

Investment Board

Date	20 April 2020
Report Title	Investment Board Role & Remit
Accountable Chief Executive	Deborah Cadman, West Midlands Combined Authority email: deborah.cadman@wmca.org.uk tel: (0121) 214 7552
Accountable Employee	Ian Martin, Director of Investments & Commercial Activities Tim Martin, Head of Governance & Monitoring Officer

Recommendation(s) for action or decision:

The Investment Board is asked to note the contents of the report and:

1. **Endorse the proposed amendments to the Terms of Reference of the Investment Board to be presented to WMCA Board for approval**
2. **Comment on the role and purpose of the Investment Panel**

1. Purpose

- 1.1 The Purpose of this report is to seek the Investment Boards support in amending the functions and terms of reference of the Investment Board in order to ensure that it can effectively carry out its role and purpose in line with delivery of a Single Assurance Framework.

2. Background

- 2.1 The WMCA has been working on a Governance and Assurance Project that draws together several drivers for change from outside and within the WMCA and seeks to address these drivers through a single connected project.
- 2.2 A key outcome from this project will be the creation of a **Single Assurance Framework** that will set out a systematic set of actions necessary to provide confidence that projects and programmes are developed and delivered within certain parameters, are controlled, on track to deliver and that they are aligned with WMCA policy and its strategic objectives. A Single Assurance Framework will provide consistency of standards to both Investment Programme and Non-Investment Programme projects and programmes as well as:
 - Provide financial and governance protections for stewardship of public funds
 - Improve standards of project development, delivery and oversight
 - Provide consistency, controls and clarity to deliver confidence in WMCAs decision-making and ability to deliver

- 2.3 In addition the Governance and Assurance Project has been working closely with the Director of Investments and Commercial Activity to determine how to better support the Investment Board and to ensure that the Investment Board is able to better fulfil its intended role.
- 2.4 This work has resulted in a number of amendments to its terms of reference being proposed, alongside proposed changes to the functions the Investment Board may take at its future meetings. In addition the creation of an Investment Panel to fully support the Investment Board in delivery of its role has also been proposed.

3. Investment Board - Terms of Reference

- 3.1 The Governance and Assurance Project envisages that the following additions will need to be added to the functions of the Investment Board and detailed in its terms of reference in order to support it to effectively deliver its role and intended purpose:
- a. To oversee and monitor all investments made through the Investment Programme.
 - b. To add conditions to any Funding Decision that falls within its Delegated Authority and to make recommendations as to conditions recommended to WMCA Board by the Investment Board. In all cases minimum conditions should specify the Availability Period, Conditions to Drawdown of Funds, Conditions for withdrawal of support and terms of clawback, start date and completion date for the Project or Programme, but shall also include any specific conditions that the Board deem appropriate on a case by case basis.
 - c. To instruct the Investment Directorate to oversee preparation of Funding Agreements on its behalf and as appropriate and to delegate this duty, provided always that the Investment Directorate make no material deviation from the conditions added to the Funding Decision.
 - d. To approve the monitoring and evaluation criteria related to any Funding Decision and to have the ability to delegate oversight of this function where appropriate for projects that fall outside the Investment Programme or Funds under control of WMDC, where a decision is taken by the Investment Board.
 - e. Where oversight of monitoring and evaluation applies to the Investment Board, to consider whether a formal review of project or program is required and to consider this review itself or instruct IAG (or its successors) to do so on its behalf.
 - f. To instruct Funding Recipients to issue the necessary information for WMCA to advise the Investment Board as to the rationale behind any material delay or change in a project or program.
 - g. On completion of a review, where reasonable, to instruct Funding Recipients to complete a Change Request via the WMCA Assurance Process.
- 3.2 A core of requirement of the WMCA Investment Board is to provide Government with regular reports on the benefits delivered through the Investment Programme. This can only be achieved through fastidious project reporting and monitoring, the amendments detailed above are intended to strengthen the ability of the Investment Board to fulfil this role.
- 3.3 Financial controls require the funding body to monitor and evaluate programmes and projects against time, cost, scope and benefit as a minimum. Where projects are failing to deliver against plan it is considered a core requirement of the Investment Board to review projects and to take the necessary actions to address the projects issues and review funding in line with the latest project updates. The amendments detailed above are intended to strengthen the ability of the Investment Board to fulfil this role.
- 3.4 It is the responsibility of the WMCA to ensure detailed and unambiguous contracts and grant agreements for each and every funding proposal are in existence. The proposed amendments to the terms of reference will better enable the Investment Board and the WMCA to deliver a high degree of control to projects funded and illustrate the benefits to projects provided through the Investment Board.

- 3.5 It is anticipated that acceptance of the proposed amendments to the terms of reference would allow a number of significant actions to be undertaken by the Investment Board through standardised agenda items covering the following:
- a) Project review progress by exception only – this will provide the Investment Board with a clear view of deviations from the Business Plan. The Investment Board can review the impact of the deviation and decide to note and move on or to ask for additional information, or in exceptional circumstances ask for a formal review.
 - b) Formal Review Update of project reported to be off plan – allows the Investment Board to agree to a redrafting of the baseline or add constraints to the project. In exceptional circumstances the project may be closed down if appropriate
 - c) Funding stream Performance summary – This shows how each funding stream is getting value for money and delivering what it said it was going to deliver
 - d) Change Request Review - As formal review but asked for by project team if tolerances are going to be exceeded
- 3.6 The proposed amendments to the Investment Board Terms of Reference have been developed with the Director of Investments and Commercial Activity and have been endorsed by WMCA's Strategic Leadership Team.
- 3.7 If the proposed amendments are accepted by the Investment Board then they will be presented to WMCA Board for approval.

4. Investment Panel

- 4.1 The Governance and Assurance Project proposed replacing the existing Investment Advisory Group (IAG) with a more purposeful support mechanism for the Investment Board in order to :
- drive the level of expertise and HMTs 5 case element criteria considerations within reports
 - strengthen delivery of the new Single Assurance Framework
 - better support Elected Members in their Investment Board roles.
- 4.2 The developing Single Assurance Framework proposes the creation of Advisory Panels consisting of WMCA Officers, supported by Constituent, Non-Constituent and LEP Officers in order to assist decision-making at their respective 'parent' Boards. For the Investment Programme it is proposed that IAG be replaced by an Investment Panel who would act as the Advisory Panel for the Investment Programme.
- 4.3 The Investment Panel would review proposals going to the Investment Board in order to highlight key lines of enquiry, provide observations and recommendations to the Investment Board in order to assist it with its deliberations and drive a higher threshold of consideration in the decision-making process.
- 4.4 Work has already taken place to examine what criteria would need to be applied to direct the role and purpose of an Investment Panel, this has involved a visit to Homes England as well as a review of their investment and risk criteria and decision-making processes. The proposed role of the Investment Panel would be to review proposals with the lead Director, SRO and Project Lead/ Sponsor in order to:

In Approval/ Consideration Process:

- identify key lines of enquiry for the Investment Board to focus on
- validate and challenge proposal content
- validate and challenge external review of proposal
- validate and challenge the quality and robustness of proposal content
- ensure a consistent approach to challenging HMTs 5 case elements within Business Cases

- examination of Proposal Observation report produced during development that highlights Case Maturity, compliance with guidelines and standards and appraises proposals
- examination of key risks and investment consideration

The Investment Panel would provide the Investment Board with a briefing for each proposal it is due to consider detailing the Investment Panels observations, this would include a summary of the proposal, highlighting the strengths and weaknesses of a proposal and any recommendations for improvement (For example - additional conditions to be added to funding agreements, conditions for withdrawal of support, additions to M&E plans).

In Delivery:

- Support Investment Board by providing oversight of performance and M&E plan
- Support Investment Board by providing oversight of or undertaking formal review of project if review determined to be required by the Investment Board
- Support Investment Board through review of rationale behind any material delay or change in a project
- Support Investment Board by instructing where reasonable completion of a change request (via the WMCA Assurance Process) following completion of a review

4.5 The Investment Board is asked to comment on the Investment Panel approach set out above.

5. **Next Steps**

5.1 Work is underway to deliver the envisaged Investment Panel, this will require a transition period to support the move from IAG to Investment Panel.

5.2 The proposed terms of reference for the Investment Board will be taken to the WMCA Board AGM for approval if accepted, this is currently planned to take place on 5 June 2020.

6. **Financial Implications**

6.1 The cost of implementing the changes detailed within the report are being managed within existing resources.

7. **Legal Implications**

7.1 The WMCA is required to maintain an assurance framework which ensures that investment and spending decisions are made in the light of relevant considerations and proper stewardship of public monies is provided. This report outlines development work which is in progress with the overall objective of ensuring this objective continues to be met.

8. **Equalities Implications**

8.1 There are no equalities implications arising from this report.

9. **Inclusive Growth Implications**

9.1 There are no specific inclusive growth implications arising from this report however improvements to the Assurance Framework, particularly around ensuring that decisions are informed by strategic objectives and policy will enhance the Authority's ability to deliver on its ambitions for inclusive growth.

10. **Geographical Area of Report's Implications**

10.1 There are no geographical area implications arising from this report.

11. Other Implications

11.1 There are no other implications arising from this report.

12. Schedule of Background Papers

12.1 Not applicable.