



**CAMBRIDGESHIRE  
& PETERBOROUGH**  
COMBINED AUTHORITY

**JAMES PALMER**  
CAMBRIDGESHIRE &  
PETERBOROUGH MAYOR

Agenda Item No:4

## Report title: Assurance Framework

To: Audit and Governance Committee

Meeting Date: 5 March 2021

Public report: Public Report

From: Rochelle Tapping  
Deputy Monitoring Officer

Recommendations: The Audit and Governance Committee is recommended to:

a) To approve and recommend the revised draft of the Assurance Framework to the Combined Authority Board, and to delegate to the Chief Legal Officer and Monitoring Officer (in consultation with the Chair of Audit and Governance, the making of any minor amendments following any further comments received from MHCLG

Voting arrangements: A simple majority of all Members

# 1. Purpose

- 1.1 At their meetings on 25 November 2019 and 27 November 2019 the Business Board and the Combined Authority Board agreed a revised single Assurance Framework. The Audit and Governance Committee noted that revised Assurance Framework on 16 December 2019. A further revision of the Assurance Framework was brought to the Committee in September 2020. It was decided to delay recommending that version to the Combined Authority to account for further improvement. Numerous revisions have been made since that date.
- 1.2 The Committee is asked to approve the draft revised Assurance Framework, recommending adoption to the Combined Authority Board.

# 2. Background

- 2.1 MHCLG produced the National Assurance Framework in January 2019 which applies to Mayoral Combined Authorities (MCAs) with a Single Pot and Local Enterprise Partnerships (LEPs). Government requires all MCAs and all LEPs to produce and publish a Local Assurance Framework that aligns with the National Assurance Framework and which sets out the arrangements in place to ensure that public money is being managed effectively.

The National Assurance Framework states:

*MCAs and LEPs should outline the following in their Local Assurance Framework:*

- a. A clear description of roles and responsibilities;*
- b. Arrangements for taking and accounting for all decisions and ways of working – ensuring effective public engagement, with key documents, decisions etc. made public in line with the requirements placed on Local Authorities, and an agreed means to manage conflicts of interest;*
- c. Responsibilities of the Accountable Body – MCAs are their own Accountable Body and therefore should provide detail of how they are ensuring proper financial oversight of their projects, programmes and portfolios, including clarity on the role of the Section 73 Officer. The LEP must provide clarity on the role of the Section 151 Officer (or equivalent) and Accountable Body with regards to governance and financial oversight; and*
- d. Arrangements to ensure value for money (Part C) – MCAs and LEPs should provide a clear and transparent basis against which projects, programmes and portfolios are identified, appraised and prioritised. It should include appropriate methodology to assess value for money with business cases developed in line with government guidance.*

- 2.2 In addition, LEPs are also required to meet specific requirements on governance, accountability and transparency arrangements which are detailed within the Framework and summarised within the compliance checklist at Appendix A. Compliance checks form part of the Annual Performance Review, which is the formal way that Government and each LEP meet to discuss the LEP's **Governance, Delivery and Strategic Impact**. Critically, the Annual Performance Review also acts as a key milestone in the process of confirming

future funding payments (more specifically, Getting Building Fund) for the following financial year.

- 2.3 A compliance check was conducted by CLGU during October-November 2020. This followed an Annual Performance Review meeting for the Business Board in February 2021. Noting the difficulties caused by COVID, the scoring system was revised to an outcomes-based approach with findings of “met” and “action needed”, taking account of mitigating circumstances. During that meeting it was confirmed that the Assurance Framework was compliant with Government requirements, as stipulated in the National Framework and that Governance outcomes had been met.

### **Revisions made to the Assurance Framework**

- 2.4 The revisions were made following direct input from officers in the following teams: Finance, Delivery and Strategy, Legal & Governance, the Project Management Office and Business and Skills. The revisions have been categorised in two distinction sections, revisions which are relevant to the Combined Authority and those which are relevant to the Business Board. Appendix 3 is a tracked changed version of the revised Assurance Framework.

### **2.5 Revisions relevant to the Combined Authority:**

- Better clarity is included on the breakdown of multiple streams of funding which the Combined Authority is responsible for as well as noting that the Business Plan and MTFP are refreshed annually but can also be refreshed within the year where there are extraordinary unforeseen circumstances. The PID process is further explained and an updated decision-making table is included.
- During 2020 the Treasury undertook a review of their guidance on appraisal and evaluation of projects (the Green Book) and published a new edition in December 2020. The review highlighted a pattern of over-emphasis on the Benefit-Cost-Ratio (BCR) of a project at the expense of strategic fit, resulting in projects not addressing the needs they were originally designed to, and thus failing to achieve Value for Money (VfM) regardless of the benefits they produce. The Assurance Framework adopted in November 2019 is a clear example of the findings of the review as it states that “VfM can be defined as a Benefit Cost Ratio (BCR) that is at least 2.0 for transport schemes”. Although the role of BCRs in project evaluation has been de-emphasised, this does not imply that BCRs is no longer a key part of the Green Book’s methodology for assessing VfM. In line with the revised Green Book, strategic fit must be considered before BCR. It is then the role of the Combined Authority Board to decide whether a project, that has demonstrated strategic fit, is worth its cost, taking into consideration its risks, outcomes and the resources available to meet the Authority’s wider ambitions.

As identifying a minimum BCR is no longer within current government guidance, the wording in sections 5.1 and 5.8 has been revisited in the proposed draft. This wording has been proposed to the Department for Transport (DfT) who responded on the 19<sup>th</sup> February expressing support of the changes made, but asking for further detail to be included in the Assurance Framework specifying how the Combined Authority evidence the strategic fit of projects. Delivery and Strategy officers are drafting an additional paragraph to be added which will be sent to DfT and added to the final draft of the Assurance Framework presented to the Combined Authority Board.

- Last year, a report on audit matters was undertaken, with a series of recommendations identified. 'The Assurance Framework has been updated to accurately reflect a number of overarching Project Management changes within the organisation. This includes the approval of internal project initiation documents, which originally required sign-off from the Combined Authority's full Corporate Management Team but now only require sign-off from the responsible Director, Chief Executive and Chief Finance Officer. The Monitoring & Evaluation section of the Assurance Framework has been updated to reflect the latest Monitoring & Evaluation Framework (approved at January's Board meeting), which includes the inclusion of 4 different categories of evaluations that projects are subject to and the Risk and Change Control process has also been updated. This is to reflect the new Risk Management and Change Control documents that were approved by the Combined Authority Board and includes the requirement of Early Warning Notifications. In addition, a Combined Authority audit of a legacy project was carried out last year, and a number of recommendations were highlighted. These have been reviewed in light of the Assurance Framework and referenced where applicable, which includes the importance of setting out roles and responsibilities within a project and new financial reports to monitor project spending. A large majority of the recommendations, however, were related to internal project management processes only, and therefore not required in Corporate documents. Instead, these recommendations are included within project management documents, such as the Combined Authority's 10-Point Guide to Project Management.

## **2.6 Revisions relevant to the Business Board:**

- Confirmation of Business Board boundary as being coterminous with that of the Cambridgeshire & Peterborough Combined Authority has been included, removing agreed LEP overlaps. The newly published government LEP boundary map is now inserted.
- Updated to reflect that a third of Business Board Members are female as opposed to this being an existing target.
- The induction process for new Business Board members has been referenced.
- Amendment to reflect the period for publication of Business Board minutes being 10 days and not 12 days.
- Amendment made to the term of the Business Board Chair, from 2 years to 3 years to reflect the NAF requirement.
- References made to the first call for expressions of interest in relation to LGF applications have been removed given that this is outdated.
- The change request criteria applicable to LGF funded projects has been refined.
- Claw back processes for Business Board related projects and schemes expanded upon.
- Changes have been made to reflect the proposal, for agreement by the Combined Authority, of a member of Overview & Scrutiny shadowing the work of the Business Board and occupying the position of Overview and Scrutiny Lead Member. A role description has been prepared and this item was presented to the Overview and Scrutiny Committee in February 2021. Appendix 2 is the role description.
- References changed to the 'Business Board' as opposed to the 'LEP'

## **2.7 Formatting changes**

Changes to the numbering format of the pages and hyperlinks removed given that documents to which hyperlinks relate are regularly updated, for example the Constitution.

Retaining the hyperlinks would require the Assurance Framework to be updated each time a document referred to is revised. The new website will display all CPCA documents including those which were hyperlink documents in the Assurance Framework. The document has also been redrafted to reflect the current position and more generally redrafted to read more succinctly.

## 2.8 Horizon Planning

The funding period for Local Growth Funding ends on 31.03.2021. There are plans for future funding from Government including Levelling Up Funding and UK Shared Prosperity Funding, albeit via a bidding process, as applicable. It is therefore anticipated that a revised National Assurance Framework and/or a new Framework document, will be released later this year. Therefore, a further review and/or new document is highly likely and will also provide an opportunity to re-write and/or prepare a fresh framework document. At this time however, it is prudent to revise the Assurance Framework, given that the revisions outlined above are not reflected within the Assurance Framework adopted in November 2019.

2.9 The Chair of the Committee requested that the Assurance Framework include details of how the Audit Committee would review the governance arrangements of trading companies set up by the Combined Authority, to manage projects. As a starting point, the National Assurance Framework states that:

*The LEP and Accountable Body should agree an internal audit plan for the year. This should include a risk-based audit plan of LEP activity...  
Public funds managed by the Accountable Body will go through their external audit procedures, these will be risk-based which means that they may not receive an external audit every year.'*

2.10 There is no expectation that the trading company activities (that relate to projects) of the Accountable Body be included within the Assurance Framework. This is mainly due to the focus of the Assurance Framework being directed towards the LEP role in funding projects, not that of the Accountable Body. Such approach could however be explored further but would need to be agreed by the Combined Authority as the Accountable Body. This could be factored into the forthcoming review following the revised framework as noted in 2.9 above.

## 3. Financial Implications

3.1 None

## 4. Legal Implications

4.1 The adoption of the Assurance Framework ensures that the Business Board and Combined Authority are compliant with the requirements of Government as set out in the National Assurance Framework.

- 4.2 The Combined Authority and the Business Board must notify the Ministry of Housing, Communities and Local Government (MHCLG) if they are considering any significant changes to their Local Assurance Frameworks. Following approval by the Committee, the revised draft will be sent to MHCLG for sign off. The revised draft will also be presented to the Business Board for approval on 4 March 2021. Delegated authority, to the Chair of the Business Board, has also been requested so that minor amendments following feedback from MHCLG, can be made.

## 5. Other Significant Implications

- 5.1 None

## 6. Appendices

- 6.1 Appendix 1 – Compliance Checklist
- 6.2 Appendix 2-Role Description for Lead Member from the Overview and Scrutiny Committee
- 6.3 Appendix 3- Track changed version of the revised Assurance Framework