



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY – DRAFT MINUTES

AUDIT AND GOVERNANCE COMMITTEE: MINUTES

Date: 28th September 2018

Time: 11am

Location: Cambridgeshire County Council

Present:

Mr J Pye	Chairman
Cllr Anthony Mason	South Cambridgeshire District Council
Cllr Nichola Harrison	Cambridgeshire County Council
Cllr Alan Sharp	East Cambridgeshire District Council
Cllr Will Sutton	Fenland District Council
Cllr Lynne Ayres	Peterborough City Council
Cllr Richard Robertson	Cambridge City Council

Officers:

Karl Fenlon	Interim Chief Finance Officer
Kim Sawyer	Interim Chief Executive Officer
Steve Crabtree	Chief Internal Auditor – PCC
Anne Gardiner	Scrutiny Officer
Jon Alsop	Head of Finance
Noel O'Neil	Section 151 for Business Board
Neil Cuttall	Skills Programme Manager
Darren Edey	Compliance Manager

Others in attendance:

Suresh Patel	Executive Director – Ernst & Young LLP
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1. Apologies and Declarations of Interests

1.2 Apologies were received from Cllr Anne Hay, substituted by Cllr Will Sutton and

apologies from Cllr Chris Morris, substituted by Cllr Alan Sharp. Apologies received from Cllr Mac McGuire.

1.3 No declarations of interest were made.

2. Minutes of the meeting held on 20th July 2018

2.1 Under paragraph 8.2 Cllr Robertson advised he had not been contacted by officers to reassure that funding for the housing in Cambridge was not being used for other projects. Officers agreed to contact the relevant finance team at Cambridge City Council and get a response regarding this.

2.2 The minutes of the meeting held on the 20th July were agreed as a correct record.

3. Combined Authority Board Update

3.1 The Chairman invited the Interim Chief Finance Officer, Karl Fenlon to provide the committee with an overview of the Combined Authority activities.

3.2 The following points were made:-

- There had been a lot of change at the Combined Authority, with the resignation of the Chief Executive Officer, appointment of new directors and new interim joint Chief Executives.
- It had been recognised that there had been many interim members of staff and this was something the Combined Authority wanted to work on and get more permanent staff members appointed.
- There was a new management team and a new interim staff structure which would allow the organisation to move forward, thinking carefully about how the organisation should operate in a new, fresh, innovative way.
- There was work to be done on the Medium Term Financial Plan to make it clearer in regard to the capital and revenue streams.
- The new Business Board had been appointed that week which was a significant step forward.
- In response to a questions and concerns raised about the internal review the committee were advised that the review was to help the organisation look forward. A lot of time had been spent trying to ensure that the correct compliance and governance arrangements were in place and moving forward the review would ensure that the right processes were in place and that the organisation had a structure that was appropriate for the future.
- Officers felt that there were strong arrangements in place currently with the Board meeting monthly which was more than many other councils. The O&S committee met regularly and reviewed the Boards agenda each month and had exercised its power of call in on two occasions. All governance arrangements that had been put in place had been brought to the Audit and Governance Committee for approval.

- In response to a question regarding a letter received by the Combined Authority from the Chief Executive Officers of the constituent councils, the Interim Chief Executive advised that a positive meeting had been held with the CEOs and that things had moved on with a further meeting planned to update the CEOs on the internal review.
- Part of the new interim CEOs' roles would be to carry out the review and officers would feedback to the Board that the Audit Committee would like to be part of the review.
- Governance structure had been looked at by internal audit - they had found that the processes in place were reasonable but that lots of areas needed to be embedded.
- The Committee recognised internal audit's role was to investigate any concerns about governance.

3.3 The Interim Chief Executive Officer agreed that they would report back to the Audit and Governance Chair and the Overview and scrutiny Chair on the progress of the internal review. If the two Chairs felt further action was required, the matter would be brought back to the relevant committee.

3.4 The Committee asked that Internal Audit conduct a review of governance, with the scope to be agreed between the Chair and the Interim Chief Finance Officer. A report would be brought back to the November meeting.

4. External Audit - Annual Audit Letter

4.1 The Committee received the report from the external auditor which outlined the annual audit letter.

4.2 The Committee noted the report.

5. Treasury Management Mid-Year Update

5.1 The committee received the report which requested that the committee review the current performance against the prudential indicators included within the Treasury Management Strategy.

5.2 The following points were raised: -

- Grants were not consistent with investment & return within the Treasury Management Strategy; however, part of strategy was to give grants to support low cost housing. Alongside this strategy the team were developing investment structures which would allow the Combined Authority to use its borrowing capacity.
- The report reflected the current status for the organisation. Few of the funds had been paid out for capital programmes at this time. The estimates in the report for 2018/19 had been taken from the draft Medium Term Financial Plan, which would be brought back to the Board for approval in October.

- The indicators in the report didn't provide much information but as the capital programme developed these indicators would become more informative.
- In response to a question around proposals to lend money, officers advised that the due diligence of an organisation was considered. The timescale for the loan, background checks, state aid rules and the amount of return that was applicable to those loans was also considered.
- Officers advised that loaning short term fund was appropriate for the Combined Authority given the surplus of funds; however longer-term loans would not be appropriate.
- There were currently two reviews being undertaken by Cambourne and the CPIER in parallel to one another, and the results from each would be taken into account going forward.
- The current focus was to get funds deployed in the Combined Authority's core business rather than within the Treasury Management Strategy.
- There would be sufficient investment opportunities in the future, these would need to be prioritised and would be outlined within the Medium Term Financial Plan.

5.3. The Committee requested that an update and a copy of the Medium Term Financial Plan approved by the Board in October be brought to the November meeting.

5.4 The Committee agreed to note the emerging investment and capital strategy.

6. Corporate Risk Register Review

6.1 The Committee received the report from the Assurance Manager, which asked the committee to review the Combined Authority Corporate Risk Register and suggest any changes they would like to put forward as a recommendation to the Board.

6.2 In response to a question around the type of risks being considered, officers advised that political change - although difficult to control - needed to be included so that the organisation was aware of the impact, and was agile enough to weather such changes that may be brought about.

6.3 The Committee requested that the Risk Register become a standing item on the agenda and that an easier to read copy of the risk register would be produced for future meetings.

6.4 The Committee requested that they receive a copy of the Business Board Risk register at each meeting as well.

6.5 The Committee agreed to note the risk register.

The Committee agreed to take items 7 and 8 together.

7. Interim Governance Review of Business Board & Briefing on Governance of

the Business Board

- 7.1 The Committee received the reports from the Assurance Manager and the Deputy Section 151 Officer (being the Section 151 Officer for the Business Board) which outlined the governance arrangements that had been put in place since the Combined Authority took over the LEP; this included the new governance arrangements put in place for the Business Board.
- 7.2 The following points were raised during the discussion: -
- Transparency was key for the new Business Board; compliance around code of conduct, declaration of interests, agendas and minutes would all be published on the website.
 - A spot check was due to be carried out by Business, Energy and Industrial Strategy department in the next six weeks to ensure that the authority was compliant in these areas.
 - Part of the legislation laid out for the Business Board was that there must be a separate section 151 officer; however, as the Combined Authority was the accountable body for the Business Board and responsible for approving business cases and expenditure. The Business Board would make recommendations to the Combined Authority Board, based upon the rules for the use of funding defined by central government.
 - Complaints and reports of whistleblowing would be dealt with under the Combined Authority policies, which were available on the website.
 - The Combined Authority Board had agreed to suggest to government that the make-up of the Business Board should be reduced from the current 15 authorities so that membership was coterminous with the membership of the Combined Authority.
 - There had been a comprehensive recruitment process to ensure key industrial sectors for the area were covered in the representation on the Business Board. How further members may be co-opted onto the remaining vacancies would be a decision for the new Business Board to take.
 - There is a requirement by central government for the membership of the Business Board be made up of one third of women by 2020 and by 50% women by 2023; this was an issue that officers were aware of.
- 7.3 The Committee requested that an update of the governance for the Business Board be brought to the March meeting, in particular to consider how declarations of interest and members code of conduct was being dealt with.
- 7.4 The Committee noted the reports.
- 9. Internal Audit – Progress Report**
- 9.1 The Committee received the report which provided detail of the progress made in delivering the approved Audit Plan for 2018 / 2019.

9.2 The Committee agreed to note the progress report.

10. Adult Education Budget

10.1 The Committee received the report from the Skills Programme Manager which informed the Audit and Governance Committee of the AEB Devolution Programme.

10.2 The Skills programme Manager advised that internal audit would need to check that the appropriate processes were in place.

10.3 The Skills programme manager confirmed that the additional funding would be brought down from central government.

10.4 The Committee agreed to:

a) note the Readiness Conditions submitted to the Department for Education in May 2018.

b) note that the AEB Programme will be identified on the CPCA Risk Register

c) note the inclusion of the AEB Programme audit on the CPCA Internal Audit plan

d) note the timelines for delivery of the AEB Programme going forward.

11. Recruitment Processes

11.1 The Committee received the report from the Interim Chief Finance Officer which outlined the recruitment process followed for the appointment of Director for Strategy and Planning.

11.2 The following points were raised during the discussion:-

- The shortlisting process was not a key recordable step in the process and O&S, earlier in the week, had suggested that this area should be looked into as this was a misstep.
- In response to a question regarding the change in job title for the Director of Strategy; members were advised that due to the interim CEO arrangements agreed at the Board on Wednesday some of the roles for directors had been redistributed.
- The requirement for a political balance on all future sub-committees at the Combined Authority had been reinstated under the constitutional changes agreed by the Board on Wednesday.

- 11.3 In response to questions regarding the Chief Executive Officer's resignation, the committee were advised that the severance payment received was normal and would be reflected in the statement of accounts at the end of the financial year.

The external auditors would review the process to ensure it had been followed properly.

The interim CEO gave the committee assurance that proper processes had been followed by the Mayor and that external legal advice had been provided regarding the matter.

- 11.4 The Committee requested that an information paper be brought to the next meeting to outline the new staffing structure and roles.
- 11.5 The Committee requested that the Combined Authority follow best HR practice in regard to shortlisting practices in future.
- 11.6 The Committee noted the report.

12. Work Programme

- 12.1 The Committee received the report which provided the draft work programme for Audit and Governance Committee for the remainder of the 2018/19 municipal year.
- 12.2 The Committee agreed to add the following to the work programme:
- Interim Report from Internal Auditor on the governance arrangements.
 - Update on the Medium Term Financial Plan taken to the Board meeting in October.
 - That the Risk Register become a standing item.
 - Update of the governance for the Business Board be brought to the March meeting, in particular to consider how declarations of interest and member code of conduct was being dealt with.
 - The Committee requested that an information paper be brought to the next meeting to outline the new staffing structure and roles.

13. Date and Location of the Next Meeting

- 13.1 The Committee agreed the next meeting would be held on November 30th 2018 at East Cambs District Council.

Meeting Closed: 13:26pm