Agenda Item 3.3

West Midlands Combined Authority Assurance Framework

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1st June 2016

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Version 9 – updated on 1 June 2016

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1 Introduction

Source: Material in this section is drawn from HM Treasury Assurance Framework Guidance, and specific Combined Authority-related "Single Pot Assurance Framework" guidance.

1.1 What is an Assurance Framework?

An Assurance Framework is a set of systems, processes and protocols designed to provide an evidence-based and independent assessment of the governance, risk management, and control processes of an organisation. The independence inherent to the Assurance Framework is derived from the separation between the sponsorship of projects/programmes and their appraisal and evaluation.

The Assurance Framework enables organisations 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 define 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."

1.2 Why does the WMCA need an Assurance Framework?

The Assurance Framework will help WMCA to allocate public resources in accordance with the law and proper standards, and in an efficient and effective way that delivers both desired outcomes and value for money.

It is important to note that the WMCA Assurance Framework applies to all WMCA funding (i.e. not just the funding agreed through the West Midlands Devolution Agreement).

It is also important to note that the WMCA 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 [add weblink once available]. It is also designed to align with existing Assurance Frameworks and additional guidance used by the West Midlands' LEPs, although there remains a clear distinction between the LEP Assurance Frameworks and the WMCA Assurance Framework. Section 2.5 below outlines the WMCA's approach to dealing with overlapping Assurance Frameworks.

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1.3 Who is the Assurance Framework for?

The Assurance Framework provides assurance to the Departmental Accounting Officer and to Parliament for how funding that is granted or devolved to the WMCA is allocated, and that there are robust local systems in place which ensure resources are spent with regularity, propriety, and value for money.

The Assurance Framework also is also designed to provide assurance about the Combined Authority's activities and spending to the Constituent and Non-Constituent Authorities and to the taxpayer. It sets out a set of clear and transparent arrangements for all stakeholders in the Combined Authority area including local authorities, citizens and businesses about how WMCA will conduct itself.

The accountable decision making authority (i.e. the WMCA) and its associated Local Enterprise Partnership(s) must agree the final local Assurance Framework, and submit it to the Department for Communities and Local Government for sign-off. Due to the anticipated lifetime, value and significance of certain elements within devolution deal agreements, local assurance frameworks will need to be formally signed off by the Investment Sub-Committee at DCLG and reviewed regularly.

DCLG will have a role in periodically reviewing how the local assurance frameworks are operating in practice. The feedback element of the business case templates that have been built in to the process will be valuable for this exercise. Where potential changes result in significant divergence from approved local assurance frameworks, adjustments must be agreed by the Accounting Officer for DCLG, in consultation with relevant Accounting Officers across Government.

This document was signed-off by DCLG on [xx month year] and the WMCA Board on [XX month year].

1.4 What is covered in this document?

This document is split into three further sections. The first section covers the governance and decision-making systems that underpin the WMCA's Assurance Framework. The second section outlines the apparatus and safeguards in place to ensure that the WMCA's decision making is transparent and that decision makers are held accountable. The third section 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 WMCA Constitution and is accompanied by a suite of further documents that are included in the appendices.

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2 Governance and Decision Making

2.1 Name

West Midlands Combined Authority.

2.2 Geography

Source: Adapted from the Draft Constitution

The West Midlands Combined Authority (WMCA) is geographically defined by the area consisting of the combined areas of the "Constituent Authorities" of:

- Birmingham City Council;
- Coventry City Council;
- Dudley Metropolitan Borough Council;
- Sandwell Metropolitan Borough Council;
- Solihull Metropolitan Borough Council;
- Walsall Metropolitan Borough Council; and,
- Wolverhampton City Council.

The WMCA also covers the geography encompassing some parts or all of the areas of eight "Non-Constituent Members ", which are:

- Black Country Local Enterprise Partnership;
- Cannock Chase District Council;
- Coventry and Warwickshire Local Enterprise Partnership;
- Greater Birmingham and Solihull Local Enterprise Partnership;
- Nuneaton and Bedworth Borough Council;
- Redditch Borough Council;
- Tamworth Borough Council;
- Telford and Wrekin Council.

The list of Non-Constituent Members is to be amended to include additional members, such members will join the WMCA formally towards the end of 2016.

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2.3 West Midlands Combined Authority Governance Structure

2.3.1 Governance Overview

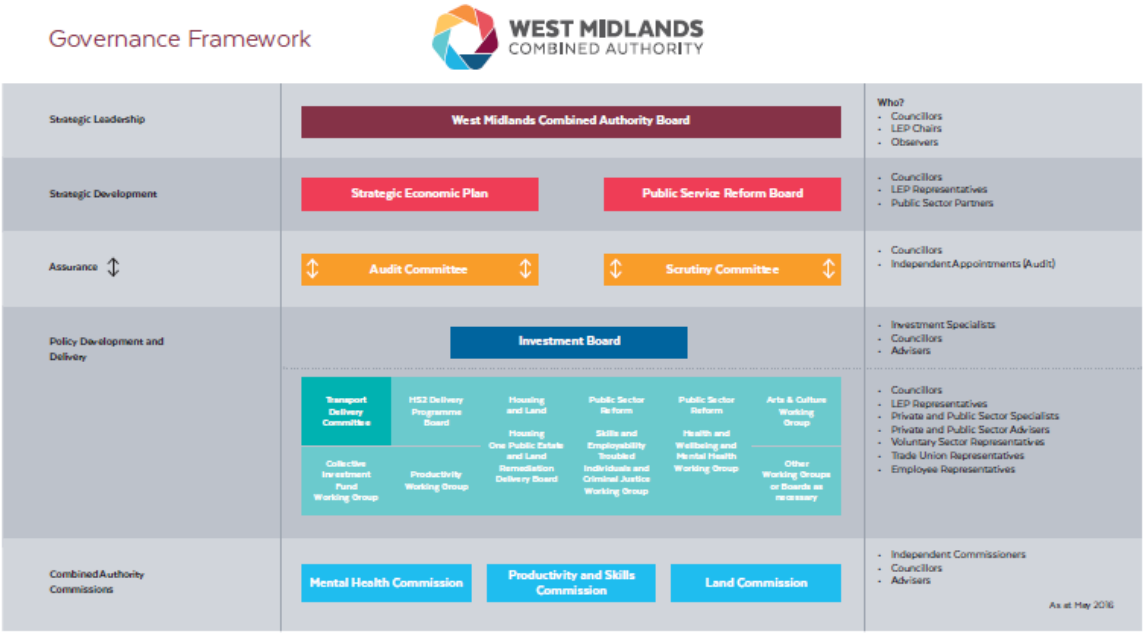

Figure 1: WMCA Governance Map – [*DRAFT*]

The diagram above depicts the WMCA's governance structure. This governance structure will be the framework under which all WMCA decisions are made, and is designed to maximise transparency and democratic accountability.

The terms of reference for each element of the WMCA's governance structure are detailed elsewhere [to be confirmed]. This document provides specific reference to the role of the different elements of the governance structure within the investment and funding allocation process. A summary table is provided in 4.2.1.

2.3.2 The Mayor and Cabinet

The directly elected Mayor for the West Midlands will be a Member and Chair of the Mayoral WMCA and will be subject to the Mayoral WMCA constitution. Until such time as the Mayor is elected, a Chair and up to 2 Vice Chairs will be appointed from the Constituent Members by majority. Once elected, the Mayor will appoint a Deputy from one of the Constituent Members.

The Leaders of Constituent Councils, who are Members of the Mayoral WMCA, will hold the office of portfolio leads for aspects of the WMCA's responsibilities, on the basis to be set out in its Constitution and in consultation with the Mayor and will be collectively known as the Cabinet operating with collective responsibility. Portfolio leads will be decided by unanimous vote of the Constituent Members.

The Cabinet will examine the Mayor's draft annual budget and the plans, policies and strategies, as determined by the Mayoral WMCA, and will be able to reject them if two-thirds of the Mayoral WMCA Cabinet agree to do so. In the event that the Mayoral WMCA reject the proposed budget then the Mayoral WMCA shall propose an alternative budget for acceptance by the Cabinet, subject to a two-thirds majority of those present and voting. The Mayor shall not be entitled to vote on the alternative Mayoral WMCA proposed budget.

If the Mayoral WMCA agrees, the Mayor may be paid an allowance subject to an independent review of the appropriateness and amount of such an allowance, subject to any statutory provision.

The Mayor is able to appoint one person as the Mayor's political adviser and to provide for the terms and conditions of such appointment in accordance with Section 9 of the Local Government and Housing Act 1989.

The functions which are to be Mayoral functions pursuant to the devolution agreement and the conditions under which they can be exercised by the Mayor are detailed in the draft Mayoral WMCA 'functions' Scheme and in summary are:

- HCA CPO powers (with the consent of the appropriate authority(ies)
- Grants to Bus Service Operators (Secretary of State to consult the Mayor)
- Devolved, consolidated transport budget
- Reporting on the Key Route Network (in consultation with the authorities)
- Mayoral precept
- Raising of a business rate supplement (in agreement with the relevant LEP Board(s) and the Mayoral WMCA)
- Functional power of competence

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The Mayor votes as a member of the WMCA, unless otherwise specified in the Mayoral WMCA Constitution.

Regarding the £36.5 million the gainshare arising from the CA Devolution Deal 1, t the Mayor as part of the CA and its Chair will be fully involved in any investment decisions and if it did come to a vote the Mayor would be part of that vote.

2.3.3 The WMCA Board

[TOR for the WMCA Board are TBC]

2.3.3.1 WMCA Board Membership

Source: Draft Constitution p. 3 (11/03/2016)

Please refer to the WMCA Constitution for information on WMCA Board Membership.

2.3.4 The WMCA SEP Board

[TOR for the WMCA SEP Board are TBC]

2.3.5 The Public Service Reform Board

[TOR for the WMCA Public Service Reform Board are TBC]

2.3.6 The WMCA Audit Committee

Source: Draft Constitution p. 26-27 (11/03/2016)

The WMCA has an Audit Committee, which is responsible for approving the Statement of Accounts, and reviewing the Authority's Risk Register and Annual Governance Statement.

The WMCA Constitution details who will sit on the Audit Committee, as well the process for selecting an Audit Committee Chair.

The WMCA Constitution also outlines the key Audit Committee procedures and functions.

2.3.7 The WMCA Scrutiny Committee

Source: Draft Constitution p. 19-26 (11/03/2016)

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The Scrutiny Committee provides the focus for scrutiny and challenge to the WMCA, as well as to any of its sub-committees and related entities. The Scrutiny Committee is charged with investigating matters of strategic importance to residents of the West Midlands. The Scrutiny Committee is an independent body, and will adopt a range of independence safeguards and implement regular independence checks.

The WMCA Constitution outlines the role, functions and procedures of the Scrutiny Committee.

2.3.8 The WMCA Investment Committee

[TOR for the WMCA Investment Committee are TBC]

2.3.9 Governance Protocols

Source: WMCA Constitution pages 3-5 and 29-30.

The Governance protocols for the WMCA are outlined in the draft constitution, including detail around the proceedings of the Annual Meeting, the nature and content of Ordinary Meetings, and the circumstances in which Extraordinary Meetings are required or can be called. The Constitution also provides information on the place of meetings, the meeting notification process, and detail on public access (in particular, see pages 3-5 of the Constitution).

Of particular relevance to the Assurance Framework, the Constitution outlines the protocols under which the governance of the Combined Authority can evolve and change through the creation of Committees, Sub-Committees and Working Groups of the Combined Authority.

2.3.10 Theme Advisory Groups and WMCA Board Sub-Groups

Source: WMCA Constitution pages 29-30.

The WMCA Board will establish a number of Theme Advisory Groups and Sub-Groups to advise, make recommendations and co-ordinate activity and engagement on fulfilling the SEP and Public Service Reform (PSR) objectives.

2.3.11 Review of Governance

Source: New drafting

The WMCA will publish an Annual Governance Statement (AGS) on an annual basis alongside its Annual Accounts. This Statement is prepared following an internal review of the Authority's governance arrangements, and it provides details of key areas where improvements can be made. The AGS will be discussed and approved

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by the Audit Committee, and will also be examined by the WMCA's External Auditors.

The Audit Committee and Scrutiny Committee will share responsibility with the WMCA for monitoring and reviewing governance arrangements and attending to issues raised through this process. These committees will also have a role in considering how the local assurance frameworks are operating in practice.

2.4 Cross-Combined Authority Working and Engagement

2.4.1 Cross-Combined Authority Working

Cross-Combined Authority working arrangements (i.e. between members of the WMCA) will be drawn up post-vesting, following a review and examination of the strategic aims arising out of the thematic approach set out above.

On vesting day, all non-operational decisions rest with the WMCA Board, but, over time, the WMCA Board will need to set its standing Scheme of delegations as well decided upon item/project specific delegations.

2.4.2 Engagement

Source: Summary of consultation analysis on proposals for a West Midlands Combined Authority (February 2016).

Engagement with and feedback from neighbouring authorities, key stakeholders and the public is key to shaping and defining the Combined Authority's activities on an ongoing basis. This has particularly been the case during the creation and development of the Combined Authority through engagement with neighbouring authorities and the three Local Enterprise Partnerships that cover the area: The Black Country, Greater Birmingham and Solihull and Coventry and Warwickshire.

Early in the development of proposals for a Combined Authority, Leaders of the seven Metropolitan Authorities set out their ambition to collaborate across the three LEP area. This engagement and collaboration shaped the Combined Authority proposals and has culminated in five districts, at least one from each County comprising the three LEP area (Staffordshire, Worcestershire, Warwickshire), and the three LEPs, joining the West Midlands Combined Authority as Non-Constituent members.

The WMCA will continue to take this approach to engaging with neighbouring authorities, key stakeholders and the public following its inception in June 2016. Channels for engagement include the formal consultation process, as well as the communication and dissemination of information as set out in 3.1.

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2.4.3 Mechanisms for Dispute Resolution

[Insert WMCA mechanisms for resolution of disputes between Constituent/Non-Constituent WMCA members]

2.5 Interacting with "Existing" Assurance Frameworks

A number of the bodies and organisations that make up the WMCA may have their own Assurance Frameworks. This raises a question of how the WMCA 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 LEPs. The government has said that the LGF allocation for 2016/17 will not be part of the WMCA Single Pot. Therefore, for this period, the respective LEP assurance frameworks will continue to apply to this funding. However, LGF may be included in the WMCA's Single Pot in future. If this is the case, the Single Pot Assurance Framework (i.e. this document) would supersede existing LEP assurance frameworks.

2. **A project being funded by two or more organisations:** It may be the case that the WMCA provides funding to a project which requires funding from a number of other organisations that have their own Assurance Frameworks. HS2 projects provide a good example of this. Where this is the case, the WMCA's portion of the investment should be treated in the same way as a standalone project and tested through using the WMCA Project Lifecycle. This is because the WMCA's objective is to provide assurance to itself that its portion of investment in the project is appropriate and will provide deliver Value for Money.

2.6 Dealing with Pre-Existing Projects

As per the logic outlined in 2.5, pre-existing projects and programmes that require WMCA funding will also be subject to the full Project Lifecycle process. This is to ensure that the funding contributed by the WMCA is appropriate and that it delivers Value for Money. The specific method of evaluation will be determined by the cost of the project, which is in line with the Combined Authority's approach to proportionality outlined in 4.2.2.

Where pre-existing projects and programmes are important in the context of the West Midlands, but do not require specific funding from the WMCA, there is no requirement for them to be tested against the Assurance Framework through the Project Lifecycle.

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2.7 Treatment of Risk at the WMCA level

A key role of the Assurance Framework is to ensure that risk is identified, monitored and managed appropriately, both at a corporate level (that is, the risks facing the WMCA as an organisation), and at a project and programme level (that is, the risks involved in any one specific investment, or group of investments). Treatment of project-specific risks are discussed in more detail in 4.2.3.

To identify, monitor, manage and mitigate risks at the corporate level, the WMCA is developing a Corporate Risk Register. The risk register is aligned to the corporate objectives of the Combined Authority.

The key principle of the Corporate Risk Register is to account for risks that face the WMCA as a whole, to determine where and by whom such risks are borne, to establish controls to prevent the identified risk (such as funding shortfall) from materialising (such controls could also include ways to reduce the impact such as use of reserves or insuring against the shortfall). The Register is not limited to financial risks, and will also consider issues such as a major divergence of interests between two or more Constituent Authorities.

Further updates to this section will be provided on completion of the Corporate Risk Register, which will be accompanied by an “Assurance Map” that will act as the dashboard for risk assessment, monitoring and reporting. This responsibility for this sits with the Combined Authority’s Section 151 Officer and the WMCA Management Board, and will be overseen by the Audit Committee and the Scrutiny Committee.

In addition to the Corporate Risk Register, the WMCA will also develop risks management procedures that will apply to activities at all levels of the organisation. These procedures will be developed as part of a broader Risk Management Framework which is separate to this document. The Risk Management Framework will also consider how risks in the constituent bodies could impact on the CA and develop a clear set of escalation procedures.

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3 Accountable and Transparent Decision Making

3.1 Stakeholder Engagement and Transparency

Source: New drafting

Bi-monthly newsletters will be distributed to stakeholders throughout the West Midlands informing them of current and planned Combined Authority activity and how to get involved.

Regular social media updates concerning relevant activity will be provided via the WMCA Twitter handle @[WMCA].

A calendar of events will be developed and made available on the WMCA website www.westmidlandscombinedauthority.org.uk.

An on-going PR campaign will inform stakeholders of WMCA activity.

Stakeholders will be able to contact the WMCA via the WMCA website's contact form https://westmidlandscombinedauthority.org.uk/contact or through social media @[WMCA].

Meeting papers and minutes, scheme business cases and evaluation reports, funding decision letters with funding levels and conditions indicated and regular programme updates on delivery and spend against budget will be published on the WMCA website [https://westmidlandscombinedauthority.org.uk/] in accordance with Access to Information Rules.

The public and stakeholders will be able to provide input via the contact form on the WMCA website [https://westmidlandscombinedauthority.org.uk/]. Stakeholders will be made aware of how to provide input by being informed via the WMCA newsletter which is available online.

The WMCA will adhere to the Local Government Transparency Code.

A statement detailing the process by which the WMCA will make decisions on major investments, as well as the rationale, will be published online alongside other documentation. Details can be found at [insert address].

FOI and EIR requests will be dealt with in the first instance by the Combined Authority's Freedom of Information Officer.

3.2 Availability of Information Online

Links to the WMCA website are available on local authority and LEP websites.

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3.2.1 Publication of financial information

The WMCA will publish financial information on its website, including Annual Statement of Accounts. The WMCA will ensure that this information is complete and up-to-date.

3.2.2 Transparency of Pay for Senior Employees

As part of its Annual Statement of Accounts, the WMCA will publish information on the pay and benefits of senior employees.

3.3 Status and Role of Accountable Body

The West Midland Combined Authority is the Accountable Body for all the devolved funding streams set out in the Devolution Deal and which as a consequence will be paid to the Authority.

The Combined Authority will therefore be responsible for:-

- Prioritising projects against the available resources
- Ensuring value for money
- The evaluation of outcomes
- Risk management

In performing this role the Combined Authority will ensure that it acts in a manner that is transparent, evidence based, consistent and proportionate. The detailed processes are set out in Section 4.

The responsibility for the administration of the Authority's financial affairs rests with the Section 151 officer.

This framework will be reviewed annually to ensure it remains relevant to the operations of the Authority.

3.4 Audit and Scrutiny

The Devolution Act, 2016 replaces the statutory requirement upon the WMCA to establish both a Scrutiny Committee, and an Audit Committee (full details are available at **http://www.legislation.gov.uk/ukpga/2016/1/contents/enacted**).

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The Scrutiny Committee has power to (full detail of powers and responsibilities available at http://www.legislation.gov.uk/ukpga/2016/1/schedule/3/enacted):

- Review or scrutinise decisions made, or other action taken, in connection with the discharge by the mayor of any general functions;
- Make reports or recommendations to the mayor with respect to the discharge of any general functions;
- Make reports or recommendations to the mayor on matters that affect the authority's area or the inhabitants of the area;
- Direct that a decision is not implemented while under its review; and,
- Recommend that a decision be reconsidered.

The Scrutiny Committee will publish details of how it proposes to exercise its powers in relation to the review and scrutiny of decisions made but not yet implemented and its arrangements in connection with the exercise of those powers.

The functions of the Audit Committee are:

- Reviewing and scrutinising the authority's financial affairs;
- Reviewing and assessing the authority's risk management, internal control and corporate governance arrangements;
- Reviewing and assessing the economy, efficiency and effectiveness with which resources have been used in discharging the authority's functions; and,
- Making reports and recommendations to the combined authority in relation to the above points.

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3.5 Checks and balances

The WMCA is subject to the same accountability and transparency legislative provisions for decision making as Local Government, including public notice of meetings and the business to be conducted at those meetings, in addition to the general public Access to Information Rules as set out below in paragraph 3.7.

The WMCA is the subject of the Freedom of Information Act 2000 which grants a right of access to information held by public authorities. It promotes openness and accountability amongst the public sector and entitled members of the pubic to make request for information, which is disclosable subject to the statutory exemptions. Further the WMCA will maintain a publication Scheme setting out what information is available publically, and how it can be accessed.

The use of resources by the WMCA are subject to standard local authority checks and balances. In particular, this includes the financial duties and rules which require

councils to act prudently in spending, and to ensure transparency that annual accounts are published. The development of these checks and balances will be overseen and managed by the WMCA's Section 151 Officer.

In addition, the WMCA will follow best practice by ensuring that all investment decisions will be made with reference to statutory requirements, conditions of the funding, local transport objectives and the WMCA's Strategic Economic Plan. These issues are explored in more detail in Section 4 below.

3.6 Strategic Objective and Purpose

Source: WMCA SEP 04/03/2016

The WMCA SEP has identified three key issues on which action at a CA level could add real value. They are:

- Skills and employment, in relation to which there are important opportunities through the devolution agreement and major challenges across the CA area in relation to sector-specific skill gaps and the imperative to increase the proportion of people with degree level skills and reduce the number with low skills;
- Housing, where the area faces a major challenge in accommodating the level of economic growth envisaged in our vision;
- HS2, which is critically important in relation to connectivity across the area and the potential for major supply chain and employment opportunities.

In relation to these key issues, the WMCA SEP has identified eight strategic priorities. These are:

- New manufacturing excellence;
- Creating a dynamic economy, particularly in the digital and creative sectors
- Environmental Technologies;
- HS2 Growth;
- Housing;
- Skills for the Future and Employment for All;
- Medical and Life Sciences;
- Exploiting the 3-LEP geography.

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3.7 Equality and Diversity

A key requirement is for the WMCA is to ensure that 'equality duty' is taken into account. During the application for WMCA funds, project sponsors will be required to provide evidence to this end. This will be assessed through an evaluation of the business case templates submitted by applicants.

3.8 Whistleblowing

Source: WMCA Constitution 04/03/2016

The WMCA Constitution sets out the WMCA Complaints and Whistleblowing Policy, including full details of how concerns can be raised in confidence and how those concerns will be dealt with, which can be found on pages 65-70 of the WMCA constitution.

3.9 Registration and Declaration of Interests

Source: New drafting

Members of the WMCA Board must register their interests. Elected members will have already undergone this procedure and their own local authority's register of interests will be sufficient except they will be asked if they need to make any additional declarations to reflect the application of the code across the WMCA geography. A collated register of interests of all members of the WMCA will be maintained and will be available on the WMCA website www.westmidlandscombinedauthority.org.uk. The registration of interests procedure will follow the Code of Conduct for Members, which is set out in the WMCA Constitution.

Members must act in the interest of the whole WMCA area and not solely in the interest of their geographical area.

Completed registration of interest forms will be available on the WMCA website.

3.9.1 Conflict of Interests Policy

[Insert information on the procedures for when a conflict of interest becomes apparent]

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3.10 Gifts and Hospitality

Source: New drafting

The Code of Conduct for Members outlines the specific terms for the declaration of gifts and hospitably received as a member including the notification process to the WMCA Monitoring Officer by which members must abide.

3.11 Complaints Procedure

Source: New drafting

Complaints from stakeholders and members of the public will be dealt with and resolved in accordance with the WMCA's Customer Care Charter and Complaints Procedure.

Whistleblowing allegations will be referred immediately to and investigated by the Internal Audit officers. The whistleblowing procedure is included at [insert reference].

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4 Project Lifecycle and Ensuring Value for Money

4.1 Project Lifecycle principles and objectives

The purpose of the Project Lifecycle is to provide a framework for the WMCA to make rigorous assessments about the Value for Money (VfM) of its investments.

Specifically, the Project Lifecycle assesses projects against a range of strategic, economic, financial, commercial and management objectives. This assessment is primarily undertaken using HMT's Five Case Business Case appraisal process that has been specifically tailored to the WMCA's objectives and requirements.

The Assurance Framework is not intended as a mechanism for prioritising and sequencing investments, and the WMCA has other tools which it can use for this purpose, such as the Dynamic Economic Impact Model (DEIM), which uses inputs take from the business case templates, and Public Service Reform (PSR) Filter.

Sample business case templates for the Initial Proposal Stage, Outline Business Case Stage and Full Business Case Stage of the Project Lifecycle are included as appendices to this document. These have been developed through discussions with the WMCA Assurance Framework Working Group, and have been designed to cover a very broad range of projects and types of projects.

At present, the business case documentation has not been tested using a live project, and, as such, the Project Lifecycle could require updating as and when the Assurance Framework is implemented in practice. The Working Group envisaged that the Assurance Framework and the Project Lifecycle more specifically could be trialled over a 6-12 month period.

Similarly, there is reference to monitoring and evaluation within the Full Business Case Template, but the Project Lifecycle is not intended to reflect the suite of monitoring and evaluation documents and processes that will be required by the WMCA.

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4.2 Method of calculating Value for Money

A key objective of the Assurance Framework, and of the Project Lifecycle more specifically, is to support the WMCA to make judgements about the Value for Money (VfM) of potential investments and to accept or reject investments accordingly.

An assessment of VfM is derived through a process under which an organisation's procurement, projects and processes are systematically evaluated and assessed to provide confidence about suitability, effectiveness, prudence, quality, value and

avoidance of error and other waste, judged for the Exchequer as a whole. (HMT, Managing Public Money, August 2015 Revised Version).

Value for Money can be assessed using three criteria: Economy (i.e. minimisation of resource usage, or "spending less"); Efficiency (i.e. the relative level of outputs and the resources used to produce them, or "spending well"); and, Effectiveness (i.e. the relationship between the intended and actual results of public spending, or "spending wisely").

A number of questions have been included in the Economic and Financial case of the business case documents that test projects against a number of VfM metrics.

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4.2.1 Projects vs Programmes

The Assurance Framework Project Lifecycle has been designed to assess and prioritise WMCA interventions at a *Project* level.

The Assurance Framework recognises that the SEP objectives can only be met through the delivery of effective *Programmes* that account for and take advantage of the interdependencies between individual projects. However, the role of the Assurance Framework is to provide the framework through which the WMCA can make a judgement about whether each *individual project* is robust and has been rigorously assessed against a specific set of criteria to ensure that it achieves VfM.

The Project Lifecycle assesses projects, while programme creation and the prioritisation of investments is conducted elsewhere. That said, the products of the Project Lifecycle, such as the completed business case documentation, will be important inputs to the debates around prioritisation and, more specifically, the tools that the WMCA will use to prioritise investments (e.g. DEIM and PSR Filter). In addition, groups that perform key functions within the Project Lifecycle, such as the Investment Advisory Group, will be well placed to contribute to programme creation and investment prioritisation. Ideally, the prioritisation and sequencing exercise will take place at the inception of the WMCA, but will also be continually updated as new projects are proposed or new calls for projects are issued.

This approach to will be reviewed regularly during the Annual Review process.

4.2.2 Proportionality

The Assurance Framework is designed to ensure that the appraisal and evaluation of projects is done in a way that is proportional to the relative size of the investment required. This is crucial so that project sponsors are not put off by an overly burdensome and costly application process when applying for a small amount of investment for a low value project. Similarly, it is crucial so that large investments are scrutinised and tested appropriately.

The WMCA's approach to proportionality is to build some flexibility into its funding application process by setting thresholds to determine the timescales involved in the Project Lifecycle process and the information required.

These thresholds and their associated criteria are yet to be confirmed. At present the working assumption for thresholds is:

- Small: <£5 million;
- Medium: £5 million – 20 £million; and.
- Large: >£20 million.

The timescales associated with these thresholds are illustrated in the Process Flow below.

4.2.3 Value for Money – Transport Schemes

Transport Scheme sponsors will also be required to conduct appraisals and value for money assessments based on WebTAG guidance.

The Combined Authority DoT will ensure that scheme traffic/public transport modelling and appraisal is robust and meets this guidance at the time a business case is submitted for each stage of approval (programme entry; conditional approval – if required; full approval).

The assessment of the scheme traffic/public transport modelling and appraisal will require expert resources which are independent of each scheme sponsor. The most appropriate resource will be commissioned from transport consultants with suitable experience of major scheme business case development and independent of the scheme sponsor in question i.e. a transport consultant could not sit on a panel assessing scheme traffic/public transport modelling if it has been commissioned (in whole or part) to develop the traffic model in question.

The scope of the scrutiny will be dependent on the type and scale of the scheme. All schemes will be assessed against a set of core requirements by an independent panel and as such will be subject to independent scrutiny. These are detailed in the table below.

Table - Core Scrutiny Requirements

Topic	Requirement
Modelling approach	Has the scheme promoter applied the modelling methodology that was discussed and agreed with the CADoT/DfT at the start of business case development?
Model validation and calibration	Has the traffic or public transport model been validated and calibrated in line with WebTAG guidance?
Central case assessment	Is the central case assessment based on forecasts which are consistent with the definitive version of the National

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Topic	Requirement
	Trip End Model?
Modelling reports	Have the following reports been provided and do the reports articulate a robust case for investment: - • Data Collection Report; • Local Model Validation Report; • Demand Model Report; and • Forecasting Report?
Business Case	Have all five components of the business case been completed in line with Combined Authority guidance to scheme promoters: - • Strategic case; • Economic case; • Commercial case; • Financial case; and • Management case?
Appraisal Summary Table (AST)	Has a completed AST been provided?
Delivery	Has an existing delivery framework been identified?
Risk	Has a QRA being undertaken using @Risk software to model the Monte Carlo simulation and obtain the P50 value?
Value for Money	Does the scheme have a value for money assessment of 'high' or 'very high' based on the information provided by the scheme promoter?
Evaluation	Has a monitoring and evaluation approach been agreed with the Combined Authority?

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For schemes that have total costs in excess of £20 million; have a benefit cost ratio (BCR) of less than 2:1 but an adjusted value for money assessment of 'high'; or have notable local opposition to implementation, the scope of the scrutiny will be extended. This will require the external scrutiny to analyse the data presented by the scheme promoter in more detail by auditing all components of the business case and confirming (or otherwise) WebTAG compliance.

For these schemes, the Combined Authority Director of Transport will develop a scrutiny brief that is specific to the scheme in question. An independent panel will be appointed to undertake this work in line with an agreed timetable.

The output of standard or extended scrutiny will be presented to the Combined Authority Director of Transport, who will inform the scheme promoter of the findings

and make a recommendation regarding further action. The recommendations are likely to be focused on the following responses: -

- Acceptance of the scrutiny findings and agreement that no further work required;

- Further dialogue with the scheme promoter (this is likely to involve posing questions and then assessing the responses to these);

- Commissioning a 'second opinion' from a suitably qualified person or persons; or

- Additional work is specified for the scheme promoter to conduct and an appraisal of this work is undertaken on completion.

Any additional technical work generated by this process will be commissioned and monitored by the Combined Authority Director of Transport. Scrutiny findings will be reported to the Combined Authority. The Combined Authority will be asked to approve the scrutiny findings based on a recommendation from the Director of Transport, once all the required work has been completed.

No full approval decision will be made until acceptance and approval of the scrutiny findings has been agreed by the Combined Authority DoT.

In order to minimise the financial impact on the Combined Authority, LEPs and local transport authorities, the DoT will explore the utilisation of intra-LEP/LTB technical support and joint procurement to resource the expert inputs required for scheme appraisal.

Central case assessments will be based on forecasts that are consistent with the definitive version of the Department for Transport's National Trip End Model (NTEM) and accessed using TEMPRO software. The forecasts include population, employment, households by car ownership, trip ends and simple traffic growth factors based on data from the National Transport Model (NTM).

This approach will be supplemented with locally-specific land use change figures set out in the Combined Authority Strategic Economic Plan, Individual Core Strategies and supporting Local Development Frameworks. These will include housing and employment growth forecasts.

It is essential that all large, complex and long-running projects are managed effectively. Scheme sponsors will be required to manage projects using PRINCE2 principles and techniques, with a clearly defined project structure.

All schemes will be subject to a formal review process at the end of each major stage of the project lifecycle. This is in addition to the regular reviews of progress which are undertaken throughout the life of the project.

The key stages at which reviews will take place include: -

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- Combined Authority DoT appraisal of business case (programme entry approval)
- Detailed design
- Statutory orders and acquiring land/property
- Procurement
- Combined Authority DoT appraisal of business case (full approval)
- Construction

Reviews will include consideration of the project management process and quality plan (risk management) procedures. The work supporting the review process will be undertaken by the scheme sponsor and be submitted to the Combined Authority Director of Transport, who will appraise submissions on behalf of the Combined Authority. This may necessitate using external resource if reviews cannot be appraised from within the Authority

The review findings will be reported to the scheme sponsor and the Combined Authority DoT.

Scheme sponsors will be required to seek early technical advice (i.e. at the start of business case development) from officers working on behalf of the Combined Authority DoT regarding modelling approach and assessing the social and distributional impacts (SDI) of schemes. These work streams can have significant lead times and the intention is that the overall approach is approved at an early stage in order to prevent any abortive work (with significant cost implications) being undertaken.

The Scheme Promoter will produce a Value for Money (VfM) statement for each scheme put forward for approval summarising the overall assessment of the economic case for the scheme. This statement will be in line with WebTAG guidance.

The VfM statement will include: -

- Value for money category of the scheme (and explanation for this);
- Present Value of Benefits (PVB), Present Value of Costs (PVC), and Benefit Cost Ratio (BCR);
- Summary of the benefits and costs that have been assessed, including any assumptions that influence results;
- Assessment of non-monetised benefits; and
- Identification of any key risks, sensitivities and uncertainties.

The initial value-for-money appraisal, which is based on an assessment of the scheme's monetised impacts in line with WebTAG (e.g. journey time savings and

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accident reductions), will result in each scheme being placed in one of five categories: -

- Very High – where benefits are greater than 4 times costs;
- High – where benefits are between 2 and 4 times costs;
- Medium – where benefits are between 1.5 and 2 times costs;
- Low – where benefits are between 1 and 1.5 times costs; and
- Poor – where benefits are less than costs.

Whilst the benefit/cost ratio (BCR) (or initial VfM assessment) is not the only consideration impacting on scheme approval (scheme affordability being another key determinant, for example), the Combined Authority DoT policy will be to consider funding: -

- Schemes with very high VfM; and
- Schemes with high VfM.

Schemes with medium, low or poor VfM will not be eligible for investment. This will apply even if the scheme in question has previously been prioritised by the JC for the 2015-19 programme (the VfM assessment will change as business case progression results in more sophisticated analysis and may involve the business case development of some schemes being halted at appropriate junctures).

In order to articulate a comprehensive set of reasons for making an investment, the VfM assessment will ultimately need to take into account the non-monetised costs and benefits of each scheme. This will involve consideration of both quantitative and qualitative assessment of scheme impacts and a judgement as to how they affect the overall VfM appraisal of the scheme.

Consequently, the Combined Authority DoT will take account of other compelling reasons for investing in a scheme (e.g. significant numbers of jobs created or investment unlocked) within the context of a wider VfM appraisal. This may mean, for example, that a scheme may have an initial 'medium' VfM assessment but the non-monetised benefits generated by the intervention elevate this scheme to a final 'high' VfM assessment; equally a scheme with an initial 'high' VfM assessment could have that assessment reduced when non-monetised costs are considered e.g. adverse environmental impacts.

4.2.4 Treatment of risk at the Project Level

As part of the Project Lifecycle and business case evaluation process, applicants are required to develop a Project Risk and Issues Log. This will detail all of the project specific risks that have been identified during the development phase of the project.

Within the business case templates that are submitted to the WMCA, the applicant will also be required, for key risks, to estimate the impact of the risk materialising and

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probability of the risk occurring, attribute the risk with a Red, Amber, Green ("RAG") rating, identify the risk owner, and provide a strategy for risk mitigation.

This complies with the Single Pot Assurance Framework Guidance requirement that "deliverability and risks have been appropriately considered" and that an evaluation made as to whether "there are likely to be clear mitigations for those [risks]".

Project risk will be aggregated and reviewed at the level of the WMCA.

A template for the project-based Risk and Issues Log can be found in the Appendices.

4.2.5 The Five Case Model

HM Treasury and Department for Transport best practice guidance for the development of a public Business Case is based on their Five Case Model. The WMCA business case templates build on this best practice supplementary guidance to the Green Book, including WebTAG where applicable, as well as on the HMT's "supporting public service transformation" guidance. Policies, strategies, programmes and projects will only achieve their spending objectives and deliver benefits if they have been scoped robustly and planned realistically from the outset and the associated risks taken into account.

All transport schemes (over £5m) seeking funding will be assessed using the methods and assumptions set out in WebTAG ensuring that the economic case prepared by promoters should reflect the WebTag requirements. Central case assessments for transport schemes will be based on forecasts that are consistent with the definitive version of the Department for Transport's National Trip End Model (NTEM) and accessed using TEMPRO software. The results of appraisals will be reported to the appropriate group or decision maker in accordance with the project lifecycle process.

The business case, both as a product and a process, provides decision makers, stakeholders and the public with a management tool for evidence based and transparent decision making and a framework for the delivery, management and performance monitoring of the resultant scheme.

The business case in support of a new policy, new strategy, new programme or new project must evidence:

a) That the intervention is supported by a compelling case for change that provides holistic fit with other parts of the organisation and public sector– the **"strategic case";**

b) That the intervention represent best public value – the **"economic case";**

c) That the proposed Deal is attractive to the market place, can be procured and is commercially viable – the **"commercial case";**

d) That the proposed spend is affordable – the **"financial case";** and,

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e) That what is required from all parties is achievable – the **"management case".**

4.2.6 Due Diligence

The Combined Authority is committed to undertaking due diligence activities that support effective decision-making and project appraisal. The specific nature and timing of the due diligence will depend on the nature of the project, its cost and the potential impact of the project on the WMCA itself. The description of the Project Lifecycle process below, highlights key stages at which due diligence might occur, and what sort of due diligence this would be.

The Investment Advisory Group (IAG) will be responsible for determining the timing and nature of due diligence activities. Although routine due diligence activities will be done "in house", the IAG may wish to commission external due diligence providers in some instances.

4.3 The Project Lifecycle Process

This section outlines the method for how projects and programmes will be evaluated and prioritised throughout the Project Lifecycle. It explains the assessment and evaluation process at each of the Lifecycle's stages, the role of different stakeholders at each stage, and how the Project Lifecycle model interfaces with specific prioritisation tools (e.g. DEIM), other investment frameworks (e.g. Land Remediation Fund and Collective Investment Fund), and other Assurance Frameworks.

The flowchart below illustrates the Project Lifecycle process.

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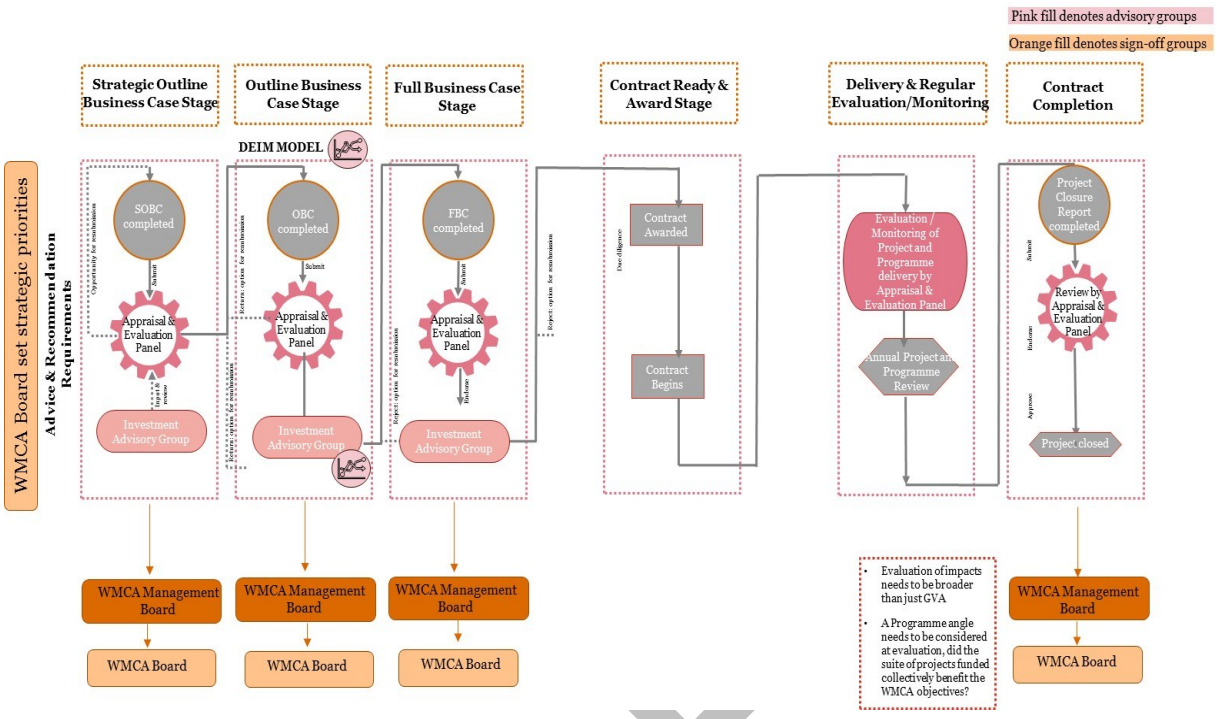

The flowchart shows how the Project Lifecycle is split into six stages, including:

1. The Initial Proposal/Strategic Outline Business Case Stage
2. The Outline Business Case Stage
3. The Full Business Case Stage
4. Contract Ready and Award Stage
5. Delivery and Regular Evaluation/Monitoring Stage
6. Contract Completion Stage

Each stage is described in more detail below.

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Pre-Lifecycle Requirements and Processes

Before a project can be put through the Project Lifecycle, there are some key processes that need to take place and requirements that need to be met.

As the Project Lifecycle flowchart demonstrates, it is crucial that the WMCA Board sets and signs off the WMCA's strategic priorities. This process is currently taking place through the development of the Strategic Economic Plan (SEP), and the SEP will need to be finalised before any projects can enter the Project Lifecycle. This is in order that the WMCA can begin allocating funding on the basis of project 'fit' with SEP objectives.

In the Pre-Lifecycle Stage, a decision will also be made about how to initiate projects into the Project Lifecycle. The WMCA is yet to make a firm decision on this, but we understand that it is a combination of:

- **Project sponsor proposals**: Project sponsors can submit a proposal – at any stage, or within agreed windows – to the WMCA; and,
- **Call for projects**: WMCA Board issues a call for projects at regular intervals based on the requirements and priorities of the SEP and evidence of progress so far against SEP Objectives. This approach will be preceded by a separate prioritisation and sequencing exercise.

It is a working assumption that there are no restrictions on the type of organisation that can bid for WMCA funding. However, as part of the project lifecycle, the WMCA will consider the project sponsor's capability of delivering the project.

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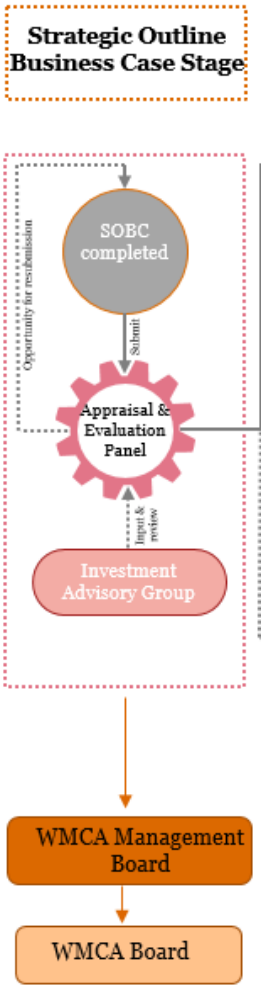
1. The Initial Proposal/Strategic Outline Business Case Stage



The key purpose of the Initial Proposal Stage is to:

- Establish the strategic context for the spending proposal;
- Evidence the case for change; and,
- Establish the preferred way forward.

To proceed to the Outline Business Case Stage, the project will need to demonstrate that it:

- fits with the strategic objectives of the Combined Authority as stated in the Super SEP;
- will achieve balanced outcomes;
- achieves value for money;
- has a financial case; and
- is deliverable.

The initial proposal stage assesses whether projects that are taken forward into the latter stages of the Lifecycle meet a minimum set of criteria and are appropriate for further development.

The Initial Proposal Stage requires project sponsors to submit a completed initial proposal template (also referred to as the Strategic Outline Case or "SOC") (see list of documents below), which will be submitted to the Appraisal and Evaluation Panel for review and evaluation.

The Initial Proposal Stage business case template primarily consists of the Strategic Case, although some preliminary questions are also posed regarding the Economic Case, the Financial Case and the Management Case (the Commercial Case comes in at OBC stage). This is to ensure that there is an adequate strategic fit with projects that are taken forward to the OBC stage. The Management Case primarily focuses on setting out the management plan for the rest of the project development phase.

The Appraisal and Evaluation Panel will use the Initial Proposal Evaluation Criteria and Scoring Guidance document to assess the projects. Projects will be assessed against a number of criteria under the following headings (further detail can be found in the attached Initial Proposal Template and Guidance documents):

- Overview and Rationale;
- Alignment with Strategic Economic Plan;
- Alignment with Public Service Reform (PSR) objectives;
- Relevant Programme of Investment and Other Options;
- Costs and Funding;
- Risks and Issues; and,
- Project Development Plan.

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Before projects are either progressed to the Outline Business Case (OBC) Stage or returned to project sponsors for re-working, the Appraisal and Evaluation Panel will review projects and provide input into the evaluation process. They will liaise with the Investment Advisory Group who will be focused at the more strategic programme level and will provide confidence that the projects that are progressed to the OBC stage are aligned to an acceptable extent with the WMCA's SEP objectives and, moreover, that they fit within a wide programme or sequence of investments. In essence, the IAG serves to reinforce the Pre-Lifecycle prioritisation process (mentioned above).

Where appropriate, the WMCA Management Board and WMCA Board will provide oversight and input into the evaluation process at this stage. [Role of Management Board to be raised at Working Group and expanded upon].

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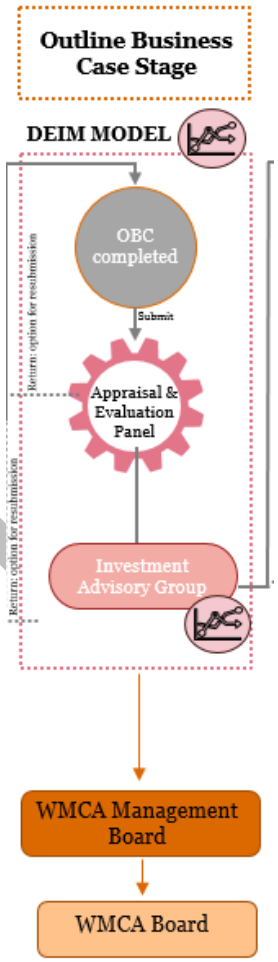
2. Outline Business Case Stage



The key purpose of the OBC is to:

- Revisit the assumptions and main findings reported at the Initial Proposal Stage;
- Establish the preferred option; and,
- Set out the structure of the 'deal' and any arrangements for procurement if appropriate.

The OBC aims to ensure that only projects that meet the needs of the West Midlands – as defined in the WMCA SEP - are taken through to the Full Business Case stage. The core of the OBC is the options analysis, which should demonstrate that the preferred option is optimally designed to meet the WMCA's investment criteria.

At this stage, project sponsors are expected to have:

- Established the preferred scheme option;
- Utilised at least the basic expectations for different types of specific project appraisal (as listed in the appendix); and,
- Set out the structure of the 'deal' and any arrangements for procurement if appropriate.

The OBC Stage requires project sponsors to submit a completed OBC template (see list of documents below), which will be submitted to the Appraisal and Evaluation Panel for review and evaluation. Information included in the OBC templates will be inputted into the DEIM model to provide an assessment of the schemes GVA contribution. The DEIM model will provide final checks and balances that the project at hand is suitably aligned with a wider investment programme/sequence.

In addition, at this stage, project sponsors are required to complete an additional template with supplementary information about their organisation and about their proposed project, which will be reviewed as part of a due diligence exercise by the Appraisal and Evaluation panel. Due Diligence would take the form of both Commercial Due Diligence (i.e. Is there demand for the project? Is an optimal deal structure in place? Is the project commercially viable? etc.) which would feed into the Economic Case, and Financial Due Diligence (i.e. is the project affordable? Is there a funding gap?), which would feed into the Financial Case and overall evaluation of the proposals.

The Appraisal and Evaluation Panel will use the OBC Evaluation Criteria and Scoring Guidance document to assess the projects. The OBC Templates are structured to provide a separate section for each one of the Five Case Business Case elements (Strategic, Economic, Commercial, Financial and Management), although project sponsors are encouraged to only resubmit information regarding the

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Strategic Case if there have been substantive changes since the Initial Proposal Stage. The Appraisal Panel will undertake initial due diligence work based on the information provided by the project sponsor. However, in some instances, it may be determined by the Appraisal Panel that further due diligence work is required, in which case it may commission external due diligence work to be undertaken.

Before projects are either progressed to the FBC Stage or returned to project sponsors for re-working, the Investment Advisory Group (IAG) will review projects and provide input into the evaluation process. The IAG's input at this stage will be more analytical than at the Initial Proposal Stage, and will include tasks such as:

- Critically appraising assumptions
- Reviewing outputs of the DEIM model
- Assessing the robustness of the cost estimates and funding plan
- Value for Money assessments.

Where appropriate, the WMCA Management Board and WMCA Board will also provide oversight and input into the evaluation process at this stage.

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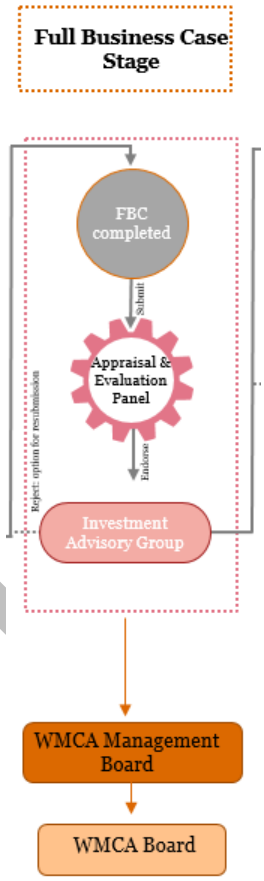
3. Full Business Case Stage



The key purpose of the FBC is to:

- Revisit the OBC and new assumptions (e.g. resulting from the procurement);
- Confirm that the recommended solution continues to optimise VfM; and,
- Establish that the management arrangements for successful delivery are in place.

The aim of the Full Business Case (FBC) Stage is to provide a mechanism for appraising projects against a comprehensive set of criteria for each of the Five Cases. The FBC Stage will revisit the assumptions and main findings from the OBC which may have changed for example due to procurement arrangements, but will also bring forward new evidence on issues such as procurement and management strategy.

The FBC Stage requires project sponsors to submit a completed FBC template (see list of documents below), which will be submitted to the Appraisal and Evaluation Panel for review and evaluation. Project sponsors are encouraged to only resubmit information previously provided at the Initial Proposal and OBC stages if there have been substantive changes since the previous submissions.

The Appraisal and Evaluation Panel will use the FBC Evaluation Criteria and Scoring Guidance document to assess the project. Where appropriate, the Appraisal and Evaluation Panel may commission further confirmatory due diligence work at this stage. This would be especially relevant for larger or more complex projects and programmes, and would serve a range of purposes, such as testing the due diligence undertaken at the OBC stage, reviewing the wider impact that the project or programme would have on the WMCA (e.g. if the WMCA acquires a new asset worth £40million, what does this mean for its operating costs, staffing requirements and funding requirements going forward?). It might also be pertinent at this stage to undertake Legal Due Diligence (i.e. reviewing contractual documentation).

By the FBC stage, it is expected that there is already a clear alignment between the project and a wider investment programme/sequence. As a result, the focus of the FBC evaluation will be to scrutinise each component of the Five Business Cases to ensure that the project stacks up in isolation and that it will deliver Value for Money for the Combined Authority and the taxpayer.

The IAG will support the Appraisal and Evaluation Panel in the evaluation. The IAG will then make a recommendation to the WMCA Management Board and WMCA Board. The WMCA Management Board and WMCA Board will review the recommendation and provide project sign-off, return the project for re-submission, or reject the project outright with evidenced reasons.

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4. Contract Ready and Award Stage

The primary focus of the Contract Ready and Award Stage is the completion and evaluation of any due diligence undertaken at the OBC and FBC stages to ensure that the Project Sponsor meets the WMCA's required standards and criteria.

Where the project sponsor is deemed fit for undertaking the project, the project will progress to contract award and funding will be provided to the project before project delivery commences.

Detailed contract/grant conditions will be drawn up by the WMCA for each successful bid as part of this Contract Award stage.

5. Delivery and Regular Evaluation/Monitoring Stage

Project sponsors will have been required to outline their project monitoring and evaluation plan during the business case submission process at Full Business Case Stage.

Individual project sponsors will be required to implement their monitoring and evaluation plan, which, in turn will feed into the Performance Monitoring Framework and WMCA Dashboard (see below for more detail).

The WMCA will monitor and map the outputs of projects and programmes through the Economic Intelligence Unit. This analysis will be used to inform the evaluation of the quality and impact of the WMCA's investment decisions, and in turn will create the evidence base for the Five Year Gateway Review. Government guidance recognises the fact that local and national economic impact of the Investment Fund might not be observable after five years. As a result, the national evaluation panel will use appropriate metrics at the first gateway, such as whether investments are being delivered to time and to budget.

6. Contract Completion Stage

On completion of the agreed scope of work the project must be formally closed.

Lessons learned will be captured as part of the Closure Report completed by the project team. The Appraisal and Evaluation Panel will assess the lessons learned and share these will other projects and stakeholders as deemed useful, provided these are not commercially confidential.

The WMCA is committed to using evidence-based analysis to improve its investment decision making. As such, information collected at the Monitoring and Evaluation Stage will be used to inform the future prioritisation of investments and the ongoing refinement of the Strategic Economic Plan.

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Where appropriate, individual projects and their underlying funding decisions, will be subject to review by the WMCA Scrutiny Committee and the WMCA Audit Committee.

4.3.1 Project Lifecycle Stakeholders

There are a number of stakeholders (e.g. Committees, Boards, Panels and Groups) that are involved in the Project Lifecycle. These stakeholders are part of the WMCA's overarching system of governance (detailed above), but have distinct and clearly defined roles within the Project Lifecycle. These stakeholders are outlined in the table below:

Stakeholder	Personnel	Role
Mayor	• The Mayor	
Appraisal & Evaluation Panel	• Executive officer group • Technical expertise • Project emphasis	• Focus on project appraisal • Review and assess business cases - project scoring and evaluation of business case documentation • Appraisal Panel considers 'total impact' and not just PSR or just economic considerations • Provide recommendations to IAG • Also responsible for project monitoring/evaluation on an annual basis • Panel members must be independent of project sponsor
Investment Advisory Group	• Executive officer group • Strategic view • Programme emphasis	• Focus on programme appraisal but involved at every stage for continuity (strategic, outline, full) • Review projects in relation to the Strategic Economic Plan (SEP) • Consideration of PSR proposals including cost-benefit analysis and 'filter' assessment. • Use DEIM as a tool for assessing strategic fit of programmes against WMCA priorities • Make recommendations to the WMCA Management Board • Monitor and review Appraisal Panel performance and decision-making • Direct line of communication to WMCA Board and WMCA Management Board • Group members must be independent of project sponsor
WMCA Management Board	• Local Authority Chief Executives • Local Authority Section 151 Officers	• Responsible for signing off business cases in alignment with SEP • Responsible for meeting WMCA objectives and delivery of the SEP • Responsible for coordinating effective risk management procedures • Make recommendations to the WMCA Board

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WMCA Board	• Local Authority Leaders • Elected Mayor	• Provide ultimate sign-off and responsibility on investment decisions • Provide political accountability and transparency

4.3.2 Project Lifecycle Documents

A number of standard documents are required to support projects through the six lifecycle stages. These include:

Initial Proposals Stage	Outline Business Case (OBC) Stage	Full Business Case (FBC) Stage	Contract ready and award stage	Delivery & Regular Evaluation/ Monitoring	Contract Completion
• Initial proposal template with embedded guidance • Initial proposal appraisal scoring criteria	• OBC template with embedded guidance • OBC appraisal scoring criteria • Investment Advisory Group report • DEIM inputs sheet	• FBC template with embedded guidance • FBC appraisal scoring criteria • Management Board report and recommendations	• Contractual documentation	• Monitoring documentation approved by Appraisal Panel and led by Investment Advisory Function	• Evaluation and monitoring report • Lessons learnt report for Appraisal Panel

4.3.3 Process flow and timeline

The Project Lifecycle follows a strict process and set of requirements that need to be met by each project sponsor within given time periods. It is logical, however, that there is some flex in these requirements depending on the cost and complexity of the project at hand.

The Process Flow chart (below) breaks the Project Lifecycle into a series of steps and provides timescales for each Stage. At present, the timelines are indicative and subject to change. The distinction between small, medium and large projects aligns with the threshold levels described above.

The Process Flow also clearly delineates the roles of different parts of the WMCA governance apparatus.

Importantly, the funding decision for schemes will be made following Management Board sign-off of the Full Business Case document prior to the WMCA Board's final approval and "programme entry".

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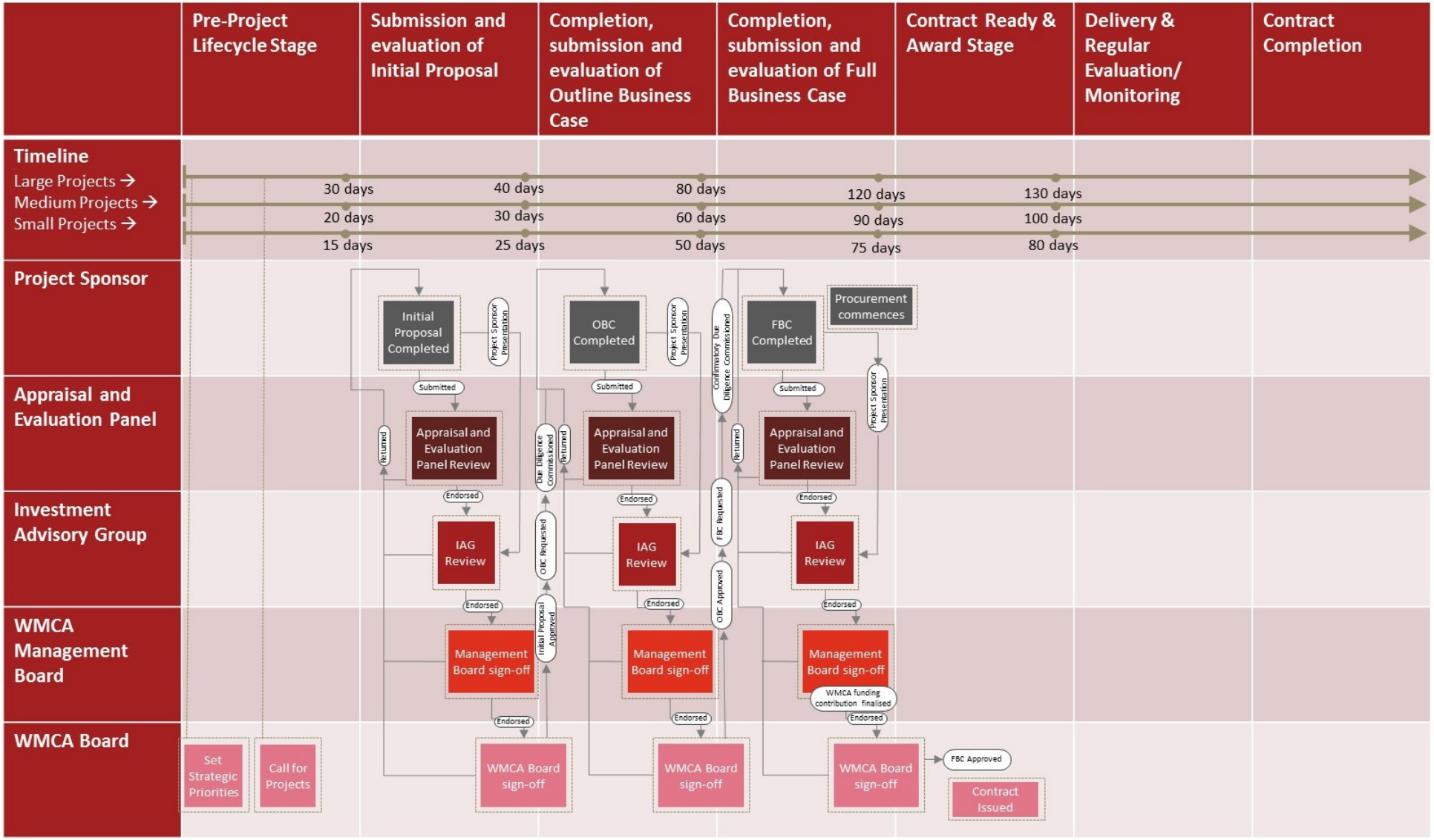
Agenda Item 3.3



4.4 Prioritisation and sequencing

The Project Lifecycle, described above, is specifically designed to support the WMCA to appraise and evaluate the suitability and value for money of individual projects or programmes. It will enable the WMCA to provide assurance to government that its investment decisions have been made in a robust, consistent and transparent manner. The prioritisation and sequencing of investments (i.e. choosing how, where, and when to invest WMCA resources) is not directly included within the Project Lifecycle and must be considered as a separate exercise.

4.5 Statutory requirements and funding decisions

4.5.1 Treatment of the £36.5 million per annum Gain Share Funding

Through the West Midlands Devolution Agreement, the Government committed to providing the WMCA with up to £36.5 million per annum as part of a Gain Share agreement. The full allocation of the funding is subject to the WMCA's successful completion of the Five Year Gateway Review, which will evaluate the impact of the WMCA's investment of the Gain Share funding in the five year period up to the Gateway Review.

The WMCA's intention is to use the £36.5 million per annum of funding as a revenue stream to support borrowing that will be invested into a wide range of projects across the West Midlands. This approach will enable the impact of the £36.5 million funding to be accelerated.

4.5.2 Integrating the West Midlands Combined Authority's Land Remediation Fund and Collective Investment Fund

There are a number of key interfaces between the Assurance Framework and the WMCA's Land Remediation Fund (LRF) and Collective Investment Fund (CIF):

- Due the fact that the LRF/CIF are part of the WMCA's investment toolkit, the funds should be cognisant of the Assurance Framework and Project Lifecycle, and certain elements of the Project Lifecycle should be built into the LRF/CIF evaluation criteria (e.g. compliance with SEP Objectives).
- Where the LRF/CIF are providing grant funding, it is anticipated that the project would be subject to the full Assurance Framework and Project Lifecycle processes and assessment criteria.
- There is also an expectation that the LRF/CIF would feed into the wider WMCA investment prioritisation process, for example by feeding back information that is required to run the project through the DEIM model. This is crucial, as it will

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ensure that projects that are funded/financed through the LRF/CIF are captured, that future investment priorities adjusted accordingly, and that duplicate investments are avoided.

4.5.3 State Aid

The Assurance Framework has been designed to support the WMCA make an assessment about whether its investments are State Aid compliant.

The business case templates that form the core of the Project Lifecycle, require Project Sponsors to confirm that their project complies with State aid Regulations and does not contravening the State Aid Legislation. The templates also require Project Sponsors to outline what advice (e.g. legal advice) they have had in relation to State Aid, and to confirm their acceptance of the following:

"All applicants need to take steps to satisfy themselves that any WMCA funding approved does not amount to unlawful State Aid. A declaration of compliance with EU State Aid regulations will be required prior to any WMCA funding being provided. If your project is awarded funds from the WMCA it will be subject to a condition requiring the repayment of any WMCA funding in the event that the European Commission determines that the funding constitutes unlawful State Aid."

Where required, the WMCA will also conduct legal due diligence to obtain further confidence that State Aid requirements have been met.

4.6 Monitoring and evaluating

The monitoring and evaluation of the investment of public monies in a proportionate way is essential for:

- Providing a focus so that projects are delivered as planned;
- Delivering an understanding of whether a project has achieved Value for Money;
- Maintaining scrutiny and accountability;
- Informing future investment prioritisation and resource allocation; and,
- Informing and encouraging best practice.

Monitoring and evaluation for the WMCA as a whole will operate at two interconnected levels. One at the level of individual projects, as defined at the FBC stage through the Assurance Framework, and one at the level of the WMCA as a whole through the WMCA Performance Management Framework (PMF). For certain projects, and for projects funded through particular sources (e.g. the £36.5 million Gain Share funding), the WMCA may wish to consider procuring evaluation to be conducted independently.

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It is essential that all monitoring and evaluation exercises align in readiness for the 5 year Gateway Review, and in order that the WMCA Dashboard can be built on the same framework. The M&E Stage will also include detailed impact pathway analysis at Programme Level led by the Investment Advisory group.

The focus of M&E for the WMCA Assurance Framework is more on 'Impact Evaluation' and 'Economic Evaluation' than on 'Process Evaluation'. The difference between is highlighted below:

- **Process Evaluation** refers to how a project or policy was delivered
- **Economic Evaluation** refers to whether the benefits of intervention justify the costs
- **Impact Evaluation** refers to whether the policy made a difference

The PMF is composed of a selection of strategic headline indicators, which measure the impact of the various programmes areas of the WMSEP. These indicators cover a range of theme areas including economic, fiscal, social and environmental impacts. The PMF will provide a framework against which WMCA success can be measured, both across strategic programmes and in individual projects. The ambitions are based on an agreed vision led economic future for the area underpinned by extensive modelling work undertaken using the Oxford Economic model.

It is essential that all projects (however small or large) have an effective Monitoring & Evaluation (M&E) plan in place to assess the effectiveness of public spending over time, and so that lessons can be learnt from. It is important to note that the WMCA will monitor projects/programmes against the outcomes described in the economic case.

We will annually monitor our progress in relation to the targets in the PMF so that we can clear on the impact of our delivery plan in achieving our ambitions. Responsibility for monitoring at a strategic level will lie with the Economic Intelligence Unit, whereas at the project level it will lie with project sponsors.

Over time, prioritisation and sequencing will also involve a feedback loop through which the outcomes of the WMCA's monitoring and evaluation work will be used to shape future investment priorities.

In relation to transport schemes. the Combined Authority Director of Transport will ensure transport schemes are evaluated (assessed for effectiveness and efficiency during and after implementation) in line with the DfT guidance. A consistent monitoring approach (collection of data to check progress against planned targets and benefits) across all LGF supported schemes will help inform programme level analysis, enabling dissemination of good practice and lessons learnt.

Proportionate and targeted evaluation will be required by the Combined Authority DoT in line with DfT guidance. All transport scheme promoters will be required to monitor the following standard measures: -

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- Scheme build;
- Delivered scheme;
- Costs;
- Scheme objectives;
- Travel demand;
- Travel times and reliability of travel times;
- Impacts on the economy;
- Carbon impacts; and

These measures will be reported in both a 'one year after' and a 'final evaluation report'.

4.7 Five Year Gateway Review

The Single Pot Assurance Framework National Guidance from DCLG and the Cities and Local Growth Unit states that for Combined Authorities in receipt of devolution and other investment funds from Central Government, five-yearly Gateway Reviews will be used to assess investments' impact. Presently, the guidance suggests that economic growth will be the primary metric against which impact is assessed, although it is anticipated that Combined Authorities will have the ability to shape the assessment criteria in their own Five Year Gateway Review so that it aligns with the objectives that they have set out in their respective Strategic Economic Plans.

The Five Year Gateway Review process is intended to provide an incentive to encourage appropriate project appraisal, assurance and Value for Money processes.

Government has suggested that the Five Year Gateway Review process will focus on evaluating the performance of the WMCA's £36.5 million per annum of Gain Share funding, although the WMCA may choose to use this to exhibit the impacts of its wider £8 billion programme of investment.

4.8 Quality Assurance and Annual Review of WMCA Assurance Framework

This is a 'live' document and will be subject to an annual review to ensure that material is kept up to date and to provide quality assurance on the Assurance Framework itself.

The Single Pot Assurance Framework Guidance and Policy set by Government may also evolve over time: for example, further funding or powers may be incorporated.

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The annual review will also refer to any periodic updates of the documents referenced in the appendices to the Assurance Framework, including the business case templates and evaluation criteria, monitoring and evaluation procedures and the risk log.

It is anticipated that the Assurance Framework will continue to evolve and develop, especially during the first year of the Combined Authority's formation, during which time it will be used in practice for the first time. It will be sensible to invite feedback from project sponsors who fill out the templates on a continual basis so that they can be constantly evolving to be fit-for-purpose.

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A.1. Bibliography

Doc. no.	Name of Document	Author
1	HMT Green Book Guidance and Supplementary Guidance	HM Treasury
	DCLG Appraisal Guide	DCLG
2	Equality Impact Assessment	HMT
3	Employment Densities Guide	Homes and Communities Agency
4	The Aqua Book	HM Treasury
5	Local Government Transparency Code	DCLG
6	Further Education Schemes Cost Models: New Build, Small Works and Refurbishment Construction	Association of Colleges, AECOM and Skills Funding Agency
7	Value Benefits of Regeneration	DCLG
8	Cost Benefit Analysis - HCA Summary Guide for Housing and Regeneration Projects	Homes and Communities Agency
9	Impact of RDA spending – National report – Volume 1 – Main Report	Department for Business, Enterprise & Regulatory Reform
10	Additionality Guide	Homes and Communities Agency
11	Budget Asks and Devo 2	WMCA Programme Board
12	Greater Birmingham and Solihul Growth Deal Accountability Framework	GBS LEP

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13	Greater Birmingham & Solihull Local Transport Board Assurance Framework	Greater Birmingham & Solihull Local Transport Board
14	Assurance Framework	Black Country LEP
15	LEP Assurance Framework	BIS
16	Assurance Frameworks	HM Treasury
17	Single Pot Assurance Framework, National Guidance	DCLG
18	HMT Magenta Book: Guidance for Evaluation	HM Treasury

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A.2. Glossary

Additionality	The extent to which something happens as a result of an intervention that would not have occurred in the absence of the intervention.
Affordability	Affordability refers to both the absolute availability of funding to defray the costs of a project (i.e. is there a funding gap?) and the relative cost of the project in relation to other interventions that could otherwise be funded instead. A project can represent Value for Money, but not be affordable, and vice versa.
Alternative Option	A scenario which reflects a different way in which similar objectives could be met. This may include an option with lower costs but fewer benefits, or higher costs with more benefits.
Balance Objectives	A series of objectives designed to ensure that the whole of the region (in terms of geography and people) benefits from growth.
Capital Expenditure	Expenditure on the acquisition or creation of a tangible fixed asset or expenditure which adds to and not merely maintains the value of an existing tangible fixed asset.
Capital Funding	Funding that is hypothecated or ring-fenced for capital expenditure.
Cashability	Refers to the extent to which a change in an outcome or output (e.g. fewer children in care) will result in a reduction in fiscal expenditure such that the expenditure released from that change can be reallocated elsewhere.
Cashable	Cashable fiscal benefits will result in a reduction in fiscal expenditure such that the expenditure released from that change can be reallocated elsewhere. They should be counted in the financial case as reducing the overall budget impact of a project and in the economic case as a benefit to the public (as this resource can be reallocated to productive purposes elsewhere)
Contingency	A special monetary provision in the project budget to cover uncertainties or unforeseeable elements of time/cost in the estimate associated with the normal execution of a project, for example, labour rates and design development.
Demand	A consumer's (or taxpayer) willingness to pay a price for a good or service. Demand can be used to infer the 'need' for a project.
Displacement	The number or proportion of intervention outputs (occurring under the reference case and the intervention options) accounted for by reduced outputs elsewhere in the target area.
Dynamic Economic Impact Model (DEIM)	A model commissioned by the WMCA to provide a forecast of the net additional Gross Value Added (GVA) that an intervention might create.
Financing	The set of financial arrangements put in place to provide committed capital to meet the costs of a project as they are incurred
Funding	The sources of income to be used to meet the capital and operating costs of a project over time.

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Funding Gap	The amount of the funding requirement that has no identifiable funding sources (measured in Pounds Sterling or as a percentage of total funding requirement).
Governance	The systems and processes concerned with ensuring the overall direction, effectiveness, supervision and accountability of the WMCA
Interest Payable	Amount of interest repaid in a given period.
Leakage	The number or proportion of outputs (occurring under the reference case and the intervention options) that benefit those outside of the intervention's target area or group should be deducted from the gross direct effects.
Lifecycle / Whole Life Costs	Sum of all recurring and one-time (non-recurring) costs over the full life span or a specified period of a project.
Loan Drawdown	Amount of funds drawn from a loan facility in a given period.
Multiplier Effect	Further economic activity (jobs, expenditure or income) associated with additional local income, local supplier purchases and longer term development effects
Net Cash Position	Sum of the total cashflows for a given period.
Non-Cashable	Non-cashable fiscal benefits should be quantified as these represent a benefit to the public from freeing up resource for other productive purposes (even if public expenditure is not reduced). In this case, the fiscal benefit is assumed to be equal to the 'opportunity cost' of resources under business as usual which are expected to change as a result of the proposed project, i.e. the value of the forgone alternative use of resource under business as usual. For example, staff time in treating avoidable A&E attendances which is freed up for other purposes (i.e. other more serious A&E cases) as a result of a project could be counted as a non-cashable fiscal benefit. These non-cashable fiscal benefits are counted in the economic case in addition to any cashable benefits.
OJEU	Official Journal of the European Union. Public sector procurements above a certain value must be published in this Journal.
Optimism Bias	There is a demonstrated, systematic, tendency for project appraisers to be overly optimistic. To redress this tendency project appraisers should make explicit, empirically based adjustments to the estimates of a project's costs, benefits, and duration.
Opportunity Cost	'Opportunity cost' is a concept used in economics to describe the trade-off between different choices, or the cost associated with making one choice over another.
Outcome	The benefits and other impacts resulting from specific outputs (e.g. reduced journey times, jobs created, homes built, reduction in pollution, access to employment, reduced offending etc.). Some outcomes are tangible and measurable, but some may be more intangible. Outcomes can be used to measure the WMCA's success in delivering its strategic objectives.

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Output	Specific and clearly measurable products resulting from an investment (e.g. metres of train track, square metres of remediated land, number of educational places created, etc.). In isolation outputs do not necessarily enable the WMCA to meet its strategic objectives.
Programme	Group of related projects managed in a coordinated way to obtain outcomes not available from managing projects individually
Project	A distinct scheme that is required to provide a specific service(s) or deliver a specific output(s).
Proportionality	The allocation of resources to the production of evidence should be clearly related (i.e. proportional) to the scale of the resources associated with the activity in question.
Proposed Option	Details of the assumptions and forecasts made under the investment case.
Public Service Reform (PSR)	Interventions that change the extent and nature of public sector administration, organisation and governance with the aim of improving social outcomes, and more cost-effective service delivery.
Reference Case	The 'but for' or baseline scenario: The reference case requires a set of assumptions and forecasts about a future in which the intervention is not made. It is used to determine the net benefits of a project or investment.
Repayment of Principle	Amount of principle repaid in a given period.
Revenue Expenditure	The operating costs incurred by the authority during the financial year in providing its day to day services. Distinct from capital expenditure on projects which benefit the authority over a period of more than one financial year.
Revenue Funding	Funding that is hypothecated or ring-fenced for revenue expenditure.
Risks	A probability or threat of liability, loss or other negative occurrence that may affect the funding and deliverability of a project, with knock on implications for the project sponsor and/or the WMCA.
Stakeholders	The range of public and private organisations and individuals who have a definitive interest or role in a project/programme or who will be impacted by it.
Strategic Economic Plan (SEP)	A document that sets out the actions that need to be taken in order to deliver the WMCA vision.
Substitution	Arises where a firm substitutes one activity for a similar one (such as recruiting a jobless person while another employee loses a job) to take advantage of public sector assistance.
Total Debt Service	Sum of interest and principle repaid in a given period.
TUPE	Transfer of Undertakings (Protection of Employment) Regulations 1981

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Value for Money	Value for Money can be assessed using three criteria: Economy (i.e. minimisation of resource usage, or "spending less"); Efficiency (i.e. the relative level of outputs and the resources used to produce them, or "spending well"); and, Effectiveness (i.e. the relationship between the intended and actual results of public spending, or "spending wisely").

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A.3. Accompanying Documentation

There are a number of documents which will accompany the Assurance Framework, and which will form part of the process of ensuring VfM, but which are still being developed. These are:

- Change request processes and documentation
- Exceptions report templates
- Project status report templates
- Project closure report templates
- Accountable Body arrangements and claims and reporting processes
- Audit and scrutiny arrangements
- Risk and issues template log
- Outputs and outcomes profile

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