

LOCAL FRAMEWORKS FOR FUNDING MAJOR TRANSPORT SCHEMES: GUIDANCE FOR LOCAL TRANSPORT BODIES

Key Principles

The Department has announced its firm intention to devolve funding for local major transport schemes to Local Transport Bodies (LTBs) from 2015. LTBs will be voluntary partnerships between Local Authorities (LAs), Local Enterprise Partnerships (LEPs) and maybe other organisations.

Their primary role will be to decide which investments should be prioritised, to review and approve individual business cases for those investments, and to ensure effective delivery of the programme.

Therefore, while DfT will no longer have a role in the selection and approval of individual schemes, it will need to ensure that the devolved system provides appropriate safeguards for the use of public funds and is able to deliver value for money for the overall level of Government funding.

The Department therefore needs a way to ensure that LTBs are fit for purpose and have the necessary arrangements in place to ensure value for money and sound decision making.

The existing arrangements in place governing Local Authorities' financial management are not adequate for these purposes because it is the LTB and not the LA that is the effective decision making body. LTBs may involve partners *other* than local authorities and will, in many cases, make decisions about distribution of resources *between* local authorities. More specific arrangements are therefore required that are tailored to the requirements of the programme and appropriate to the size and nature of the schemes that are likely to be funded.

In response to the consultation, the Department therefore confirmed that all LTBs would need to put in place an assurance framework, setting out their governance and working arrangements, and that those frameworks will need to be submitted to, and approved by, DfT before any devolved funding will be transferred.

The Department also confirmed that these assurance frameworks would need to meet minimum requirements. The purpose of this document is to set out those minimum requirements, and to provide additional guidance and recommendations for assurance frameworks.

Application of this guidance

We expect local transport bodies to vary considerably in size and shape. LTBs may be continuations or adaptations of existing bodies, while others may be new bodies. Importantly, LTBs do not need to be corporate bodies. Our aim to offer as much flexibility as possible for LTBs in terms of *how* the minimum requirements should be met and enable LTBs to be able to operate

as voluntary partnerships or committees, without the need to create new organisations in their own right.

In cases where it agreed that LEPs themselves will act as LTBs, this guidance and its minimum requirements apply only when the LEP is conducting LTB business. Therefore the assurance framework in these cases may simply explain the existing arrangements of the LEP, noting where they are already in compliance with this guidance, and outlining how these will be supplemented or amended when the LEP is dealing with LTB business.

LTBs may decide to take on wider remits and to pool their devolved major scheme funding with funds from other sources. This is perfectly acceptable provided either (a) that the assurance framework for the whole of the pooled fund is compliant with this guidance or (b) that the major schemes funding is ring-fenced within the wider pool and its use restricted to arrangements that are compliant with this guidance.

Indeed we would encourage LTBs to think about how their role may develop in the future and to explore possibilities for establishing a cross-modal and cross-boundary focus. The Department's proposals on rail decentralisation, in particular, provide an opportunity over the longer term for integrated and joined up decision making at a local level.

Audit and Scrutiny

The Department will retain an ongoing responsibility for ensuring that LTBs are operating effectively, within the terms of their local assurance frameworks, and delivering their key responsibilities on the proper use of public funds and delivery of value for money. The Department will discharge those responsibilities through mechanisms such as the following:-

- LTBs will be required to arrange for an annual, independent local audit of the LTB and submit reports of such audits to the DfT. (see para 18 for more detail)
- The Department will conduct its own periodic assessments of the quality of appraisal and scrutiny within the devolved structure including checks on material published by LTBs, for example business case assessments, value for money statements and programme information.
- The Department will consider any concerns or complaints raised from third parties about the operation of LTBs, although we would expect such issues to be dealt with locally in the first instance (see paras 34 and 35 for more detail)

While the devolved major scheme funding in the next Spending Review period will be determined by population, the Department reserves the right to determine allocations for future spending review periods according to performance on delivery, value for money, evaluation and effectiveness of the LTB, taking into account the results of any audits and checks as described above.

The Department will reserve the right to withhold funds or seek recovery of funds from any LTB that is acting in clear breach of its own assurance framework or any other statutory requirements.

Submitting Assurance Frameworks to the Department

This document is set out in a structure that assurance frameworks could mirror, although that structure is not mandatory. Each section of the guidance includes a description of what the assurance framework should include, and sets out the minimum requirements, where applicable.

All prospective local transport bodies should submit their assurance framework documents by the end of February 2013. The Department requires this in order to provide it with confidence that the LTB is a fit for purpose organisation that can begin the process of prioritising and commissioning schemes. We had previously indicated that the deadline would be December 2012. However, mindful of the difficulties that many would face in meeting this, and the need to ensure quality submissions, we have moved this deadline to February 2013. Similarly the deadline for submitting prioritised lists of schemes has been moved from April 2013 to July 2013. However we would like to encourage any areas that were on course to meet the original deadlines to maintain that pace and indeed any earlier submissions would be welcomed.

It is important that the assurance framework documents provided by February are agreed by the organisations that are proposed as members of the LTB and that evidence of that agreement is provided.

The Department will aim to sign off assurance frameworks within two months but will alert any LTBs earlier if there are any fundamental issues affecting the scheme prioritisation exercise that need to be addressed.

Any delay in these submissions, or a submission that is not compliant with guidance, could therefore put at risk the ability of the LTB to have schemes ready from 2015 and therefore the Department may consider delaying the devolution of funding to these areas. However the Department will adopt a pragmatic approach to working with LTBs to improve frameworks that have the essential components in place but require more detail in some areas. We would also like to encourage local areas to submit draft assurance frameworks to DfT for informal feedback as soon as they are available.

Once formally agreed, any subsequent material changes to LTB frameworks must be approved by DfT. LTBs should consult DfT's engagement teams for advice on whether a change would be considered material.

We expect that the local assurance frameworks developed in line with this guidance will last for the duration of the post-2015 spending review period. The Department will review the operation of local assurance frameworks and may issue revised guidance and minimum standards for subsequent spending review periods.

Department for Transport
November 2011

PART ONE: PURPOSE, STRUCTURE AND OPERATING PRINCIPLES

Name

1. The name the LTB wishes to be known by (need not necessarily include the words 'Local Transport Body')

Geography

2. This should confirm the geographical boundaries of the LTB as declared in response to John Dowie's letter of 2 August (or the geography that was determined by DfT if there was no local consensus).

Membership

3. This section should list all the organisations that are members of the LTB. It should also be clear which of these bodies has already confirmed its membership and which have been invited or will be invited.
4. It is assumed that membership would be extended to organisations rather than individuals, and that an organisation's seat or seats at the LTB would relate to a specific post (e.g. leader or transport portfolio holder of a council, or LEP chair) and not tied to an individual. The relevant posts should also be made clear. Local Authority membership should be council leaders, mayors or transport portfolio holders.
5. This should also make clear whether there are different types of membership (e.g. observers, associate membership, non-voting members), and should make clear what the differences are between the types of membership.

Minimum Requirement	The following organisations have an automatic right to full LTB membership <ul style="list-style-type: none">• All LTAs falling wholly or partially within the LTB area (in the unlikely event that an LTA declines membership that should not prevent establishment of the LTB)• ITAs whose area (or any part of it) lies within the LTB area• The primary LEP (or LEPs) on whose geography the LTB is based• Other LEPs with significant coverage within the LTB boundary• District Councils covering any areas where the relevant LTA is unrepresented.
Optional	LTBs could also include any of the following, either with full or observer status <ul style="list-style-type: none">• District Councils (with special consideration given to Districts in overlapping LEP areas)• NGOs

	<ul style="list-style-type: none"> • Neighbouring LAs and LEPs with a significant interest • Highways Agency, Network Rail (non voting), • Transport operators
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6. This section should also state how frequently membership is reviewed and whether there are plans to extend the membership in future. LTBs should not be set up in such a way as to prevent expansion in future to accommodate a wider membership if necessary.

7. If any LTA or LEP chooses not to be represented on the LTB initially it retains its right to be represented at any point in the future if it so chooses.

Minimum Requirement	There must be some mechanism in place periodically to review LTB membership and to allow for expansion if necessary.
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8. This section must state how democratic accountability can be assured, at a minimum by ensuring that elected members on an LTB cannot be outvoted by non-elected members. In cases where the LEP is acting as the LTB, it may be necessary to adapt its voting rules when acting on LTB business, in order to fulfil this requirement.

Minimum Requirement	The majority of voting members on an LTB must be democratically elected councillors (or mayors), or an alternative mechanism to ensure that elected members cannot be outvoted.
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Conflicts of Interest

9. LTB should state how they will manage conflicts of interests between members' LTB role and their role in their host organisation, for example to ensure that LTB members act in the interests of the area as a whole and not according to the sectoral or geographic interests of their member organisations.

10. This is particularly important in the arrangements for reviewing business cases and approving individual schemes This should read across to arrangements for reviewing individual scheme business cases (see para 54 below).

11. LTBs should also ensure that a register of personal interests of its decision making members is maintained and available to the public. In the case of elected representatives a reference to their own council's register of interests should be sufficient, but may need to be expanded if for example a member has any interests outside their own authority's area but within the LTB boundary. We would expect elected representatives to agree to abide by their own authority's code of conduct when conducting LTB business.

Minimum Requirement	<p>LTB must have a statement to say how conflicts of interest are managed.</p> <p>LTB must maintain, or enable access to, publicly available registers of member interests.</p>
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Gifts and Hospitality

12. LTBs should also have a clear policy on the acceptance and declaration of gifts and hospitality and maintain appropriate records. Again, there is no need to duplicate existing local authority systems and standards, provided that activities related to LTB business outside the scope of councillors' local authority duties are covered.

Status and Role of Accountable Body

13. This should confirm the status of the LTB by stating whether it is an informal partnership, a committee of an existing local authority, a joint committee, a company or an existing LEP.

14. It should state which LTB member organisation will act as the accountable body which we expect to be a Local Authority (which could include an ITA or Combined Authority).

15. The primary role of the accountable body will be to hold the devolved major scheme funding and make payments to delivery bodies such as Local Authorities. It should be able to account for these funds in such a way that they are separately identifiable from the accountable body's own funds, and provide financial statements to the LTB as required. The local agreements that underpin the LTB should ensure that the funds can be used only in accordance with an LTB decision.

16. We would also expect the accountable body to take on the following responsibilities. If these are not vested in the accountable body then it must be absolutely clear where ultimate responsibility sits.

- ensuring that the decisions and activities of the LTB conform with legal requirements with regard to equalities, environmental, EU issues etc.
- ensuring (through their Section 151 Officer) that the funds are used appropriately.
- ensuring that the LTB assurance framework as approved by DfT is being adhered to.
- maintaining the official record of LTB proceedings and holding all LTB documents.
- responsibility for the decisions of the LTB in approving schemes (for example if subjected to legal challenge)

17. This section of the framework should also detail what legal agreements or mechanisms are in place, or are intended to be put in place, to underpin the working of the LTB and define the responsibilities that partners have to one another, particularly any back to back assurances the accountable body will need from other LTB partners in order to assume the above responsibilities.

Minimum Requirements	<ul style="list-style-type: none"> • The accountable body should be identified and its role clearly set out, ensuring that the issues set out in the above paragraphs are adequately addressed. • The responsibilities set out in para 16 are clearly allocated.
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Audit and scrutiny

18. LTBs must put in place arrangements for independent local audits to be carried out by a qualified auditor, and must submit the reports of these audits to DfT. The aim of each audit will be to verify that the LTB is operating effectively within the terms of its agreed assurance framework. LTBs will be responsible for taking the necessary action to remedy any shortcomings identified within the audit. DfT will reserve the right to withhold or recover funding from any LTB where there is an adverse audit finding, or where there has been a failure to take remedial action.

19. These audits should be undertaken at least once between now and the start of devolution, with the report sent to DfT no later than December 2014 and on an annual basis from 2015 once funding has been devolved.

20. In addition, DfT will also undertake its own periodic assessments of the quality of appraisal and scrutiny within the devolved structure, in order to test the extent to which LTBs are discharging their responsibilities to deliver value for money. The results of this assessment may be taken into account in determining future funding allocations.

Minimum Requirements	<ul style="list-style-type: none"> • Confirmation that an independent local audit will be carried out in line with the above requirements and submitted to DfT.
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Strategic Objectives and Purpose

21. This should describe the objectives and purpose of the LTB; essentially its terms of reference. In particular it should be clear whether the LTB has the sole purpose of making decisions on devolved LA major funding or whether it fulfils any other roles or functions.

Minimum Requirements	<p>All LTBs must perform, as a minimum, the following roles in relation to devolved LA major scheme funding</p> <ul style="list-style-type: none"> • Responsibility for ensuring value for money is achieved • Identifying a prioritised list of investments within the
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	<p>available budget</p> <ul style="list-style-type: none"> • Making decisions on individual scheme approvals, 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 circumstances [scheme slippage, scheme alteration, cost increases etc]
Optional	<p>LTBs may perform additional roles at local discretion, including the following:-</p> <ul style="list-style-type: none"> • The LTB could also act as a decision making body for other funding streams such as Growing Places Fund, or locally pooled resources. • The LTB could also act as a forum for the expression of views on other transport matters e.g. bilateral discussions with Network Rail, responding to wider consultations etc.

Support and Administration Arrangements

22. The aim of this section of the assurance framework is to provide assurance on how the LTB will secure the capacity and capability to undertake all the functions of the LTB described in the rest of the framework.

23. It should state what arrangements are in place for providing administrative support and providing professional advice to the LTB, for example whether councils are providing full or part time staff resource and the roles these people will fill. It should, in particular, set out how independent scrutiny of business cases will be resourced.

24. It should also detail any sub-LTB structure (working or technical groups).

Minimum Requirement	LTBs must set out what resources they will have at their disposal and how these can be guaranteed.
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Working Arrangements and Meeting Frequency

25. This section should include a broad outline of how the LTB will do its business.

26. The frequency of meetings may be different according to the size of the LTB and the scale of business that it needs to undertake. Key funding and prioritisation decisions should be made by a full LTB meeting, and in some areas regular meetings may be called for, but in LTB areas likely to have only a small scheme programme, meetings may be convened as and when necessary rather than on a regular basis.

27. LTB meetings must open to the public and be appropriately advertised subject to a minimum notice period, which should be set out in the assurance framework.
28. Some business may be carried out by smaller sub-groups of the LTB or by officer support groups.

Minimum requirements	<p>There must be a meeting of the LTB when</p> <p>(a) determining the initial decision on the composition of the scheme programme</p> <p>(b) when making individual scheme investment decisions</p> <p>Such meetings must be open to the public and subject to a minimum notice period.</p>
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Transparency and Local Engagement

29. This section should include a clear statement explaining how the LTB will ensure a high level of transparency and ensure the involvement of the public and key stakeholders.
30. It should cover issues including protocols for LTB meetings and circulation and publication of agendas, minutes, how stakeholders will be able to make their views known, and how the business of lower level working groups will be made visible and accessible, particularly if the LTB meets infrequently.
31. As well as publishing the results of its decision making, the LTB should also ensure that the rationale behind its decisions is clearly explained and understood. In particular it should be clear what the expected outcomes are for the schemes that it funds.
32. LTBs as non-statutory bodies may not themselves be subject to the Freedom of Information Act 2005 or the Environmental Impact Regulations 2004.¹ However the accountable body that is responsible for holding all formal LTB records should be the focal point for statutory information requests. Any applicants for information to the LTB should be made aware of their right to access information through the accountable body.

Minimum requirements	<p>All LTBs must routinely publish meeting papers and minutes, scheme business cases and evaluation reports, (or link to them on LAs own websites), funding decision letters with funding levels and conditions indicated, and regular programme updates on delivery and spend against budget.</p> <p>LTBs must have a defined process to provide public and</p>
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¹ The Information Commissioner has ultimate responsibility for determining this

	<p>stakeholders with meaningful input before decisions are made.</p> <p>LTBs must adhere to Local Government Transparency Code.</p> <p>All LTBs must publish a clear statement of the approach that will be followed by the LTB when making major investment decisions.</p> <p>All LTBs must ensure that FOI and EIR requests are dealt with in accordance with the relevant legislation.</p>
Recommended	<p>LTB should have a dedicated web page</p> <p>LTB should set out what they will do to make published material accessible to the general public to help inform debate (particularly technical material such as modelling and appraisal).</p>

33. DfT will have an interest in maintaining up to date comparable information on the ongoing delivery of local major scheme programmes and value for money achieved. DfT would like to rely, as far as possible, on information made public by LTBs thereby minimising the need for additional central returns to DfT beyond that necessary for the annual audit statement (see para 18). However that depends upon LTBs publishing the necessary information on a timely and regular basis.

Complaints and whistleblowing

34. LTBs should also explain in their assurance frameworks how they will deal with and resolve complaints from stakeholders, members of the public or internal whistleblowers, in cases where it is alleged that the LTB is acting in breach of the law, failing to adhere to its framework or failing to safeguard public funds.

35. Where such issues cannot be resolved locally to the complainant's satisfaction they may be escalated to DfT, who will consider appropriate action if it considers the LTB to be in breach of its framework. Ultimately this may include the withholding or recovery of funds or referral to the appropriate authorities, for example if a breach of law has occurred.

PART 2: PRIORITISATION

36. This section deals with the prioritisation and development of a scheme programme, within the available funding envelope, as required by July 2013; the appraisal and approval of individual scheme bids is dealt with in Part 3.
37. This distinction is important. We recognise that the identification of a prioritised and affordable list of schemes by July 2013 will be likely to be conducted on the basis of a limited set of criteria. At that stage we do not expect most schemes to have a fully developed business case or a WebTAG appraisal completed. This stage can be considered to be the equivalent of prioritisation in the former Regional Funding Allocations system.
38. Subsequently the LTB will need to consider funding for each prioritised scheme when a business case is completed and it is brought forward for approval, in the same way that schemes prioritised in the previous Regional Funding Allocations (RFA) system were then subject to individual funding approval by DfT before funding could be released.
39. LTBs are responsible for determining the most appropriate criteria to use for the shortlisting and prioritisation of schemes, and their relative weighting.
40. However the Department believes that, as a minimum, value for money, deliverability, environmental and social/distributional impact should always be among the factors taken into consideration at this stage.
41. The assurance framework should include details about how project proposals will be identified, invited and/or commissioned and should address the following questions:-
- How will an initial list of candidate schemes be identified?
 - What methodology will be used to generate a prioritised list of projects?
 - How will the LTB ensure the full range of options is considered for addressing problems or meeting strategic objectives?
 - How will evidence be used to inform decisions and how will the LTB ensure rigour and data quality?
 - To what extent will decisions be dependent on data supplied by scheme promoters and how will that be verified?
 - How will likely value for money be assessed, given that most schemes will not have a completed WebTAG assessment at this stage?

- How will the selection criteria be agreed, and matched to strategic objectives?
- How will the LTB ensure criteria are not retro-fitted?
- How does the LTB intend to balance deliverability against other criteria?

42. LTBs should ensure that the Highways Agency and Network Rail are fully sighted on any strategic road or rail schemes that are to be considered for funding so that their views on deliverability and impact on the wider network can be considered and taken into account in the initial prioritisation exercise. In cases where schemes have any impact on train services the Train Operating Company and DfT (rail) should also be sought.

43. Schemes considered at the prioritisation stage do not need to have a fully worked up business case but an objective methodology should be used with a proportionate level of evidence. The Department's Early Assessment and Sifting Tool (EAST) is recommended, though not mandatory (see references section at end).

44. With funding devolved to LTBs operating broadly on LEP geographies the ability to fund larger local major schemes will depend on pooled funding and securing additional third-party funding. The onus will be on LTBs to ensure they take advantage of the opportunities to collaborate and jointly fund projects with their neighbours. This section should outline how the LTB will liaise with neighbouring LTBs to ensure these opportunities are taken full advantage of in the prioritisation process.

Minimum requirement	<p>Prioritisation (i.e. sifting long list of schemes down to a programme) must be evidence based, robust and based on clear objectives.</p> <p>The prioritisation methodology must be published.</p> <p>The selection criteria must consider value for money, deliverability, environmental and social and distributional impacts.</p>
Recommended	Use of the Department's Early Assessment and Sifting Tool (EAST)

45. The Department requires LTBs to publish and submit to DfT a prioritised list of schemes by July 2013. Although the individual schemes will not require DfT approval, the prioritised lists will provide the Department with important information on the overall deliverability of the programme and will form part of the evidence base for future spending rounds.

46. The Department will therefore require the information on costs, funding, timescales, state of readiness etc. of schemes on the prioritised list to be comparable across areas and will issue further guidance on this in due course.

Scheme eligibility

47. This should state any eligibility criteria for schemes that the LTB will consider.

48. Funding should be considered only for schemes that have a defined scope. These do not need to be 'traditional' majors and may include packages of measures. However the important thing is that the scope and composition of the scheme must be sufficiently well defined as to enable a meaningful appraisal to be conducted. Funding should not be passed on to LAs for loosely defined or unspecified uses. It should be remembered, when considering 'package' schemes, that devolved major scheme funding can be used only for capital expenditure.

49. It should be clear whether there is a locally determined minimum cost threshold, which we would recommend or, if there is no threshold, how the LTB will guard against funding being spread too thinly to be effective.

Minimum requirement	Arrangements that ensure funding is considered only for specified major transport schemes and not passed on to Local Transport Authorities for unspecified or loosely defined uses.
Recommended	A minimum cost threshold appropriate to the area and budget of the LTB.

50. This should also make clear whether there will be any other restrictions or preferences for certain types of schemes, or schemes that serve particular strategic purposes. LTBs should think carefully before employing restrictive criteria of this sort and generally it would be better for LTBs to rely on their prioritisation methodology to deliver on their strategic objectives, rather than artificially narrow the range of schemes that can be considered.

51. This section should also state whether the LTB intends to require a mandatory local contribution or match funding, and should set out the rules that will operate.

52. The experience of DfT is that a contribution from the promoting LA provides a strong signal of the commitment of the LA to deliver the scheme and an incentive to deliver to time and budget, to a far greater extent than would be the case if the promoting LA had no financial interest. The Department would therefore strongly encourage a mandatory local contribution, although this is ultimately a local decision.

Recommended

LTB should not provide 100% funding for schemes.

PART 3: PROGRAMME MANAGEMENT AND INVESTMENT DECISIONS

Scheme Assessment and Approval

53. Promoters (usually LAs) will, as previously, be responsible for developing scheme proposals and producing business cases. The LTB will be responsible for assessing the business case and deciding whether or not to provide funding for the scheme, and on what conditions.
54. Good governance in funding decisions will depend, amongst other things, on there being a clear distinction and adequate separation between the scheme promoters and the decision makers, so that the LTB can be assured that it is receiving impartial advice on the merits of (potentially competing) business cases.
55. Even in single-county LEPs there could be different views on prioritisation from LEP representatives and other stakeholders, which may differ from those of the County Council.
56. This section should outline how this separation will be achieved. It should specify how the LTB will go about assessing business cases. This should detail what resources will be employed and who will have overall responsibility for reviewing and scrutinising the business case in all the five aspects (see para 62)

Minimum requirements	Every individual scheme approval decision made by the LTB, must be supported by an assessment of the scheme, carried out independently of the promoting authority and signed off by a named individual. (Where this is difficult to achieve e.g. in single county LTBs, the LTB must provide detail of how any potential conflict can be managed)
Recommended	There must be a defined process for reviewing aspects of business cases, indicating the level of resource/expertise to be employed.

57. The DfT previously operated a staged approval process.
- An initial approval stage, Programme Entry, provided confidence to the promoting LA that funds will be available and this enables them to seek any necessary statutory powers,
 - but the irreversible funding decision Full Approval, was not made until the Department had confidence that legal powers, and any third party contributions, were in place and costs were contracted.
 - In some cases there was an interim, Conditional Approval, stage before the procurement process commenced.
58. A staged process enables scrutiny of the different aspects of the business case to be made at the appropriate time, for example the Strategic and

Economic cases are scrutinised most heavily at Programme Entry stage, to make an in principle decision about whether the scheme should be supported. In general they will only reviewed at Full Approval if there have been major changes to cost and scope, although a revised value for money statement is required at each approval stage taking into account any factors that are known to have changed. The details of the delivery cases, however, are often not firmed up until a later stage and may be reviewed fully at Full Approval stage to ensure the scheme is ready to proceed to delivery.

59. The LTB should therefore consider how it set out its intended approval regime. While it is not necessary to mimic the Department’s approval stages, any arrangements would need to:-

- (a) provide the necessary expectation of funding at an early stage to enable LA promoters to embark on statutory processes (the initial prioritisation in the LTB programme may be sufficient for this purpose).
- (b) ensure that funding is not committed irreversibly before delivery of the scheme is guaranteed (legal powers in place) or costs are firmed up (e.g. contracted prices).

Minimum requirements	<p>An approval regime that protects the financial interests of the LTB and enables it to fulfil its responsibility to deliver value for money.</p> <p>There needs to be a formal agreement between the LTB and the LA when funding is approved for a scheme setting out respective responsibilities, including reporting and audit requirements.</p>
Recommended	An approval regime based on the DfT system (PE, (CA), FA,)

60. The LTB should also have a clear policy on how it deals with major scheme changes during the approval process, for example changes in scope. Ultimately the LTB has to demonstrate that it can ensure delivery of an effective programme.

61. Where it is proposed that devolved majors funding is used to fund a scheme on the strategic road network the Highways Agency role may be different to that of a Local Authority proposing a scheme on its own network, and consequently the normal funding and approval mechanisms may not be appropriate. In these cases, there are a number of delivery and funding models which the Department would be happy to discuss on a case by case basis.

The Transport Business Case

62. LTBs should ensure that all scheme proposals submitted by local authorities follow the key principles of the Transport Business Case

guidance available on DfT's website.² This ensures that the information and assessment of a scheme is set out according to five cases

- the strategic case
- the economic case
- the commercial case
- the financial case
- the management case

63. The Transport Business Case guidance should be seen as setting out the minimum requirements for the development of a local authority major scheme. LTBs may require additional information that is not required by the Department's guidance. LTBs will therefore need to ensure that individual promoters are clear about the specific information that they need to include in their scheme business cases, to enable funding decisions to be made, and should in turn be clear as to how they will assess the information and take it into account when making decisions.

64. At the core of every funding bid should be a clear statement of objectives and the specific outcomes that the scheme is intended to achieve. This will enable the public and stakeholders to reach a clear judgement on the success or otherwise of the scheme when it is evaluated (see paras 76-77).

65. The Transport Business Case guidance includes reference to three stages of business case development; the Strategic Outline Case, the Outline Business Case and the Full Business Case. These are a useful starting point but should not necessarily determine the most appropriate points for LTB funding approval (as discussed at paras 57 to 59).

Minimum requirements	Individual scheme business cases must meet the requirements of the Department's Transport Business Case guidance.
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66. The core of the economic case is the value for money assessment and this is discussed in more detail below.

Value for Money

67. The LTB will need to demonstrate how the proposed scheme will achieve value for money.

68. LTBs will need to demonstrate that they have established processes to ensure that the modelling and appraisal is sufficiently robust and fit for purpose for the scheme under consideration. This should describe how they will ensure that the modelling and appraisal of schemes meets the guidance set out in WebTAG.

² <http://www.dft.gov.uk/publications/transport-business-case>

69. The use of WebTAG, which is mandatory for all schemes, does not preclude additional assessments or methodologies being employed to prioritise and assess the overall business case for a scheme. Neither does it dictate the weighting or importance that decision makers should attach to any aspect of the WebTAG assessment or any additional assessment.

<p>Minimum requirements</p>	<p>The modelling and appraisal of schemes contained in business cases must be developed in accordance with the guidance published in WebTAG at the time the business case is submitted to the LTB for approval.</p> <p>Central case assessments must be based on forecasts which are consistent with the definitive version of NTEM (DfT's planning dataset). This requirement doesn't stop LTBs considering alternative planning assumptions as sensitivity tests and considering the results of these in coming to a decision about whether to approve a scheme.</p> <p>The appraisal and modelling will be scrutinised by the LTB and this will be undertaken independent of the promoting authority. The assurance framework will set out how this will be done.</p> <p>The assurance framework must set out how the assessment and scrutiny of business cases will be quality assured.</p>
<p>Recommended</p>	<p>Set out mechanisms for providing early advice to scheme promoters on whether the study approach is fit-for-purpose, particularly in relation to modelling and Social & Distributional Impacts (which both can have significant lead times).</p>
<p>Optional</p>	<p>A description of how the LTB will ensure that WebTAG will be applied by scheme promoters in a proportionate and robust way.</p> <p>A description of the circumstances under which external scrutiny or audit of the appraisal or modelling of schemes would be commissioned e.g. controversial or particularly costly schemes.</p>

70. The LTB will need to put in place a process for producing a Value for Money (VfM) statement for all schemes put forward for approval summarising their overall assessment of the economic case. This VfM statement will need to be reviewed and updated at each approval stage.

<p>Minimum requirements</p>	<p>A value for money statement for each scheme in line with published DfT WebTAG guidance must be</p>
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	<p>presented for consideration to the LTB at each approval stage³.</p> <p>The VfM assessment must be signed off as true and accurate by a named officer with responsibility for Value for Money assessments within the LTB.</p>
Recommended	<p>Set out what processes will be put in place to ensure that all impacts of a scheme (monetised and non-monetised) will be assessed by officers on a consistent basis and are based on reasonable assumptions.</p>

71. LTBs will need to confirm that they agree to only approve schemes that meet a minimum VfM threshold and put in place the appropriate checks and balances to ensure compliance with this requirement.
72. The overwhelming majority of local major schemes funded in recent years were assessed by the Department as offering at least “high” value for money.
73. We would like to ensure that the value for money of the programme is maintained and therefore would expect that LTBs would only in exceptional circumstances agree to fund schemes with lower than “high” value for money.
74. If LTBs wish to retain the flexibility to fund schemes assessed at less than “high” value for money, the assurance framework should clearly set out the circumstances under which funding for such schemes would be considered, and outline any additional scrutiny or conditions that would apply.
75. LTBs should exercise particular caution if asked to consider schemes that have been previously proposed and rejected on value for money grounds. They should look in particular at the reasons for the previous rejection and ask whether costs, scope or circumstances have changed to such an extent as to be likely to change the previous assessment. DfT will be happy to make available its previous analysis of such schemes on request.

Minimum requirements	<p>The LTB must either; only approve schemes that offer at least “high” value for money, as assessed using DfT guidance, or; set out the limited circumstances under which schemes offering lower than “high” value for money would be considered.</p> <p>Schemes must be assessed against the relevant thresholds at each approval stage.</p>
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³ <http://assets.dft.gov.uk/publications/value-for-money-assessments-guidance/vfmguidance.pdf>

76. The funding of local authority major schemes represents a substantial investment for government. Evaluating the investment in this funding stream can deliver the following objectives:
- Provide accountability for the investment;
 - Justify future spending allocations;
 - Enhance the operational effectiveness of existing schemes or future scheme extensions; and
 - Improve future initiatives based on learning.
77. Evaluation can deliver benefits across the whole sector and will be integral to continued funding of the programme, LTBs will be required to ensure that schemes funded with Local Major Scheme grants are monitored and evaluated. Currently it is the scheme promoters that are required to fund the evaluation and monitoring of schemes and we would expect that to continue in most cases.

Minimum requirements	<p>The LTB must put in place mechanisms to ensure that schemes are monitored and evaluated in line with DfT guidance on the evaluation of local major schemes.⁴</p> <p>The LTB will put in place processes to ensure that the results of evaluation and monitoring are published and to have these reviewed independently of the promoter and LTB.</p>
Recommended	<p>Set out how evaluation and monitoring requirements will be set for individual schemes including funding.</p> <p>The LTB to ensure that an agreed evaluation plan is in place by the time the scheme is awarded final funding approval.</p>
Optional	<p>Set out responsibility for undertaking evaluation, how minimum standards will be met and timescales for completion and decisions.</p> <p>Set out how they will share best practice obtained from evaluation and monitoring reports.</p>

78. LTBs are required to demonstrate separately (in other sections of the assurance framework) that they are transparent and open when reporting the results of modelling and appraisal, and that they have plans in place to obtain the necessary resources to fulfil the requirement to secure Value for Money.

External views on business cases

79. This section should outline what arrangements exist for the LTB to invite and consider any external comment and/or scrutiny of business cases prior to approval. In previous DfT guidance, bidding Local Authorities were

⁴ <http://www.dft.gov.uk/publications/evaluation-local-major-schemes>

required to place their business case on their own websites when bids were submitted for funding and that practice should continue.

Minimum requirements	Business cases must be published (and publicised) before funding approval decision is made so that external comment is possible. Opinions expressed by the public and stakeholders must be available to LTB members when decisions are being taken.
Recommended	The above period should be at least 3 months. LTB should make public how they have taken external comments into account

Release of funding, cost control and approval conditions

80. This section should state whether LTB scheme contributions will be capped or subject to a cost sharing mechanism, If the latter, the LTB would need to retain funding in reserve and they should consider whether this is this best use of resources. The framework should set out what incentives will be placed on the promoting LA to ensure cost control.

Recommended	A capped contribution from the LTB with the promoting LA responsible for all cost increases. .
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81. This section of the framework should outline how funding will be managed, once approved, how cash will be released to individual scheme promoters - upfront or in arrears and at what frequency - and how the LTB will protect public funds. In cases where the accountable body is also the scheme promoter, the issue is not about payments to the LTA but the mechanism by which the LTB gives approval to the LTA to use the funds. An LTAs status as accountable body should put it in no more favourable a position in this respect as any other LTA in the same area.

82. This section should detail how the LTB can assure itself that promoters can deliver their schemes and fund any local contribution specified.

Recommended	Promoting LA s151 officer must sign off as per current system
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83. LTBs, as guardian of the funds, should ensure that all scheme promoters in receipt of LTB funding are required to provide regular financial and delivery information to the LTB.

84. The LTB should also ensure that adequate local audit arrangements are in place so that it can be satisfied that funding is being spent solely for its intended purpose i.e. on the specified schemes approved by the LTB; that scheme promoters maintain robust records and audit trails, and have mechanisms in place to undertake fair and effective procurement and to safeguard funds against error, fraud or bribery.

85. It is for the LTB to determine what sanctions are available to it as funder, should the LTA fail to deliver effectively, and how to codify that in written agreements. In particular, LTBs should state what measures they will put in place to detect incorrect use of funds, misuse of funds, or fruitless payments made by promoting LTAs and to enable recovery by the LTB of such funds. Any such instances should be included in the annual audit report to DfT (see para 18) together with an explanation of any remedial action taken.

Minimum requirement	There must be a mechanism to ensure funding can only be spent on the specified scheme and only on capital and that there are arrangements in place to avoid payment in advance of need so that funds are not tied up in the event of subsequent delay in a scheme's implementation. Adequate mechanisms are in place for local audit, detection of misuse of funds and recovery of funds by the LTB.
Recommended	Funding is only released when construction is ready to begin and only in quarterly instalments (which can be suspended if spend is not keeping pace)
Optional	Payment for actuals in arrears as per the current DfT system

Programme and Risk Management

86. There needs to be a statement on how the LTB will minimise programme risk in its working arrangements and on an ongoing basis. For example the LTB should have a named official who will be contact and focal point between formal LTB meetings with direct line to the Chair.

87. Cost overruns will generally be the responsibility of promoting LA. However, the impact of other risks, such as project delays, for example may be minimised by ensuring funding is not released until needed.

88. Programme risk will need more intensive management in areas with relatively larger budgets and a greater number of schemes. Arrangements may be much simpler in smaller, single-county LTBs with fewer schemes.

Minimum requirement	Statement or policy on management of programme risk
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REFERENCES

The following documents may be useful in developing assurance frameworks:

- Description of the Transport Business Case:
<http://www.dft.gov.uk/publications/transport-business-case>

- WebTAG (DfT's modelling and appraisal guidance): <http://www.dft.gov.uk/webtag/>
- DfT Value for Money guidance: <http://assets.dft.gov.uk/publications/value-for-money-assessments-guidance/vfmguidance.pdf>
- Early Assessment and Sifting Tool (EAST): <http://assets.dft.gov.uk/publications/transport-business-case/east-guidance.pdf>; and <http://assets.dft.gov.uk/publications/transport-business-case/east.xls>
- HMT Green Book (Appraisal and Evaluation in Central Government): http://www.hm-treasury.gov.uk/d/green_book_complete.pdf
- Documentation from the Development Pool (guidance, examples of business cases and assessments): <http://www.dft.gov.uk/publications/local-major-transport-schemes>