

NORTH EAST LOCAL TRANSPORT BODY - DRAFT ASSURANCE FRAMEWORK

PART ONE: PURPOSE, STRUCTURE AND OPERATING PRINCIPLES

1. Name

- 1.1 The Local Transport Body will be known as The North East Local Transport Body (“The North East LTB”) <working title>.

2. Geography

- 2.1 The North East LTB (hereafter the NELTB) will cover the administrative area of the North East Local Enterprise Partnership (NELEP), which comprises Durham and Northumberland counties, and the metropolitan area of Tyne and Wear (see Figure 1).

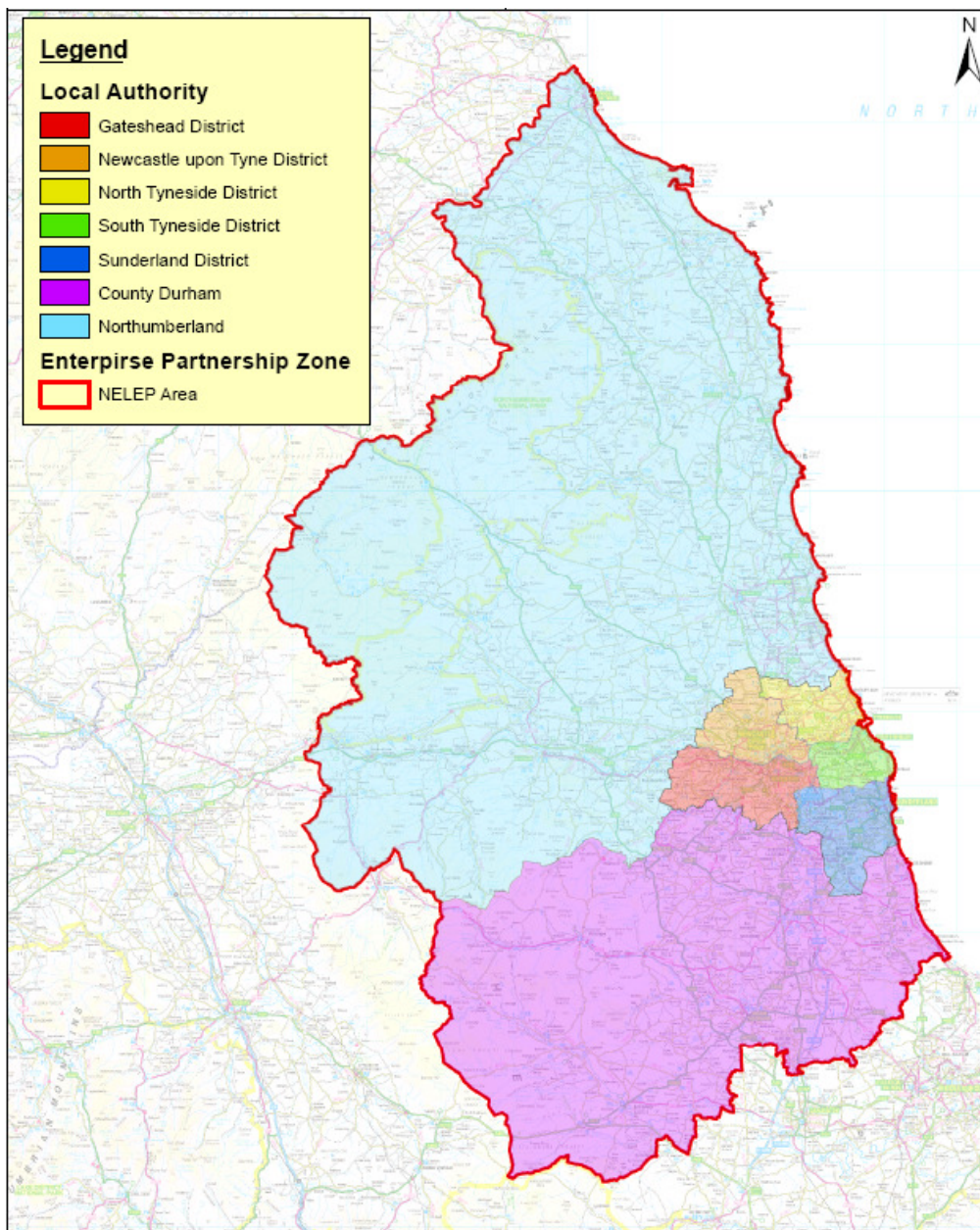


Figure 1 – area covered by the NELTB

2.2 Durham County Council covers an area of 223,260 hectares (2230 square kilometres/862 square miles) and is responsible for providing its 513,200 residents with a wide range of services. There are 12 major population centres in the county.

As a 'unitary' authority, the council provides the majority of local authority services in the county, including socially necessary bus services. The council is currently working towards its five priority themes: altogether wealthier, altogether better for children and young people, altogether healthier, altogether safer and altogether greener.

Durham County Council's website is: <http://www.durham.gov.uk/>

2.3 Also a 'unitary' authority, Northumberland County Council is responsible for providing local authority services, including socially necessary bus services, in the county. Northumberland is home to approximately 316,000 people and is largely rural.

Northumberland are currently working towards their three priorities: 'Connecting the County', 'Developing our People', and 'Growing Our Places'. Northumberland's Local Transport Plan 2011-2026 sets out the county's 15 year Transport Strategy. Northumberland County Council's website is <http://www.northumberland.gov.uk/>

2.4 The five local authorities in Tyne and Wear; Gateshead, Newcastle, North Tyneside, South Tyneside and Sunderland, are metropolitan authorities. Combined they have a population of 1,104,800. They are individually responsible for the maintenance and improvement of the local highway network in their area.

The websites for the five local authorities are as follows:

Gateshead <http://www.gateshead.gov.uk/>

Newcastle <http://www.newcastle.gov.uk/>

North Tyneside <http://www.northtyneside.gov.uk/>

South Tyneside <http://www.southtyneside.info/>

Sunderland <http://www.sunderland.gov.uk/>

2.5 The Tyne and Wear local authorities are not directly responsible for the Tyne and Wear Metro system, school travel or socially necessary bus services, the responsibility of which lies with the TWITA and its Passenger Transport Executive (which trades as Nexus).

The Tyne and Wear Passenger Transport Authority was established by the Local Government Act 1985. The Local Transport Act 2008 subsequently changed the name of Passenger Transport Authorities to Integrated Transport Authorities. Elected councillors from the five Tyne and Wear districts make up the Tyne and Wear Integrated Transport Authority ("TWITA"). As part of its role, the TWITA oversees and shapes the local transport network, across every mode, in Tyne and Wear through an agreed long term transport strategy for the region endorsed by the local authorities and Nexus, the ITA's Executive. The TWITA's vision for Tyne and Wear is of a fully integrated and sustainable transport network which allows everyone the opportunity to achieve their full potential and have a high quality of life. The ITA's website address is <http://www.twita.gov.uk/> and Nexus' website address is

<http://www.nexus.org.uk>

- 2.6 The North East Local Enterprise Partnership (“NELEP”) is responsible for promoting local economic growth in the north east region. LEPs are partnerships between local authorities and local businesses and therefore have a wide ranging remit for delivering economic growth. The remit of the NELEP includes promoting training and skills, marketing the region as an attractive place to do business and making the case for investment in key infrastructure projects. The NELEP’s vision is simple: to ‘create growth’. The NELEP’s website can be found at <http://www.nelep.co.uk/>

3. Membership

- 3.1 The NELTB will be an unincorporated association (informal partnership). It will initially be made up of two distinct types of membership: Voting members and non-voting members.

- 3.2 Voting members of the NELTB will be responsible for:

- Identifying a prioritised programme of major scheme investment within the available budget;
- Ensuring value for money is achieved across the programme;
- Making decisions on individual scheme approvals, investment decision making and release of funding, including scrutiny of business cases;
- Monitoring progress of scheme delivery and spend; and
- Actively managing the devolved budget and programme to respond to changed circumstances (scheme slippage, scheme alteration, cost increases etc).

In order to deliver these responsibilities voting members will participate in decision making and have voting rights.

- 3.3 The NELTB covers the following seven local authority districts and Integrated Transport Authority area, each of which will have a representative as a full member:

- a. Durham County Council;
- b. Gateshead Metropolitan Borough Council;
- c. Newcastle City Council;
- d. North Tyneside Council;
- e. Northumberland County Council;
- f. South Tyneside Council;
- g. Sunderland City Council; and
- h. Tyne and Wear Integrated Transport Authority.

- 3.4 Membership of the NELTB may be subject to a wider governance review of joint working arrangements across the NELEP area. This relates to Newcastle and Sunderland's City Deals, whereby the councils agreed to work with the seven local authorities represented on the NELEP, to investigate strengthening governance; including exploring the option of forming a North East Combined Authority with a statutory basis, as a strong platform for further devolution of funding, powers and responsibilities.
- 3.5 The eight voting members will be publically elected politicians at Leader or Elected Mayor level (Chair for TWITA). Each voting member will nominate an appropriate deputy, (Deputy Leader / Deputy Mayor /or Portfolio Holder / Vice Chair, TWITA) who will attend if the named member cannot, and will be entitled to vote.
- 3.6 Non-voting members will have full access to meetings of the NELTB including access to papers and will be expected to fully participate in NELTB discussions. They may also be requested to provide information in advance of the meeting. However, non voting members will not have voting rights.
- 3.7 Non-voting membership will be held by the North East Local Enterprise Partnership ("NELEP"). The representative and deputy of the NELEP will be at Chair / Board level. As originally outlined as part of its official consultation response on the Devolution of Major Schemes (<https://www.gov.uk/government/consultations/devolving-local-major-transport-schemes-consultation>, 31st January 2012) the NELEP has confirmed that it will not, at this time, seek to take up full voting membership on the NELTB.
- 3.8 The Chair of the NELTB will be appointed in accordance with the wider governance of the Seven North East Authority groups. A feature of this governance structure is the annual rotation of the Chair of groups (this is outlined in Annex A), therefore accordingly the Chair of the NELTB will rotate annually. The same feature is prevalent in the officer supporting groups identified in section 9.6. The Chair will have the casting vote should there not be a majority, should the Chair not be in attendance the nominated deputy to the Chair will have the casting vote. Standing orders for the management of meetings will be developed.
- 3.9 Due to its potential to reduce costs to businesses, encourage inward investment and stimulate job creation and retention, transport is of great interest to the NELEP. The NELEP representative will ensure that the NELTB are aware of issues / activities relevant to the business community when considering the local major schemes process, and will ensure knowledge of funds managed by the NELEP is shared with the NELTB to enable consideration of opportunities for alignment of funding streams.
- 3.10 The formal process for changing the named representative / deputy is for the Chief Officer of the member organisation to write to the Accountable Body (see para 6.2) at least two weeks in advance of a meeting of the NELTB to confirm a representative consistent with the approach outlined in paragraph 3.5 and 3.7.
- 3.11 The NELTB will only be able to make decisions in relation to the major scheme funding devolved by the DfT (whilst retaining the ability to make decisions to potential other, as yet

unknown funding streams that may in the future be released by government specifically to LTBs nationally). The NELTB will not have decision making powers over other funding streams that remain the responsibility of the individual Seven North East Local Authorities or TWITA.

- 3.12 In order for a NELTB meeting to be quorate, one member (or their deputy) from at least five of the eight voting authorities must be present. The Chair or their nominated deputy must be in attendance in case a casting vote is required. The NELTB decisions will be based on a majority vote. Only voting members will have voting rights.
- 3.13 Membership and forms of membership of the NELTB will be reviewed on an annual basis. This review will include the potential to introduce / alter forms and designations of membership and increase the range of organisations that are able to become full members or non voting members (or obtain other forms of membership). Stakeholders and delivery partners such as the Highways Agency and Network Rail may be invited to meetings of the NELTB to provide input as and when required, but these bodies will not be invited to be formal voting / non-voting members at this time.

4. Conflicts of Interest

- 4.1 NELTB members will act in the interests of the NELTB area as a whole and not according to the geographic interests of their particular authority or partnership.
- 4.2 Each member of the NELTB agrees to abide by his/her own authority's Code of Conduct for Members when conducting LTB business. The NELEP representatives will abide by the NELEP Code of Conduct as set out in its constitution. Any breach of the relevant Code of Conduct by an NELTB member will be addressed using the procedure outlined in the Code of Conduct agreed by their respective member organisation.
- The register of interests held by each council represented on the NELTB and the TWITA is available to the public.
- 4.3 Each member and deputy member of the NELTB (both full and non-voting) will register any additional interests which are outside their own authority's area but within the NELTB boundary ("LTB interests").
- 4.4 NB These LTB interests are an interest of either (a) the member, or (b) the member's spouse or civil partner, or (c) a person with whom the member is living as husband and wife, or (d) a person with whom the member is living as if they were civil partners (all of whom are referred to as "relevant persons").
- 4.5 The LTB interests are:
- 4.5.1 **Contracts** – Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and one of the 7 councils represented on the

NELTB -

- (a) under which goods or services are to be provided or works are to be executed; and
- (b) which has not been fully discharged.

4.5.2 **Land** – Any beneficial interest in land which is within the area of the NELTB.

4.5.3 **Licences** – Any licence (alone or jointly with others) to occupy land in the area of the NELTB for a month or longer.

4.5.4 **Corporate tenancies** – Any tenancy where (to the member’s knowledge) –

- (a) the landlord is one of the 7 councils represented on the NELTB; and
- (b) the tenant is a body in which the relevant person has a beneficial interest.

4.5.5 **Securities** – Any beneficial interest in securities of a body where –

- (a) that body (to the member’s knowledge) has a place of business or land in the area of the NELTB; and
- (b) either –
 - (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or
 - (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

4.6 The register of a member’s LTB interests will be maintained on behalf of the NELTB by Newcastle City Council as the Accountable Body. The register will be available to the public.

4.7 Where a member thinks that disclosure of the details of any of his/her LTB interests could lead to him/her, or a person connected with him/her, being subject to violence or intimidation, the Monitoring Officer of Newcastle City Council may at his/her request make a note on the Register that he/she has an LTB interest, details of which are withheld.

4.8 When a member attends a meeting of the NELTB and is aware that the criteria set out in sub-paragraph 4.8.1 are satisfied in relation to any matter to be considered, or being considered at that meeting, the member must:

- a. Declare that fact to the meeting;
- b. Not participate (or further participate) in any discussion of the matter at the meeting;
- c. Not participate in any vote (or further vote) taken on the matter at the meeting;
- d. Leave the room whilst the matter is being discussed.

4.8.1 The criteria for the purposes of paragraph 4.8 are that:

- a. The member has an LTB interest in the matter which is such that a member of the public knowing the relevant facts would reasonably think it so significant that it is likely to prejudice his/her judgement of the public interest; **and**
- b. The matter will affect the financial position of the member or one of the persons or bodies referred to in any of his/her register entries.

4.9 **Predetermination**

Where members have interests which may be thought to be likely to influence their decision, the fact should be declared at the meeting.

A predetermination interest will arise:-

- a. where the member has closed their mind to the merits or otherwise of a matter in respect of which they need to make a decision; and / or
- b. where the interest is such that members of the public may feel that the member will not be able to approach the matter with an open mind.

A member is not to be taken to have had, or to have appeared to have had, a closed mind when making the decision because:

- a. the member had previously done anything that directly or indirectly indicated what view the member took , or would or might take, in relation to a matter; and
- b. the matter was relevant to the decision.

In respect of the above paragraph when the member makes a decision they must have an open mind and appear to have an open mind.

If a member has predetermined the matter they must declare the predetermination interest at the meeting and leave the room prior to the matter being discussed and the decision being taken.

Members should seek guidance from officers on whether they have a predetermination interest to declare.

“Members” for the purpose of this paragraph include voting and non voting members of the NELTB.

5. Gifts and Hospitality

- 5.1 Members will be required to register the offer of any Gifts and Hospitality (over £50) attributable to the member’s position as a member of the NELTB. If a Member attends a meeting and is aware that the following criteria are satisfied, he/she will have to declare the interest, not participate, and withdraw from the meeting :
- a. the member has registered a Gift or Hospitality which is such that a member of the public knowing the relevant facts would reasonably think it so significant that it is likely to prejudice his/her judgement of the public interest; and

- b. the matter will affect the financial position of the member or 1 of the persons/bodies referred to in any of his/her register entries.

5.2 Members with concerns or questions must raise them with the NELTB secretariat (outlined in section 9).

6. Status and Role of Accountable Body

- 6.1 The NELTB will be an informal partnership made up of eight voting members (Durham County Council, Gateshead Council, Newcastle City Council, North Tyneside Council, Northumberland County Council, South Tyneside Council, Sunderland City Council and TWITA – as per para 3.3) and one non voting member (NELEP). The NELTB will be subject to a ‘back to back’ legal agreement (para 6.5), and standing orders for the management of meetings.
- 6.2 Newcastle City Council will act as the “Accountable Body” for the NELTB on an interim basis (subject to the outcomes of a wider governance review in the north east LTB area) and will be responsible for the legal and financial management of major scheme grant funding including holding devolved major scheme funding and making payments to delivery bodies. As the Accountable Body, Newcastle City Council will provide financial statements to the NELTB and will ensure that funds are only used in accordance with the criteria set for their use. The NELTB will be required to work closely with the Accountable Body.
- 6.3 The Accountable Body will ensure that major scheme funding is separately identifiable from the Accountable Body’s own funds. The Accountable Body will also produce financial statements when required. Any interest accrued will be administered by the NELTB in accordance with its programme of activities.
- 6.4 As the Accountable Body, Newcastle City Council will be responsible for the following:
 - Ensuring that the decision and activities of the NELTB conform with legal requirements and relevant legislation with regard to equalities, environmental, EU issues etc;
 - Ensuring that the funds are used appropriately and signed off by the Section 151 (S151) Officer;
 - Ensuring that the terms of this assurance framework are complied with;
 - Ensuring the assurance framework is kept up to date;
 - The resolution of complaints relating to the process of the NELTB;
 - Appointing an independent auditor on behalf of the NELTB (see paras 7.1 and 7.2);
 - Maintaining the official record of NELTB proceedings, holding all NELTB documents, and posting appropriate documents on the web page; and
 - Decisions of the NELTB in approving schemes.

- 6.5 The Accountable Body will develop a back to back agreement between the NELTB members in order to ensure these responsibilities are discharged. As part of these arrangements a service level agreement will be specified to ensure an adequate level of officer support from the Accountable Body (See paragraph 9.1).

The Accountable Body will seek to establish the back to back agreement by the end of July 2013 to align with the deadline for the prioritisation of schemes. In the absence of specific details relating to the grant conditions associated with the devolution of funding this may involve a two stage process whereby a more general Memorandum of Understanding will be developed between the members to cover the informal partnership membership and structure, and the principles to be upheld in relation to issues such as liability and indemnity, including clawback to be followed, if necessary, by a more formal and binding agreement covering the same issues of liability, indemnity and clawback, to be entered into prior to the release of funding.

- 6.6 A coding structure will be set up to allow funds held to be separately identifiable within the General Ledger of the Accountable Body. This will enable a budget position to be provided at any point in time, as well as fulfilling the year end accounting requirements. Financial statements will be provided to the NELTB on a quarterly basis as standard, although interim updates will be provided if requested.
- 6.7 On receipt of the initial funding the S151 officer of the Accountable Body will confirm their acceptance of any grant conditions established by the DfT. In order to enable them to fulfil this requirement, S151 officers of the individual scheme promoters will also be asked to provide written confirmation of their acceptance of the grant conditions and their requirement to ensure that funds are used appropriately on behalf of the NELTB.
- 6.8 The S151 officer (or his/her representative) of the Accountable Body will approve release of funds, which will be based on defrayed expenditure and paid in arrears to individual scheme promoters on receipt of evidence that the funds have been used as intended, i.e. in line with the grant conditions under which they have been awarded. The S151 officer of the Accountable Body will ensure that funds are accounted for appropriately in the final accounts of this body, in line with proper accounting practices.

7. Audit and Scrutiny

- 7.1 It is an essential requirement that the work of the NELTB is scrutinised by an independent auditor. An independent local audit will be carried out in accordance with the specification in the guidance provided by DfT.
- 7.2 This audit (or series of audits) will include the business and work of the NELTB, and also the capital funding allocated to scheme promoters, which will provide an adequate mechanism to detect any misuse of funds and allow subsequent recovery of these by the NELTB.

8. Strategic Objectives and Purpose

8.1 The NELTB's primary role is to perform, as a minimum, the roles outlined in para 3.2. It is essential that devolved funding is invested in value for money major transport schemes that demonstrably contribute towards achieving the major scheme policy challenges (see Table One below). These challenges align with the objectives and criteria outlined in more detail in section 13 on prioritisation and are applicable for at least the first Comprehensive Spending Review Period associated with the Devolution of Major Scheme funding.

8.2 **Table One: Policy Challenges:**

- Supporting jobs;
- Supporting gateways and international and national trade;
- Contributes to skilled employment or training;
- Support the NELEP spatial strategies and economy;
- Attractiveness of the NELEP area as a place to do business;
- Improves connectivity from residential areas to employment opportunities;
- Improving the local environment;
- Achieving carbon reduction targets; and
- A healthy population.

8.3 The key purpose of the NELTB will be to:

- Invite the submission of schemes for prioritisation and programming;
- Identify a prioritised list of major transport schemes in the NELTB geographical area;
- Co-ordinate and scrutinise individual scheme business cases;
- Make decisions on individual scheme approvals;
- Make decisions on investment and release of funding;
- Monitor progress of scheme delivery and spend;
- Respond to changed circumstances, when necessary;
- Publish information on major scheme priorities and provide stakeholders and members of the public with the opportunity to comment;
- Liaise with DfT about the programme;
- Ensure value for money is achieved; and
- Ensure effective delivery of the programme.

8.4 The role of the NELTB will be reviewed on an annual basis and a decision on whether it should assume other transport-related roles will be undertaken. A decision on whether the

NELTB will extend its remit to provide its views to the Seven North East Local Authorities and TWITA on transport issues that go beyond the immediate remit of major schemes will also be undertaken at the time of the annual review.

9. Support and Administration Arrangements

- 9.1 The resources to support the NELTB provided by the Accountable Body will be managed by a core secretariat, which will consist of officers working on behalf of the Seven North East Local Authorities. These officers (a Policy Manager and a Policy Support Officer) are already in place on a full time basis within Newcastle City Council, and are jointly funded by the 7 local authorities in the NELTB area. Officers employed by Newcastle City Council Democratic Services will provide secretariat and administration resource to the LTB as part of the resource provided by the Accountable Body.
- 9.2 As Newcastle City Council is the Accountable Body, the NELTB will be able to seek specialist advice from the Council's departments. As part of the development of a back to back agreement a service level agreement will be developed by the Accountable Body in partnership with the Member organisations of the NELTB. This agreement will ensure that adequate officer resources are in place to underpin legal, financial, programme management, democratic services and audit arrangements.
- 9.3 The Accountable Body will provide the NELTB with the following support:
- Day to day administrative functions such as the preparation of meeting papers – minutes, agendas, working papers, progress reports, information reports, decision reports etc;
 - Responding to information requests;
 - Giving notice of meetings and publishing information;
 - Stakeholder engagement through regular update of the NELTB web page and organisation on specific consultation events as appropriate;
 - Procurement of independent technical advice on business case material submitted by scheme promoters, which will be used to make decisions on scheme priorities and programming;
 - Resource to assist in the programme management of the prioritised list of schemes;
 - Updating this Assurance Framework based on the evolving role of the NELTB; and
 - Advice to NELTB members on specific governance, transparency and probity issues, and updating guidance as necessary.
- 9.4 Independent scrutiny of business cases will be provided by a neutral third party with appropriate technical expertise. This expertise will be procured by the Accountable Body, Newcastle City Council, for the Senior Officers' Transport Advisory Group (SOTAG, see para 9.8 – Terms of Reference in Annex B) on behalf of the NELTB. Financial resource to allow

procurement of this specialist advice has been identified and agreed and is included as part of the NELEP business plan.

9.5 Three groups: the Senior Officers Transport Advisory Group (SOTAG), LA7 Economic Directors and LA7 Chief Executives [Terms of Reference in Annex B], will advise the NELTB, enabling it to:

- Forward manage their Agenda;
- Forward manage the development of a programme of local major scheme priorities for the LEP area;
- Manage relationships with external bodies including (but not limited to) DfT, the Highways Agency and Network Rail;
- Receive regular updates on progress towards targets and objectives;
- Commission work as appropriate; and

Receive regular updates and advice on transport matters of strategic significance across the NELTB area.

9.6 As illustrated by Figure Two, SOTAG will report to the NELTB via the LA7 Economic Directors and LA7 Chief Executives groups. The Chair of each group will rotate annually across the 7 local authorities in accordance with arrangements established as part of wider seven local authority working practices (attached at Annex A). The groups will meet regularly in advance of meetings of the NELTB. Advisory papers will be prepared by the SOTAG group, and then travel via the LA7 Economic Directors and LA7 Chief Executives groups to the NELTB.

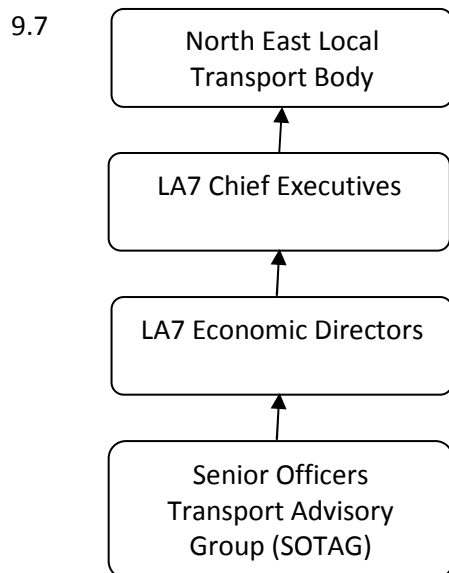


Figure Two: Governance and Reporting Structure

9.8 The information provided by scheme promoters to the NELTB will be verified by independent technical specialists commissioned and managed by SOTAG to ensure rigour and data quality. Both the information provided and its appraisal will be developed in accordance with the guidance published in WebTAG at the time the business case is

submitted to the NELTB for approval. Central case assessments will be based on forecasts which are consistent with the definitive version of NTEM (DfT's planning dataset). This requirement will not preclude the use of alternative planning assumptions as sensitivity tests.

- 9.9 The appointed independent technical specialists will then provide advice to the NELTB indicating how well each submitted scheme performs in terms of policy fit, value for money and deliverability.
- 9.10 The NELTB will use the advice provided by the groups outlined in sections 9.5-9.7 to prioritise a programme of major schemes for the area.

10. Working Arrangements and Meeting Frequency

- 10.1 The NELTB will meet to prioritise schemes, make investment decisions and when otherwise necessary in the discharge of the functions outlined in para 3.2. The NELTB will meet in 'shadow' form in March 2013 to agree the prioritisation process. The NELTB will begin to prioritise major schemes at its first official meeting in April 2013 and will meet again in June 2013 to agree a final list of prioritised schemes – unless the deadline to do so is otherwise extended by the DfT. These timescales are subject to approval of the NELTB Assurance Framework by the Department for Transport.
- 10.2 The NELTB will then meet at key points in the business case and decision making process including those outlined in para 18.4, most likely quarterly, to discuss progress on delivering the programme.
- 10.3 Meeting dates will be published on an NELTB web page [*insert webpage address when established*] with a minimum of one month advance public notice (except in cases of an urgent / emergency meeting date being calendared – arrangements for urgent meetings will be outlined in the Standing Orders for meetings). NELTB meetings will be open to the public.
- 10.4 Timescales for the completion of business cases, as outlined in section 3, paragraph 18.4, will be agreed by the NELTB. Promoters will be expected to adhere to such timescales and will only be able to progress to the next stage once their business case has been approved by the NELTB. Extensions will only be granted in extreme circumstances and the NELTB must be notified at the earliest opportunity, should a potential scheme cost, scope or timescale change.
- 10.5 Officers support will be available at NELTB meetings to present papers and answer questions.

11. Transparency and Local Engagement

- 11.1 The NELTB will ensure a high level of transparency and will adhere to the Local Government Code of Recommended Practice for Local Authorities on Data Transparency.

11.2 NELTB meetings will be open to the public and agendas and non confidential papers for each meeting will be published on an NELTB web page at least one week in advance of the scheduled date. All meetings will be subject to a minimum notice period of one month (except in cases of urgent meetings – the arrangements for which will be outlined in Standing Orders).

11.3 The NELTB will publish all papers relating to decision making on the NELTB web page (excluding those items deemed to be confidential). The NELTB will also set out the expected outcomes from each scheme that receives funding.

Papers which will be published by the NELTB include:

- The Assurance Framework;
- Agendas and non confidential papers for meetings;
- Minutes of meetings;
- The eligibility criteria for major schemes;
- Prioritisation methodology;
- Scheme business cases and evaluation reports;
- Information on the major scheme programme;
- Funding decision letters with funding levels and conditions indicated;
- Regular programme updates on delivery and spend against the budget; and
- Value for Money Statements.

11.4 As the NELTB is a non-statutory body, it is not subject to the Freedom of Information Act 2000 or the Environmental Information Regulations 2004. Instead, statutory information requests, including FOI and EIR requests will be handled by the Accountable Body: Newcastle City Council. The NELTB will enable the public and stakeholders to have input pertaining to business cases before decisions are made and as per para 22.2, a summary of comments and representations will be circulated with the papers for meetings.

12. Complaints and Whistleblowing

12.1 Any individual or organisation is entitled to make a complaint if they feel that the work of the NELTB is not being undertaken in accordance with the standards outlined in this Assurance Framework. This complaint should be made to the Head of Democratic Services for the Accountable Body. The NELTB webpage will hold appropriate contact details.

12.2 Wherever possible, complaints will be resolved locally by the NELTB. However, complaints may be escalated to the Local Authority Ombudsman or the DfT should the complainant be unsatisfied with the initial response. The complaints procedure is outlined in Table Two.

12.3

Table Two: NELTB Complaints Procedure

- Receipt of complaint will be acknowledged within 5 working days;
- A decision on the complaint will be taken within 10 working days of receiving the complaint;
- If the complaint alleges criminal conduct, the Police and other regulatory agencies will be contacted if appropriate;
- In appropriate cases, measures will be taken to resolve any complaint informally; and
- A formal investigation will be conducted if required.

The Corporate Complaints Officer for the Accountable Body will carry out any required investigation.

PART TWO: PRIORITISATION

13. Introduction

- 13.1 The prioritisation process, through which preferred local transport investments will be identified, is an important element of this Assurance Framework. The process is robust and transparent, and intended to support decision making. The methodology will be available on the NELTB's webpage.
- 13.2 To enable the prioritisation, a transparent and robust methodology for prioritising local major transport schemes for delivery through the devolved process has been developed. The methodology is clearly linked to delivering the priority outcomes of the NELTB area and is designed to be relatively simple, transparent and evidence based. It is broadly based on three dimensions, namely:
- Policy fit (including environmental and social and distributional impacts);
 - Value for Money; and
 - Deliverability.
- 13.3 The methodology is an open framework, where all of the evidence inputs can be clearly seen by stakeholders and decision makers. There is also no attempt to imply an element of precision in evidence presented where there is none, nor is there any attempt within the methodology to combine the three dimensions (policy, value for money and deliverability) to give an overall score for a scheme or intervention. Data gaps are identified, not concealed.
- 13.4 Guidance has been issued to prospective scheme sponsors on the types of evidence which are likely to support the policy criteria adopted (section 15), and to guide scheme sponsors in providing evidence on value for money and deliverability (sections 16 and 17

respectively). This guidance identifies appropriate and acceptable sources of evidence and data, helping to support data quality and the rigour of the process.

- 13.5 All schemes submitted for consideration will be subject to independent assessment. For consistency the scheme assessment is to be undertaken by two separate assessors on each scheme. Following assessment of all schemes, a moderation exercise will be undertaken by the scheme assessors and an independent adjudicator to resolve any divergence in assessment scores. The promoter(s) of each scheme or proposal will be required to attend a clarification meeting. Each meeting will allow the independent assessors to verify scheme evidence and data, and to cross examine scheme sponsors to clarify any issues which are unclear within the evidence presented, and to enable the scheme assessors to gain a clear understanding of the scheme and what it is trying to achieve.
- 13.6 Policy criteria have been developed based upon the three key themes agreed by the partner organisations, namely:
- Economic growth and jobs
 - Access to Opportunity
 - Quality of Life
- 13.7 These themes have been broken down into 9 policy challenges (see Table 1 at para 8.2) and 10 defined criteria in order to develop fully the component parts of the key themes and ensure that the policy criteria fully reflect the themes they represent across the North East (section 15). For each proposal or scheme assessed, each component criterion is to be independently scored using quantitative and qualitative evidence provided by the scheme sponsors, against a numeric scale, with the lowest score of zero representing no positive impact. The graduated scoring scale for each criterion will reflect the range of impacts likely from the transport schemes under consideration. Detailed scoring notes, based on North East area policies and plans, including local documents from the North East LTB's constituent bodies, have been developed to guide the independent assessment of proposals.
- 13.8 Independent assessment of value for money (VfM) will be based upon the [estimated] BCR of the scheme that takes into account both qualitative and quantitative evidence of both monetised and non monetised costs and benefits. This assessment of value for money will reflect guidance from the DfT's Transport Business Case and from WebTAG. It is expected that scheme sponsors will reference appropriate and proportionate use of the DfT's guidelines in presenting value for money evidence.

The independent assessment will establish an initial value for money category from DfT Guidance (available from <http://assets.dft.gov.uk/publications/value-for-money-assessments-guidance/vfmguidance.pdf>), based upon the [estimated] Benefit Cost Ratio (BCR) of the scheme. These categories are:

- Poor VfM if the BCR is less than 1.0;
- Low VfM if the BCR is between 1.0 and 1.5;
- Medium VfM if the BCR is between 1.5 and 2.0;

- High VfM if the BCR is between 2.0 and 4.0; and
- Very high VfM if the BCR is greater than 4.0.

- 13.9 Deliverability is a key element of the methodology. Potential schemes will be assessed in relation to the level of risk associated with their deliverability. Assessments of deliverability based around three areas will be used, with each of these areas broken down into a number of components to ensure that all critical aspects of deliverability are examined:
- Risk to programme;
 - Risk to cost; and
 - Risk to acceptability.
- 13.10 For each of the key deliverability components a Red-Amber-Green (RAG) assessment will be undertaken based on the level of risk associated with that component. Red will indicate a key deliverability issue indicating that it is unlikely that the proposed scheme could be delivered within the indicative time period.
- 13.11 As such, the prioritisation framework is evidence based and scheme promoters are required to provide detailed evidence to demonstrate the contribution their proposal will make towards achieving the objectives of the NELTB. In order to enable this to be assessed, promoters must illustrate that their scheme is deliverable, that it constitutes value for money and they must explain its contribution towards the delivery of the set of policy criteria (see para 15.4) which have been formulated to address the policy challenges outlined in para 8.2.
- 13.12 The NELTB will ensure that the Highways Agency and Network Rail are invited to comment on any strategic road or rail schemes that are to be considered for major scheme funding. This will allow for their views on deliverability and impact on the wider network to be taken into account during the prioritisation process.
- 13.13 The NELTB will only consider schemes with a net requirement from the local major schemes allocation of £2.5m that have an adjusted BCR greater than 2. Advice will be provided to the NELTB on the deliverability of schemes within the 2015-19 period and they will be assessed for value for money. Schemes that have poor value for money, or that cannot be delivered in the 2015-19 period will not be considered. The NELTB will then as part of an open framework prioritise a list of schemes taking in to account their contribution to addressing the policy challenges outlined in table 8.2.
- 13.14 The NELTB will submit a prioritised list of schemes to the DfT by July 2013 (or any other dates in the future when the DfT requires a prioritised list of schemes to be submitted). This list of schemes will also be published on the NELTB web page.
- 13.15 Scheme promoters are expected to maintain any asset that is created and this should be done in accordance with their Asset Management Plan or, in the case of a Passenger

Transport Executive or other potential transport delivery agent, an equivalent document.

14. Scheme Eligibility

- 14.1 Candidate schemes for consideration are identified by the respective scheme promoters: (the seven local authorities in the NELTB area and Nexus) via the Senior Officers' Transport Advisory Group ("SOTAG"). This initial 'long list' of candidate schemes will be developed taking in to account the 3 Local Transport Plans in the NELTB area, development plans across the 7 local authorities and previous work on local major schemes development such as the DaSTS 'Access to Tyne and Wear City-Region' study.
- 14.2 This initial list will be considered by SOTAG, and refined by the scheme promoters to contain those schemes most likely to address a set of policy, deliverability and value for money criteria (as outlined in sections 15-17).
- 14.3 Following these processes, a shorter list of candidate schemes will provide detailed evidence of their suitability across these criteria. This evidence will be scrutinised thoroughly by an independent third party appointed by SOTAG because of their neutrality and technical expertise. As outlined in para 9.9, this third party will then provide the results of their findings to the NELTB to aid their decision making.
- 14.4 Table 3 below outlines the major scheme criteria. More detail follows in sections specifically on policy and deliverability criteria.

14.5 **Table 3: Major Scheme Eligibility Criteria**

Purpose of Scheme

Schemes are required to make a significant contribution towards achieving the objectives of the NELTB as defined by the *Guidance on Evidence* document (Annex C). Proposals should be transport schemes. Funding will only be considered for specified major transport schemes.

Cost Threshold

In order to be eligible, schemes must have a total net cost to the NELTB of at least £2.5m. This will prevent funding from being spread too thinly to be effective. Funding can only be used for capital expenditure.

Strategic Impact

Promoters are required to demonstrate how their scheme will have a positive impact on the transport challenges within the NELTB area (Table 1, para 8.2). It is desirable that schemes will have an impact on a wide area however this does not preclude localised issues being addressed, given the knock-on effect of improvements to the local economy improving the sub-regional / regional economy.

Policy Criteria

Schemes need to demonstrate how they contribute to the specified policy criteria. Given the

government's strong emphasis on economic growth and development, the schemes should contribute towards local and economic development.

Value for Money

Schemes are required to provide an estimate of the Value for Money (VfM) a scheme is expected to provide. In order to be eligible, schemes must demonstrate they provide high value for money. For the prioritisation process, promoters will be required to estimate Benefit Cost Ratio (BCR) for their scheme(s). Regular VfM statements will be required in order to adjust the BCR as part of the move towards full scheme approval by the NELTB.

Deliverability

Proposed schemes need to have a reasonable degree of public and stakeholder support and must be deliverable within a clearly defined timescale. An assessment of deliverability must be undertaken in order to identify any potential "under spend".

Local Contribution

Scheme promoters are encouraged to provide a local contribution which would normally be at least 10% per scheme.

15. Policy Criteria

- 15.1 The policy criteria build upon the objectives of the three Local Transport Plans in the NELTB area and are based upon three key themes:
- Economic growth and job creation;
 - Access to opportunity; and
 - Quality of life.
- 15.2 These key themes are broken up in to ten discrete policy criteria. These criteria allow scheme promoters to provide both quantitative and qualitative information to describe the policy contribution of their scheme.
- 15.3 The overall assessment framework is an open framework, with the intention that decision makers on the NELTB and supporting officers should see exactly how and where each proposed scheme contributes to the delivery of the North East's agreed policy outcomes and its strategic objectives – outlined in 15.4. This is one of the key features of the approach, and is designed to ensure maximum transparency both to stakeholders and the NELTB. Where a scheme will deliver positively against a number of these key outcomes, it will be clear that it does so, and a scheme will be credited accordingly. There is scope within the process for the NELTB to be made aware of where such benefits are complementary.

15.4

Theme	Challenge	Criteria
Economic Growth and Job Creation	Supporting jobs	Will the scheme contribute to the creation of new jobs and retention of existing jobs in the North East LEP area?
	Supporting gateways and national and international trade	Will the scheme support the North East LEP area gateways?
	Contributes to skilled employment or training	Will the scheme encourage the development or retention of skilled jobs (NVQ Level 4 and above) and support sites that deliver the training for such skills?
	Support the NELEP spatial strategies and economy	Will the scheme provide sustainable access solutions to existing and growing development corridors, centres and sectors or support housing growth?
	Attractiveness of the North East LEP area as a place to do business	Will the scheme ensure capacity and speed of transport links to and within the North East LEP area are maintained and enhanced in order to increase the attractiveness of the North East LEP area as a place to do business, boosting inward investment and improving competitiveness of indigenous firms?
Access to Opportunities	Improves connectivity from residential areas to employment opportunities	Will the scheme deliver improved accessibility from residential areas to areas that have employment, education or other opportunities?
		Will the scheme contribute to an improvement in the overall quality of journeys, particularly those providing links to employment and health or education opportunities?
Quality of Life	Improving the local environment	Will the scheme contribute to an overall improvement in the local environment including improving local air quality or reducing the noise impact

		of transport corridors?
	Achieving carbon reduction targets	Will the scheme contribute to an overall reduction in carbon emissions relative to the existing situation?
	A healthy population	Will the scheme provide the opportunity to improve health, reduce levels of obesity among the population or improve road safety within the area?

15.5 A detailed set of guidance has been produced for scheme promoters that ensures as far as possible a consistent level of information is available to inform the prioritisation process. This guidance is contained within Annex C and provides advice on Policy Criteria (for example, environmental and social and distributional impacts), Value for Money and Deliverability. A pro-forma for use by scheme promoters has been developed to accompany the guidance and is contained within Annex D.

16. Value for Money

- 16.1 As part of the prioritisation process it will be necessary to provide an estimate of the Value for Money (VfM) that a scheme is likely to provide. At the first stage in the scheme development process not all schemes will have a fully worked up business case that will include all aspects of the Benefit to Cost Ratio (BCR). The guidance note contained within Annex C provides advice on how VfM should be assessed in this instance.
- 16.2 For schemes that have not yet been fully assessed the required approach will be to examine the evidence from other previous schemes. This approach is consistent with the DfT's Early Assessment and Sifting Tool (EAST) Guidance.
- 16.3 A local contribution to the scheme may contribute to its Value for Money. It is expected that the local contribution should normally be at least 10% of the total scheme cost. This contribution may, for example, include money from section 106 planning agreements or the Community Infrastructure Levy.

17. Deliverability

- 17.1 Deliverability is a key element of the methodology and great importance is placed on a robust deliverability assessment.
- 17.2 A number of key-deliverability criteria have been developed in order to assess the potential for scheme delivery in the 2014-19 period. These are outlined in Annex C of this Assurance

Framework. Schemes which perform well against the deliverability criteria will have:

- Recently calculated outturn costs in a WebTAG compliant way;
- Established key milestones for delivery;
- Established a process for reaching detailed design;
- Established realistic timescales for obtaining statutory consents, carrying out / illustrating public consultation and acceptance and procuring contractors;
- A robust risk assessment; and
- A detailed governance and project management structure.

PART THREE: PROGRAMME MANAGEMENT AND INVESTMENT DECISIONS

18. Scheme Assessment and Approval

18.1 There is a clear distinction between scheme promoters and the NELTB. The identification of schemes, development of scheme proposals and completion of business cases is the responsibility of scheme promoters. The NELTB will act as the decision maker. The NELTB will assess business cases and the findings will help inform decisions on whether to provide funding for a scheme. This working arrangement will be underpinned by the establishment of formal back to back agreements that protect the financial interests of the NELTB and the Accountable Body and enables the NELTB to fulfil its responsibility to deliver value for money while setting out respective responsibilities including reporting and audit requirements.

18.2 An assessment of all major scheme business cases will be carried out by an independent third party with the relevant technical expertise, and this expertise will be procured by Newcastle City Council as the Accountable Body via SOTAG. The independence of each review will be signed off by an appropriate senior member of the independent organisation undertaking the review.

18.3 Scheme promoters will be required to use DfT's Transport Business Case Methodology when developing their business case.

The process for the NELTB assessment and approval of a major scheme will comprise of three 'gateway' stages and full scheme approval will require a robust business case to be developed as part of Gateway 2, with further refinement as part of Gateway 3.

18.4 The methodology outlined in sections 13-17 will assist the NELTB in prioritising schemes. Those prioritised schemes will then proceed through the summarised process outlined below in order to progress a scheme to Full Approval. This approach is consistent with DfT's 'The Transport Business Case' guidance:

Following prioritisation of the proposal by the NELTB in July 2012 (Programme Entry), the following process applies

Gateway 1 Programme Entry (Advancement to Gateway 2 requires the following steps)

- Promoter prepares Outline Business Case and submits to the NELTB.
- Outline Business Case undergoes independent assessment.
- Value for Money Statement prepared by Scheme Promoter and signed off independently.
- Public Consultation held (3 month period required)

Gateway 2 Conditional Approval Granted (Advancement to Gateway 3 requires the following steps)

- Promoter undertakes detailed design, acquires statutory approvals, undertakes procurement and identifies preferred supplier.
- Final Business Case submitted to LTB.
- Final Business Case undergoes independent assessment.
- Value for Money Statement prepared by Scheme Promoter and signed off independently.

Gateway 3 Full Approval Granted and offer letter issued

- Monitoring/ evaluation framework submitted
- Construction commences

- 18.5 At gateways 2 to 3 the promoter will be required to provide evidence that the scheme is still value for money and deliverable (and therefore should remain in the prioritised programme). The NELTB will publish a Value for Money Statement (VFMS) for the scheme at each of these stages. These VFMS will be produced by the Scheme Promoter in line with the DfT guidance found at <http://assets.dft.gov.uk/publications/value-for-money-assessments-guidance/vfmguidance.pdf> and will be signed off as true and correct by an officer within the LTB. As per the outline of independent local audits in section 7, audits will be carried out at each gateway stage of the process – including an independent review of the VFMS.
- 18.6 The NELTB will need to approve the promoter’s business case submissions at each stage of the process before the next stage of work can be commenced. The production of business cases at the end of each stage will identify whether the scheme offers high value for money. If the business case does not provide the required assurance of value for money the NELTB can decide to withdraw a scheme from the programme. The scheme promoter is responsible for all business case costs – including if the scheme is withdrawn by the NELTB at any point in the process.
- 18.7 The NELTB assessment and approval decisions will be based on advice provided by SOTAG and by independent technical specialists procured and managed by SOTAG who will have the necessary skills and expertise to ensure that scrutiny of business cases is quality assured. The appointed independent technical specialists will work directly with SOTAG and report to the NELTB (governance arrangements are outlined in Figure Two).

- 18.8 Scheme promoters are responsible for informing the NELTB of any changes to the scope of a scheme, its costs and implementation timescales. The NELTB will be responsible for assessing the impact of any changes on the overall scheme programme and working with the promoter to address any specific issues.
- 18.9 The NELTB will not meet any scheme cost increases either in full or part and these will be the responsibility of the scheme promoter. Scheme costs for the purpose of allocating local major scheme monies will be fixed at Programme Entry stage. Design and development costs for schemes that receive Full Approval will be eligible as a local contribution.
- 18.10 Delays to a scheme may mean that it is not possible to allocate funding within the period up to March 2019. In this case, the NELTB reserves the right to re-prioritise the programme and bring forward another scheme that is deliverable within the timescales.
- 18.11 As part of Full Approval, the NELTB will clearly set out the conditions under which the devolved funding will be spent – specifically to deliver a capital asset based on an approved scheme design which has a contractor’s price and spending profile. As the Accountable Body, Newcastle City Council will be responsible for ensuring any such conditions are adhered to.

19. The Transport Business Case

- 19.1 All schemes submitted by promoters are required to follow the DfT’s Transport Business Case guidance, which is available at <http://www.dft.gov.uk/publications/transport-business-case/>.
- 19.2 The Business Case guidance sets out the minimum requirements of the development of a major scheme and use of the guidance will ensure 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; and
 - The management case.
- 19.3 Business cases will include a statement of objectives and specific outcomes the scheme is expected to achieve. This will assist with scheme evaluation.

20. Value for Money (2)

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- 20.1 Value for Money is the core of the Economic Case.
- 20.2 The use of the WebTAG toolkit will be mandatory and must be used to conduct appraisals and value for money assessments. The toolkit can be accessed at www.dft.gov.uk/webtag.
- 20.3 A value for money assessment compares the economic, social and environmental impacts of a scheme with the costs of its construction and ongoing maintenance. It takes into account both the monetised and non-monetised costs and benefits to produce a value for money rating. The monetised costs and benefits are expressed as a Benefit to Cost (BCR) ratio but this on its own is insufficient to provide a value for money rating as the non-monetised impacts must also be taken into account. This can result in either a higher or lower value for money rating than the BCR alone may suggest.
- Scheme benefits potentially encompass a wide range of economic impacts including:
- Journey time savings for individuals.
 - Reduction in costs to businesses, transport operators and passengers.
 - Increasing access to education and jobs.
 - Increasing inward economic investment.
 - Keeping roads open to traffic (especially freight).
 - Reducing accidents / improving safety and security.
- 20.4 Value for money assessments are at Gateway 1 stage, likely to be based on limited evidence. At Gateways 2 and 3 more robust Value for Money statements will be required and they must show that a scheme remains high value for money to stay in the programme.
- 20.5 High value for money schemes with an adjusted BCR of greater than or equal to 2:1 will be eligible for funding.
- 20.6 Central case assessments will be based on forecasts that are consistent with the definitive version of NTEM (DfT's planning dataset). The NELTB reserves the right to use alternative planning assumptions as sensitivity tests and considering the results of these when coming to a decision about whether to approve a scheme.
- 20.7 An independent assessment of appraisal and modelling assumptions contained within business cases will be carried out by an independent third party with the relevant technical expertise, and this expertise will be procured via SOTAG. The independence of each review will be signed off by a named officer of the NELTB with relevant skills and expertise.
- 20.8 A value for money statement (VFMS) in line with published DfT WebTAG guidance will be produced and presented to the NELTB for consideration at each gateway stage of the approval process. These statements will be checked by an independent source and adjusted if necessary. This assessment will be signed off by a named officer within the NELTB with requisite skills and experience.

21. Monitoring and Evaluation

- 21.1 Scheme promoters will be required to put in place mechanisms to ensure that schemes are monitored and evaluated in line with DfT guidance on the evaluation of local major schemes. This will be enforced as part of the gateway process, and schemes that do not have a robust monitoring and evaluation strategy as part of their business case will not receive Full Approval.
- 21.2 Results of the monitoring and evaluation of schemes will be published on the web site of the relevant scheme promoter. The relevant scheme promoter will be required to ensure an independent review of the monitoring and evaluation of their scheme, and this will be ensured as part of the grant award process.

22. External Views on Business Cases

- 22.1 The NELTB will welcome external views on business cases, but there may be occasions where some information has to be withheld due to commercial sensitivity. In order to ensure external comment is possible, promoters will be required to publish their business case on their website. The publication of business cases must take place prior to funding approval decisions being made. The publication of business cases will also be publicised by the relevant scheme promoter and on the NELTB web page.
- LTB members will be able to see all external views on request.
- 22.2 Stakeholders and members of the public will be given a minimum of three months to comment on Outline business cases. They will also be provided with an opportunity to comment on Full business cases. Any comments made by stakeholders and members of the public on business cases will be made available to the NELTB prior to relevant meetings taking place by way of a summary in the papers for the meeting.

23. Release of Funding, Cost Control and Approval Conditions

- 23.1 No funding will be allocated to a scheme promoter by the Accountable Body until a Business case has received Full Approval from the NELTB. The approval will contain:
- General conditions of approval (such as the condition that monies may only be used for capital expenditure);
 - Scheme specific approval conditions (such as those relating to scheme design, matched or third party contributions);
 - The agreed allocation for the scheme;
 - An agreed funding profile to ensure delivery in the 2015-19 period; and
 - Provision for 'clawback' and recovery of non delivery or money not spent for

purposes intended.

- 23.2 Before any funding is released, the scheme promoter will need to 'accept' the funding (and the conditions for its use) through confirmation by the appropriate finance officer that the money will be spent on the agreed purpose.
- 23.3 The Accountable Body will develop a 'back to back' agreement with the eligible scheme promoters to underpin this arrangement. This agreement will also address the issue of 'clawback'. It will ensure a working arrangement is in place that protects the financial interests of the NELTB and the Accountable Body and enables it to fulfil its responsibility to deliver value for money while setting out respective responsibilities including reporting and audit requirements.
- 23.4 Funds will be released to scheme promoters quarterly in arrears. Release of funds will be based on defrayed expenditure and made upon receipt of grant claim forms and evidence of eligibility of expenditure and delivery progress (which may include invoices, valuations of capital works etc). Scheme promoters will be required to retain evidence for audit purposes.
- 23.5 Finance reports will be provided to the NELTB on a quarterly basis (or more frequently if required) in line with payment of claims to scheme promoters. There will be a named finance officer at an appropriate grade who will also act as a point of contact for ad hoc finance-related queries from the NELTB or scheme promoters and to attend meetings as required.

24. Programme and Risk Management

- 24.1 The major scheme programme will initially run from April 2015 to March 2019. A realistic programme is essential as a means of understanding when schemes are likely to spend.
- 24.2 Scheme promoters will be required to provide an initial project programme for each scheme given 'Preliminary Prioritisation' status by the NELTB. The project programme should include estimated timescales for the following:
- Production of business cases
 - Completion of associated technical work
 - Progress of outline and detailed design
 - Statutory orders
 - Public consultation
 - Procurement
 - Construction of scheme
- 24.3 Potential risks to the delivery of the scheme programme, such as overspend and delays to timescales, must be highlighted. Promoters should also produce and maintain risk registers

for their schemes and set out how they will manage potential risks.