

AUDIT AND GOVERNANCE COMMITTEE	AGENDA ITEM No: 8
19 JULY 2019	PUBLIC REPORT

VALUE FOR MONEY

1.0 PURPOSE

- 1.1. The purpose of the report is to inform the Audit and Governance Committee on the Combined Authority approach to delivering Value for Money.

<u>DECISION REQUIRED</u>	
Lead Officer:	Jon Alsop – Head of Finance (S73)
<p>The Audit and Governance Committee is recommended to:</p> <ul style="list-style-type: none"> • Note the Combined Authority’s approach to delivering Value for Money. 	

2.0 BACKGROUND

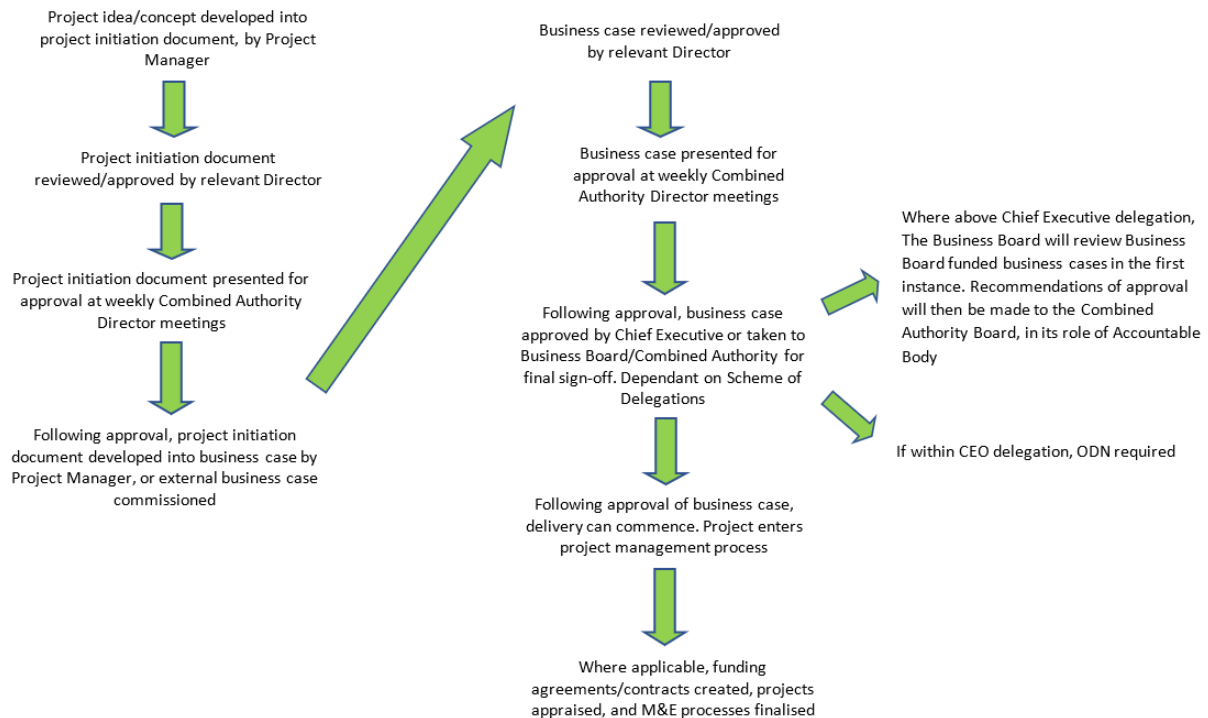
- 2.1. According to its Terms of Reference, a function of the Audit and Governance Committee is to “review and assess the economy, efficiency and effectiveness with which resources have been used in discharging the authority’s functions”.
- 2.2. In their 2018/19 audit plan, Ernst & Young LLP (EY) stated their requirement to consider whether the Combined Authority has put in place ‘proper arrangements’ to secure economy, efficiency and effectiveness on its use of resources. This is known as the auditor’s ‘value for money conclusion’.
- 2.3. The value for money conclusion is based on the evaluation of whether the audited body has proper arrangements to ensure it takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.
- 2.4. The two documents that set out the Combined Authority’s approach to ensuring that value for money is achieved in the development of projects and programmes, and in their delivery and outcomes are the Assurance Framework and the Monitoring and Evaluation Framework .

THE ASSURANCE FRAMEWORK

- 2.5. The Combined Authority Assurance Framework sets out the key processes for ensuring accountability, including public engagement, probity, transparency, legal compliance and value for money
- 2.6. As an investor of public funds, the Combined Authority has a responsibility to ensure that its decisions deliver best value for the tax payer, and therefore all investment opportunities and business cases must include an assessment of their Value for Money. The Assurance Framework has been developed in line with HM Treasury Green and Magenta Book Guidelines, which require project managers to build in Value for Money processes throughout the approval stages. The Combined Authority also requires all business cases be developed in line with HM Treasury's Five Case Model.
- 2.7. The delivery, and costs, of outputs must be quantified within all applications for funding. Where there are clear guidelines set out by Government for assessing Value for Money these will be taken into account. For all Transport and Infrastructure schemes, benefit cost ratio (BRC) indicators are used in line with DfT guidance.
- 2.8. The Combined Authority Board sets out the investment priorities for Cambridgeshire and Peterborough through the Medium-Term Financial Plan and the Business Plan. These include named prioritised projects which are allocated against either revenue or capital funds.
- 2.9. For new programmes/projects, the detailed consideration of whether the programme/project represents value for money, is initially undertaken through the development of a Project Initiation Document (PID) and Business Case.
- 2.10. The PID is used to identify the expected expenditure, timescales for delivery and proposed outcomes, and to enable more informed financial and output profiling.
- 2.11. The PID provides a first view of how, what and when the project will deliver against the Mayor's Growth Ambition Statement, the Local Industrial Strategy and the Business Plan. The PID will include details such as:
 - Project description including objectives and overview.
 - Timescales (high level).
 - Project outputs and outcomes
 - Cost of project (high level), and initial funding required.

- 2.12. The decision-making process and governance arrangements of how a project idea/concept develops through the PID and Business Case stages into delivery are set out in the diagram below:

Decision making process



- 2.13. The Business Plan and Medium-Term Financial Plan will be reviewed every six months, to include the prioritisation of new projects/programmes that are put forward as a result of new opportunities, priorities or challenges arising.

- 2.14. New projects that are accepted into the Business Plan would then proceed to follow the Project Initiation Document through to Business Case development and be taken to the Combined Authority Board for decision.

THE MONITORING AND EVALUATION FRAMEWORK

- 2.15. Monitoring and evaluation (M&E) is a critical component of an effective performance management regime. Monitoring supports the effective tracking of a scheme or series of policy interventions ensuring that intended outputs are being achieved. Evaluation quantifies and assesses outcomes, including how schemes were delivered and whether the investment generated had the intended impact and ultimately delivered value for money. M&E forms a significant part of the policy feedback loop to inform future policy development, priorities and budgets.
- 2.16. The CPCA's approach to Monitoring and Evaluation uses the Magenta Book definition of monitoring and impact evaluation as follows:
- Monitoring: Seeks to check progress against planned targets, formal reporting and evidencing that spend and outputs are successfully delivered and milestones met.
 - Evaluation: The assessment of effectiveness and efficiency during and after policy/intervention implementation. It seeks to measure outcomes and impacts to assess whether anticipated benefits are realised.
- 2.17. HM Treasury Business Case Guidance also provides the framework for preparing business cases for spending proposals. Business cases are prepared according to a model which views proposals from 5 interdependent dimensions – known as the Five Case Model outlined below. The CPCA has committed to following this model which in this context provides the thinking upon which the Monitoring and Evaluation work will be based, for example by providing the strategic and economic case against which to assess if predicted benefits have been achieved.

Five Cases	Detail
Strategic Case	The strategic case sets out the rationale for the proposal, it makes the case for change at a strategic level. It should set out the background to the proposal and explain the objective that is to be achieved.
Economic Case	The economic case is the essential core of the business case and should be prepared according to Treasury's Green Book guidance. This section of the business case assesses the economic costs and benefits of the proposal to society as a whole, and spans the entire period covered by the proposal.
Commercial Case	The commercial case is concerned with issues of commercial feasibility and sets out to answer the question "can the proposed solution be effectively delivered through a workable commercial deal or deals?" The first question, therefore, is what procurement does the proposal require, is it crucial to delivery and what is the procurement strategy?
Financial Case	The financial case is concerned with issues of affordability, and sources of budget funding. It covers the lifespan of the scheme and all attributable costs. The case needs to demonstrate that funding has been secured and that it falls within appropriate spending and settlement limits.
Management Case	The management case is concerned with the deliverability of the proposal and is sometimes referred to as programme management or project management case. The management case must clearly set out management responsibilities, governance and reporting arrangements, if it does not then the business case is not yet complete. The Senior Responsible Owner should be identified.

2.18. CPCA will develop a comprehensive performance management system and evaluation framework that will operate at both a strategic level and at the individual programme/project level. This will enable CPCA to:

- Monitor impacts and progress towards organisational goals, and to understand whether projects are on track to deliver projected outputs and outcomes.
- Assess the additionality of activities (and impacts) and to assess whether a project or programme has achieved Value for Money.
- Identify the sustainability of impacts, and the equality implications of activities.
- Maintain scrutiny and accountability.
- Inform future investment prioritisation and resource allocation.
- Identify what works (and what does not), and in what circumstances, to inform future activities and delivery and the sharing of best practice.

2.19. The Combined Authority's performance will be assessed against a 'base-line' economic forecast for the area. This will be carried out as part of the commissioned independent evaluation of the authority being carried out by SQW Ltd (in partnership with government departments, BEIS and MHCLG). This base-line will be compared with the area's actual economic growth rate, with the difference providing an indication of the added value to the UK economy to set alongside the total sum of investment in growth initiative. SQW will provide a commentary of attribution and wider economic influences.

2.20. A number of specific economic studies were reviewed as part of the CPIER (Independent Economic Review). One such example is the Wisbech Economic Study which outlines the scenarios for economic growth for key sectors of the town's economy. A baseline is provided indicating the expected (low level) of

growth for the Agriculture and Food Manufacturing sectors together with alternative scenarios for growth if the right type / level of investment is made into the area. The difference in these shows part of the potential 'value' that could be derived from CPCA investments into the town. The CPCA, via the County Council's Research Team, will monitor the achievement of these benefits.

2.21. An example of how monitoring works at an individual scheme level is the Ely Bypass, which has recently opened and was funded in part by LEP (Growth Deal) funding. A scheme of monitoring is in place, with regular returns being made to BEIS. Measurement is being made against the stated objectives of the scheme in terms of jobs created (development on local employment sites), housing built etc. Economic impact studies can then be programmed in over time, noting that infrastructure can yield significant benefits into the future .e.g. the Guided Busway has been vital to unlocking the Northstowe new development.

2.22. As the Combined Authority's programme of works develops, we will provide updates to the Committee on Value for Money monitoring and evaluation.

3.0 FINANCIAL IMPLICATIONS

3.1. None other than those highlighted in the main body of the report.

4.0 LEGAL IMPLICATIONS

4.1. There are no significant legal implications

5.0 SIGNIFICANT IMPLICATIONS

5.1. None.

6.0 APPENDICES

- None

<u>Source Documents</u>	<u>Location</u>
The Assurance Framework The Monitoring and Evaluation Framework	CPCA Assurance Framework