cases and show the linkages between single pot investments and growth in the economy of the area.
- 3.8 Infrastructure and Investment Plan – the economic strategy will directly inform the development of the Cambridgeshire and Peterborough CA Infrastructure and Investment Plan. The infrastructure and investment plan will identify the strategic programmes and projects that will deliver sustainable economic growth and support the social economy and health and well-being of the area, taking into account statutory requirements for the CA's responsibilities e.g. in transport. Responsibility for the development of the infrastructure and investment plan will be with the Cambridgeshire and Peterborough Investment Board. The Cambridgeshire and Peterborough Combined Authority Fiscal Cabinet Portfolio holder will chair the Board, supported by the Infrastructure Cabinet Portfolio holder and the Chair of the Enterprise Partnership. Senior financial and legal advisors will also sit on the board. The terms of reference of the Investment Board are set out in Appendix B.
- 3.9 The infrastructure and investment plan will be developed in conjunction with the CA's capital investment strategy and the application of the prioritisation framework to programmes and projects that have been identified.
- 3.10 The infrastructure and investment plan will be reviewed and updated annually.
- 3.11 The Investment Board will also engage with the private sector to establish a clear understanding about the potential level, scope and nature of private sector investment that might be available to the CA. It will consider the merits of different forms of investment partnerships that might be available to the CA and how these align and compare with existing forms of borrowing that are available to local authorities. It will include these considerations in the development of its overall approach to capital investment and in its recommendations to the CA.
- 3.12 The CA is responsible for agreeing the economic strategy and the infrastructure and investment plan. An allocation of funding from the single pot will not be made to any programme or project unless it is agreed as part of the economic strategy and infrastructure and investment plan, unless it determines to apply the wider devolution deal objectives criteria. The CA will monitor and evaluate the investment decisions it makes. This will be done through continual monitoring of the investment programme concluding in the agreement of the annual budget for the CA. The finalisation of this budget will involve prioritisation of the programme which could see elements of the programme accelerated or given lower priority. The Mayor as part of the CA and as its Chair, will play a key role in influencing and confirming investment decisions together with the budget setting of the CA.
- 3.13 The CA will take overall responsibility for ensuring that risk is identified, reported, monitored and managed at both the corporate CA level and at a project and programme level for any specific investment, supported by the Chief Executive and the Section 151 Officer as named risk officer. Each specific project will have an identified owner of risks for that project who will be required to log risks and issues,

report on identified risks, estimate their probability and impact with a Red, Amber, Green (“RAG”) rating, and set out an approach to how the risks will be mitigated. Project risks will then be aggregated and reviewed at the level of the CA as part of a Corporate Risk Register to assess overall levels of risk, controls, and mitigation, appropriate risk management processes throughout the organisation.

- 3.14 Strategic Programmes and Projects – a Delivery Board of the CA will be established and will commission strategic programmes and projects. All programmes and projects will operate within the terms set out in the programme management framework described in detail in Section 5. The Delivery Board will incorporate New Homes and Communities as a major strategic theme and will provide appropriate governance and monitoring arrangements for Housing investment and the capital sums included in the agreement with Government. The Board will comprise representatives of the constituent members of the CA and GCGP LEP and the HCA will act in an advisory capacity to the Board on Housing related matters.
- 3.15 Commissioning and Calls– Investment funding will be allocated through commissioning and periodic open calls for projects. The Portfolio leads and their boards and teams will be responsible for identifying projects which can meet the CA’s strategic objectives as set out in the Economic Strategy (or devolution deal) and commissioning these projects appropriately. All project applications, from whatever source, will be required to follow the same appraisal process as outlined in Section 5, and be reviewed by an Investment Team.
- 3.16 Interacting with existing assurance frameworks – there are other bodies and organisations that make up the Cambridgeshire and Peterborough Combined Authority that have their own assurance frameworks. This raises a question of how the Combined Authority assurance framework will interact with these other assurance frameworks. There are two cases where overlap may occur:
 1. Local Growth Funding (LGF): LGF is currently administered through the LEP. The government has made clear that it is for local authorities and the Local Enterprise Partnership to decide whether the LGF allocation is incorporated into the CA single pot and maximise the impact of investments through their alignment. Partners within the Cambridgeshire and Peterborough CA and GCGP LEP intend that all funds should be viewed strategically by the Investment Board as part of the total investment fund available to the area. The LEP Assurance Framework will continue to apply to LGF funding operating with similar features and principles as the CA single pot in future.
 2. Cambridge City Deal Funding: The City Deal Assurance Framework will continue to apply to this funding for now and will be aligned with the CA framework. Partners within the Cambridgeshire and Peterborough CA and the City Deal Board will explore how best all funds should be viewed strategically by the Investment Board as part of the total investment fund available to the area.

4. **Accountable and Transparent Decision Making**

This section describes how the Cambridgeshire and Peterborough CA will ensure accountable and transparent decision-making in relation to the use of the single pot funding.

4.1 Accountable Body Arrangements

The Cambridgeshire and Peterborough CA is a local authority for the purposes of the Local Government Act 1972 and will take on responsibility for the devolved investment fund and transport budgets.

The CA will appoint officers to undertake the statutory Head of Paid Service (Chief Executive), Chief Finance Officer and Monitoring Officer roles. The Chief Finance Officer role will ensure that resources are used legally and appropriately, that they will be subject to the usual checks and balances and by making sure there is a sound system in place for financial management. The Monitoring Officer role will ensure that all legal responsibilities are adhered to. The Constitution of the CA provides for further detail about these roles.

4.2 Transparent Decision Making

It is important that all decisions taken regarding the single pot are accountable, open and transparent. Transparency will be maintained through all aspects of the operation of the Cambridgeshire and Peterborough CA and by adhering to the Local Government Transparency Code (2015).

A diary of all CA board meetings will be agreed during the year as soon as possible after the Annual Meeting of the CA. The CA board meetings will take place in public, with agendas published on the CA website 5 clear working days before the meeting and minutes published as soon as practicable following the meeting.

4.3 Publication of Decisions

The CA will publish a record of the decisions made at its board meetings through the publication of the minutes on the website. A record of the outcome of the due diligence process for projects will also be published on the CA website. Updates on projects in delivery will also be provided to meetings of the CA board and these will be recorded through the board minutes. The CA will also ensure compliance with Government guidelines on publication, where appropriate. For example, the requirement to seek external views on transport business cases through the publication on the CA website.

4.4 Engagement with Local Partners and the Public

The Cambridgeshire and Peterborough CA will ensure effective engagement with local partners through existing practices and processes, which have been in existence for a number of years. Wide ranging local partner and public consultation is undertaken during the development of strategy documents. A number of thematic task and finish groups will also be used for work stream development, where appropriate, and these will include local partner representation. Following development, key strategy documents will be placed on the Cambridgeshire and Peterborough CA website for public consultation for a period of time, with responses considered and feedback published where appropriate.

4.5 Audit

The CA will establish an Audit and Governance Committee. This committee is a key component of Cambridgeshire and Peterborough's corporate governance arrangements and an important source of assurance about the organisation's arrangements for managing risk, maintaining an effective control environment, reporting on financial and other performance, and for the promotion and maintenance of high standards of conduct by its members. The annual external audit of the CA's accounts will be undertaken by an external accountancy firm appointed by Public Sector Audit Appointments Limited, and will be included within the statutory statement of accounts. As part of the Chief Finance Officer statutory responsibilities all internal

audit requirements will be undertaken by whichever authority provides the finance officer as part of the delegation of administrative functions.

4.6 Freedom of Information Act 2000 and Protection of Freedoms Act 2012

As a public body the Cambridgeshire and Peterborough CA will be responsible for holding the official record of single pot proceedings and all single pot documents and will ensure compliance with the Freedom of information Act 2000 and Protection of Freedoms Act 2012. Full details of the CA's Freedom of Information requests will be found on its website.

4.7 Publication of Annual Accounts

The Annual Statement of Accounts of the Cambridgeshire and Peterborough CA and spends over £500 will be published on the CA website.

4.8 Conflicts of Interest

The Cambridgeshire and Peterborough CA will have a clear set of procedures for dealing with conflicts of interest, which may occur during business, whether at the CA board, or any development groups. The full procedure is at Appendix C (to be drafted).

4.9 Complaints Procedures

The Cambridgeshire and Peterborough CA will have a dedicated complaints procedure that is followed up on receipt of a complaint. This will be available on the CA website.

4.10 Equality and Diversity

An Equality Framework has been established that covers the work and outputs of all the Cambridgeshire and Peterborough CA boards and committees. It will be updated and published annually on the CA website.

4.11 Gifts / Hospitality

Any gift or hospitality over the value of £100 will be declared and documented internally by the Cambridgeshire and Peterborough CA.

5. Programme Management Framework and Ensuring Value for Money

5.1 This section describes the programme management framework approach that the Cambridgeshire and Peterborough CA will apply to all single pot investments. It also sets out how the CA will ensure value for money and effective delivery of investments made through the single pot and how risk will be managed.

5.2 **Programme Management Framework** – The CA will use a programme management framework for all investments through the single pot. It will provide all stakeholders – including government, local partners and local communities the assurance that there is a robust framework in place to manage projects in an appropriate way from project planning and development, through to selection, delivery and closure ensuring at all times maximum impact and value for money for the local area and that funds are spent lawfully with risks assessed and managed appropriately. The CA will use appropriate

programme management approaches to manage funds between projects, themes and financial years. In summary the framework includes the following stages:

- 5.3 **Strategy and Development** – The Cambridgeshire and Peterborough economic strategy will inform an Infrastructure and Investment Plan. This will contain potential projects of strategic importance to ensure that there is a robust pipeline of projects in place. The infrastructure delivery plan will be updated on an annual basis. It will also be shaped by the Cambridgeshire and Peterborough capital investment strategy, which will provide the basis for the funding streams available in the short, medium and long term.
- 5.4 **Prioritisation and Selection of Projects** – An assessment framework will be used to appraise and prioritise projects. The CA board will approve projects for selection into programmes, or approve bids to government where appropriate.
- 5.5 **Due Diligence and Project Approval**–Every programme and project will complete and submit business cases, which will follow Green Book principles, for independent due diligence. The outcomes of the due diligence will be considered by an Investment Board, with final approval of projects made and a legal funding agreement signed between the project and the CA.
- 5.6 **Delivery, Monitoring and Evaluation** – The project is monitored throughout delivery, with any required project changes following the required process.
- 5.7 This is covered in detail in the separate document: Monitoring and Evaluation Framework. Monitoring and evaluation will be agreed with each scheme promoter as part of the business case appraisal process.
- 5.8 The Investment Fund Grant is also subject to five-yearly Gateway Reviews to assess whether investments have impacted upon economic growth. At this stage, the government has suggested that the gateway review will focus on evaluating the performance of the investment fund with economic growth becoming the primary measure for assessing impact.
- 5.9 An independent panel, as agreed with HM Government, is to be commissioned to undertake the review – including the creation of a specific monitoring & evaluation framework from the outset and ongoing support throughout the five year period – and this external assessment provides a further incentive to encourage appropriate project appraisal, assurance and VfM processes.
- 5.10 **Project Closure** – Financial and practical matters will be overseen by the Investment Board.

5.11. Options Appraisal and Prioritisation

- 5.12 A key objective of the assurance framework is to support the Cambridgeshire and Peterborough CA in assessing whether potential investments offer good VfM and have the capacity to generate and deliver the growth objectives set out in the economic strategy. The appraisal process for the investment fund will be consistent with HM Treasury's Green Book and Business Case Appraisal process, including supplementary and departmental guidance, such as the Department for Transport's (DfT) WebTAG appraisal guidance and DCLG's Appraisal Guide.

This will be based on the five cases model:

- the strategic case – which provides a compelling case for change and explains how the project provides fit with the objectives of the organisation and wider public sector agendas;
- the economic case – which describes how the project/preferred option represents best public value;
- the commercial case – which demonstrates that the deal is attractive to the market, can be procured and is commercially viable;
- the financial case – which confirms that the proposed spend is affordable; and
- the management case – which confirms that what is required from all parties is achievable.

5.13 Appraisal criteria

A single appraisal approach will be applied to all projects, which will be transparent and equitable. The project appraisal criteria will include:

- fit with the growth strategy, investment fund objectives and other relevant strategies – including strategic linkages with other thematic projects;
- clear evidence of the rationale and need (or demand) for the project and application of best practice;
- the additional GVA and employment impacts, as well as the wider benefits, at the CA area level;
- clearly defined inputs, activities, outputs, and anticipated outcomes and an assessment of additionality, deadweight and displacement;
- clear detail of the financial costs of the proposal and evidence of the need for investment fund support and availability of match funding;
- confirmation that the investment represents VfM (the degree to which benefits exceed costs assessed using Benefit Cost Ratios and Net Present Public Value) and is the preferred option;
- that the project has robust risk management, delivery, and monitoring and evaluation arrangements; and
- that the project complies with necessary regulations and requirements, including legal due diligence requirements and state aid.

Preference will be given to support in the form of loans or investments that generate a return, along with additional business rates and/or council tax generated being recycled to the fund on a pro-rata basis reflecting public sector investment.

In addition, private and other public sector leverage will be maximised. Projects will be appraised against these criteria and should also meet minimum thresholds and requirements (for example, a benefit cost ratio that is at least acceptable and meets the established guidance for that project type).

5.14 For transport projects, the expectation is that all schemes must achieve a highvalue for money at all stages of the approval process, and independently verified on behalf of the CA as part of the assessment process. Such projects must also have been subject to earlier rigour to de-scope the scheme, or else to explore higher VfM alternatives.

Notwithstanding the above principles on VfM, the CA will be able to approve transport schemes having lower VfM, having regard to specific circumstances including:-

- convincing wider economic, social and environmental benefits,
- the ability of the scheme to address multiple policy objectives,
- circumstances where significant levels of match funding are being provided by the scheme promoter, or

- where there are other urgent considerations, such as specific local economic impacts set out in the strategic case. The Investment Board will seek appropriate advice on the relative weight that should be afforded to such considerations.

Recommendations to the CA will clearly set out the VfM explain the rationale for approving a lower VfM scheme and the implications of the recommendation. It will be for the CA to take the decisions as to what transport schemes they wish to fund based on the full business case.

6. Value for Money and Business Case Development

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

6.2 The NAO uses three criteria to assess the VfM of government spending, ie the optimal use of resources to achieve the intended outcomes:

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

With regard to the investment fund, as projects may include a package of funding drawn from the single pot and other local funding, the focus of the appraisal will be on projects that deliver growth, provide VfM and meet the wider strategic objectives set out in the economic strategy.

6.3 As set out in the national guidance, in addition to following the Green Book business case guidance, the methodology used to assess VfM for the single pot funding will also need to be in line with the established guidance prescribed by the relevant government department, described below:

6.4 **Transport** – the standard against which the CA will assess the robustness of the economic case of transport projects with a capital cost in excess of £5m will be the established WebTAG methodology. Schemes will also be subject to the minimum requirements on VfM assessment, assurance and evaluation of transport projects set out in Appendix B of the Single Pot Assurance Framework National Guidance. They are based on the requirements for local transport bodies and the local growth fund. The modelling and appraisal of transport schemes, defined as any scheme that significantly changes the transport network infrastructure, will be developed in accordance with the guidance published in WebTAG.

6.5 The central case used in scheme appraisals will also need to be based on forecasts which are consistent with the latest version of the National Trip End Model (NTEM). Appraisal results from this central case will be clearly reported to decision makers. At every stage of the approval process, the economic case will be reviewed and updated to reflect changes in the scheme's scope and cost, and extant WebTAG / NTEM guidance.

6.6 A VfM statement and a monitoring and evaluation plan will be required for all transport projects of £5 million and above, in line with DfT advice on assessing VfM and monitoring and evaluation. This VfM statement will be produced by scheme promoters and independently scrutinised by the CA, drawing on independent technical support as required. The statement will be signed off by an officer of suitable seniority, such as the Section 151 Officer, and this will be formally recorded. Safeguards will prevent the VfM statement from being validated by an officer with a potential conflict of interest (eg by virtue of also being a beneficiary or scheme promoter). In such circumstances, the VfM statement would need to be signed off by an alternate of suitable seniority and experience. The VfM statement will be presented to the CA as part of the decision-making process at appropriate stages in the approval process.

6.7 Paragraph 5.14 above sets out the range of circumstances that the CA may use to approve transport schemes.

Housing – Homes and Communities Agency good practice, advice and guidance will be adhered to, alongside DCLG’s appraisal guide for residential and non-residential development.

Skills Capital – Skills Funding Agency good practice, advice and guidance will provide a reference for skills capital projects; and

Enterprise, innovation and business support – these projects will need to demonstrate ability to deliver VfM through evidence-based business cases aligned with HM Treasury Green Book guidance, with a commitment to publishing results to add to the evidence base on what works and contribution to local and national policy goals on productivity and growth.

6.8 The assessments will be proportionate to the relative size of the schemes being promoted, but will, as a minimum, provide independent validation of the assumptions made by scheme promoters. A call-off list of independent parties with the necessary expertise in appraisal processes will be established, procured and funded centrally by the CA and their work will be overseen by a programme manager.

6.9 Further safeguards will exist to guard against any conflict of interest that may arise between consultants acting on behalf of scheme promoters and those that are being asked to provide independent assessments on behalf of the Investment Board. This will be overseen by a programme manager.

6.10 The CA will appoint an independent organisation, through appropriate procurement, to undertake due diligence on behalf of the CA. The independent organisation works directly with the project applicant to undertake a detailed appraisal. The organisation then makes recommendations to the CA and these are then presented to the Investment Board for decision.

6.11 Business Case Development

The application and appraisal process will apply the principle of proportionality – with more detailed information being required for large, complex or contentious projects. The application and appraisal process for the investment fund will involve three stages, as follows:

- (i) Initial proposal (Strategic Outline Case) – will provide the underlying justification for the project, which will be appraised against the investment fund Prospectus and published criteria. Successful applicants will be asked to complete an Outline Business Case (OBC);

- (ii) OBC – this will identify the preferred option for delivery from a shortlist of options, and will include a detailed Business Case for the project which is developed to a level where it is capable of being given approval in principle. If the OBC is endorsed the applicant will be requested to submit a Full Business Case (FBC); and
- (iii) FBC – adds details of contractual and delivery arrangements, along with confirmation of costs and benefits to the OBC.

6.12 Each business case submission will build upon and augment the previous stage. This will avoid duplication and unnecessary effort. It will also enable each stage to be informed by the recommendations from the previous stage. The final recommendations on the FBC will be included in the contractual agreements for funding. For smaller projects (less than £3m) the OBC and FBC stages may be combined depending on the level and quality of information provided and in keeping with the principle of proportionality. Where assumptions have been made, these should be clearly set out in the business case, with sufficient sensitivity testing carried out on these assumptions to demonstrate the robustness of the economic assessment.

6.13 Initial proposal – Strategic Outline Case (SOC)

The initial proposal will be particularly important, as this will focus on establishing the case for the proposal. Before a project can progress to OBC, the application will need to demonstrate that it meets a set of core and hurdle criteria:

Core selection criteria:

- Fit with Investment Strategy/Economic Strategy (effectiveness)
- The proposed intervention contributes to the objectives set out in the Economic Strategy/Investment Strategy and other relevant strategies
- The proposed intervention demonstrates strategic linkages with other thematic projects.

Economic and wider benefits:

- Clear case that the investment will deliver relevant activities and outputs that lead to GVA and jobs and other outcomes additional to the project – clear case that the intervention would not otherwise take place, would be smaller, happen later or be of a lower quality.

VfM in relation to:

- Efficiency – estimating the BCR using relevant economic tools specific to a scheme appraisal as well as factoring in wider benefits to inform overall value for money and Net Present Public Value for the economy at the national and local level.

Hurdle selection criteria:

- need/demand for project – strong rationale for the intervention and the market failure that the project is seeking to address;
- need for support – clear evidence that the project requires support from the investment fund, for example due to a funding gap;
- availability of match funding - appropriate arrangements are in place to secure the required level of match funding;

- management and delivery arrangements - appropriate expertise, capacity, capability and systems to deliver the intervention successfully;
- capability to meet the financial requirements and liabilities that flow from receipt of investment fund support;
- the intervention is deliverable, detailing, logging and assessing project risks, impacts and mitigations of those risks and associated dependencies;
- compliance with necessary regulations and requirements, including - state aid, procurement, planning, and other consents such as legal due diligence requirements.

The Investment Board will be responsible for assessing the initial proposals. If successful at this stage, the project applicant will be invited to submit an outline business case for consideration.

6.14 Outline Business Case and Full Business Case

The next two stages of the appraisal process will require applicants to submit:

- an OBC – this will be the first substantive business case document and will in particular need to demonstrate the case for the project, through a thorough options appraisal to justify the preferred option. The assessment of VfM will, in particular, underpin the economic case and the decision to move forward to the next stage of the appraisal process. As outlined earlier, this will in particular need to follow Green Book Business Case Guidance and take account of project specific appraisal guidance published by the relevant government department; and
- a FBC – this stage of the investment proposal will build on the information provided in the OBC and confirm that the project has the necessary contractual/procurement and delivery arrangements in place for the project to proceed. As described earlier, each business case submission will build upon and augment the previous stage. For smaller projects (e.g. up to £3m), the OBC and FBC stages may be combined depending on the level and quality of information provided and the complexity of the scheme.

6.15 **Monitoring and Evaluation** – this Assurance Framework should be considered alongside the Combined Authority’s Monitoring and Evaluation Framework. In particular, with regard to monitoring and evaluation of all transport schemes over £5m, it should be noted that they will have to follow Monitoring and Evaluation Guidance for Local Authority Major Schemes. This includes ensuring:

- A mechanism is in place for identifying level of monitoring and evaluation for the scheme in accordance with DfT guidance.
- Resources are in place to deliver proposed monitoring and evaluation.
- An Initial report based on data collected at least one year post scheme opening will be published and a final report based on both ‘one year after; data and further data collected approximately five years after scheme opening published.

All transport schemes (over £5m) seeking funding will also follow the Monitoring and Evaluation Guidance for Local Authority Major Schemes in regard to publishing monitoring and evaluation plan and reports⁵. This includes:

- Publishing evaluation plans on the promoter’s website prior to data collection; and
- Publishing Interim and Final Monitoring and Evaluation Reports on the promoter’s website.

- 6.16 **State Aid** - At all stages of project development, project applicants will be required to confirm that their project complies with state aid regulations and does not contravene state aid legislation. Project applicants will be expected to outline what advice (eg legal advice) they have had in relation to state aid and will be required to provide a state aid statement, prior to any funding being provided. Any award of funding will be subject to a condition requiring the repayment of any CA funding in the event that the European Commission determines that the funding constitutes unlawful state aid. The CA will also conduct legal due diligence to obtain further confidence that state aid requirements have been met.
- 6.17 **Public Sector Equalities Duty** – The CA will take into consideration Section 149 of the Equality Act 2010 and consider the impact upon people/groups with protected characteristics. Projects will be expected to provide evidence to this end during the development of programmes. This will be assessed through the due diligence process.
- 6.18 **Sharing of Information**– The following information will be shared on the CA website:
- The summary of the appraisal undertaken for each project. This document will be shared once a project has been through independent due diligence and has been approved. Private sector partners will reserve the right to redact any commercially sensitive information contained within the document, prior to publication on the CA website; and
 - The business cases for transport projects only. These will be published on the CA website for external comments, prior to approval. Private sector partners will reserve the right to redact any commercially sensitive information contained within the document, prior to publication on the CA website.

⁵⁵ <https://www.gov.uk/government/publications/monitoring-and-evaluation-framework-for-local-authority-major-schemes>

Cambridgeshire and Peterborough Combined Authority

Economic Commission: Draft Terms of Reference

The Cambridgeshire and Peterborough Independent Economic Commission (IEC) will:

- develop an authoritative evidence base on the economic performance and potential of Cambridgeshire and Peterborough and its component parts that commands attention at the highest levels of Government;
- reframe thinking about devolution within the UK policy debate – exploring the potential for devolution to unlock growth and improve social outcomes in multicentred economies as well as in England’s core and key cities;
- provide impartial advice and guidance, on an ongoing basis, on the performance and growth of the Cambridgeshire and Peterborough economy;
- inform choices on policy priorities and strategic investment that are made locally, at the Cambridgeshire and Peterborough level, at national level and at European level; and
- foster a common understanding of the future development of Cambridgeshire and Peterborough’s economy and the long term drivers for change across local partners, and Whitehall and Ministers.

The IEC will provide a robust and independent assessment of the Cambridgeshire and Peterborough economy and its potential for growth. This will provide the evidence base on which Cambridgeshire and Peterborough partners, and partners at national level, can continue to build a collaborative approach to growth and devolution. As part of its early work, the panel will carry out and publish a detailed review that will include:

- a full economic baseline study;
- economic forecasting to determine the potential impact of various scenarios over the next ten years and how the Cambridgeshire and Peterborough economy could respond to these;
- an assessment of whether the Cambridgeshire and Peterborough economy is fit for purpose and its future economic potential;
- analysis of how partners’ investment in key drivers of growth (e.g. key towns, key sectors, key infrastructure) across Cambridgeshire and Peterborough could maximise long-term returns for all areas; and
- an analysis of the impact that the devolution of key economic powers and levers could have on economic output and productivity.

The Commissioners will:

- undertake (and commission as required) high quality research into the performance and opportunities of the Cambridgeshire and Peterborough economy, acquiring and developing data as necessary to build on existing national and local sources;
- engage with local public and private sector stakeholders to build a thorough understanding of the local economic environment and to learn from previous work carried out by partners;
- be an independent body, which will provide ongoing advice to the Combined Authority and issue specific reports at times to be agreed; and
- receive the support of an independent secretariat.

Cambridgeshire and Peterborough Combined Authority

Investment Board: Draft Terms of Reference

The Investment Board will enable long term strategic decision making to build effective and efficient infrastructure for Cambridgeshire and Peterborough.

It will look at the area's future needs for infrastructure investment, and help to maintain Cambridgeshire and Peterborough's competitiveness in the UK and across the world. It will provide greater certainty for investors (both government and private) by taking a medium and long term approach to the potential major investment decisions facing the area.

Infrastructure investment can include schemes that enable housing, skills, transport and digital connectivity.

The membership of the Investment Board will include the CA Cabinet Portfolio Member for Fiscal and the Cabinet Portfolio Member for Infrastructure. It will also include the Chair of the Greater Cambridge and Greater Peterborough Enterprise Partnership. It will co-opt to the board independent financial advisors with specialist expertise in managing large scale financial portfolios as it considers appropriate.

The Investment Board will not be responsible for any investment decisions. It will form a series of recommendations for consideration by the CABoard. Its work and recommendations will be open to scrutiny.

The Cambridgeshire and Peterborough Investment Board will:

- develop a portfolio of infrastructure investment proposals that best support and deliver the strategic economic plan – this will include investments in infrastructure that deliver as outcomes new jobs, increased skills, improved productivity, acceleration of new homes, and economic growth across the area;
- commission and oversee the development a capital investment strategy, that will take into account the potential for bringing together funding streams available to the area as a whole;
- engage with private investors to assess the type and nature of private sector investment available to Cambridgeshire and Peterborough and how this might be used to further strengthen and accelerate infrastructure programmes;
- develop a prioritisation framework to assess the strengths of respective infrastructure programmes, their join up and interdependencies;
- assess the robustness of the outline business cases that have been developed and the deliverability of the proposed schemes. Where appropriate it will seek further analysis and evidence before reaching a conclusion about the strengths and viability of any programme, project or scheme;
- present its findings and recommendations to the CA for decision.