

Appendix A: Liverpool City Region Assurance Framework

DEVOLVING LOCAL MAJOR TRANSPORT SCHEME DECISIONS

LIVERPOOL CITY REGION COMBINED AUTHORITY ASSURANCE FRAMEWORK

Revised version for consideration by Merseytravel Committee - May 29th 2014

1. Introduction

- 1.1 This Assurance Framework was originally developed and agreed to scope and guide the work of the Liverpool City Region Local Transport Body (LTB), established in March 2013. The establishment of LTBs and associated Assurance Frameworks were DfT requirements, intended to manage decisions in respect of the devolution of funding for major local transport schemes. The original Assurance Framework was based on Department for Transport guidelines and recommendations.
- 1.2 The LTB's role to date has been to agree a scheme prioritisation methodology, a prioritised list of transport schemes and a longer-term pipeline of interventions. It has also agreed that the promoters of the 12 top scoring schemes be invited to develop full business cases, which will enable the prioritised list to be assessed and refined further.
- 1.3 The LTB comprised the leaders of the six LCR local authorities, together with the Chair of the Local Enterprise Partnership and the Chair of the Integrated Transport Authority. All members of the LTB were voting members.
- 1.4 The creation of the Combined Authority (CA) in April 2014 has now subsumed the role of the LTB, recognising the significant overlap between the membership of the two bodies. It has also resulted in the abolition of the Integrated Transport Authority, which acted as the LTBs accountable body, and whose chair was appointed Chair of the LTB. The LTB's functions were thus transferred to the Combined Authority as part of its constitution.
- 1.5 It has been agreed that these issues will take the form of discrete agenda items on CA agendas. When such items are discussed, the Chair of the Merseytravel Committee will be invited to join meetings of the CA in an advisory capacity. The Chair of the LEP will have full voting rights on decisions relating to major transport schemes.
- 1.6 In view of these revised governance arrangements, it will be important to ensure that the principles and best practice that underpinned LTB decision-making processes are carried forward. This is the role of this revised Assurance Framework. It will be applicable in cases where the Liverpool City Region is making policy and funding decisions in respect of major transport schemes across the LCR, principally, but not exclusively, using funds devolved through the Growth Deal process.

2. The Combined Authority and Local Major Transport Schemes

- 2.1 Local major transport scheme prioritisation and funding decisions that were previously the responsibility of the Local Transport Body will form separate, identifiable agenda items at meetings of the LCR's Combined Authority. For simplicity, these issues will be referred to in this Assurance Framework as "LTB issues".

- 2.2 LTB issues shall form the basis of separate, formal agenda items at Combined Authority meetings, to make them identifiable from wider transport policy issues that fall within the CA's remit.
- 2.3 When meeting to manage LTB issues, members' purpose is to perform the following roles in relation to devolved major transport schemes:-
- Identifying a prioritised list of investments within the available budget, and keeping this under review
 - Making decisions on individual scheme approval, investment decision making and release of funding, including scrutiny of individual scheme business cases
 - Monitoring progress of scheme delivery and spend
 - Actively managing the devolved budget and programme to respond to changed circumstance [this will include, but will not be limited to scheme slippage, scheme alteration and cost increases]
 - Responsibility for ensuring value for money is achieved within the available budget
 - Post scheme implementation monitoring and reporting on outcomes/outputs with reference back to original business cases.
- 2.4 When considering LTB issues, the Chair of the Merseytravel Committee will be invited to attend the meeting in an advisory capacity. The Chair of the Local Enterprise Partnership will have full voting rights in relation to LTB issues.
- 2.5 In this capacity, the CA will be an executive decision-making body with responsibility for policy and funding decisions that were previously the responsibility of the Department for Transport. The CA will be guided by the principles set out within this Assurance Framework, in the same way that the principles applied previously to the LTB.
- 2.6 Voting arrangements are set out within the table below:-

| Member | Status | Role | No. of votes |
|---|-------------------------------|-------------------|---------------------|
| Leader of Halton BC * | Elected member | Voting member | 1 |
| Leader of Knowsley MBC * | Elected member | Voting member | 1 |
| Mayor of Liverpool * | Elected Mayor | Voting member | 1 |
| Leader of St Helens MBC * | Elected member | Voting member | 1 |
| Leader of Sefton MBC * | Elected member | Voting member | 1 |
| Leader of Wirral MBC * | Elected member | Voting member | 1 |
| Chair of LCR Local Enterprise Partnership * | Private sector representative | Voting member | 1 |
| Chair of Merseytravel Committee * | Elected member | Non-voting member | |

** or named alternate*

- 2.7 A minimum of 4 voting members are required to be present in order to maintain a quorum.

3. **Scheme prioritisation**

- 3.1 A transparent and robust prioritisation methodology must be utilised to aid the prioritisation of major schemes and the identification of new schemes.
- 3.2 The methodology adopted by the Local Transport Body in March 2013 shall continue to apply unless and until it is replaced by the Combined Authority's Single Assessment Framework. This original methodology is available at the hyperlink below:-

<http://moderngov.merseytravel.uk.net/ieListDocuments.aspx?CId=264&MId=786&Ver=4>

- 3.3 The shortlist of schemes agreed by the LTB in July 2013 shall also provide the basis of future decisions by the Combined Authority:-

<http://moderngov.merseytravel.uk.net/documents/s9022/Enc.%201%20Final%20Prioritised%20List.pdf>

4. **Accountable body**

- 4.1 The accountable body for devolved transport funding streams will be the Combined Authority (CA). The CA is supported by Merseytravel as its transport executive body, and the principal staffing and delivery body.

- 4.2 Merseytravel is also able to act as the promoter of a major transport scheme locally. In such occasions, officers acting as scheme promoters shall remain separate from officers advising and supporting the CA on the merits or otherwise of schemes coming forward. This is to minimise any conflict of interest between the decision-making and scheme promoter functions.

- 4.3 In its capacity as accountable body for the devolved funds, the CA will:-

- ensure that the decisions and activities of the CA conform with legal requirements with regard to all relevant legislation, including equalities, environmental and EU issues.
- ensure through its Section 151 Officer that the funds are used appropriately and exclusively for the intended purpose
- ensure that the assurance framework is being adhered to.
- maintain the official record of proceedings relating to decisions on local major transport schemes
- take responsibility for the decisions of members in approving schemes if subjected to e.g. Freedom of Information requests or legal challenge
- hold the devolved funds on behalf of the city region.
- it shall reserve the right to decline to carry out a decision considered unlawful or which appears to pose unacceptable legal risks, and will refer any such matters back to the Combined Authority.

- 4.4 Merseytravel will hold funds on behalf of the Combined Authority and make payments to delivery bodies and to itself, where appropriate. The funds will be accounted for in such a way that they will be separately identifiable, with a separate cost centre. Financial statements will be routinely provided to members of the CA on scheme costs and on the profiling of spend.

- 4.5 The CA will ensure that the funds can be used only in accordance with the terms of a formal, minuted decision on a specific scheme. Any inappropriate use of the funds, including match-funding commitments not being honoured, shall render scheme promoters liable to clawback of the funds in whole or in part.

5. **Support and administration arrangements**

- 5.1 Dedicated transport expertise is provided to the Combined Authority by Merseytravel, acting as its executive body. LTB business items on CA agendas will also be supported at a professional officer level by the Transport Advisory Group (TAG). The TAG comprises Director or Assistant-Director level transport and regeneration officers from each of the city region local authorities, from the LEP and from Merseytravel. This officer group also has experience of, and expertise in the major schemes regime. A series of supporting groups dealing with functional aspects sit under TAG and feed up issues for consideration and approval. These groups may change over time as required.
- 5.2 Merseytravel, with TAG's input, will support the development of agendas and technical papers on LTB business, in conjunction with the CA's lead officer for transport. Merseytravel and TAG will also monitor and manage issues such as spend profiles and risk, on behalf of the CA.
- 5.3 The TAG has agreed to commission a WebTAG compliant economic appraisal toolkit to support the testing of candidate schemes, principally at the detailed business case stages. This toolkit has the capability of being operated in tandem with an established Liverpool City Region Transport Model, thus providing an evidence base to support objective decision-making.
- 5.4 A funding pot will be created to enable the CA to commission impartial technical support with the evaluation of individual scheme business cases that arise from the prioritisation process. This will help to ensure that the assessment of business cases is undertaken to an acceptable standard and with the required skills in place.
- 5.6 This independent consultant will be procured by Merseytravel, on behalf of the Combined Authority. Safeguards will be introduced to manage situations where the impartial consultant is requested to develop business cases on behalf of scheme promoters, to avoid conflicts of interest. As technical officers with expertise in the major schemes process, TAG will consider and validate the recommendations of the independent consultant.
- 5.6 A wider stakeholder group will be invited by the TAG to provide input into all relevant processes, such as the identification of candidate schemes, the prioritisation process and on detailed scheme business cases. This stakeholder group will include representation from private sector transport operators, from local interest groups, local authority portfolio members, and from government agencies / partners such as the Highways Agency and Network Rail.
- 5.7 This stakeholder group will principally exist in a "virtual" capacity (i.e. members will be engaged principally by means of email communication and input), and will be consulted on specific issues as outlined above. Meetings of the stakeholder group will be convened as required. In addition, members will receive electronic copies of all relevant CA agendas and papers in advance of each meeting, providing an opportunity for comments or queries to be raised with officials or directly with members of the CA.

- 5.8 Representatives from the Highways Agency and Network Rail will be closely engaged by scheme promoters from the outset, recognising the need for schemes affecting the rail or trunk road network to fit clearly with the statutory processes governing these networks. It will also be essential to assess scheme deliverability as part of the prioritisation process. As such, officials from the Highways Agency and Network Rail may also be invited to attend TAG meetings, to ensure that the implications of emerging proposals or schemes are fully understood by officers and by the CA.

6. **Audit and scrutiny**

- 6.1 Scrutiny will be built into the CA's decision-making and approvals process through:-
- (a) the involvement of professional officers in the prioritisation and appraisal process via the TAG, which will commission independent support and advice on prioritisation and on scheme business cases;
 - (b) through the existence of the wider stakeholder group;
 - (c) through the convention that all methodologies, prioritised lists and scheme details and funding approvals are made publicly available on the Combined Authority and/or Merseytravel's website; and
 - (d) the existence of a Scrutiny Panel within the CA's structure to scrutinise transport decisions and compliance with this Assurance Framework.
- 6.2 As devolved funds for transport schemes will be held and managed by the Combined Authority, then by virtue of being a public body, they will be subject to established financial management arrangements.
- 6.3 All decisions taken by the Combined Authority in respect of LTB business will also be subject to scrutiny through the CA's annual external audit and made available to external stakeholders and the Department for Transport, as required.

7. **Managing conflicts of interest and propriety**

- 7.1 When meeting to discuss and consider LTB issues, members of the CA serve to take strategic, objective decisions on the use of devolved funding. They do not serve to promote the transport schemes of their constituent district or organisation.
- 7.2 Where members would consider individual issues or schemes that directly affect their organisation or local authority, then this shall be declared at the start of the meeting. Providing that there is no pecuniary interest, such members may attend and make representations upon the issue or scheme and also vote as required.
- 7.3 Where members have a direct financial interest in a scheme, through employment or personal gain (including any interest as a result of close personal relationships/friendships), this shall be declared and the member shall abstain from discussing and voting on the item.
- 7.4 The Combined Authority, as the accountable body, will develop and maintain a register of personal interests of all decision making members, which will be based on existing conventions across the city region. This will be available to the public via its. Members shall also declare any interest at the start of a meeting.

- 7.5 Merseytravel, supported by the TAG will have responsibility for ensuring that objective, professional advice is given to the CA on the merits (or otherwise) of schemes. Merseytravel and the TAG act in the interest of the CA as a whole and will draw on external, impartial support or advice as required, particularly when reviewing business cases.
- 7.6 The CA will maintain a register of interests, and associated gifts and hospitality policies, which shall be made available on its website.

8. **Transparency and Local Engagement**

- 8.1 When managing LTB issues, the CA shall be supported by a wider stakeholder group, consisting of representatives from the transport sector, from local interest groups and other relevant stakeholders. This stakeholder group will be established as an informal “virtual” forum (e.g. as an email-group, principally), to provide input to the process and provide an additional tier of non-statutory scrutiny and rigour into the process. It will also be canvassed for any candidate schemes, or views thereon, at the start of the scheme prioritisation process or at any review stage.
- 8.2 The group will subsequently be consulted on individual schemes, including draft business cases and other formal consultation stages (e.g. on Environmental Impact Assessments). The TAG will be responsible for setting out more detailed guidance and requirements for scheme promoters on public engagement and on consultation, having regard to statutory requirements.
- 8.3 The Local Government Transparency Code will be adhered to, and that all background papers, scoring frameworks, decisions and minutes are made publicly available via the CA and/or Merseytravel’s website. Exemptions will only be permitted where these relate to established issues of confidentiality, such as staffing or commercially sensitive aspects.
- 8.4 All proceedings of the Combined Authority will be available on the CA’s website and historic proceedings of LTB meetings will remain available on Merseytravel’s website,
- 8.5 All CA meetings will be held in public at fully accessible venues, usually at Merseytravel’s city centre headquarters. All agendas, papers and minutes will be in the public domain and accessible via the established modern.gov web-based system. Papers will be made available at least 5 working days in advance of a meeting, in accordance with established local authority guidelines.

9. **Complaints and whistleblowing**

- 9.1 Any complaints or concerns about LTB issues will be directed to and administered by the Combined Authority’s Monitoring Officer.
- 9.2 In cases where objections or concerns cannot be resolved at officer-level, then these shall be referred to the Combined Authority’s Scrutiny Panel.

10. **Scheme eligibility**

- 10.1 The CA will ensure that the funds that are devolved will be utilised for traditional major schemes, but in addition, will allow packages of measures to be included,

provided that packages are well defined, specific and meaningful. Major maintenance schemes will also be included within the scope of the work, recognising their strategic fit with the LCR's Local Transport Plans' policy context. The scheme prioritisation methodology outlined above will provide the necessary policy tests for candidate schemes and no additional restrictions or hurdles will be employed by the local transport body after schemes have been prioritised by July 2013.

- 10.2 The prioritisation 'gateway' test in particular will ensure that schemes that are promoted are well-conceived, are of sufficient magnitude, and of strategic importance to the city region. This reflects the special conditions associated with major schemes funding and the city region's clear stance that major schemes funding must not be used to top up Integrated Transport Block (ITB) funds or to fund works that should instead come from the ITB.
- 10.3 A threshold of £3 million has been agreed as the minimum threshold for schemes, to ensure that they are of sufficient significant scale and impact and to manage the number of schemes coming forward. Reducing the DfT's original £5 million threshold does, however, give the city region greater flexibility with its resources at a time when other sources of funding are more limited.
- 10.4 All scheme promoters must also provide an element of match funding for their schemes. A minimum of 10% will be required, and major schemes funding will form a maximum of 90% of the scheme's cost. Devolved major schemes funds may not be used to pay for scheme development costs. Furthermore, the prioritisation methodology will utilise criteria that reflect value for money considerations, meaning that schemes attracting higher levels of match funding will receive a higher weighting in the scoring system than those drawing only limited levels of match funding. This will ensure best value for money from the funds that are available to the city region.

11. **Scheme assessment and approval**

- 11.1 Individual local authorities or Merseytravel will remain responsible for developing business case proposals for transport schemes agreed by the CA through the prioritisation process.
- 11.2 TAG has committed to create a funding pot for drawing in impartial, technical advice on scheme business cases, as required. The scope of this impartial advice will include an assessment of business cases against current WebTAG requirements and a critical assessment of one business case in relation to another. This is to allow multiple business cases to be ranked in order of priority and ensure consistency in the CA's decision-making.
- 11.3 The independent advice sought by the TAG on the business cases will be considered by TAG as part of a 'due diligence' exercise of candidate business cases and will carry significant weight in TAG's associated recommendations to the LTB. TAG and CA may ask additional questions of a scheme promoters in light of advice and information received.
- 11.4 The results of the assessment will be set out within formal reports to the CA on LTB issues, meaning that they will be open to scrutiny and comment by scheme promoters, members of the wider stakeholder group and members of the public.

- 11.5 This approach will ensure that advice presented to the CA is impartial and that any conflicts of interest between officers who sit on the TAG, and the schemes promoted by their respective organisation or authority, are avoided.
- 11.6 Schemes that have been shortlisted will be approved by the CA in two discrete stages following the submission of a satisfactory business case that accords with DfT's WebTAG guidelines:-
- (i) schemes will enter a Programme Entry stage, to give scheme promoters 'in principle' approval and to allow appropriate powers or processes to be pursued.
 - (ii) when the scheme reaches its required stage of readiness, an application for Full Approval shall be made to the LTB before any funds are committed legally.

The CA reserves the right to utilise an interim, Conditional Approval stage for larger or contentious schemes.

- 11.7 A formal, written report to the CA will be required, to enable it to consider an individual business case and to make a funding decision. A minuted resolution will also be required to enable funds to be released by the CA.

12. **The transport business case**

- 12.1 The CA will require all scheme proposals submitted by local authorities to clearly accord with the existing DfT requirements. The CA will be supported by Merseytravel and by the TAG and by impartial, external technical support, to ensure that the level of information submitted is of the required standard and that all necessary processes (e.g. WebTAG and Environmental Impact Assessment requirements) are satisfied. Specifically, business cases must utilise current versions of NTEM (National Trip End Model) data as the central case within scheme proposals.
- 12.2 Scheme promoters will be required to develop a Strategic Outline business case, an Outline Business Case and a full Business Case. External validation and scrutiny at these stages will be secured through consultancy support, as required, funded from the budget that is being specifically allocated by the TAG and by its constituent organisations.
- 12.3 The CA will utilise the wider stakeholder group as its main advisory group to comment, challenge and provide scrutiny of scheme business cases. In addition, scheme business cases shall be made available on the website of the accountable body for a minimum of 3 months. This will provide an opportunity for members of the public to consider and comment upon proposals and for these comments to be reported to the CA. Merseytravel and the TAG will manage this consultation process.
- 14.2 Merseytravel and the TAG will be responsible for considering comments received as part of this process and ensuring that these are reported to the CA as part of the decision making processes in respect of LTB issues.

13. **Release of funding, cost control and approval conditions**

- 13.1 The CA's funding contributions will be capped contributions. In the event that scheme costs escalate, then applications for additional funding approval will not be

considered by the CA once schemes are fully approved. This reflects the reality that funding levels are limited and will be in high demand. Alternative approaches will thus be required to manage cost overruns (e.g. from local funds or third parties). This condition will be made clear once the CA has agreed a prioritised list of schemes and invites major scheme business cases from successful scheme promoters.

- 13.2 Funding approvals between the CA and delivery bodies will also stipulate the purposes for which devolved funds may be used. This will also make funding conditional upon the security of the match funding identified.
- 13.3 The CA will require funds to be claimed from scheme promoters in arrears on a quarterly basis. In the event that spend is not keeping pace, then contributions may be suspended. This will be stipulated as part of a conditional funding agreement between the CA and the promoting body.
- 13.4 As part of scheme business cases, promoters will be required to demonstrate where match funding will stem from, and the risks associated with these funds.
- 13.5 Scheme promoters will also be subject to regular audits by the Combined Authority.

14. **Value for Money**

- 14.1 Value for money will be a core criterion that the CA will utilise initially in its methodology for creating a prioritised list of transport schemes. Schemes drawing in higher levels of match funding will receive a higher weighting than schemes drawing in the minimum level of match funding.
- 14.2 All business cases that are subsequently developed will be required to accord with established WebTAG advice, and Benefit-to-Cost ratios will be required for all candidate scheme business cases. The CA will approve those schemes offering the highest value for money. Schemes that have previously been rejected on value for money grounds within the lifetime of the first and second Local Transport Plans (i.e. from 2001 onwards) will not be re-considered.
- 14.3 Further proxies for value for money will be secured by the city region through the use of the Liverpool City Region Transport Model and its emerging economic appraisal toolkit, as appropriate. Consistency and quality assurance will be secured through the independent, external technical support and validation that will be called upon by the TAG as required.
- 14.4 At every scheme approval stage, the CA will require a value for money statement to be developed by scheme promoters as part of their full business case submissions. These must be in line with current DfT standards. The VfM statement will be signed-off by the statutory section 151 officer (e.g. Director of Finance) of the promoting authority, with the added expectation that the Responsible Officer, leading the business case for the lead authority should also be party to the VfM case.
- 14.5 The VfM statement will be audited by the independent consultant acting on behalf of the TAG and the CA. Views on the VfM statement will be clearly reported within reports to the CA on individual business cases. The VfM statement will be signed-off, on behalf of the CA, by the Chair of the Transport Advisory Group, drawing on advice from the independent consultant and by the Combined Authority's Section 151 officer. In the event that the Chair of TAG is also a scheme promoter, then the VfM statement shall be signed-off by the Vice Chair of TAG, in order to avoid any conflict of interest.

- 14.6 Conflicts of interest between officers acting as scheme promoters and as TAG members will be avoided through the use of the impartial consultant to assist with challenging and validating VfM statements.
- 14.7 Notwithstanding the above principles on value for money, TAG will be able to make positive recommendations on schemes having lower VfM, having regard to specific circumstances including very convincing wider economic, social and environmental benefits, the ability of the scheme to address multiple city regional policy objectives, and circumstances where significant levels of match funding are being provided by the scheme promoter. Other criteria will include urgent health and safety considerations, particularly in the event of a major maintenance scheme, or a scheme having very strong levels of public support.
- 14.8 TAG will offer professional advice on the relative weight that should be afforded to the various considerations. The TAG's recommendations to the CA will clearly explain the rationale for approving a lower VfM scheme and the implications of the recommendation.
- 14.9 As part of the detailed scheme approval process, the CA will require scheme promoters to submit evaluation and monitoring method statements, and the requirement to monitor and evaluate schemes will be a funding condition. The monitoring and evaluation strategy submitted as part of a business case must follow current DfT guidance. This must include confirmation of levels of resources being allocated to this task.
- 14.10 Submitting timely information will be a similarly significant condition. The CA will require the submission of an initial report at least one year after a scheme has opened, and a final report after 5 years of operation. The CA will ensure that evaluation and monitoring data from schemes completed is made available on its webpages, in addition to the monitoring and evaluation plans that will be required for individual schemes.
- 14.11 TAG, aided by impartial consultancy support, will ensure that the monitoring and evaluation proposals are fit for purpose and accord with DfT guidance, and will make appropriate recommendations in this respect to the CA.

15. **Contact for further information on the Assurance Framework**

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