



**CAMBRIDGESHIRE  
& PETERBOROUGH**  
COMBINED AUTHORITY

**CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY**  
**AUDIT AND GOVERNANCE COMMITTEE**

**28<sup>th</sup> September 2018**

**11am**

**Committee Room 128, Shire Hall, Cambridgeshire County Council, Castle  
Street, Cambridge CB3 0AJ**

**AGENDA**

**Open to Public and Press**

<b>Number</b>	<b>Agenda Item</b>	<b>Chief Officer</b>	<b>Papers</b>	<b>Pages</b>
1	Apologies and Declarations of Interests	Chair	No	Oral
2	Minutes – 20 <sup>th</sup> July 2018	Chair	Yes	Page 4
3	Combined Authority Board Update	Interim Chief Finance Officer	No	Oral
4	External Audit - Annual Audit Letter	Ernst & Young	Yes	Page 15
5	Treasury Management Mid Year Update	Jon Alsop	Yes	Page 30
6	Corporate Risk Register Review	Darren Edey	Yes	Page 59

Number	Agenda Item	Chief Officer	Papers	Pages
7	Interim Governance Review of Business Board	Darren Edey	Yes	Page 67
8	Business Board Governance Arrangements	Noel O'Neill	Yes	Page 93
9	Internal Audit – Progress Report	Steve Crabtree	Yes	Page 110
10	Adult Education Budget	Neil Cuttall	Yes	Page 117
11	Recruitment Processes	Karl Fenlon	Yes	Page 131
12	Work Programme	Chair	Yes	Page 145
	<b>Date of next meeting</b>			
13	30 <sup>th</sup> November 2018 – East Cambridgeshire District Council	Chair	Oral	

The Audit & Governance Committee currently comprises the following members:

Chair: Mr John Pye (Independent Person)  
 Councillor Mac McGuire - Huntingdonshire District Council  
 Councillor Andrew Mason - South Cambridgeshire District Council  
 Councillor Nichola Harrison - Cambridgeshire County Council  
 Councillor Chris Morris - East Cambridgeshire District Council  
 Councillor Anne Hay - Fenland District Council  
 Councillor David Seaton - Peterborough City Council  
 Councillor Richard Robertson - Cambridge City Council

The Combined Authority is committed to open government and members of the public are welcome to attend Committee meetings. It supports the principle of transparency and encourages filming, recording and taking photographs at meetings that are open to the public. It also welcomes the use of social networking and micro-blogging websites (such as Twitter and Facebook) to communicate with people about what is happening, as it happens.

For more information about this meeting, please contact Anne Gardiner  
[anne.gardiner@cambridgeshirepeterborough-ca.gov.uk](mailto:anne.gardiner@cambridgeshirepeterborough-ca.gov.uk) or 07961240442



**CAMBRIDGESHIRE  
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# **CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY – DRAFT MINUTES**

## **AUDIT AND GOVERNANCE COMMITTEE: MINUTES**

**Date:** 20<sup>th</sup> July 2018

**Time:** 10am

**Location:** Fenland District Council

**Present:**

Mr John Pye  
Cllr Mac McGuire  
Cllr Anthony Mason  
Cllr Nichola Harrison  
Cllr Chris Morris  
Cllr Will Sutton  
Cllr David Seaton  
Cllr Richard Robertson

Chairman  
Huntingdonshire District Council  
South Cambridgeshire District Council  
Cambridgeshire County Council  
East Cambridgeshire District Council  
Fenland District Council  
Peterborough City Council  
Cambridge City Council

**Officers:**

Rachel Musson  
Debbie Forde  
Steve Crabtree  
Anne Gardiner  
Ian Pantling  
Darren Edey

Interim Chief Finance Officer  
Governance Advisor  
Chief Internal Auditor – PCC  
Scrutiny Officer – CPCA  
Financial Accounting & Control Manager  
Compliance Manager

**Others in attendance:**

Suresh Patel  
Kay McClennon

Executive Director – Ernst & Young LLP  
Ernst & Young LLP

## **1. Apologies and Declarations of Interests**

- 1.2 Apologies were received from Cllr Anne Hay, substituted by Cllr Will Sutton.
- 1.3 No declarations of interest were made.
- 1.4 The Chair thanked the outgoing members of the committee and welcomed the new members Cllr McGuire and Cllr Mason to the committee.

## **2. Appointment of Vice Chair**

- 2.1 Councillor Mac McGuire was nominated by Councillor Will Sutton and seconded by Councillor Nichola Harrison for the position of Vice Chairman.

The Committee resolved to appoint Councillor Mac McGuire as Vice Chairman for the municipal year 2018/19.

- 2.2 The Committee members noted that the Combined Authority Board had delegated power to appoint the Vice Chairman to the committee at their AGM in May 2017.

## **3. Minutes of the meeting held on 26<sup>th</sup> March 2018**

- 3.1 The minutes of the meeting held on the 26<sup>th</sup> March were agreed as a correct record.
- 3.2 The Committee requested that an action sheet be included in each set of minutes.

## **4. Combined Authority Board Update**

- 4.1 The Chairman invited the Interim Chief Finance Officer, Rachel Musson to provide the committee with an overview of the Combined Authority activities.

- 4.2 The Interim Chief Finance Officer highlighted the following points:-

- The Combined Authority had undertaken a large piece of work in creating a new organisational staffing structure with the inclusion of the former Greater Cambridgeshire Greater Peterborough staff. A number of staff had been matched to posts while others were now going through an interview process to ensure that all the roles within the new structure were covered.
- The Chief Finance Officer position was still being recruited.
- Overall staffing level is now circa 60 members of staff with a staffing budget of circa £5m. The increased cost was largely covered by different income streams, although some streams such as the Mayoral Capacity Fund are only guaranteed for two years and so this is reflected in staff contracts.
- A key piece of work within the Medium Term Financial Plan development,

was the integration of former LEP and Combined Authority work, which was currently underway.

- There had been some costs to the Combined Authority due to taking on the LEP; payments that had to be made to ensure voluntary liquidation. However, there had been large funding streams to which the Combined Authority would be able to benefit from in the future, in terms of coordinating all work by the Business Board and Cambridgeshire and Peterborough Combined Authority.
- The new Business Board, which would take on the role of the local enterprise partnership was being recruited in September, this Business Board was a separate legal entity to the Combined Authority Board and it was important to note that the Business Board had different areas of responsibility. A piece of work on how to bring the two separate geographical areas, covered by each organisation, together was being carried out.
- There would be a separate Code of Conduct for members of the Business Board.
- The Committee were advised that the officers would be taking a paper to the Board next week to propose introducing a committee structure for the Combined Authority which would see a Transport Committee, Housing Committee and a Skills Committee introduced to consider decisions in these areas.

4.3 It was requested that a report be brought to the September meeting outlining the structure and governance arrangements for the LEP functions and the Business Board, including the role of the Audit & Governance Committee. The Committee also asked for a development session prior to the next meeting on these topics.

4.4 The Chairman thanked the Interim Chief Finance Officer for providing an update for the committee.

## **5. Report from the Informal Audit & Governance Committee Meeting**

5.1 The Committee received the report which provided an update on the items that were discussed at the informal workshop held on 22<sup>nd</sup> May 2018.

5.2 The Committee discussed the necessity to hold the review of the draft accounts as an informal meeting and whether it would be better to have a public meeting.

5.3 Officers advised there may be practical issues around statutory deadlines but would look into organising a date in May for a public meeting.

5.4 The Committee members agreed that, subject to the practicalities, they would like to hold the review of the draft accounts in public next May.

5.4 The Committee noted the report.

## **6. Annual Audit Report**

- 6.1 The Committee considered their draft Annual Audit report and the accompanying self-assessment analysis.
- 6.2 The Committee approved the draft Annual Audit and Governance Committee Report for submission to the Combined Authority Board.
- 6.3 The following points were raised regarding the self-assessment analysis:
- The Committee felt that the self-assessment form should be turned into an action sheet with time-frames and should be reviewed by the committee on a quarterly basis.
  - The Combined Authority was a new concept, quite different from standard local government and therefore it was expected that there should be some question marks within the self-assessment responses
  - The challenge for the committee would be holding the ambiguity of a new organisation to account while helping it to develop.
  - The newness of the Audit and Governance Committee for the Combined Authority meant that it was still developing its role, unlike the well-established committees in local authorities.
- 6.4 The Committee discussed the need for substitutes on the committee to be involved with training and discussed whether the training sessions should be mandatory.

Some members felt that this would meet with resistance.

The Committee agreed that it was up to the individual member to ensure their substitute was aware of issues for the committee; officers advised that substitutes were copied into all correspondence.

- 6.5 The Committee endorsed the value of having development sessions at each meeting. It was agreed that where possible the development sessions should be held immediately after the public meeting to help with attendance levels. Development sessions before a meeting would only usually occur when the development topic informed an item on the agenda. Diary planning would assume a 3-hour period, from 10am until 1pm – 2 hrs for the meeting and 1 hr for development.

## **7. Constitution Review – Audit and Governance Committee**

- 7.1 The Committee received the report which requested the committee to review its terms of reference within the Combined Authority constitution and suggest any changes they would like to put forward as a recommendation to the Board.
- 7.2 The Committee discussed how its role was to ensure processes were put in place and were working effectively.

The Committee needed to develop a better understanding of the business being undertaken and requested that a workshop be arranged for committee members to meet with the directors once all posts had been recruited to.

- 7.3 The Committee requested that officers provide a glossary of the terms used within the Terms of References and a register of when policies would be reviewed over the municipal year.
- 7.4 The Committee requested that a development session be arranged to explore and clarify the committee's role and procedures.
- 7.5 The Committee requested that Combined Authority agree that the Committee's role in relation to the new Business Board be added to the Terms of Reference.

## **8. Annual Financial Report 2017/18**

- 8.1 The Committee received the report from the Interim Chief Finance Officer which requested that the committee approve the audited Statement of Accounts 2017/18 and approve the Annual Governance Statement 2017/18.
- 8.2 The following points were discussed:
- The accounts had been reviewed by the external auditors and they had no concerns.
  - Some members advised that the layout of the accounts were quite confusing; there were two tables which showed movement of reserves, but they displayed different numbers.
  - Officers explained that one of the tables was included within the narrative which was meant to help provide some clarity.
  - The money that had been allocated for housing was earmarked and therefore could not be spent on other projects.
  - The amount of £92,517 referenced within the accounts were grant payments that had been received.
  - The grants that had been received were given on the provision of certain conditions being met by the Combined Authority, if these were not spent appropriately they would be returned.

- 8.3 The Internal Auditor advised that the Governance statement should be signed by the Chief Executive and the Mayor not the Audit Chairman.

The Audit Chair would still need to sign the statement of accounts.

- 8.4 The Committee approved the audited Statement of Accounts 2017/18 and the Annual Governance Statement 2017/18 as included within the Statement of Accounts.

## **9. External Audit – Audit Results Report**

- 9.1 The Committee received the report which introduced the audit results report prepared for the Audit and Governance Committee by Ernst & Young LLP (EY).
- 9.2 The External Auditors congratulated the team for producing the accounts within



the new time-frame.

- 9.3 The External Auditors felt that the audit had been smooth and, although the accounts were a bit more complicated than originally expected, they were happy with the presentation provided of the grant funding.

Arrangements had been put in place in regard to governance. They had had some areas of concern around governance initially, but they had noted that that arrangements were due to be put in place and that the activity was being dealt with appropriately in the interim.

- 9.4 The External Auditors advised that the initial fee charged had been based on a national tender process and had been estimated at £35k, however the work carried out had been far more significant especially around the analysis of value for money. The new fee represented the amount of extra work that had been provided.

With the widening scope of the Combined Authority by taking on the LEP, the risk that represented and the wider value for money(VFM) implications would mean a reconsideration of the fee.

The role of external auditors was to check that VFM processes were in place and that they were soundly based ; external audit did not currently have a mandate to advise whether or not those arrangements would lead to VFM.

The Chair advised that it was for the Audit and Governance Committee to take a view on the effectiveness of both the Treasury Management Strategy and the Combined Authority's overall VFM approach and arrangements.

- 9.5 The Committee noted the Annual results report for the year ended 31 March 2018 and endorsed the external auditors remarks that the finance team had done incredibly well to prepare the accounts in the new, foreshortened timeframe.

## **10. Review of Investment Strategy & Risk Appetite**

- 10.1 The Committee received an oral update from the Interim Chief Finance Officer which provided information on the status of the investment strategy and the risk appetite for the Combined Authority.

- 10.2 The Combined Authority had engaged CBRE and would be working with them over the summer to develop an investment strategy and develop the organisational risk appetite with the view that a report would be brought to the Board in October.

This was a key piece of work to help identify how the organisation would fund projects over the foreseeable future.

There was currently enough money in the bank to fund projects that were already in hand but in the fourth year the larger projects, such as the University of Peterborough and the Mass Rapid Transport would mean that the Combined Authority would need to consider what funding options might be available and what strategic investment partners may look like.

There could be opportunities for external investment as well as government investment.

Following the piece of work being done by CBRE there would be a much clearer picture and there would be a model that could be built upon – the work would be ongoing and dynamic over the years.

- 10.3 The Committee requested that the report to be taken to the Board in October be brought to the November Audit and Governance Committee meeting.

- 10.4 The Committee noted the update.

## **11. Internal Audit Annual Report**

- 11.1 The Committee received the report from the Internal Auditor, Steve Crabtree which provided assurance to the Audit and Governance Committee that activities undertaken across the Combined Authority were managed, monitored and delivered in accordance with set governance, controls and risk management frameworks. The report provided notice of the Annual Audit Report and Opinion.

- 11.2 The report had provided reasonable assurance as many policies were still being put in place, but they needed to be embedded and the internal auditor would be following these up.

- 11.3 The Committee noted the report.

## **12. Internal Audit – Progress Report**

- 12.1 The Committee received the report which provided detail of the progress made in delivering the approved Audit Plan for 2018 / 2019.

- 12.2 The Internal Auditor would be reviewing the Business Board in the next quarter.

The East Cambridgeshire Trading Company Loan Facility would also be reviewed.

- 12.3 The Internal Auditor wanted to make the Committee aware that there were a lot of changes coming up, including the addition of the Adult Education budget which would need to be looked at going forward.

- 12.4 A quick risk assessment had been carried out in relation to contracts and projects, but further work would be done later in the year as they were new projects and contracts upcoming.

The Internal Auditor reassured the committee that they had examined the processes for appointing consultants and they were found to be appropriate.

- 12.5 The Committee noted the report.

## **13. Work Programme**

- 13.1 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.

- 13.2 The Committee agreed to add the following to the work programme:

A new paper for the September meeting. This would set out the governance

arrangements for the LEP functions within the Combined Authority, and the composition and role of the Business Board; the report would also describe the role of the Audit & Governance Committee in relation to these new arrangements.

The report taken to the Board in October regarding the Investment Strategy would come to the November meeting.

**14. Date and Location of the Next Meeting**

- 14.1 The Committee agreed the next meeting shall be held on September 28<sup>th</sup> at Cambridgeshire County Council. It would start with a development session at 10 am on the LEP arrangements to help inform the discussion of the agenda item in the meeting starting at 11 am.

Meeting Closed: 12.21pm.

### **Audit and Governance Committee Action Sheet – 20<sup>th</sup> July 2018**

Date	Action	Officer	Delegated officer	Completed
20 <sup>th</sup> July 2018	Change start time of public meeting to 11am with a development session to be held at 10am for the September meeting.	Anne Gardiner		07/08/2018
	September development session: LEP and the Combined Authority arrangements and role of A&G – workshop.  Include:  Business Board plus Code of Conduct of LEP members	Noel O'Neil		28/09/2018
	Paper on LEP governance and relationships between the Business Board, the CA Board and the A&G Committee.	Noel O'Neil		28/09/2018
	Treasury Management Update to be brought to the September meeting	Karl Fenlon	Jon Alsop	28/09/2018
	Circulate action sheet to members.	Anne Gardiner		14/08/2018
	Update on the proposed committee structure to be included in the CA Board Update at Septembers meeting.	Karl Fenlon/Kim Sawyer		28/09/2018

	Officers to look into the feasibility of holding the May meeting in public to consider the draft statement of accounts.	Anne Gardiner/Jon Alsop		28/09/18
	Self-assessment form to be turned into an action list for the committee to review on a quarterly basis. Add to work programme	Anne Gardiner/Jon Alsop		30/11/2018
	Workshop to be arranged for committee members and Directors of CA once all Directors have been appointed.	Anne Gardiner		TBC
	Rearrange meeting times so that development sessions can be held after public meeting rather than before unless otherwise specified.	Anne Gardiner		07/08/2018
	Governance arrangements for the Audit & Governance Committee in relation to the Business Board be added to the terms of reference and submitted to the Board for approval.	Karl Fenlon		26/09/2018
	Glossary of terms used in the Terms of reference for the A&G Committee to be circulated to members along with a schedule that outlines when the committee looks at certain topics each year.	Debbie Forde		26/09/2018
	Development Session to be arranged on the procedural role of the A&G Committee	Kim Sawyer/ Anne Gardiner		30/11/2018

	Board report on Risk going to the October CA Board meeting to come to Audit in November.	Karl Fenlon		30/09/2018
	Register of policies that have been agreed and the review dates for these policies to be sent to Cllr Mason.	Debbie Forde		26/07/2018



**CAMBRIDGESHIRE  
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<b>AUDIT AND GOVERNANCE COMMITTEE</b>	<b>AGENDA ITEM No: 4</b>
<b>28 SEPTEMBER 2018</b>	<b>PUBLIC REPORT</b>

## **ERNST & YOUNG LLP ANNUAL AUDIT LETTER FOR THE YEAR ENDED 31 MARCH 2018**

### **1.0 PURPOSE**

- 1.1. The purpose of this report is to receive and note the Annual Audit Letter, as prepared by Ernst and Young following the completion of their 2017/18 audit.

<b><u>DECISION REQUIRED</u></b>	
<b>Lead Officer:</b>	<b>Karl Fenlon – Interim Chief Finance Officer</b>
It is recommended that the Audit and Governance Committee:  1. Notes the Annual Audit Letter.	

### **2.0 BACKGROUND**

- 2.1. The purpose of the annual audit letter is to communicate to Members, management and external stakeholders, including members of the public, the key issues arising from EY's work in carrying out the audit of the 2017/18 statement of accounts for the Cambridgeshire and Peterborough Combined Authority. Detailed findings from EY's audit work were reported to the 20th July 2018 Audit and Governance Committee meeting. This letter was published on the Combined Authority's website on 30<sup>th</sup> August 2018

### **3.0 FINANCIAL IMPLICATIONS**

- 3.1. The final audit fee for 2017/18 was £38,700. An additional fee of £3,700 above the planned fee of £35,000 was agreed with the Interim Chief Finance Officer. The increased fee was in respect of additional auditor time required to undertake work on the value for money conclusion and on dealing with some technical aspects of the accounts.

### **4.0 LEGAL IMPLICATIONS**

- 4.1. Ernst and Young completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.

### **5.0 SIGNIFICANT IMPLICATIONS**

- 5.1. None.

### **6.0 APPENDICES**

- 6.1. CPCA Annual Audit Letter 2017/18.

<u>Source Documents</u>	<u>Location</u>
None	



# **Cambridgeshire & Peterborough Combined Authority Annual Audit Letter**

August 2018

Year ended 31 March 2018

28 August 2018



Dear Members of the Combined Authority

The purpose of this annual audit letter is to communicate to Members, management and external stakeholders, including members of the public, the key issues arising from our work in carrying out the audit of the 2017/18 statement of accounts for the Cambridgeshire & Peterborough Combined Authority (the Authority). Our reporting during the year has recognised the arrangements being put into place by the Authority during the year to support how it seeks to ensure it delivers value for money.

We have already reported the detailed findings from our audit work in our 2017/18 Audit Results Report to the 20 July 2018 Audit and Governance Committee. We do not repeat those detailed findings in this letter. At that meeting we reported that we expected to issue auditor's report imminently. We are pleased to provide this annual audit letter to confirm that we issued the auditor's report on 25 July, enabling the Authority to publish its audited accounts by the 31 July deadline.

We can confirm that we issued an unqualified audit opinion on the Authority's accounts. In addition, we had no matters to report in the value for money conclusion, although we did report detailed commentary on the arrangements put in place by the Authority for the year ending 31 March 2018.

Finally, we recognised the good work by the Authority to prepare its statement of accounts within the new earlier deadlines and generally good supporting working papers. However, some technical aspects of the accounts and the extent of work we were required to undertake on the value for money conclusion has led to additional auditor time to deliver the audit. We have agreed with the Interim Chief Finance Officer a resultant additional fee of £3,700.

We thank the Authority's finance team for their cooperation and engagement during the audit.

Yours faithfully

Suresh Patel, Associate Partner for and on behalf of Ernst & Young LLP

# Contents



In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website ([www.PSAA.co.uk](http://www.PSAA.co.uk)). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit & Governance Committee and management of Cambridgeshire & Peterborough Combined Authority in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit & Governance Committee, and management of Cambridgeshire & Peterborough Combined Authority those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit & Governance Committee and management of Cambridgeshire & Peterborough Combined Authority for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

## Executive Summary



## Executive Summary

### Overview of the audit

We issued an unqualified opinion on the financial statements and had no matters to reporting in respect of the value for money conclusion.

Area of Work	Conclusion
<b>Opinion on the Authority's</b>	
▶ Statement of accounts	We issued an unqualified opinion on 25 July 2018. The financial statements give a true and fair view of the financial position of the Trust as at 31 March 2018 and of its expenditure and income for the year then ended.
▶ Consistency of the other information published with the Statement of accounts.	Financial information in the narrative report was consistent with the audited accounts.

### Reporting by exception

▶ Governance statement	The Annual Governance Statement was consistent with our understanding of the Authority
▶ Public interest report	There were no matters that warranted reporting in the public interest.
▶ Value for money conclusion	The Authority has been working to put in place arrangements for securing effective use of its resources. We had no matters to include within the auditor's report on the value for money conclusion but did include detailed commentary in the Audit Results Report about the timing of those arrangements being put into place.
<b>Other</b>	
▶ Reporting to the National Audit Office (NAO) in line with group instructions	The Authority is below the NAO's reporting threshold so we had no matters to report.

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Authority communicating significant findings resulting from our audit.	We issued our Audit Results Report to the Audit and Governance Committee on 20 July 2018.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	We issued our certificate on 25 July 2018



## Executive Summary

### Fees

We based our planned fee on the assumption that the Authority would:

- ▶ Prepare draft statements free from misstatement.
- ▶ Provide good quality working papers.
- ▶ Respond promptly and effectively to audit queries.

Throughout the year we have engaged early and effectively with the finance team on matters that may have impacted on the statements. The finance team have been very receptive to our engagement and we have valued their openness. The statements did contain more capital accounting disclosures than we expected and we did identify some supporting working papers with scope for improvement. In addition, we carried out more work than originally planned on the value for money conclusion, in particular seeking and obtaining evidence and assurances in relation to the arrangements that the Authority was putting in place during the financial year.

As a result of the the additional audit input required to complete the audit and help ensure the Authority met the 31 July deadline for publishing the audited statements we have agreed with the Interim Chief Financial Officer an additional audit fee of £3,700. This fee is subject to approval by PSAA.

Item	Final fee 2017/18	Planned fee 2017/18	Final fee 2016/17
Statutory audit fee	£38,700	£35,000	£15,000

The Authority has not engaged us to carry out any non-audit services.





## 02 Responsibilities



# Responsibilities

## What are our respective responsibilities?

### Trust responsibilities

The Authority is responsible for preparing and publishing its Statement of accounts. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### Auditor responsibilities

We presented an Audit Plan to the Audit and Governance Committee in March 2018 outlining our compliance with the National Audit Office's 2015 Code of Audit Practice (NAO), International Standards on Auditing (UK and Ireland), and other guidance issued by the NAO.

As auditors we are responsible for expressing an opinion on:

- ▶ The 2017/18 financial statements; and
- ▶ The consistency of other information published with the statements.

We are required to report by exception:

- ▶ If the annual governance statement does not comply with relevant guidance or is not consistent with our understanding of the Authority; and
- ▶ Any significant matters that are in the public interest.

We are also required to:

- ▶ Form a conclusion on the arrangements the Authority has in place to secure economy, efficiency and effectiveness in its use of resources;
- ▶ Provide an assurance statement to the NAO on the Authority's WGA submission; and
- ▶ Undertake any other work specified by the Code of Audit Practice.





## 03 Findings from our work



## Findings from our work

Are the financial statements free from material misstatement?

### Key issues

The Statement of Accounts is an important tool for the Authority to show how it has used public money and how it can demonstrate its financial management and financial health. We issued an unqualified audit opinion on 25 July 2018 however we did report some matters to the Audit Committee which we summarise below.

### Significant risk - Management override of controls



A risk present on all audits is that management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

### What did we find?

We did not identify any material weaknesses in controls or evidence of material management override. We did not identify any instances of inappropriate judgements being applied or any transactions during our audit which appeared unusual or outside the Authority's normal course of business.

### Other matters

**Faster close** - The Authority met the shortened deadline for production of its accounts, however we received the accounts the week after we had planned to start the audit. To a large extent the accounts and notes were supported by good quality working papers, except for in a few specific areas, where we had some difficulties.

**Issues requiring additional audit focus** - the Authority has treated the majority (£34.3 million) of its expenditure on 'New Homes & Communities' and 'Transport & Infrastructure' as Revenue Expenditure Funded from Capital under Statute (REFCUS) - expenditure incurred during the year that may be classified as capital for funding purposes. As this expenditure does not form an asset to be carried on the Combined Authority's balance sheet it is charged to the relevant service line in the Comprehensive Income and Expenditure Statement. The grant income received in respect of this expenditure is credited to the same lines in the CIES. We carried out a technical review of this treatment and we concluded it was reasonable.

### Audit differences

We identified small presentational and disclosure issues which management accepted.

### Our application of materiality

We determined planning materiality to be £821,000, which is 2% of gross revenue expenditure reported in the accounts. We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Authority.

We agreed with the Audit and Governance Committee that we would report to the Committee all audit differences in excess of £40,000.



## 04 Value for Money



# Value for Money

## Economy, efficiency and effectiveness

We are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

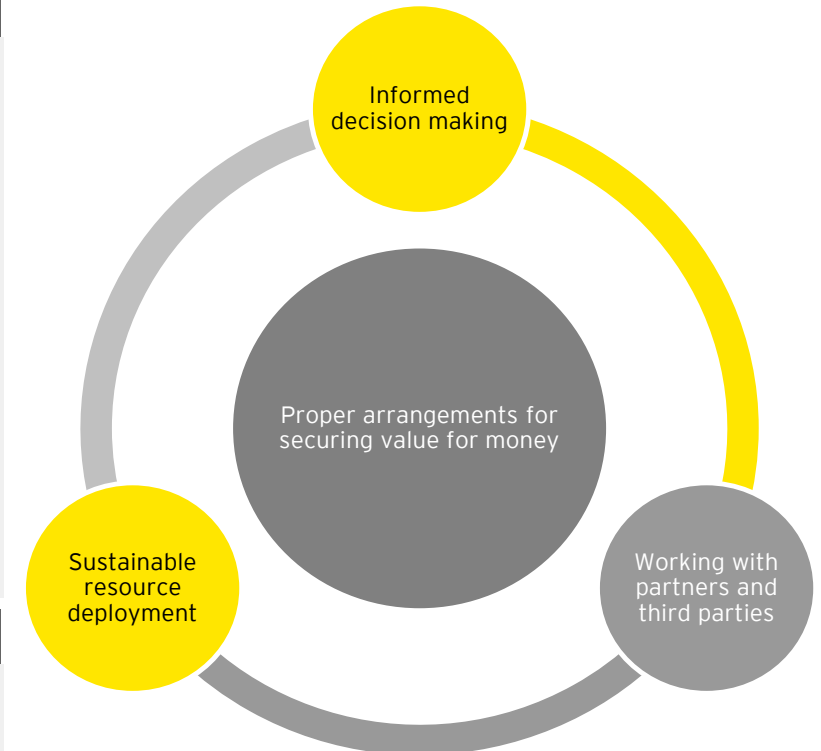
- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We identified one significant risk in relation to these criteria and below we provide a short summary of the findings of our work in response to the risk outlined in our Audit Plan.

## Overall conclusion

We issued an unqualified conclusion in respect of your arrangements to secure economy, efficiency and effectiveness in your use of resources.



## Findings

The Audit Results Report we issued on 20 July provides detailed findings of our work.

The Authority has been putting in place arrangements for securing value for money throughout the year. However some of these arrangements were only formalised at the year-end. We sought and obtained sufficient assurance that the Authority was demonstrating proper arrangements over its use of resources but we also highlighted the need for the Authority to continue to formalise those arrangements.

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ED None

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<b>AUDIT AND GOVERNANCE COMMITTEE</b>	<b>AGENDA ITEM No: 5</b>
<b>28 SEPTEMBER 2018</b>	<b>PUBLIC REPORT</b>

## **TREASURY MANAGEMENT MID YEAR UPDATE**

### **1.0 PURPOSE**

- 1.1. The purpose of the report is for the Audit and Governance Committee to review the current performance against the prudential indicators included within the Treasury Management Strategy.

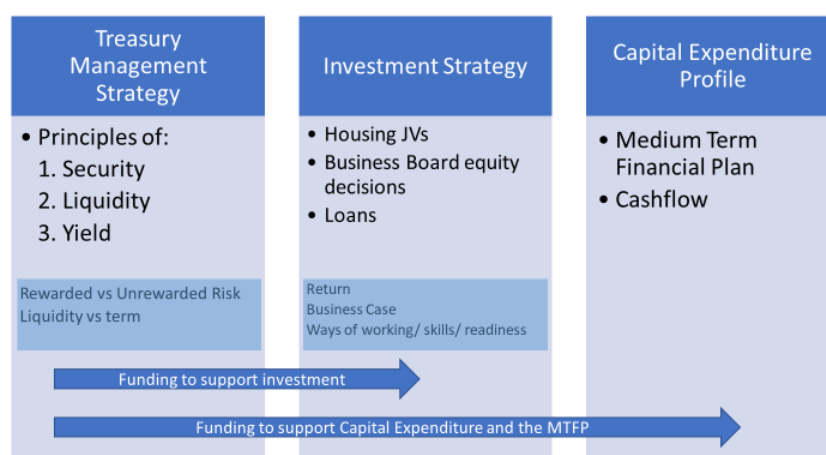
<b><u>DECISION REQUIRED</u></b>	
<b>Lead Officer:</b>	<b>Karl Fenlon – Interim Chief Finance Officer</b>
The Audit and Governance Committee is recommended to review the current performance against the Treasury Management Strategy and note the emerging investment and capital strategy; setting a further date for the review of such.	

### **2.0 BACKGROUND**

- 2.1. The Cambridgeshire and Peterborough Combined Authority (CPCA) Treasury Management Strategy (TMS) 2018/19 to 2020/21 (Appendix 1) was received and adopted by the CPCA Board on 30<sup>th</sup> May 2018.
- 2.2. The Board approved the recommendation that responsibility for any additional minor amendments required to the Treasury Management Strategy be delegated to the Chief Finance Officer in consultation with the Portfolio holder

for Fiscal Strategy. All such amendments to be circulated to the Audit and Governance Committee and members of the Combined Authority Board.

- 2.3. The Treasury Management Strategy has been updated to reflect this decision and is shown at appendix 2.
- 2.4. The Board also approved the recommendation of the Audit and Governance Committee to undertake a review of the Combined Authority's investment strategy and risk appetite.
- 2.5. We have received a proposal for the focus and objectives of the review and this is being considered in the light of the Combined Authority's Medium Term Financial Plan and the development of the wider "Single Investment Fund" strategy.
- 2.6. Categories of investment that the Combined Authority is or is likely to be involved with are set out in the table below. Surplus cash balances will be held in accordance with Prudential principles of security, liquidity and yield in order to support strategic investment decisions and the Capital expenditure Programme and the Medium Term Financial Plan.



- 2.7. The role of the Single Investment Fund is to provide a platform to enable existing and future devolved funding streams to be channelled in accordance with an agreed fund strategy. The Fund will ensure effective co-ordination and management of all CPCA's funding streams. As the Combined Authority matures, the balance of funding currently held under the Treasury Management Strategy, will naturally shift to the right.
- 2.8. According to their Terms of Reference, the Audit and Governance Committee shall:

*No. 3.16 – Ensure there is effective scrutiny of the treasury management strategy and policies in accordance with CIPFA's Code of Practice.*

- 2.9. The Treasury Management in the Public Services: Code of Practice 2011 recommends that Members receive reports on its treasury management policies, practices and activities, including an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close.

### **Treasury Management Strategy Prudential Indicators**

- 2.10. The Prudential Code underpins the system of capital finance. Prudential indicators are developed to ensure that:
- (a) Capital investment plans are affordable;
  - (b) All external borrowing and other long term liabilities are within prudent and sustainable levels; and
  - (c) Treasury management decisions are taken in accordance with professional good advice.
- 2.11. The mid-year update to the Prudential Indicators is shown at appendix 1.

### **Investment Activity**

- 2.12. As at 31 August 2018, the following investments were held with Approved Investments in accordance with the Treasury Management Strategy:

<u>Investment Type</u>	<u>Average interest rate on balances held 31 Aug 2017</u>	<u>Balances as at 31 Aug 2017 (£m)</u>	<u>Average interest rate on balances held 31 Aug 2018</u>	<u>Balances as at 31 Aug 2018 (£m)</u>	<u>TMS Collective Limit as at 31 Aug 2018 (£m)</u>	<u>TMS Individual Limit as at 31 Aug 2018 (£m)</u>
Debt Management Agency Deposit Facility	0.100%	14.0	0.510%	17.0	n/a	150.0
Term deposits with UK Government & Local Authorities	0.210%	61.0	0.683%	147.5	200.0	20.0
Term deposits & Certificates of Deposit with Banks	0.100%	15.0	0.400%	7.2	100.0	15.0
Money Market Funds	0.188%	10.0	0.658%	10.0	50.0	10.0
<b>Total</b>		<b>100.0</b>		<b>181.7</b>		

## **3.0 FINANCIAL IMPLICATIONS**

- 3.1. To develop a balanced approach to investment return, within available capital budgets.

## **4.0 LEGAL IMPLICATIONS**

- 4.1. Treasury Management activities have to conform to the Local Government Act 2003, the Local Authorities (Capital; Finance and Accounting) (England) Regulations 2003 (SI 2003/3146), which specifies that the Council is required to have regard to the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice and also the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414), which clarifies the requirements of the Minimum Revenue Provision guidance.

## **5.0 SIGNIFICANT IMPLICATIONS**

- 5.1. None.



## 6.0 APPENDICES

- Appendix 1 – Prudential Indicators – draft submission
- Appendix 2 – Cambridgeshire and Peterborough Combined Authority (CPCA) Treasury Management Strategy 2018/19 to 2020/21.

<u>Source Documents</u>	<u>Location</u>
<i>None</i>	

## Appendix 1: Treasury Management Strategy mid-year update 2018/19

### Prudential Indicators

1. The Code requires the Combined Authority to set a range of Prudential Indicators. The information provided below sets out the mid-year performance against the Indicators adopted by the Combined Authority as set out in the Treasury Management Strategy. It reflects our current status as a work in progress.
2. **Indicator 1 - Capital Expenditure – Estimate (draft).** A summary of the Combined Authority's estimated capital expenditure for the forthcoming financial year and the following two financial years (tbc) including how it will be funded. Estimates are taken from the draft version of the Medium Term Financial Plan, which is currently under review.

Capital Expenditure	16/17 Actual £m	17/18 Actual £m	18/19 Mid yr £m	18/19 Est £m	19/20 Est £m	20/21 Est £m
Transport & Infrastructure	0.00	0.95	3.75	14.58	tbc	tbc
Housing & Communities	0.00	2.98	1.15	43.96	tbc	tbc
Employment & Skills	0.00	0.00	0.01	4.71	tbc	tbc
Strategy & Planning	0.00	0.00	0.00	0.44	tbc	tbc
Corporate	0.00	0.00	0.00	0.26	tbc	tbc
<b>Total</b>	<b>0.00</b>	<b>3.93</b>	<b>4.91</b>	<b>63.95</b>	<b>tbc</b>	<b>tbc</b>
<b>Financed by:</b>						
Gainshare Capital Funds	0.00	0.95	0.01	5.41	tbc	tbc
Housing Capital Funds	0.00	2.98	1.15	43.96	tbc	tbc
Transforming Cities/Growth Funds	0.00	0.00	3.75	14.58	tbc	tbc
<b>Total</b>	<b>0.00</b>	<b>3.93</b>	<b>4.91</b>	<b>63.95</b>	<b>tbc</b>	<b>tbc</b>

3. **Indicator 2 – Capital Financing Requirement (CFR)** – the CFR is the total historical capital expenditure which has not yet been paid for from either revenue or capital resources. It is a measure of the Combined Authority's underlying borrowing requirement. Any capital expenditure which has not immediately been paid for will increase the CFR. The Combined Authority currently has no borrowing requirement, hence CFR is zero.

Capital Financing Requirement	16/17 Actual £m	17/18 Actual £m	18/19 Mid yr £m	18/19 Est £m	19/20 Est £m	20/21 Est £m
CFR brought forward	0	0	0	0	tbc	tbc
Borrowing	0	0	0	0	tbc	tbc
Repayment	0	0	0	0	tbc	tbc
CFR carried forward	0	0	0	0	tbc	tbc
<b>Movement in CFR</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>tbc</b>	<b>tbc</b>
Net financing requirement	0	0	0	0	tbc	tbc
Less MRP & other financing	0	0	0	0	tbc	tbc
<b>Movement in CFR</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>tbc</b>	<b>tbc</b>

4. **Indicator 3 – Actual and estimates of the ratio of financing costs to net revenue budget.** This indicator identifies the proportion of the revenue budget which is taken up in Financing capital expenditure i.e. the net interest cost and the provision to repay debt.

Ratio of gross financing costs to net revenue budget	16/17 Actual £m	17/18 Actual £m	18/19 Mid yr £m	18/19 Est £m	19/20 Est £m	20/21 Est £m
Total ratio	n/a	n/a	n/a	n/a	tbc	tbc

5. **Indicator 4 - The Combined Authority's treasury position,** with estimates for future years will be entered in the table below as future borrowing requirements become clear. The table below shows the actual external borrowing (Gross Debt) against the CFR.

Gross debt & capital financing requirement	16/17 Actual £m	17/18 Actual £m	18/19 Mid yr £m	18/19 Est £m	19/20 Est £m	20/21 Est £m
<b>External Borrowing</b>						
Market Borrowing	0	0	0	0	tbc	tbc
Repayment of borrowing	0	0	0	0	tbc	tbc
Expected change in borrowing	0	0	0	0	tbc	tbc
Other long-term liabilities	0	0	0	0	tbc	tbc
<b>Gross Debt at 31 March</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>tbc</b>	<b>tbc</b>
CFR	0	0	0	0	tbc	tbc
<b>% of Gross Debt to CFR</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>tbc</b>	<b>tbc</b>

6. **Indicator 5 - The Operational Boundary** - external borrowing is not normally expected to exceed this limit. If the operational boundary was exceeded this would be reported immediately to the members of the Audit and Governance Committee with a full report taken to the next committee meeting. The Operational Boundary is set out below:

Operational Boundary	16/17 Actual £m	17/18 Actual £m	18/19 Mid yr £m	18/19 Est £m	19/20 Est £m	20/21 Est £m
Borrowing	0	0	0	45.91	74.61	74.61
Other long term liabilities	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>45.91</b>	<b>74.61</b>	<b>74.61</b>

7. **Indicator 6 - The Authorised Limit for external borrowing** - this represents a limit beyond which external borrowing is prohibited.

Authorised Limit	16/17 Actual £m	17/18 Actual £m	18/19 Mid yr £m	18/19 Est £m	19/20 Est £m	20/21 Est £m
Borrowing	0	0	0	55.91	84.61	84.61
Other long term liabilities	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>55.91</b>	<b>84.61</b>	<b>84.61</b>

8. **Indicator 7 – Upper limit on fixed interest rate exposure.** This identifies a maximum limit for fixed interest rates based upon the debt position net of investments. This has been set at 100% of the borrowing requirement.
9. **Indicator 8 - Upper limit on variable rate exposure.** This identifies a maximum limit for variable interest rates based upon the debt position net of investments. This has been set at 25% of the borrowing requirement.

Interest Rate Exposure (Upper Limits)	16/17 Actual £m	17/18 Actual £m	18/19 Mid yr £m	18/19 Est £m	19/20 Est £m	20/21 Est £m
<b>(7) Limits on fixed interest rate net debt</b>	0	0	0	45.91	74.61	74.61
<b>% of fixed interest rate exposure</b>	100%	100%	100%	100%	100%	100%
<b>(8) Limits on variable interest rate on net debt</b>	0	0	0	11.48	18.65	18.65
<b>% of variable interest rate exposure</b>	25%	25%	25%	25%	25%	25%

10. **Indicator 9 - Maturity structure of borrowing.** These gross limits are set to reduce the Combined Authority's immediate exposure to large fixed rate sums falling due for refinancing.

Maturity Structure of borrowing	Upper Limit	16/17 Actual £m	17/18 Actual £m	18/19 Mid yr £m	18/19 Est £m	19/20 Est £m	20/21 Est £m
Under 12 months	40%	0	0	0	0	0	0
12 months to 2 years	40%	0	0	0	0	0	0
2 years to 5 years	80%	0	0	0	0	0	0
5 years to 10 years	80%	0	0	0	0	0	0
10 years and above	100%	0	0	0	0	0	0

11. **Indicator 10 - Upper limit for total principal sums invested for over 365 days excluding loans.** This limit is set with regard to the Combined Authority's liquidity requirements and to reduce the need for an early sale of an investment.

Overall limit for sums invested over 365 days	16/17 Actual £m	17/18 Actual £m	18/19 Mid yr £m	18/19 Est £m	19/20 Est £m	20/21 Est £m
Principal sums invested over 365 days	0	0	0	10	10	10



**CAMBRIDGESHIRE  
& PETERBOROUGH**  
COMBINED AUTHORITY

# Treasury Management Strategy 2018/19 to 2020/21

## **1. Introduction**

### **1.1. Background**

1.1.1. The Combined Authority is required to operate a balanced budget, which means that cash raised through the year will meet cash expenditure. The Treasury Management Strategy (TMS) has four fundamental roles:

- Manage External Investments - Security, Liquidity and Yield
- Ensure Debt is Prudent and Economic
- Produce and Monitor the Prudential Indicators
- To ensure that decisions comply with regulations.

1.1.2. The role of treasury management is to ensure cash flow is adequately planned so that cash is available when it is needed. Surplus monies are invested in low risk counterparties commensurate with the Combined Authority's risk appetite ensuring that security and liquidity are achieved before considering investment return.

1.1.3. CIPFA defines treasury management as:

*“The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”*

1.1.4. This Treasury Management Strategy also fulfils the requirements of the Ministry of Housing Communities and Local Government (MHCLG) for every local authority to produce an Annual Investment Strategy.

### **1.2. Reporting Requirements**

1.2.1. The Combined Authority is required to receive and approve, as a minimum, three reports each year. These reports are to be scrutinised by the Audit and Governance Committee before being recommended to Combined Authority.

1.2.2. This Treasury Management Strategy report covers:

- the capital programme (including prudential indicators)
- a Minimum Revenue Provision (MRP) Policy
- the Treasury Management Strategy including treasury indicators; and
- an Investment Strategy

1.2.3. A mid-year Treasury Management Report will update members of the Audit and Governance Committee with the progress of the capital programme, investments and amending prudential indicators as necessary.

1.2.4. An Annual Treasury Report will provide details of actual prudential and treasury indicators and actual treasury operations compared to estimates. The Annual Treasury Report is presented alongside the Statement of Accounts.

### **1.3. Treasury Management Strategy for 2018/19**

1.3.1. The strategy for 2018/19 covers:

- |  |   |
|--|---|
| • Policy on use of External Advisors - Section 1.4                     | • New Borrowing Approaches to be Considered – Section 8 |
| • Treasury Management Policy Statement - Section 1.5                   | • Treasury Debt Prudential Indicators - Section 9       |
| • Revised CIPFA Treasury Management and Prudential Codes - Section 1.6 | • Policy on Borrowing in Advance of Need - Section 10   |

- Treasury Management role of the S151 Officer Roles - Section 1.7
- Capital Programme and the Prudential Indicators - Section 2
- Minimum Revenue Provision Policy - Section 3
- Current Treasury Position - Section 4
- Treasury Indicators - Section 4
- Prospects for Interest Rates - Section 5
- Investment and Borrowing Rates - Section 6
- Borrowing Strategy - Section 7
- Debt Rescheduling - Section 11
- Municipal Bond Agency - Section 12
- Investment Strategy - Section 13
- Creditworthiness Policy - Section 14
- Loans made to Third Parties - Section 15
- Non-financial Investments - Section 16
- Treasury Management Scheme of Delegation - Section 17

1.3.2. These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code 2017, the MHCLG, MRP Guidance, the CIPFA Treasury Management Code 2017 and the MHCLG Investment Guidance.

#### **1.4. Treasury Management Advisors**

- 1.4.1. The Combined Authority recognises that responsibility for treasury management decisions remains with the Combined Authority at all times and will ensure that undue reliance is not placed upon external advisors.
- 1.4.2. The Combined Authority also recognises that there is value in employing external providers of treasury management services in order to access specialist skills and resources. The Combined Authority will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

#### **1.5. Treasury Management Policy Statement**

- 1.5.1. The Treasury Management Policy Statement sets out the policies and objectives of Treasury Management Activities which is revised annually. It reflects April 2018 guidance.
- 1.5.2. The Combined Authority regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.
- 1.5.3. The Combined Authority acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.
- 1.5.4. Investments in the above definition covers all financial assets of the organisation, as well as other non-financial assets which the organisation holds primarily for financial returns such as investment property portfolios. This may therefore include investments which are not managed as part of normal treasury management or under treasury management delegations. All investments require an appropriate investment management and risk management framework.
- 1.5.5. The Combined Authority's high level policies for borrowing and investments are set out below.



- To invest available cash balances with a number of high quality investment counterparties over a spread of maturity dates in accordance with the Combined Authority's lending list.
- To reduce the revenue cost of any debt the Combined Authority enters into by obtaining financing at the cheapest rate possible.
- To seek to reschedule or repay debt at the optimum time.

#### **1.6. Revised CIPFA Treasury Management and Prudential Codes**

- 1.6.1. CIPFA has reviewed the Treasury Management Code of Practice and the Prudential Code. This review focused on non-treasury investments and especially on the purchase of property with a view to generating income. Such purchases may involve undertaking external borrowing to raise the cash to finance these purchases, or the use of existing cash balances. Both actions affect treasury management.
- 1.6.2. CIPFA has withdrawn some prudential indicators (listed below) as they have caused confusion as to how to calculate them. However it is appropriate to retain two of these as local indicators because they are likely to be relevant to measuring the sustainability of the Combined Authority's long term financial position.
  - Incremental impact of capital investment decisions on Council tax (not relevant)
  - Estimates of the ratio of financing costs as a percentage of net revenue stream for three years ahead
  - Actual ratio of financing costs to net revenue stream (after the year-end)
  - Q4 of the Prudential Code consultation questionnaire also questioned whether HRA indicators should be removed. This will not affect the Combined Authority as it is not an HRA Combined Authority
- 1.6.3. The requirement to report on investments of longer than 364 days has been changed to longer than 365 days. This change has been incorporated into Indicator 11.

#### **1.7. The Treasury Management Role of the Section 151 Officer**

##### **The S151 (responsible) officer must do the following:**

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- review the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-

financial investments and is in accordance with the risk appetite of the authority

- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority. This is done by regular development sessions with the Audit and Governance Committee
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above and this is done by regular attendance at course and conferences and joint working with external advisors
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following -

Risk management (Treasury Management Practise 1 (TMP) and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;

Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;

Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;

Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken to the various committees;

Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

## **2. Capital Prudential Indicators 2018/19 to 2020/21**

- 2.1. The Combined Authority's capital programme will become a key driver of the treasury management activity. The output of the capital programme will be reflected in the prudential indicators which are designed to assist member's overview and confirm the capital programme.

- 2.2. **Indicator 1** – Capital Expenditure – this Prudential Indicator will be a summary of the Combined Authority’s estimated capital expenditure for the forthcoming financial year and the following two financial years including how it will be funded. It will be populated as and when the Combined Authority’s Capital Programme becomes established.

<b>Capital Expenditure</b>	<b>16/17 Actual £m</b>	<b>17/18 Est £m</b>	<b>18/19 Est £m</b>	<b>19/20 Est £m</b>	<b>20/21 Est £m</b>
Transport & Infrastructure	0.0	0.0	tbc	tbc	tbc
New Homes & Communities	0.0	0.0	tbc	tbc	tbc
Education & Skills	0.0	0.0	tbc	tbc	tbc
Strategic Planning	0.0	0.0	tbc	tbc	tbc
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>tbc</b>	<b>tbc</b>	<b>tbc</b>
<b>Financed by:</b>					
Gainshare Capital Funds	0.0	0.0	tbc	tbc	tbc
Housing Capital Funds	0.0	0.0	tbc	tbc	tbc
<b>Net financing requirement</b>	<b>0.0</b>	<b>0.0</b>	<b>tbc</b>	<b>tbc</b>	<b>tbc</b>
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>tbc</b>	<b>tbc</b>	<b>tbc</b>

- 2.3. **Indicator 2** – Capital Financing Requirement (CFR) – the CFR is the total historical capital expenditure which has not yet been paid for from either revenue or capital resources. It is a measure of the Combined Authority’s underlying borrowing requirement. Any capital expenditure which has not immediately been paid for will increase the CFR.
- 2.4. The Combined Authority currently does not have any debt, but is likely to borrow in the future as part of a wider funding strategy that will support future investment programmes.

<b>Capital Financing Requirement</b>	<b>16/17 Actual £m</b>	<b>17/18 Est £m</b>	<b>18/19 Est £m</b>	<b>19/20 Est £m</b>	<b>20/21 Est £m</b>
CFR brought forward	0.0	0.0	tbc	tbc	tbc
Borrowing	0.0	0.0	tbc	tbc	tbc
Repayment	0.0	0.0	tbc	tbc	tbc
CFR carried forward	0.0	0.0	tbc	tbc	tbc
<b>Movement in CFR</b>	<b>0.0</b>	<b>0.0</b>	<b>tbc</b>	<b>tbc</b>	<b>tbc</b>
Net financing requirement	0.0	0.0	tbc	tbc	tbc
Less MRP & other financing	0.0	0.0	tbc	tbc	tbc
<b>Movement in CFR</b>	<b>0.0</b>	<b>0.0</b>	<b>tbc</b>	<b>tbc</b>	<b>tbc</b>

- 2.5. The difference between the borrowing requirement and the movement on the CFR is the MRP recharge made during the year.
- 2.6. **Indicator 3** – Actual and estimates of the ratio of financing costs to net revenue budget. This indicator identifies the proportion of the revenue budget which is taken up in Financing capital expenditure i.e. the net interest cost and the provision to repay debt.

Ratio of gross financing costs to net revenue budget	16/17 Actual £m	17/18 Est £m	18/19 Est £m	19/20 Est £m	20/21 Est £m
Total ratio	n/a	n/a	tbc	tbc	tbc

### 3. Minimum Revenue Provision Policy

- 3.1. Capital expenditure is generally expenditure on assets which have a life expectancy of more than one year e.g. buildings, vehicles, equipment, etc. Such expenditure is spread over several years in order to try to match the years over which such assets benefit the local community through their useful life. The manner of spreading these costs is through an annual Minimum Revenue Provision (MRP).
- 3.2. CLG Regulations require the Combined Authority to approve an MRP statement in advance of each year. A variety of options are provided to Local Authorities to calculate this revenue charge and the Authority must satisfy itself that the provision is prudent.
- 3.3. Local Authorities are allowed by statute to use capital receipts for the repayment of any borrowing previously incurred. The application of capital receipts to repay debt would reduce the level of MRP chargeable to revenue, but statutory guidance does not address how such a reduction should be calculated. When the Authority uses its capital receipts to redeem borrowing, the value of the MRP which would otherwise have been set aside for that year will be reduced by the amounts which have instead been repaid from capital receipts. This results in a prudent level of MRP, as there will be no reduction in the overall level of funding set aside to redeem debt.
- 3.4. The Combined Authority's adopted policy is to charge MRP using the asset life annuity method.

### 4. Current Treasury Position

- 4.1. **Indicator 4** - The Combined Authority's treasury position at 31 March 2017, with estimates for future years will be entered in the table below as future borrowing requirements become clear. The table below shows the actual external borrowing (Gross Debt) against the CFR.

Gross debt & capital financing requirement	16/17 Actual £m	17/18 Est £m	18/19 Est £m	19/20 Est £m	20/21 Est £m
<b>External Borrowing</b>					
Market Borrowing	0.0	0.0	tbc	tbc	tbc
Repayment of borrowing	-	-	tbc	tbc	tbc
Expected change in borrowing	-	-	tbc	tbc	tbc
Other long-term liabilities	0.0	0.0	tbc	tbc	tbc
<b>Gross Debt at 31 March</b>	<b>0.0</b>	<b>0.0</b>	<b>tbc</b>	<b>tbc</b>	<b>tbc</b>
CFR	0.0	0.0	tbc	tbc	tbc
<b>% of Gross Debt to CFR</b>	<b>n/a</b>	<b>n/a</b>	<b>tbc</b>	<b>tbc</b>	<b>tbc</b>

- 4.2. Based on the prudential indicators there are a number of key measures to ensure that the Combined Authority operates its activities within defined limits. One of these is that the Combined Authority needs to ensure that its total borrowing does not, except in the short term, exceed the total of the CFR in the year plus the estimates of any additional CFR for 2018/19 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.
- 4.3. **Indicator 5** - The Operational Boundary - external borrowing is not normally expected to exceed this limit. If the operational boundary was exceeded this would be reported immediately to the members of the Audit and Governance Committee with a full report taken to the next committee meeting. The Operational Boundary is set out below:

<b>Operational Boundary</b>	<b>16/17 Actual £m</b>	<b>17/18 Est £m</b>	<b>18/19 Est £m</b>	<b>19/20 Est £m</b>	<b>20/21 Est £m</b>
Borrowing	0.00	0.00	45.91	74.61	74.61
Other long term liabilities	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>45.91</b>	<b>74.61</b>	<b>74.61</b>

- 4.4. **Indicator 6** - The Authorised Limit for external borrowing - this represents a limit beyond which external borrowing is prohibited.

<b>Authorised Limit</b>	<b>16/17 Actual £m</b>	<b>17/18 Est £m</b>	<b>18/19 Est £m</b>	<b>19/20 Est £m</b>	<b>20/21 Est £m</b>
Borrowing	0.00	0.00	55.91	84.61	84.61
Other long term liabilities	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>55.91</b>	<b>84.61</b>	<b>84.61</b>

- 4.5. This is the borrowing cap agreed by HM Treasury with Cambridgeshire and Peterborough Combined Authority in advance of the making of the Combined Authorities (Borrowing) Regulations 2018.

## **5. Prospects for Interest Rates**

- 5.1. The Combined Authority utilises the treasury services of Link Asset Services through its relationship with Peterborough City Council who provide Treasury Management Support to the Combined Authority. Part of their service is to assist the Combined Authority to formulate a view on interest rates to assist with borrowing and investment decisions.
- 5.2. The Link Asset Services forecast for bank base rate (as at November 2017) and PWLB new borrowing (as at November 2017) is as follows (note that the PWLB Borrowing Rate includes the Certainty Rate adjustment):

<b>Interest Rate (All rates shown as %)</b>	<b>Bank Rate View</b>	<b>5yr PWLB Rate</b>	<b>10yr PWLB Rate</b>	<b>25yr PWLB Rate</b>	<b>50yr PWLB Rate</b>	<b>Budget Assumption</b>
<b>Now</b>	0.50	1.50	2.10	2.80	2.50	2.60
<b>Mar 18</b>	0.50	1.60	2.20	2.90	2.60	
<b>Jun 18</b>	0.50	1.60	2.30	3.00	2.70	
<b>Sep 18</b>	0.50	1.70	2.40	3.00	2.80	2.90
<b>Dec 18</b>	0.75	1.80	2.40	3.10	2.90	
<b>Mar 19</b>	0.75	1.80	2.50	3.10	2.90	
<b>Jun 19</b>	0.75	1.90	2.60	3.20	3.00	
<b>Sep 19</b>	0.75	1.90	2.60	3.20	3.00	3.15
<b>Dec 19</b>	1.00	2.00	2.70	3.30	3.10	
<b>Mar 20</b>	1.00	2.10	2.70	3.40	3.20	
<b>Jun 20</b>	1.00	2.10	2.80	3.50	3.30	
<b>Sep 20</b>	1.25	2.20	2.90	3.50	3.30	3.35
<b>Dec 20</b>	1.25	2.30	2.90	3.60	3.40	
<b>Mar 21</b>	1.25	2.30	3.00	3.60	3.40	

5.3. Link Asset Services interest rate forecasts, detailed above, are based on their views of the future economic climate, and below are some extracts taken from their economic forecasts:

- As expected, the Monetary Policy Committee (MPC) delivered a 0.25% increase in Bank Rate at its meeting on 2 November. This removed the emergency cut in August 2016 after the EU referendum. The MPC also gave forward guidance that they expected to increase Bank rate only twice more by 0.25% by 2020 to end at 1.00%. The Link Asset Services forecast as above includes increases in Bank Rate of 0.25% in November 2018, November 2019 and August 2020.
- The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. It has long been expected, that at some point, there would be a more protracted move from bonds to equities after a historic long-term trend, over about the last 25 years, of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial Quantitative Easing, added further impetus to this downward trend in bond yields and rising bond prices. Quantitative Easing has also directly led to a rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election in November 2016 has called into question whether the previous trend may go into reverse, especially now the Fed has taken the lead in reversing monetary policy by starting, in October 2017, a policy of not fully reinvesting proceeds from bonds that it holds when they mature.
- Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as stronger economic growth becomes more firmly established. The Fed has started raising interest rates and this trend is expected to continue during 2018 and 2019. These increases will make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US are likely to exert some upward pressure on bond yields in the UK and other developed

economies. However, the degree of that upward pressure is likely to be dampened by how strong or weak the prospects for economic growth and rising inflation are in each country, and on the degree of progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

- From time to time, gilt yields – and therefore PWLB rates - can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis and emerging market developments. Such volatility could occur at any time during the forecast period.
- Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts (and MPC decisions) will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.
- The overall balance of risks to economic recovery in the UK is probably to the downside, particularly with the current level of uncertainty over the final terms of Brexit.
- Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:
- The Bank of England takes action too quickly over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- Geopolitical risks, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.
- A resurgence of the Eurozone sovereign debt crisis, possibly Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system.
- Weak capitalisation of some European banks.
- Germany is still without an effective government after the inconclusive result of the general election in October. In addition, Italy is to hold a general election on 4 March and the anti EU populist Five Star party is currently in the lead in the polls, although it is unlikely to get a working majority on its own. Both situations could pose major challenges to the overall leadership and direction of the EU as a whole and of the individual respective countries. Hungary will hold a general election in April 2018.
- The October 2017 Austrian general election has returned a strongly anti-immigrant coalition government. In addition, the Czech ANO party became the largest party in the October 2017 general election on a platform of being strongly against EU migrant quotas and refugee policies. Both developments could provide major impetus to other, particularly former Communist bloc countries, to coalesce to create a major block to progress on EU integration and centralisation of EU policy. This, in turn, could spill over into impacting the Euro, EU financial policy and financial markets.
- Rising protectionism under President Trump
- A sharp Chinese downturn and its impact on emerging market countries

- The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -
- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- UK inflation returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.
- The Fed causing a sudden shock in financial markets through misjudging the pace and strength of increases in its Fed. Funds Rate and in the pace and strength of reversal of Quantitative Easing, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.

## **6. Investment and Borrowing Rates**

- 6.1. Investment returns are likely to remain low during 2018/19 but will be on a rising trend over the next few years.
- 6.2. Borrowing interest rates increased sharply after the result of the general election in June 2017 and then also after the September 2017 MPC meeting when financial markets reacted by accelerating their expectations for the timing of Bank Rate increases. Apart from that, there has been little general trend in rates during the current financial year.

## **7. Borrowing Strategy**

- 7.1.1. At Autumn Statement 2016, the government announced that it would give mayoral combined authorities powers to borrow for their new functions, which will allow them to invest in economically productive infrastructure, subject to agreeing a borrowing cap with HM Treasury. This will align the combined authorities' financial powers with their new responsibilities, and give them the freedom to invest in important priorities such as economic development and regeneration. Each combined authority's new powers to borrow will be specified in regulations under section 23(5) of the Local Government Act 2003.
- 7.1.2. The limits on combined authority borrowing will be expressed in terms of annual caps on external debt. Capping external debt, rather than prudential borrowing, will give the combined authorities greater flexibility to manage capital programmes across financial years.
- 7.2. On 8 February 2018, the Director Public Services of HM Treasury approved a cap agreement with the Combined Authority. The terms of this agreement are as follows:
  - 7.2.1. CPCA must continue to ensure that its borrowing is lawful, and must continue to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities.

### **Debt caps**

- 7.2.2. The debt cap agreement brings into effect annual maximum limits on CPCA's long-term external debt from 2018-19 onwards. "External debt" refers to the closing balance for actual gross borrowing plus other long-term liabilities (as defined in The Prudential Code for Capital Finance in Local Authorities). Short-term external debt (i.e. less than 12 months) does not count towards the agreed limits.



7.2.3. The agreed limits for long-term external debt in each financial year of the agreement are as follows:

£	2018-19	2019-20
CPCA long-term external debt	55,910,000	84,610,000

7.2.4. CPCA will not allow its long-term external debt to exceed the relevant annual limit at any point during the relevant financial year.

7.2.5. The debt agreement, including the final limit on annual long-term external debt (£84,610,000), will remain in effect until superseded by another debt agreement between CPCA and HMT.

### **Reviews**

7.2.6. The current debt cap agreement will be reviewed before the end of 2019-20.

7.2.7. The debt cap agreement will also be reviewed in light of any initiative, local or national, that has material implications for CPCA borrowing totals. Either CPCA or HMT can request a review, and the parties will seek to agree revised totals within a reasonable period of time, or as otherwise agreed.

### **Reporting requirements**

7.2.8. Borrowing by combined authorities has a significant impact upon the public finances. Unexpected changes in borrowing and spending plans complicate HM Treasury's ability to monitor, forecast, and manage public spending.

7.2.9. The caps set out in paragraph 6 of this agreement are based on the financial plans submitted to HM Treasury by CPCA in October 2017. HM Treasury accepts that capital programmes may be delayed and that the corresponding borrowing requirement may slip to future financial years. This is permissible under the terms of this agreement, provided CPCA's long-term external debt remains within the annual maximum limits set out in paragraph 6.

7.2.10. CPCA can mitigate risks to the public finances by providing accurate, timely information about its plans for borrowing and spending. CPCA will provide information on the following financial indicators to HM Treasury on a quarterly basis:

(a) External debt, as defined in The Prudential Code for Capital Finance in Local Authorities.

(b) Capital expenditure financed by borrowing and credit arrangements not supported by central government, as defined by the most recent guidance notes for Capital Outturn Return (COR) published by the Ministry of Housing, Communities and Local Government.

(c) HM Treasury may request other information if relevant and material to the public finances.

7.2.11. HM Treasury will notify CPCA of its requests in advance of any deadline.

7.2.12. CPCA's adherence to its submitted financial plans, and cooperation with the reporting requirements described in paragraph 12, will be taken into account when setting future debt agreements.

## **Borrowing by constituent local authorities**

- 7.2.13. Ensuring proper accountability for combined authority borrowing was a key factor in HM Treasury's decision to extend additional borrowing powers to mayoral combined authorities. Accordingly, HM Treasury expects CPCA not to utilise borrowing through its constituent local authorities.
- 7.3. All of the constituent councils have provided their consent to the Combined Authority having powers to borrow for its new functions, and the draft Statutory Instrument that will establish this power is due to be laid before parliament in March.
- 7.4. Any borrowing decisions will be reported to the appropriate decision making body at the next available opportunity.
- 7.5. The proposed strategy for 2018/19 financial year is:
- a) Significant risk of a sharp fall in long and short term rates may arise. This might be due to a marked increase of risks around relapse into recession or of risks of deflation. In this case long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.
  - b) Significant risk of a much sharper rise in long and short term rates than currently forecast may arise. This may arise due to a greater than expected increase in world economic activity or a sudden increase in inflation risks. In this case the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.
  - c) Loans will primarily be arranged from the PWLB and other Local Authorities.
  - d) To maintain an appropriate balance between PWLB, Local Authority and other market debt in the debt portfolio and a balance in the maturity profile of debt.
  - e) To give full consideration to other debt instruments e.g. Local Authority Bonds as an alternative to PWLB borrowing. Due regard will be given to money laundering regulations.

## **8. New Borrowing Approaches to Be Considered:**

- 8.1. To achieve an even spread of loan maturities so that there is not an exceptional borrowing requirement in any future year. Currently under 10 year money and over 35 year money is historically at a low interest cost.
- 8.2. Link Asset Services have a product that will allow the Combined Authority to borrow from the market at current interest rates with a small premium but not draw down the funds until they are required - 'forward borrow'.

## **9. Treasury Debt Prudential Indicators**

- 9.1. There are three debt treasury indicators which ensure debt structure remains within appropriate limits. This manages risk and reduces the impact of any adverse movement in interest rates.
- 9.2. **Indicator 7** – Upper limit on fixed interest rate exposure. This identifies a maximum limit for fixed interest rates based upon the debt position net of investments. This has been set at 100% of the borrowing requirement.
- 9.3. **Indicator 8** - Upper limit on variable rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments. This has been set at 25% of the borrowing requirement.

<b>Interest Rate Exposure (Upper Limits)</b>	<b>16/17 Actual £m</b>	<b>17/18 Est £m</b>	<b>18/19 Est £m</b>	<b>19/20 Est £m</b>	<b>20/21 Est £m</b>
<b>(7) Limits on fixed interest rate net debt</b>	0.00	0.00	45.91	74.61	74.61
<b>% of fixed interest rate exposure</b>	100%	100%	100%	100%	100%
<b>(8) Limits on variable interest rate on net debt</b>	0.00	0.00	11.48	18.65	18.65
<b>% of variable interest rate exposure</b>	25%	25%	25%	25%	25%

- 9.4. **Indicator 9** - Maturity structure of borrowing. These gross limits are set to reduce the Combined Authority's immediate exposure to large fixed rate sums falling due for refinancing.

<b>Maturity Structure of borrowing</b>	<b>Upper Limit</b>
Under 12 months	40%
12 months to 2 years	40%
2 years to 5 years	80%
5 years to 10 years	80%
10 years and above	100%

## **10. Policy on Borrowing in Advance of Need (Future Capital Expenditure)**

- 10.1. The Combined Authority will not borrow more than it requires, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed. However, at any time the Combined Authority may obtain a loan or other financing at what are considered advantageous terms in anticipation of future capital expenditure. The money borrowed will be invested temporarily. The Combined Authority may also borrow in the day-to-day management of its cash flow operations or as an alternative to redeeming higher yielding investments.
- 10.2. Any decision to borrow in advance of need will be within the CFR limits, and will be considered carefully to ensure value for money.
- 10.3. The Combined Authority will ensure there is a clear link between the capital programme across the future years and the maturity profile of the existing debt portfolio which supports the need to take funding in advance of capital expenditure.
- 10.4. The Combined Authority will ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered and factored into the MTFS.
- 10.5. Consideration will be given to the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.

## **11. Municipal Bond Agency**

- 11.1. It is possible that the Municipal Bond Agency will be offering loans to local authorities in the future. The Agency hopes that the borrowing rates will be lower

than those offered by the Public Works Loan Board (PWLB). The Combined Authority may make use of this new source of borrowing as and when appropriate.

## **12. Investment Strategy Principles**

- 12.1. The Combined Authority will not borrow specifically for the purpose of making investments.
- 12.2. The Combined Authority has not made any non-financial investments. A revised strategy will be put forward to the Board for consideration before any non-financial investments are undertaken.

## **13. Investment Counterparty Selection Criteria and Financial Investment Strategy**

- 13.1. Where it is necessary for investments to be undertaken in order to manage the Combined Authority's cash flows, the Combined Authority's primary principle is for the security of its investments. After this main principle the Combined Authority will ensure that:
  - It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security and monitoring their security.
  - It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Combined Authority's prudential indicators covering the maximum principal sums invested.
- 13.2. The Chief Finance Officer will maintain a counterparty list as set out below. Any revision of the criteria will be submitted to the Board for approval as necessary.
- 13.3. The Combined Authority's minimum criteria will apply to the lowest rating for any institution according to the type of investment account being used. For instance, the credit rating criteria for the use of the Combined Authority's call accounts and Money Market Funds, which are used for short term investments only, will use the Short Term credit ratings in the table shown below if an institution is rated by the three credit agencies and two meet the Combined Authority's criteria and the other one does not, the institution will fall outside the lending criteria. This complies with a CIPFA Treasury Management Panel recommendation in March 2009 and the CIPFA Treasury Management Code of Practice.
- 13.4. In order to minimise the risk to investing, the Combined Authority has clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The Combined Authority uses the creditworthiness service provided by Link Asset Services which uses ratings from all three rating agencies, Fitch, Moody's and Standard and Poor's, as well as Credit Default Swap (CDS) spreads. Link Asset Services monitors ratings on a real time basis and notifies clients immediately on any rating changes or possible downgrades.
- 13.5. Minimum Credit Ratings Criteria – further explanations are given in Appendix 1

<b>Minimum Credit Ratings for Group 2 Banks</b>		
<b>Agency</b>	<b>Short Term</b>	<b>Long Term</b>
Fitch	F1	A
Moody's	P-1	Aa
Standard & Poor's	A-1	A

- 13.6. All credit ratings will be monitored weekly. The Combined Authority is alerted to changes to ratings of all three rating agencies by Link Asset Services
- 13.7. The Combined Authority does not place sole reliance on the use of Link Asset Service's advice as the Combined Authority uses internal expertise and knowledge to make decisions. Market data, market information, information on government support for banks and the credit ratings of that government support are also considered when making treasury decisions.
- 13.8. The criteria for providing a pool of high quality investment counterparties (both Specified and Non-Specified investments), and is shown in the order of use by the Combined Authority, as follows:
- UK Government (including gilts and the Debt Management Account Deposit Facility (DMADF)).
  - Bank of Scotland call account (part of the Lloyds Banking Group).
  - UK Local Authorities.
  - All of the above would be subject to continuous credit rating reviews
- 13.9. The Combined Authority also uses Barclays Bank, the Combined Authority's own banker. If Barclays fall below the criterion in 13.5 then the following strategy will be followed:

With regard to the three credit rating agencies, if one reduces its rating but the other two remain the same or improve, no action will be taken with regards to funds held with Barclays, ie maximum of £5m in the call account

If two or more credit rating agencies reduce their ratings only, as the Combined Authority will still require to use the Barclays accounts for transactional purposes, a maximum balance of £500k will be left overnight to prevent the account becoming overdrawn and incurring overdraft fees

Seek advice from Link Asset Services

- 13.10. The above action applies to Barclays only due to its status as the Combined Authority's banking provider. Use of other bank accounts would be subject to criteria set out in the point above. The above approach to Barclay's Bank has been developed following consideration of that the Combined Authority needs banking facilities to process daily banking transactions, and such activity presents a lower risk profile compared to investment activity the significant impact, resource requirement, and risk exposure of changing bank provider the possible state and stability of the banking sector and viable alternative suppliers.
- 13.11. The Combined Authority's lending list will comprise of the institutions that meet the investment criteria above. Each counterparty on the list is assigned a counterparty limit as per the table in Appendix 1. Counterparties that no longer meet the investment criteria due to a credit rating downgrade will be removed from the list and any changes will be approved by Combined Authority. Resources. Approval will also be required if any new counterparties are added to the lending list.
- 13.12. Link Asset Services approach to assessing creditworthiness of institutions is by combining credit ratings, credit watches and credit outlooks to produce a colour coding system. The Combined Authority will use counterparties within the following maximum maturity periods, in order to mitigate the risk of investing in these institutions:

Link Asset Services Banding	Description
Blue	1 year (only applies to nationalised / semi nationalised UK banks)
Orange	1 year

Link Asset Services Banding	Description
Red	6 months
Green	3 months

13.13. The proposed criteria for Specified and Non-Specified investments are shown in Appendix 1 for approval.

13.14. **Indicator 11** - Upper limit for total principal sums invested for over 365 days excluding loans. This limit is set with regard to the Combined Authority's liquidity requirements and to reduce the need for an early sale of an investment, and is based on the availability of funds after each year-end and up-dates are reported to the Audit and Governance Committee at midyear.

Overall limit for sums invested over 365 days	16/17 Actual £m	17/18 Est £m	18/19 Est £m	19/20 Est £m	20/21 Est £m
Principal sums invested 365 days	1.0	10.0	10.0	10.0	10.0

13.15. There have been some new offerings to the market, and to allow the Combined Authority to investigate the appropriateness of these investments, the credit criteria and limits of specified and non-specified investments are to be reviewed in light of the Combined Authority's risk appetite and on the advice of independent advisors. Any investment identified as a result of changes to the existing credit criteria and limits will be subject to a full due diligence review. Changes to limits and credit criteria will be in line with registered providers to allow flexibility in decision making following due diligence.

#### 14. Loans Made to Third Parties

14.1. The Combined Authority may make secured loans to third parties to advance the Combined Authority's strategic interests.

14.2. Loans are only made after the Combined Authority's formal decision making process has been followed. This includes formal approval by the Chief Finance Officer

14.3. As part of the formal decision to make the loan, the security for the loan will be assessed as to its adequacy in the event of the third party defaulting on repayment.

14.4. Individual loan agreements provide for the recovery of the capital loan in the event of a default.

#### 15. Non-financial investments

15.1. The Combined Authority does not hold any non-financial investments whose purpose is to generate revenue to support core services.

#### 16. Treasury Management Scheme of Delegation

16.1. The following is a list of the main tasks involved in treasury management and who in the Combined Authority is responsible for them:

#### CPCA Board / Audit and Governance Committee

- Receiving and reviewing reports on treasury management policies, practices and activities.
- Approval of Annual Strategy.

#### Audit and Governance Committee / S151 Officer

- Approval of / amendments to the Combined Authority's adopted clauses, Treasury Management Policy Statement and Treasury Management Practices.
- Budget consideration and approval.
- Approval of the division of responsibilities.
- Receiving and reviewing regular monitoring reports and acting on recommendations.

#### Section 151 Officer /Head of Finance

- Reviewing the Treasury Management Policy and procedures and making recommendations to the responsible body.
- Recommending clauses, treasury management policy/practices and making recommendations to the responsible body.
- Submitting regular treasury management reports.
- Submitting budgets and budget variations.
- Receiving and reviewing management information reports.
- Reviewing the performance of the treasury management function.
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
- Ensuring the adequacy of internal audit, and liaising with external audit.
- Recommending the appointment of external service advisors

#### Chief Finance Officer (S151 Officer) in consultation with the Fiscal Portfolio Holder

- Responsibility for any additional minor amendments required to the Treasury Management Strategy be delegated to the Chief Finance Officer in consultation with the Portfolio holder for Fiscal Strategy. All such amendments to be circulated to the Audit and Governance Committee and members of the Combined Authority Board.

## APPENDIX 1

### Specified Investment Credit Criteria and Limits

#### Specified Investment:

- Offer high perceived security such as placements with Central Government Agencies, Local Authorities or with organisations that have strong credit ratings
- They offer high liquidity i.e. short term or easy access to funds
- Are denominated in £ sterling
- Have maturity dates of no more than 1 year
- For an institution scheme to qualify as a 'Specified Investment' it must have a minimum rating (see Section 13.5)

Investment Type	Maximum Maturity Period	Minimum Credit Criteria	Collective Limit £m	Individual Limit £m
Deposit accounts with regulated UK Banks and UK Building Societies	Repayable on call, without notice	Minimum of two short term rating criteria	100	15
Money Market Funds repayable on call, no notice	Call	Minimum rating – AAA (Fitch)	50	10
Debt Management Agency Deposit Facility	6 months currently	UK Government backed	N/A	150
Term Deposits UK Government & Local Authorities	Maturities of up to 1 year	Sovereign risk high security not credit rated	200	20
Term Deposits & Certificates of Deposit Banks Group 1	Maturities of up to 1 year	Minimum of three short term rating criteria	100	75
UK Government & Local Authority Stock Issues	Maturities of up to 1 year	Sovereign risk high security not credit rated	100	20



Term deposits & Certificates of Deposit Banks Group 2	6 months	Minimum of three short term rating criteria	50	10
Forward Term Deposits with Regulated UK Banks	Maturities of up to 1 year	Minimum of three short term rating criteria	100	15

### Non-specified Investment Credit Criteria and Limits

- With the same institutions classified as “specified” investments but have maturity dates in excess of one year, or
- Are offered by organisations that are not credit rated or the credit rating does not meet the criteria set out above

Investment Type	Maximum Maturity Period	Minimum Credit Criteria	Collective Limit £m	Individual Limit £m
Term deposits with UK Government & Local Authorities	1-5 years	Sovereign risk high security not credit rated	200	20
Term deposits & Certificates of Deposit with Banks Group 1	1-5 years (tradable)	F1(Fitch - short term) AAA (long term)	10	10
UK Government & Local Authority Stock Issues	1-10 years (tradable)	Sovereign risk high security not credit rated	10	10
Term deposits & Certificates of Deposit with Banks Group 2	1-5 years (tradable)	F1 (Fitch-short term) A (long term)	20	10
Deposit accounts with regulated UK building societies	1 – 5 years	F1 (Fitch short term) A (long term)	5	5
Term deposits UK building societies no formal credit rating	Up to 1 year	Financial position assessed by Interim Corporate Director: Resources	5	5
Bonds issued by financial institution guaranteed by UK Govt	1-10 years (tradable)	UK Govt backed AAA (Fitch, S&P etc.)	5	5

### Explanation of credit ratings

Agency	Short Term	Long Term
Fitch	F1-Highest short-term credit quality. Indicates the strongest intrinsic capacity for timely payment of financial commitments; a “+” may be added to denote any exceptionally strong credit feature.	A-High credit quality. ‘A’ ratings denote expectations of low credit risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.
Moody's	P-1-superior ability to repay short-term debt obligations	Aa-high quality and are subject to very low credit risk
Standard & Poor's	A-1-The obligor's capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong.	A-more susceptible to the adverse effects of changes in circumstances and economic conditions. However the obligor's capacity to meet its financial commitment on the obligation is still strong.



<b>AUDIT AND GOVERNANCE COMMITTEE</b>	<b>AGENDA ITEM No: 6</b>
	<b>PUBLIC REPORT</b>

## **CORPORATE RISK REGISTER REVIEW**

### **1.0 PURPOSE**

- 1.1 In the interests of good governance, the Committee is requested to review the Combined Authority Corporate Risk Register and suggest any changes they would like to put forward as a recommendation to the Board.

<b><u>RECOMMENDATIONS</u></b>
<b>Lead Officer: Darren Edey, Assurance Manager</b>
<p>The Audit and Governance Committee are recommended to:</p> <p>(a) review the Combined Authority Corporate Risk register. (Appendix A)</p> <p>(b) recommend any proposed changes to be reported to the next Board meeting for approval.</p>

### **2.0 BACKGROUND**

- 2.1. The first draft of the Corporate Risk register was presented to the Audit and Governance Committee on 26<sup>th</sup> March 2018. It was requested that the register be amended to reflect the risks in order of Risk Level and that a Residual Risk category also be included.
- 2.2. Whilst reviewing the register and carrying out the requested amendments it was decided to make further additions to the register to ensure that more detail was provided during the Risk Management Process. These included adding Risk Categories, Risk Type, Controls, an Accepted Target Score, Risk Trend and a Monitoring Frequency field.

- 2.3. Directors were asked to provide the Assurance Manager with their top risks for the organization.
- 2.4. Once collated these were grouped together by themes and any duplicated risks were merged and scored appropriately by Directors.
- 2.5. Risks were then sorted by Residual Risk Rating.
- 2.6. The Risk Register will be reviewed monthly by Assistant Directors and quarterly by Directors, with the exception of any risk that, once the mitigating actions have taken place scores higher than a threshold of 15 using the agreed scoring matrix. These risks will be escalated to the next Directors Meeting for discussion.

### **Next Steps**

- 2.7. It has been agreed between the Assurance Manager and the Programme Manager responsible for the Programme Management Framework that the same risk register template and terminology would be used by all Project Managers during the project reporting process for each project.
- 2.8. Any risks that score over the agreed threshold on an individual project register will then also appear on the main risk register so that it can be monitored accordingly.
- 2.9. With new Directors due to start shortly, the risk process will be discussed with individuals and the register reviewed and updated accordingly.

## **3.0 FINANCIAL IMPLICATIONS**

- 3.1. All of the work has been carried out in-house, therefore there are no significant financial implications to this activity.

## **4.0 LEGAL IMPLICATIONS**

NA.

## **5.0 APPENDICES**

- 5.1. Appendix 1 – The Corporate Risk Register (inc Scoring Matrix)

<u>Source Documents</u>	<u>Location</u>



## Appendix 1

[illegible]



Impact	Description
5 Severe	Catastrophic impact on organisation
4 Major	Serious impact on organisation
3 Significant	May cause some impact on organisation
2 Minor	Unlikely to cause impact on organisation
1 Trivial	No impact on organisation

Likelihood	Description
5 Almost Certain	> 95% likely to occur within next 12 months
4 Likely	50 - 95% likely to occur within next 12 months
3 Possible	20 - 50% likely to occur within next 12 months
2 Unlikely	1 - 20% likely to occur within next 12 months
1 Rare	< 1% likely to occur within next 12 months

		Impact				
		1	2	3	4	5
Likelihood		Trivial	Minor	Significant	Major	Severe
5	Almost Certain	5	10	15	20	25
4	Likely	4	8	12	16	20
3	Possible	3	6	9	12	15
2	Unlikely	2	4	6	8	10
1	Rare	1	2	3	4	5

Very High	Primary or severe risks requiring immediate attention, there could be a severe impact on the Combined Authority and its ability to deliver the programmes. Or the net cost may increase by more than £500,000. Or there could be an adverse impact on the national reputation of the Combined Authority in both the short and long term. Or there is a long-term catastrophic impact that could happen to the community, economy or environment.
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High	Risk is significant, warranting attention. There could be an immediate impact on major parts of the programme. The cost may increase by £250,000 up to £500,000. Or, there may be sustained adverse publicity at a national level. Or, the reputation locally might be impacted in both the short and long term. Or there may be a long term detrimental impact on the community, economy or environment at a significant level.
Medium	Less significant but could cause disruption, affecting delivery between one and four weeks. Or it could increase the costs by more than £100,000 but less than £250,000. Or there could be significant adverse publicity in the local or national press. Or there is a short to medium term impact on the community, economy or environment.
Low	Not likely to occur so low risk, impacts could be severe if it did happen but this should be able to be managed without a great deal of intervention. Usually minor disruptions, minor or short term impacts.

**Date** – Date risk input onto register

**Risk Title** – Brief explanation of the risk. This is key to ensuring that the risks are easily identified and understood. eg. ‘Risk of Funding not being released’

**Risk Description / Summary** - Why the risk is on there, Why the risk would occur. Background on the risk, eg. “There is a risk that a ‘cause’ may result in an ‘event’ leading to a ‘consequence’ “.

**Risk Owner** – Subject matter expert – the person accountable for risk

**Risk Category** – Whether the risk is ‘Operational’ ‘Strategic’ or a ‘Project’ risk

**Risk Type** – What type of risk it relates to, eg ‘Reputational’ ‘Political’, ‘Economic’, ‘Technical’, ‘Infrastructure’, ‘Legal’ etc

**Inherent Impact** – The Impact rating the risk would cause on the organisation using the classification matrix table before any specific management actions or controls have been implemented.

**Inherent Likelihood** - The Likelihood rating the risk would cause on the organisation using the classification matrix table before any specific management actions or controls have been implemented.

**Inherent Score** – Risk score at the beginning before any specific management actions or controls have been implemented. (Impact x Likelihood)

**Risk Rating** – **Very High, High, Medium, Low** – taken from where the score sits on the matrix

**Mitigating Risk Controls & Actions** – The controls and actions we are putting in place to mitigate the risk. Controls are activities such as policies, processes and procedures which minimise the probability or impact of the risk occurring. There can be more than one action for each control and is the mitigating plan to get the risk to your Accepted target score.

**Residual Impact** – The Residual Impact rating the risk would cause on the organisation using the classification matrix table as at today's date, as the controls and actions have been implemented.

**Residual Likelihood** - The Residual Likelihood rating the risk would cause on the organisation using the classification matrix table as at today's date, as the controls and actions have been implemented.

**Residual Score** – Where we are as at today's date, once the controls are in place, this should change as mitigating actions are implemented. As time progresses, the residual score should move closer to target score. ( I x L )

**Residual Risk Rating** – **Very High, High, Medium, Low** – taken from where the score sits on the matrix

**Accepted Target Score** – Where the result of the completed actions and controls will reduce the risk to. This is where the business is willing to accept the risk. ( I x L )

**Risk Trend** – Whether the risk is increasing, decreasing or steady. This identifies whether the risk needs looking at more regularly.

**Monitoring** – When the risk needs to be reviewed, weekly, monthly quarterly etc.



<b>AUDIT AND GOVERNANCE COMMITTEE</b>	<b>AGENDA ITEM No: 7</b>
	<b>PUBLIC REPORT</b>

## **INTERIM GOVERNANCE REVIEW OF BUSINESS BOARD**

### **1.0 PURPOSE**

- 1.1 To inform Audit Committee of the Interim Governance Review of the Business Board including Draft Business Board Assurance Framework.

<b><u>RECOMMENDATIONS</u></b>
<b>Lead Officer: Darren Edey, Assurance Manager</b>
<p>The Audit and Governance Committee are recommended to:</p> <p>a) Note the Business Board Assurance Framework.</p>

### **2.0 BACKGROUND**

- 2.1. In July 2014, the government negotiated a Growth Deal with all 39 Local Enterprise Partnerships (LEPs), which awarded a significant proportion of the £12 billion Local Growth Fund to LEPs.
- 2.2. Government produced a National Assurance Framework to ensure that every Local Enterprise Partnership had in place the necessary systems and processes to manage the delegated funding from central Government budgets effectively.
- 2.3. Each LEP then created a Local Assurance Framework which documented practices and standards which are necessary to provide Government and local

partners with assurance that decisions over funding are proper, transparent, and deliver value for money.

- 2.4. LEPs are required to review, refresh and sign off their Local Assurance Framework as the requirements set out in this Framework will be incorporated as a condition of funding in future Growth Deal grant offer letters
- 2.5. LEPs must submit a letter from their relevant Section 151 Officer to MHCLG's Accounting Officer by 28<sup>th</sup> February each year, certifying that the LEPs Local Assurance Framework has been agreed, is being implemented and meets the revised standards set out in the National Assurance Framework.
- 2.6. The Greater Cambridge Greater Peterborough (GCGP) LEP's Assurance Framework was signed off as compliant by its old Accountable Body, Cambridgeshire County Council on the 28<sup>th</sup> February 2018.
- 2.7. The Assurance Framework was reviewed by the Assurance Manager and updated in parts to include recommendations set out in the recent Government approved Mary Ney Review of LEPs. This included a Whistleblowing Policy, a new Code of Conduct and a revised Register of Interests for all LEP Board Members.
- 2.8. To ensure that the new Interim Shadow Business Board was fully compliant with Government requirements, a draft Assurance Framework was created for the newly formed Business Board based on the signed off GCGP LEP version and required Shadow Board Members to fulfill requirements stipulated. This was agreed as compliant at the Shadow Business Board Meeting on the 30<sup>th</sup> April 2018.
- 2.9. In July 2018, Government published a further Review of LEPs which set out the expectations of their roles and responsibilities. Government will support LEPs to meet this level of ambition by working with them on a number of issues including strengthening leadership and capability, improving accountability and managing risk, and providing clarity on geography. These recommendations will need to be included in an updated Local Assurance Framework.

### **Next steps**

- 2.10. There are new arrangements for the Business Board taking place from 24<sup>th</sup> September 2018. Papers for this meeting can be found here:  
<http://cambridgeshirepeterborough-ca.gov.uk/meetings/show/2018-09-24>
- 2.11. Following the above LEP Review (2.9), revised Assurance Framework guidelines are due to be published in Autumn 2018 which will provide further clarity on the development of LEP delivery plans. A workshop on the Assurance Framework is being held in September by the LEP Network and being attended by the Assurance Manager who will then ensure that all new requirements are captured and included in the new Assurance Framework.

- 2.12. Looking ahead, we are seeking to develop a single over-arching Assurance Framework for both The Business Board and the Combined Authority. Currently both entities have separate Assurance Frameworks. By creating a single Assurance Framework of common elements, we aim to simplify the operational effectiveness of what is now, in effect, a single Officer team, ensuring clarity, transparency and openness for Government, partners and members of the public around our governance and compliance processes, and a singular approach to the recommendation and decision-making processes of both Boards.
- 2.13. The new Assurance Framework would be developed in-house and then brought back to a future Board Meeting for approval. It would not only meet the criteria set out by Government, and best practice advice from both the Mary Ney and recent LEP Reviews, but also to be an example of best practice in the arena of compliance and governance. This is required to be ready for February 2019 and a detailed work programme is currently being developed.

### **3.0 FINANCIAL IMPLICATIONS**

- 3.1. All of the work has been carried out in-house, therefore there are no significant financial implications to this activity.

### **4.0 LEGAL IMPLICATIONS**

The approval of this document will ensure The Business Board is compliant with the requirements of Government.

### **5.0 APPENDICES**

- 5.1. Appendix 1 – The draft Interim Business Board Assurance Framework

<b><u>Source Documents</u></b>	<b><u>Location</u></b>
<b>The Business Board Meeting Minutes 30<sup>th</sup> April 2018</b>	<a href="http://cambridgeshirepet-erborough-ca.gov.uk/assets/Business-Board/180430-Business-Board-minutes-Final.pdf">http://cambridgeshirepet-erborough-ca.gov.uk/assets/Business-Board/180430-Business-Board-minutes-Final.pdf</a>
<b>Membership of the Business Board (Agenda Item 1.2 – Business Board Meeting 24<sup>th</sup> September 2018)</b>	<a href="http://cambridgeshirepet-erborough-ca.gov.uk/meetings/show/2018-09-24">http://cambridgeshirepet-erborough-ca.gov.uk/meetings/show/2018-09-24</a>





**THE BUSINESS BOARD**

# Assurance Framework

April 2018



# CONTENTS

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1. Introduction
2. Governance
3. Decision Making Arrangements
4. Ensuring Value For Money

## Document verification:

<b>Produced by:</b>	<b>Reviewed by:</b>	<b>Approved by:</b>

<b>Version number:</b>	
<b>File location:</b>	



# GLOSSARY

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CA	Cambridgeshire & Peterborough Combined Authority
TBB	The Business Board

# 1. INTRODUCTION

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## 1.1 The role of this document

1.1.1 This document has been created to clearly set out how ‘The Business Board’ (TBB) will use public money responsibly and transparently.

1.1.2 This document covers:

- The respective roles of TBB and its Accountable Body (The Cambridgeshire & Peterborough Combined Authority), and how decisions are made;
- How TBB ensures accountability, probity, transparency and value for money that is handled by TBB;
- How potential investments funded by TBB will be appraised, evaluated, prioritised, approved, and delivered;
- How the progress and impacts of these investments will be monitored and evaluated.

1.1.3 This document has been developed using three key principles:

- To draw together all approved assurance processes that already existed for TBB (and formerly the Greater Cambridge Greater Peterborough LEP funded programmes) into one place;
- To comply with relevant guidance and best practice advice issued by Government;
- To ensure the right processes are in place to ensure decisions over funding provide value for money and are made in an open and transparent manner.

1.1.4 This Assurance Framework sits alongside a number of other key documents, many of which are cross referenced or included as appendices to this document. This Assurance Framework has been developed in response to the Government’s National Assurance Framework guidance on governance and transparency<sup>1</sup>, and the recommendations from the Mary Ney Review<sup>2</sup>.

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1

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/567528/161109\\_LEP\\_Assurance\\_Framework.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/567528/161109_LEP_Assurance_Framework.pdf)

2

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/655188/Review\\_of\\_local\\_enterprise\\_partnership\\_governance\\_and\\_transparency.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/655188/Review_of_local_enterprise_partnership_governance_and_transparency.pdf)

## **1.2 Keeping the Assurance Framework up to date**

1.2.1 TBB reviews its Assurance Framework annually to ensure it is up to date and relevant for the work it is undertaking. However, there are a number of Government reviews currently taking place and over the coming months there will be consultations on further governance arrangements. This will lead to further work in reviewing and updating this document which will require formal sign off by The Business Board.

1.2.2 The Assurance Framework is owned by TBB and the Cambridgeshire & Peterborough Combined Authority (CA) and is reviewed by the CA Board. Compliance with the Assurance Framework is managed by the Compliance Manager.

## **1.3 Document Structure**

1.3.1 This document is structured around three key sections:

- Governance
- Decision Making Arrangements
- Ensuring Value for Money

## **1.4 About The Business Board**

1.4.1 TBB is committed to transparent and accountable decision-making processes. By bringing together TBB and the Cambridgeshire & Peterborough Combined Authority (CA) we combine the best of private sector expertise and public sector knowledge, transparency and accountability.

1.4.2 TBB was established on 1<sup>st</sup> April 2018, taking over from the former Greater Cambridge Greater Peterborough LEP<sup>3</sup>, to drive forward economic growth across its local area. TBB is now responsible for all former LEP projects and programmes.

1.4.3 TBB currently comprises 15 local authorities, however, moving forward Government are reviewing LEP geographies, consultations will take place and there may be changes to the current membership. The authorities that are current members are as below:

- Cambridgeshire County Council
- Peterborough City Council
- Cambridge City Council
- East Cambridgeshire District Council
- South Cambridgeshire District Council
- Fenland District Council
- Huntingdonshire District Council
- Uttlesford District Council
- North Hertfordshire District Council

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<sup>3</sup> <http://www.gcgp.co.uk/2018/03/lep-update/>

- Rutland County Council
- South Kesteven District Council
- South Holland District Council
- The Borough of King's Lynn and West Norfolk
- St Edmundsbury Borough Council
- Forest Heath District Council

1.4.4 TBB's current area is set out below. The red line denotes the area covered by the CA:



1.4.4 In 2014, the Government announced the first wave of Growth Deals, making investment via its Local Growth Fund<sup>4</sup>. To date, TBB (via the former LEP) has been awarded £146m via three rounds of Growth Deal funding allocations.

1.4.5 In April 2016, the Government reviewed Growth Deal Assurance Frameworks in the context of new Devolution Deals and issued Single Pot Assurance Framework Guidance for devolved areas<sup>5</sup>. In July 2016, Cambridgeshire and Peterborough secured a Devolution Deal and began work to set up a new Combined Authority. Therefore, this new Guidance came into effect for TBB area from that date. In November 2016, the Government issued revised national guidance for LEP Assurance Frameworks<sup>6</sup>. The Combined Authority was formally established on 2 March 2017.

<sup>4</sup> <http://www.gcgp.co.uk/local-growth-strategy/>

<sup>5</sup> <https://www.gov.uk/government/publications/single-pot-assurance-framework-national-guidance>

<sup>6</sup> <https://www.gov.uk/government/publications/local-enterprise-partnership-national-assurance-framework>

1.4.6 The CA acts as TBB's Accountable Body to undertake the public funding accountability responsibilities for administering funds and must also review and approve this Framework.

1.4.7 TBB provides leadership in the arena of economic growth across its area. Comprising business leaders from key industry sectors, it provides expert knowledge and insight into economic growth-related activities in its area and is leading the development of the Industrial Strategy.

1.4.8 TBB will comprise a blend of industry leading experts from the private sector, alongside representatives from the public sector and education communities. It will be chaired by a private sector representative and bring together some of the brightest entrepreneurial minds in our area.

1.4.9 The Chair and Vice Chair of TBB will be private sector representatives. The Chair will lead on building the reputation and influence of the area at a national and international level and will chair TBB meetings. TBB Chair will also be a voting member of the CA Board. The Vice Chair will be available to deputise for TBB Chair as required and will also be invited to attend the CA Board as an Observer.

1.4.10 TBB will have a designated small business (SME) representative, who will lead the engagement with small businesses across the area and represent their views at Board level. Given the make up of the local business community, this is a vital role on the Board.

1.4.11 All of TBB Board Members operate in an open and transparent manner and conduct themselves in accordance with 'The Seven Principles of Public Life'<sup>7</sup>, otherwise known as the Nolan Principles, and TBB's Code of Conduct.

1.4.12 Private Sector Board Members are recruited via an open, transparent, competitive and non-discriminatory process. With open advertisements and interviews to judge experience, suitability and fitness for the role.

1.4.13 TBB is committed to diversity and has a Diversity Statement in place to help guide Board Appointment decisions. TBB reflects the local business community, including geographies and protected characteristics.

1.4.14 TBB's Executive Team is provided via the CA Officer Structure, who operate as a single team for the CA and TBB. This includes an experienced Chief Executive, S151 Officer, Legal Counsel & Monitoring Officer, Directors, Programmes Managers, Finance and Compliance Officers and others to ensure that the organisation is run in a proactive, impact driven and fully compliant manner.

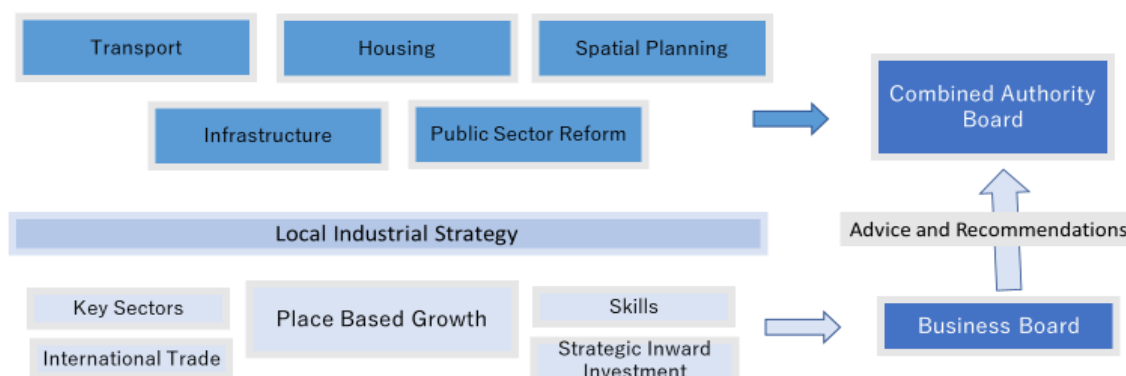
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<sup>7</sup> <https://www.gov.uk/government/publications/the-7-principles-of-public-life>

## 2. Governance

2.1 This section describes the governance systems and mechanisms for funding managed by The Business Board and how the Accountable Body and TBB work together in decision making.

### How the Combined Authority and The Business Board work together



2.2 TBB's Terms of reference describe the nature of the Company, its Board and core operating principles. Whilst the CA's Scheme of Delegation which details a named person, Board or Sub-Committee details financial decision-making.

2.3 TBB oversees the delivery of a business-led programme of interventions that will help to support the sustainable economic growth and continued prosperity of the TBB area. This is line with the CA's overarching vision and Strategic Economic Plan. In particular TBB will:

- ensure value for money is achieved;
- prioritise investments within the available budget;
- make decisions on individual investments with sign off by the CA Board;
- monitor progress of project delivery and spend; and
- actively manage the devolved budget and programme to respond to changed circumstances.

2.4 The Accountable Body will hold the funding and make payments to the delivery bodies on behalf of TBB. The Accountable Body will account for these funds in such a way that they are separately identifiable from the Authority's own funds, and provide financial statements to TBB as required. Any interest accrued on TBB's funds can and will only be used in accordance with a TBB decision.

2.5 The Accountable Body will undertake the following responsibilities:

- ensuring that recommendations for CA Board sign off and activities

of the TBB conform to legal requirements with regard to equalities, social value, environmental, State Aid, procurement etc.

- ensuring (through Section 151 Officer) that the funds are used appropriately;
- ensuring that TBB keeps an official record of its proceedings ;
- holding relevant financial documents ;
- responsibility for the decisions of TBB in approving projects in compliance with this Assurance Framework (e.g. if subjected to legal challenge);
- review grant offer letters/contracts ;
- review claim forms; and
- ensuring that the Assurance Framework is adhered to.

2.6 Grant offer letters / contracts with delivery partners will set out the specific requirements regarding conformity and adherence to the Assurance Framework in undertaking any work or delivering projects funded by TBB.

2.7 The role of Accountable Body and (where relevant) project promoter will need to be strictly independent of each other to provide assurance of no conflict of interest.

## 3. Decision Making Arrangements

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### 3.1 Transparency

3.1.1 TBB and the CA are mindful of the need to build the trust and confidence of stakeholders and the public, in relation to our ability to take investment decisions. Promoting transparency in its decision making is a key part of this.

3.1.2 The CA by law must designate a Monitoring Officer, who is responsible for ensuring that decisions conform to the relevant legislation and regulation. This is the CA's Legal Counsel and Monitoring Officer. A key part of this role is to ensure that the legal responsibilities of the CA as accountable body, in relation to ensuring the transparency provisions are met, as set out below.

### 3.2 Meetings

3.2.1 Specific statutory requirements apply to the CA in relation to transparency. Additionally, it also complies with a number of good practice recommendations. The key arrangements in place are:

- At least two meetings of TBB Board Meetings will be open to the public and media to attend, except to the extent that the public and media are excluded in relation to confidential or exempt information
- Agendas and reports of meetings of TBB are available to the public on its website, in accordance with its Procedure Rules, five clear working days before a meeting
- TBB minutes are published within ten clear working days of the Board meeting taking place
- Minutes of meetings are published on TBB/ CA website
- Business case summaries of all projects/programmes coming forward for a decision are published on its website
- Key decisions taken by officers are published on TBB/ CA website
- TBB and the CA adheres to the Local Government Transparency Code which requires the publication of additional data, such as Strategic Economic Plans and information relating to progress on delivery of all key programmes

### 3.3 Requests for information

3.3.1 TBB, as part of the CA, is subject to the Freedom of Information Act 2005 and the Environment Impact Regulations 2004, and will respond to statutory information requests in accordance with approved procedures. The CA also deals with any requests for information from TBB, on its behalf, in accordance with the same procedures. The CA's Freedom of Information Policy is published on the website.



## **3.4 Providing information**

3.4.1 An overview of all scheme business cases and evaluation reports are published on the CA website. A nominated point of contact is made available to receive public and stakeholder comments.

3.4.2 Summaries of business cases to be considered by TBB as part of the Assurance Process are published electronically ahead of meetings to allow for external views to be sought. There are exceptions to this rule in respect of commercial confidentiality.

## **3.5 Use of resources and accounts**

3.5.1 The use of resources by TBB is subject to the usual local authority checks and balances, including the financial duties and rules which require councils to act prudently in spending. These are overseen by the CA's S151 Chief Finance Officer, who is its Finance Director. This post has statutory responsibility to administer the Combined Authority's financial affairs, and is responsible for ensuring that funding is used legally and appropriately.

3.5.2 TBB has clear accounting processes in place to ensure that all funding sources are accounted for separately and that funds can only be used in accordance with the TBB/ CA decisions. All of TBB and CA report templates allow for the Section 151 officer to provide comments under a 'financial implications' section.

3.5.3 TBB has a statutory duty to keep adequate accounting records and prepare a statement of accounts in respect of each financial year. This statement of accounts will be published as fully audited, although this will change in accordance with legislative requirements) and will cover expenditure from the Local Growth Fund and other funding sources received from Government.

## **3.6 Audit**

3.6.1 As a local authority, the CA complies with statutory requirements relating to audit arrangements, principal elements of which are:

- Appointing an audit committee
- Inspection by external auditors
- Adopting internal audit arrangements

3.6.2 These audit arrangements apply to TBB funding in respect of which the CA is the accountable body.

3.6.3 The CA's Governance and Audit Committee fulfils the requirement to appoint an Audit Committee and must by law include at least one independent person. The role and responsibilities of this Committee include:

- Reviewing and scrutinising TBB's financial affairs
- Reviewing and assessing TBB's risk management, internal control and corporate

governance arrangements

- Reviewing and assessing the economy, efficiency and effectiveness with which resources have been used by the TBB
- Approving the review of internal controls and the annual governance statement
- Considering and approving the statement of accounts
- Considering external audit arrangements and reports
- Advising TBB in relation to the Assurance Framework

3.6.4 An annual independent audit is conducted by externally appointed auditors ensuring TBB (via the CA) operates a robust financial management and reporting framework, including reviewing whether TBB and the CA meets its statutory obligations in relation to grant funding.

3.6.5 TBB's internal audit function carries out independent and objective appraisals of relevant systems and processes, including ensuring that effective procedures are in place to investigate promptly any alleged fraud or irregularity.

### **3.7 Scrutiny**

3.7.1 The CA is required by law to appoint an Overview and Scrutiny Committee. This committee is authorised to:

- Review or scrutinise decisions made, or other action taken, in connection with functions of the CA and TBB
- Make reports or recommendations to the CA and TBB with respect to their functions
- Receive and monitor responses to any reports or recommendations made

3.7.2 The Committee may therefore scrutinise any decision of the CA made in its role as accountable body for TBB. This provides an additional safeguard in relation to TBB decision-making.

3.7.3 The independent element of this scrutiny is safeguarded by a requirement that membership of this Committee cannot include any member of the CA or TBB. It comprises elected Members from its constituent and non-constituent councils.

### **3.8 Code of Conduct**

3.8.1 In relation to TBB, all TBB members are subject to a TBB Board Members' Code of Conduct which reflects the Nolan Principles of public life:

1. Selflessness
2. Integrity
3. Objectivity
4. Accountability
5. Openness
6. Honesty
7. Leadership

3.8.2 TBB Board Code of Conduct also requires TBB members to declare and register:

- Acceptance or receipt of an offer of a gift or hospitality
- Specific pecuniary and non-pecuniary interests

3.8.3 A register of the interests disclosed by each TBB member is published on the TBB area of the CA website. The Code sets out comprehensive requirements in relation to declaring interests at meetings, and the circumstances in which a conflict of interest will preclude a TBB member from participating in decision-making.

3.8.4 Each TBB Member shall review their individual register of interests prior to each board meeting submitting any necessary revisions to TBB and S151 officer at the beginning of the meeting. Any recorded interests relevant to the meeting should also be declared at this point. These declarations are minuted.

3.8.5 TBB Code of Conduct also details arrangements under which allegations that the Code of Conduct has been breached, can be investigated and for making decisions on such allegations. The Code of Conduct is published on the website.

3.8.6 In relation to the CA, there are statutory provisions that require the CA to adopt a Code of Conduct for its Members and voting constituent and non-constituent Members, including those on panels appointed by the CA. The Code sets out the conduct expected of members, including procedures for declaring and registering:

- Acceptance or receipt of a gift or hospitality
- Disclosable pecuniary interests, which are defined by the code

3.8.7 Failing to comply with requirements for registering and disclosing pecuniary interest may be a criminal offence.

3.8.8 The CA has also approved arrangements under which allegations that the Code has been breached can be investigated and for making decisions on such allegations.

3.8.9 The CA has also adopted a Code of Conduct for Officers, which also reflects the Nolan Principles of public life and requires officers to register personal and prejudicial interests. Officers also need to comply with a Gifts and Hospitality policy. Failure to comply with the Code may lead to disciplinary action.

## **3.9 Complaints and whistleblowing**

3.9.1 TBB will consider any complaints received in accordance with its agreed complaints procedure, TBB has also adopted a confidential complaints procedure, which are both published on the website. Any complaints about TBB will be dealt with in accordance with the approved complaints process.

3.9.2 The CA and TBB have adopted a whistleblowing policy, which is published on the website, to investigate and resolve any case where it is alleged by stakeholders, members of the public or internal whistle-blowers that the CA and TBB are acting in breach of the law, failing to adhere to the framework or failing to safeguard public funds.



## 4. Ensuring Value for Money

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### 4.1. Options Appraisal and Prioritisation

4.1.1 The identification of new projects to receive investment from Growth Funds is overseen by TBB and any relevant sub-groups or thematic panels established by TBB, who will adhere to the Assurance Framework and its appendices. This work is supported by an Independent Technical Advisor who provides impartial advice upon which to base funding decisions. Appendix 1A describes the assessment process for projects to be funded from the Local Growth Fund or Growing Places Fund. Agri-Tech projects are considered by a Programme Delivery Board for investment under the Agri-Tech Initiative which is shown in Appendix 1B.

4.1.2 The range of interventions funded by TBB will be kept under review by the CA in line with its key priority areas. At the same time, work will continue on developing a robust pipeline of new projects to attract further private and public sector investment. This will continue to identify options that are deliverable, offer high value for money, maximise social value, and provide wider benefits to TBB area. Option concepts may be “bottom-up” (derived from a call for projects or direct approach by businesses / delivery bodies) or “top-down” (through a strategic commissioning route). Where the TBB uses a commissioning approach, opportunities for partners to present proposals will be openly advertised on TBB’s website and communicated via sub-groups and wider stakeholder community.

4.1.3 TBB has developed a clear basis against which such projects and programmes are identified, appraised and prioritised, although the level of assessment needs to be proportionate to the scale and type of project (for example the Agri-tech programme requires a Pre-Qualification Questionnaire and then a single stage of Business Case application). Detail of the process for each funding type is set out in the relevant appendices, and is summarised below and on the TBB website.

### 4.2. Initial Sifting – Expression of Interest

4.2.1. When a new opportunity for funding is announced, TBB, programme boards, panels, Local Authorities, and key delivery partners are asked to identify candidate projects for their geographic and priority areas for consideration, provided that they demonstrably meet the criteria outlined in the Table below. These should also be drawn from the Strategic Economic Plan and other long-term planning documents such as Local Plans and Local Transport Plans.

4.2.2. A proforma is provided to capture consistent information on each proposal and the completed proforma should be no longer than four pages. Members of the public and the business community will also be able to identify projects, and the proforma will be published and publicised on the TBB website. The proforma will capture the key elements of the proposed project such as but not limited to the following themes and criteria, including the funding sought. The proforma and all supporting information is made available on TBB’s

website.

**Table 4A) TBB Standard Project Criteria**

THEME	CRITERIA
Purpose and Type	The primary proposal of the project should be to support local economic growth within TBB's wider area. Project types include, amongst others, transport, digital, water and flooding, housing and planning, regeneration and public realm, employment sites, business support, skills and employment, innovation.
Strategic Impact and Objectives	The objectives and impacts / constraints addressed of the project need to be aligned with each other and to the objectives of the Strategic Economic Plan (and wider long term planning documents such as a Local Plan) to show how it would have a positive impact across a defined geography. In addition, an outline of the impacts of no investment should be included (the 'do nothing' option).
Cost Threshold and Type	The total costs of the project, along with funding sought from the TBB. Requests for funding from TBB can be for capital, revenue or both, but noting that Growth Deal funding is capital only.
Financial Requirement and Funding Sources	Details of match funding to be provided should be included in the bid, subject to individual programme requirements. Funding should be sought where there are no other realistic options (that is where there is a funding gap), and the other sources of funding, their amount, and their likelihood stated. Details of other funding sources considered and disregarded should be provided.
Deliverability and Risk	The proposed project needs a reasonable degree of public support, and should be both affordable and deliverable within a clearly defined timescale. Key risks should be identified with proposed management and mitigations outlined to reduce/manage those risks.

4.2.3. All applications go through an initial sifting process, assessed against the criteria highlighted above. This initial sifting process will be undertaken by TBB officers with specialist support if required. Any projects that do not have a strong Strategic Fit and perform poorly against the criteria will not be taken further, with feedback being given to the project promoter. TBB reserves the right to decide not to include a project in the prioritisation process if key information is missing or if it is not based on a robust set of assumptions. However, the Strategic Case may be revisited if a significant period has lapsed or circumstances changed since the outline application / Expression of Interest made. A provisional allocation of funding at outline stage does not guarantee that a full Business Case application will be approved.

### **4.3 Strategic Prioritisation – Strategic Outline Business Case**

4.3.1 Projects that pass through the initial sifting stage will be allocated to project pipeline lists relating to the priority area or areas they most strongly align (e.g. skills, innovation, employment, housing, transport). Project promoters are then invited to develop and submit a Strategic Outline Business Case using a template provided by TBB.

4.3.2 TBB requires the Strategic Outline Business Case to be developed with adherence to HM Treasury's The Green Book: Appraisal and Evaluation in Central Government. The guidance sets out how a business case in support of a new programme or new project must evidence that the project has a strong:

- Strategic case – the intervention is supported by a compelling case for change that provides a holistic fit with other parts of the organisation and public sector;
- Economic case – the intervention represent best public value; Commercial case – the proposed deal is attractive to the market place, can be procured and is commercially viable;
- Financial case – the proposed spend is affordable; and Management case – what is required from all parties is achievable.

4.3.3 For transport projects, Strategic Outline Business Cases will be assessed by the Independent Technical Advisor using a modified version of the Department for Transport's Early Assessment and Sifting Tool. The Independent Technical Advisor will compile the first stage of a Strategic Prioritisation Report containing recommendations to the TBB Transport Panel for comment and approving recommendations for TBB Board. Feedback will be provided to the project promoter. Non-transport projects will go through a similar assessment process alongside other projects within the same theme, ie skills, business growth, innovation.

## **4.4. Project Appraisal and Investment Decisions**

### **4.4.1. Detailed Project Appraisal and Value for Money**

4.4.1.1 Once projects have been prioritised, TBB will inform project promoters that projects have been granted programme entry and need to be developed to Outline and Full Business Case stage in order to access funding (subject to any specific exceptions given in the programme appendices). Business cases must be in line with HM Treasury's Green Book: Appraisal and Evaluation in Central Government and relevant Central Government Department Guidelines such as the Department for Transport's WebTAG proportionate to the scale of the project.

4.4.1.2 Business case development must follow a reasonable and robust approach, and provide a high degree of certainty that the project will deliver 'high' value for money. That is, a Benefit Cost Ratio of two-to-one (2:1) or greater.

## **4.4.2. Stage 0 – Agreement of Approach**

4.4.2.1 Project promoters have the opportunity to seek early advice on whether their business case development and appraisal approach is proportionate and fit-for-purpose, particularly in relation to any modelling that might be required and to the assessment of social and distributional impacts.

4.4.2.2 Proportionality should reflect the nature, value, impact of the project, and time available. This can prevent abortive work from being conducted by project promoters, the Independent Technical Advisor, the Local Transport Panel, TBB Board, and the Accountable Body by not presenting under-developed project business cases for final assessment and quality assurance.

## **4.4.3. Stage 1 – Draft Outline Business Case**

4.4.3.1 The first stage of project appraisal is the development of a Draft Outline Business Case by the project promoter for each of its prioritised and shortlisted projects. Project promoters are aiming to demonstrate ‘high’ value for money. Environmental and social and distributional impacts are a key element of the value for money equation. Project promoters will need to be mindful that there could be both potential synergies and conflicts between these. Project promoters should consider the spatial distribution of positive and negative impacts, whether the impacts are very large for a small number of users or dispersed over a larger number of users. Analysis should also attempt to identify who are the ‘winners’ and ‘losers’ and to what extent. The business case work must make any such synergies and conflicts explicit and should propose suitable mitigation where relevant.

4.4.3.2 Where TBB is developing a programme of projects which are seeking funding approval at the same time, Draft Outline Business Cases will be assessed together by the Independent Technical Advisor. This will help ensure consistency of approach and fair assessment. Feedback will be given to the project promoter and TBB through a Draft Outline Business Case Assessment Report. The report will not only make recommendations for project business case progression or amendment, but also contain assessment of the adherence and proportionate and robust application of government guidance (with a greater focus on the strategic case and economic case), the reasonableness of the approach, the level of uncertainty in assuring value for money and key risks, and key recommendations for improvement.

4.4.3.3 The Independent Technical Advisor may recommend a project is not prioritised for development of a Full Business Case and amended for the same or a later bidding round if time permits; or recommend approval for the development of a Full Business Case. The Steering Group will review the list of projects for amendment and the list of projects for Full Business Case development, then make its recommendations to the relevant programme board / panel, before they make their recommendation to TBB Board for approval.



#### **4.4.4. Stage 2 – Revised Outline Business Case**

4.4.4.1 The development of a revised Outline Business Case has a far greater emphasis on commercial, financial and management cases, ensuring arrangements are appropriate for effective delivery, including necessary statutory and procurement requirements (as appropriate). The revised Outline Business Cases seeking funding approval by TBB and Accountable Body should be assessed together by the Independent Technical Advisor, with feedback provided to the project promoters and TBB through a Revised Outline Business Case Assessment Report. Similar to the Draft Outline Business Case Assessment Report, the report will contain assessment of the adherence to a proportionate and robust process (with an equal focus on all five cases), the reasonableness of the approach, the level of uncertainty in assuring value for money and key risks, and recommendations for funding approval or amendments to the business case.

4.4.4.2 The Revised Outline Business Cases, the report and its recommendations for funding, will be reviewed by a programme steering group, which may make recommendations to any relevant established Sub-Boards, before they in turn make recommendations for funding approval to TBB and the Accountable Body.

#### **4.4.5. Stage 3 – Department for Transport Retained / Portfolio Projects**

For projects that have funding retained by the Department for Transport, Stage 3 is the review for the business case submission to the Department for Transport. In these instances, the role of the Independent Technical Advisor to review the business case and provide professional advice to the Accountability Board of any key risks or issues arising from that assessment that need to be considered by the board to support the associated decision for funding.

#### **4.4.6. Stages 4 and 5 – Full Business Case**

For large projects over £5 million it is unlikely that project promoters will have already been through procurement and detailed design following the Outline Business Case. These projects; those considered high risk by the relevant programme board / panel; or for those where increases in costs might jeopardize 'high' value for money, are likely to be required to go through these stages to develop a Full Business Case, to further reconsideration and approval of the Value for Money assessment.

Stage 4 is commensurate with Stage 0, outlining the approach, process, procedures and timescales for development of the Full Business Case.

Stage 5 is the production and assessment of the Full Business Case. It is not anticipated that this process is iterative. Based on the Assurance Review, recommendations are made by the Independent Technical Advisor to the programme board / panel to on the Value for Money Assessment and the certainty of that assessment's accuracy. The relevant programme board / panel will then make a decision whether or not to recommend the project received funding (see Value for Money below).

#### **4.4.7. External Scrutiny of Business Cases**

4.4.7.1 Where relevant, the project sponsor must engage stakeholders as part of the business case development process and include the results of this engagement in the business case documents. Each Programme will set out the requirements for the publication of Business Cases and results of Business Case Assessments. Commercially sensitive information will be redacted.

4.4.7.2 Any public or stakeholder representation on the business cases must be considered by TBB Board and the Board must demonstrate how such representations have been considered.

4.4.7.3 The results of the relevant Independent Technical Advisor's assessment will be published as supporting papers for TBB and its programme boards / panels, as well as being made publically available and publicised on TBB's website, in sufficient time for members of the public, business community and other stakeholders to make representations to TBB or its programme boards / panels. This is mainly relevant to the consideration of funding for transport schemes, but may be applicable to other large capital TBB investments.

4.4.7.4 Commercially sensitive information may need to be redacted in line with the Freedom of Information Act 2002.

4.4.7.5 Public or stakeholder representation on the business cases must be considered by TBB, and the Board must demonstrate how such representations have been considered.

#### **4.4.8. VfM / Benefit Cost Ratio**

4.4.8.1 At each stage of business case sign off, the Section 151 Officer of the Accountable Body will require production of a Value for Money Statement which will summarise the economic case for the project and include an overall Benefit Cost Ratio. This will allow comparison of the monetised benefits with the costs; allow stakeholders to understand the potential costs, benefits and impacts; and allow the Section 151 Officer to sign-off the Value for Money Statement, or not, after TBB has approved funding. The Section 151 Officer should engage the relevant Independent Technical Advisors throughout to advise on whether delivery of the project is likely to result in 'high' value for money – a Benefit Cost Ratio of 2:1 or greater. A final draft Value for Money statement should be provided for review by the Section 151 Officer before a TBB recommendation and a CA Board decision is made.

4.4.8.2 Projects with a Benefit Cost Ratio of less than 2:1 will not normally be funded unless wider appraisal evidence provides a compelling case for investment. Such compelling circumstances could include where a project is required to unlock a barrier to growth or deliver wider economic benefits without detriment to the other cases of the business case; or where the time, effort and / or cost of monetisation of other economic, environmental and / or social and distribution impacts is too great for the value for the project and time available, but likely impacts would be to raise the Benefit Cost Ratio to or above two-to-one.

4.4.8.3 Where this occurs project promoters will be required to justify the investment through provision of an evidence base and a proportionate analysis of benefits not included in the central benefit-cost analysis, and to demonstrate how these help deliver the objectives of the Strategic Economic Plan

#### **4.4.9. Project development costs**

4.4.9.1 The project promoter is responsible for all up-front costs at each stage of the business case development. Reasonable costs for the Independent Technical Advisors' independent assessment and TBB prioritisation will also be required to be covered by project promoters. TBB will consider requests to forward fund project development costs in exceptional circumstances.

#### **4.4.10. Sign-Off, Release of Funding and Conditions**

4.4.10.1 If funding is approved, a formal agreement will be issued between the Accountable Body, TBB and the project promoting body setting out the conditions under which the devolved funding is to be spent and the respective responsibilities, and for ensuring the conditions are adhered to. The Accountable Body will not release funding until TBB and CA Board has approved funding and the Value for Money Statement has been signed-off by the Section 151 Officer of the Accountable Body. A final draft Value for Money statement should be provided for review by the Section 151 Officer before a Board decision is made.

4.4.10.2 If the Accountable Body's Section 151 Officer does not agree that a decision of the TBB and CA Board is in line with this Assurance Framework and therefore does not agree to sign-off the Value for Money Statement, the Accountable Body will propose a means of resolution with TBB, informing the relevant programme board / panel, project promoter, and Independent Technical Advisors as relevant.

#### **4.4.11. Programme and Risk Management**

4.4.11.1 As part of their funding agreement with TBB, project promoters are required to provide clear project milestones for delivery.

4.4.11.2 Any risks to the delivery of a project should be made clear from the outset and monitored regularly. A robust system of risk management will be put in place for individual projects overseen by TBB. This will enable spend profiles to be effectively monitored and managed by project promoters, the Accountable Body, TBB and any of its programme boards / panels.

4.4.11.3 The project promoting body is responsible for informing the Accountable Body and TBB of any significant changes to a project's scope, costs and implementation timetable. The Accountable Body and TBB (and its relevant programme board / panel) will consider any necessary remedial actions.

4.4.11.4 Each project promoter will submit regular monitoring reports to TBB and the Accountable Body, generally on a quarterly basis as a minimum, which will confirm the

programme and budget pre-delivery for each project, along with costs and delivery progress against programme during delivery, and identify any changes and highlight any key issues. This information will be used to identify project specific risks and issues, and will enable the overall programme to be managed.

4.4.11.5 As defined in the relevant Programme, the Accountable Body will undertake regular audits of the financial process by requesting evidence from the project promoter that funds are being spent on the specified capital project. The Accountable Body will advise TBB of any concerns or irregularities.

4.4.11.6 TBB will not be liable to fund increases in costs in full or part. These must be met by the project promoter. Delays to a project start as specified in a funding agreement may result in the withdrawal of a funding allocation to enable TBB and Accountable Body to bring forward another project that is deliverable within the timescales

4.4.11.7 Full project-level risk analysis and mitigation/contingency plans are required for each scheme as part of the application process and in developing the business case.

4.4.11.8 The CEO has overall responsibility for the identification and management of project, programme and portfolio risk, but the day-to-day coordination of corporate risk management activities is undertaken by S151 officer, responsibility for management of risks sits with relevant risk owners.



<b>AUDIT AND GOVERNANCE COMMITTEE</b>	<b>AGENDA ITEM No: 8</b>
	<b>PUBLIC REPORT</b>

## **BRIEFING ON GOVERNANCE OF BUSINESS BOARD**

### **1.0 PURPOSE**

- 1.1 Members of the Audit & Governance Committee asked for a briefing on the governance arrangements for the new Business Board. This paper sets out the governance arrangements, highlights where they have been strengthened and the implications for the work of this Committee.

<b><u>RECOMMENDATIONS</u></b>
<b>Lead Officer: Noel O'Neil, Deputy Section 151 Officer</b>
The Audit and Governance Committee are recommended to:  a) Note Chapter 8 of the Constitution on Business Board Governance

### **2.0 BACKGROUND**

- 2.1. The Combined Authority committed to developing an independent, private sector led Business Board that would act as the Local Enterprise Partnership for the area. A recruitment process took place in July and August. Adverts were placed locally and nationally seeking applications for the Business Board. The applications received were assessed against a skills matrix and interviews undertaken in August. Seven people from the private sector were selected to be the independent members of the Business Board. It had its inaugural meeting on 24<sup>th</sup> September 2018.
- 2.2. The voting members of the Business Board are:

<b>Member</b>	<b>Sector</b>	<b>Organisation</b>
Austen Adams	Advanced Manufacturing	Stainless Metalcraft/Peter Brotherhood
Douglass Cuff	Life Sciences and Healthcare	BioMed Realty
William Haire	Agri-tech	East of England Agricultural Society
Aamir Khalid	Advanced Manufacturing and Skills	The Welding Institute (TWI)
Mark Dorsett	Advanced Manufacturing	Perkins Engines/ Caterpillar UK
Andy Neely	Education	University of Cambridge
Tina Barsby	Agri-tech	NIAB

- 2.3. The Constitution of the Combined Authority has been updated to reflect the new arrangements for the Business Board. This was presented to the Business Board on Monday and is attached at Appendix 1. Section 4 of the paper sets out the purpose of the Business Board.
- 2.4. In summary the Business Board will develop in conjunction with the CPCA a Local Industrial Strategy that will drive growth, jobs and investment. It will also identify and develop investment opportunities that support economic growth and potential funding to deliver those investments. Specifically, it will prioritise and allocate local Growth Funding in the short term. The Business Board will bring forward the wider views of the business community and influence policy development.
- 2.5. The legal status of the Business Board is that it is an informal partnership. It does not have the ability to enter into contracts and will act through the CPCA as its Accountable Body.
- 2.6. Any funding decisions made by the Business Board shall be ratified by the CPCA Board as accountable body for the business Board.
- 2.7. The Business Board will have 2 public meetings a year including an annual general meeting. Whilst the other meeting will not be open to the public, all agendas and reports will be published on CPCA website at least 5 working days ahead of each meeting and the minutes will be published within 10 days of the meeting on the website. Agendas and minutes will be available to the public.
- 2.8. In a similar vein, a Forward Plan of future activity and key decisions will be published.
- 2.9. Scrutiny arrangements are identified in section 14. Overview & Scrutiny Committee will provide appropriate scrutiny to Business Board decisions.

- 2.10. The Business Board will be subject to both internal and external audit review ensuring that effective policies and procedures are in place. This will be carried out by the auditors of the Combined Authority as part of their review of the CPCA as accountable body.

### **3.0 FINANCIAL IMPLICATIONS**

- 3.1. All of the work has been carried out in-house, therefore there are no significant financial implications to this activity.

### **4.0 LEGAL IMPLICATIONS**

- 4.1. The approval of this document will ensure the Business Board is compliant with the requirements of Government.

### **5.0 APPENDICES**

- 5.1. Appendix 1 – Chapter 8 – Business Board

<b><u>Source Documents</u></b>	<b><u>Location</u></b>
<b>Membership of the Business Board (Agenda Item 1.2 – Business Board Meeting 24<sup>th</sup> September 2018)</b>  <b>Terms of Reference and Governance Arrangements (Agenda Item 1.3) Business Board Meeting 24<sup>th</sup> September 2018</b>	<a href="http://cambridgeshirepet-erborough-ca.gov.uk/meetings/show/2018-09-24">http://cambridgeshirepet-erborough-ca.gov.uk/meetings/show/2018-09-24</a>

## Chapter 8 – Business Board

### Part 1 – Functions and Membership

#### 1. Governance

- 1.1. Local Enterprise Partnerships (LEPs) are private sector led voluntary partnerships between local authorities and businesses set up in 2010 by the Department of Business Innovation and Skills to help determine local economic priorities and lead economic growth and job creation within the local area.
- 1.2. The Business Board is a non-statutory body which is the Local Enterprise Partnership for its area. It is independent of the Combined Authority operating as a private-public sector partnership, focusing on the key business sectors to provide strategic leadership and drive growth in the Cambridgeshire and Peterborough and wider Local Enterprise area.

#### 2. Current Geographical area (under review)

- 2.1. The current geographical area is under review. The Department for Business Enterprise and Industry are considering proposals for a coterminous boundary with the Combined Authority.
- 2.2. The geographical area of the business Board is set out in the table below:

District	Areas	Council
Cambridgeshire		Cambridgeshire County Council
Cambridge		Cambridge City Council
East Cambridgeshire	Ely, Littleport and Soham	East Cambs DC
Fenland	Wisbech, March Whittlesey & Chatteris	Fenland DC
Huntingdonshire	Huntingdon, St Ives & St Neots	Huntingdonshire DC
South Cambridgeshire	Cambourne	South Cambs DC
Peterborough		Peterborough City Council
North Hertfordshire	Royston	North Hertfordshire DC'
South Kesteven (Lincs)	Grantham, Stamford, Bourne and Market Deeping.	South Kesteven DC
Rutland	Oakham	Rutland County Council
St Edmundsbury (W Suffolk)	Bury St Edmunds and Haverhill	St Edmundsbury Borough Council



Forest Heath (W Suffolk)	Newmarket & Mildenhall	Forest Heath District Council
Uttlesford (Essex)	Saffron Walden, Great Dunmow, Stansted Mountfitchet and Thaxted,	Uttlesford DC
West Norfolk & King's Lynn	Spalding, Crowland, Donington, Holbeach, Long Sutton and Sutton Bridge	BC of King's Lynn and West Norfolk
South Holland (Lincs)		South Holland DC

### 3. Functions

- 3.1. In Mayoral combined authorities, there will be a single local Industrial Strategy led by the Mayor and supported by the Local Enterprise Partnership. The Mayor will work in partnership with the Business Board to jointly develop and agree the strategy<sup>1</sup>.
- 3.2. The Business Board has a vital leadership role to play, and is responsible for delivering the Local Industrial Strategy, which should provide the basis for investment decisions for the Cambridgeshire and Peterborough Combined Authority as the accountable decision-making authority.
- 3.3. The Business Board will allocate local growth funds to improve economic opportunity in the area and will monitor the delivery of funded projects.
- 3.4. Working in conjunction with the Combined Authority the Business Board will develop initiatives to address the local skills challenges and will play a key role in developing the University of Peterborough as an employer focused provider of higher education.
- 3.5. The Business Board will act as an enabler for delivery of sector deals at local level
- 3.6. The Business Board will support applications for the Industrial Strategy Challenge Fund programme and will work collaboratively with the Combined Authorities universities, businesses and research organisations to produce programmes which impact productivity
- 3.7. In accordance with the Single Pot Assurance Framework National Guidance, the Business Board and the Combined Authority Board, as the accountable decision making body, will work to agree a single local assurance framework, and submit it to Ministry of Housing, Communities and Local Government for approval. The Assurance Framework will be reviewed annually.

<sup>1</sup> See Industrial Strategy: Building a Britain fit for the future, DBE&IS 27 November 2017

## **4. Terms of Reference**

4.1. The purpose of the Business Board is set out below<sup>2</sup>:

### **Strategy:**

- (a) In collaboration with the Cambridgeshire and Peterborough Combined Authority, develop and deliver an evidence-based Local Industrial Strategy that identifies local strengths and challenges, future opportunities and the action needed to boost productivity, earning power and competitiveness across their area.
- (b) Set strategy and commission interventions to drive growth, jobs and private sector investment to deliver the strategy.

### **Allocation of funds**

- (c) Identify and develop investment opportunities; prioritising the award of local growth funding; and monitoring and evaluating the impacts of its activities to improve productivity across the local economy.
- (d) ensure that bids for public funding made available by government for LEPs support economic growth

### **Co-ordination**

- (e) Use its Business convening power, for example to co-ordinate responses to economic shocks; and bringing together partners from the private, public and third sectors.
- (f) ensure Business Board and Combined Authority policy and decisions receive the input and views of key business leaders and take account of the views of the wider business community
- (g) engage with local businesses to understand the needs of different sectors and markets

### **Advocacy**

- (h) Collaborate with a wide-range of local partners to act as an informed and independent voice for business across their area.
- (i) engage business, opinion formers and policy makers at a national and international level in promoting economic growth in the region.

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<sup>2</sup> These four roles are set out in Strengthening Local Enterprise Partnerships, MHC&LG, July 2018

4.2. In pursuit of this role the Business Board will:

- (a) In collaboration with the Cambridgeshire and Peterborough Combined Authority develop local agreements which clearly set out their respective roles, responsibilities and accountability
- (b) Produce an annual delivery plan and end of year report in accordance with Government guidance,
- (c) Develop, agree and review a joint Combined Authority and Business Board Assurance Framework
- (d) Support the supply of skills to an area as they respond to the Skills Advisory Panels programme
- (e) capture and communicate business requirements for changes to, and development of, economic policy and commission associated appropriate interventions
- (f) work collaboratively with all partners, including the Combined Authority and Local Authorities, to address barriers to growth and drive efficiency
- (g) bring together intelligence and expertise to identify priorities and develop solutions to maximise private sector investment in the local enterprise and combined authority area, and secure sustainable growth
- (h) work to create an environment for business growth ensuring appropriate mechanisms exist through which, as a coordinated voice, the private sector can inform and influence the shape and future direction of local and national government policy.

4.3. To ensure the Business Board is effective in this role it has the authority to:

- (a) engage in dialogue with Government and respond to policy, proposals and opportunities to bid for funding in support of economic growth
- (b) engage with investors, businesses and advisors to secure growth opportunities
- (c) develop and consult on regional economic policy, programmes and interventions designed to maximise growth in the region
- (d) provide leadership in key themes and priorities to promote growth
- (e) raise the profile, image, reputation and influence of the Local Enterprise Partnership and Combined Authority area at a regional, national and international level.

## **5. Legal Status**

- 5.1. The Business Board is an informal partnership. It does not have legal status to enter into contracts and will act through the Cambridgeshire and Peterborough Combined Authority as Accountable Body.

## **6. The Business Board's accountable body**

- 6.1. Cambridgeshire and Peterborough Combined Authority ('the Combined Authority') is the accountable body for funding allocated to the Business Board; that is the Combined Authority is responsible to Government for complying with any conditions or requirements attached to any such funding.

## **7. Role of Members and Accountability**

- 7.1. Irrespective of his or her background or geography, it is the duty of a Business Board member to act in the best interests of the Local Enterprise area and in accordance with the policies of the Business Board.
- 7.2. All private sector members of the Business Board act in their individual capacity and not as representatives of their respective organisations.
- 7.3. All Business Board members are expected to discharge their duties in line with the Nolan Principles for Standards of Public Life<sup>3</sup> and the Code of Practice for Board Members of Public Bodies<sup>4</sup>. Members must comply with the Business Board Code of Conduct. Political Leaders who are Members of the Combined Authority must also comply with the Business Board Code of Conduct in addition to that of the Combined Authority.

## **8. Membership**

- 8.1. The Business Board membership will comprise up to 10 members; two public sector members and up to eight business representatives as follows:

### **Public Sector Representatives**

- 8.2. The Mayor and the Portfolio for Economic Growth of the Combined Authority shall be a member of the Business Board by virtue of their office. The Combined Authority may appoint at least one Substitute Member to act in their absence. These shall be non-voting members of the Board.

### **Private Sector Representatives**

- 8.3. Up to eight business representatives— one member will be appointed specifically to represent the interests of the Small and Medium Sized Enterprises (SME) sector,

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<sup>3</sup> <https://www.gov.uk/government/publications/the-7-principles-of-public-life>

<sup>4</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/409604/code-of-conduct\\_tcm6-38901.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/409604/code-of-conduct_tcm6-38901.pdf)

one member will represent the education sector and one member will be appointed as an international business representative.

8.4. The Business Board membership meets the requirements for two thirds of the Business Board members to be private sector representatives and does not exceed the maximum of 20 members<sup>5</sup>.

8.5. Whilst all appointments to the Business Board will be on merit, in accordance with Government requirements, the Business Board will aim to Improve the gender balance and representation of those with protected characteristics on its board with the following aims:

- (a) that women make up at least one third of Business Board by 2020
- (b) with an expectation for equal representation by 2023, and
- (c) ensure its Board is representative of the businesses and communities they serve<sup>6</sup>.

## **9. Recruitment, Appointment and Termination of Private Sector Members**

9.1. The private sector representatives and the Chair of the Business Board shall be appointed following an open, transparent and non-discriminatory recruitment process which assesses each candidate on merit carried out in accordance with the Business Board's diversity statement, Government Guidance and the Nolan Principles. This will include a public advertisement and an interview process conducted by a Business Board's appointments panel.

9.2. Formal appointment panels will be constituted as follows

<b>Position</b>	<b>Panel</b>
Appointment of a Chair	Mayor of Cambridgeshire and Peterborough Combined Authority, the Combined Authority's Portfolio for Economic Growth plus three private sector Business Board members supported by the Chief Executive of the Combined Authority or his/her nominee
Appointment of private sector board members	Chair and Vice-Chair of the Business Board Mayor of Cambridgeshire and Peterborough Combined Authority or the Combined Authority's Portfolio for Economic Growth
Vice-Chair (where there is more than one candidate)	Chair of the LEP and Mayor of Cambridgeshire and Peterborough Combined Authority or the Combined

<sup>5</sup> Strengthening Local Enterprise Partnerships, MHC&LG, July 2018

<sup>6</sup> Strengthening Local Enterprise Partnerships, MHC&LG, July 2018

	Authority's Portfolio for Economic Growth
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Interview panels will be advised by the Director of Business and Skills.

### Requirements for Private Sector Representatives

- 9.3. The Private Sector Board members must not:
- (a) be a member, officer of the Combined Authority, or a County Council, Unitary Council, District tier Council within the area served by the Business Board, or otherwise employed under the direction of a local authority;
  - (b) be a non-executive director or officer of an NHS Trust;
  - (c) be subject to a bankruptcy restriction order or interim order;
  - (d) be subject to a sexual risk order or be on the sexual offenders register;
  - (e) be subject to a civil injunction or criminal behaviour order;
  - (f) be disqualified from acting as a director, a charter trustee or charity trustee
  - (g) within 5 years before the date of submission of application, have been a director or person of significant control of a company subject to a creditors compulsory liquidation
  - (h) within 5 years before the date of submission of application, have been convicted of any offence and have had passed on them a sentence of imprisonment, whether suspended or not, for a period of not less than 3 months without the option of a fine
- 9.4. Private Sector Members should not have made substantial personal contributions to any recognised political party, and must not serve as an officer in any recognised political party.
- 9.5. Members should be employed by, or have a substantial interest (by virtue of ownership / control) in businesses in the area served by the Business Board
- 9.6. The Appointments Panel shall appoint the **private sector representatives** to the Business Board following an interview process.
- 9.7. Each private sector representative on the Business Board is appointed in their individual capacity, and not as a representative of their employer or any other organisation. No substitute members will be appointed for private sector representatives.

### Appointment

- 9.8. A formal offer will be made to successful candidates. On appointment Board members are required to sign a declaration affirming their understanding and commitment to the Code of Conduct.

- 9.9. Within the period of 28 days of the appointment being made to the Business Board, the Business Board shall publish a notice on its website which:
- (a) states that it has made an appointment;
  - (b) identifies each Business Board member who has been appointed and any substitute members; and
  - (c) specifies the term of office of those appointed
  - (d) Publishing the members' and substitute members' register of interest form.

#### **Term of Appointment**

- 9.10. The term of office for **private sector representatives** will normally be a maximum of 3 years, and subject to a maximum of one successive term, unless
- (a) they cease to qualify to be a member of the Business Board;
  - (b) they resign from their membership and communicate this in writing to the Legal Counsel and Monitoring Officer; or
  - (c) the Business Board terminates the membership of any private sector representative which it may do at any time,
  - (d) upon receipt of a vote of no confidence by the Combined Authority Board, the Board must consider whether to terminate the terms of office of the Chair at the next meeting of the Board.
- 9.11. The term of office of **public sector** members and substitute members appointed by the Combined Authority is at their discretion; the Combined Authority Board may terminate their appointment or appoint a representative at any time, to be of effect on receipt of a notice by the Combined Authority's Legal Counsel and Monitoring Officer.
- 9.12. The Business Board may appoint co-opted members as necessary to complement the skills and expertise on the Board. Membership may not exceed 20 members.

#### **10. Chair and Vice-Chair of Business Board**

- 10.1. The Business Board will appoint a private sector representative as Chair and Vice Chair.
- 10.2. The Chair shall be appointed following an open, transparent and non-discriminatory recruitment process which assesses each candidate on merit carried out in accordance with the Business Board's diversity statement, Government

Guidance and the Nolan Principles. This will include a public advertisement and an interview process conducted by a Business Board's appointments panel. The Business Board will consult widely and transparently with the business community before appointing a new Chair.

- 10.3. The terms of the appointment will be set out in an appointment letter from the Combined Authority to the Chair. A person ceases to be Chair or Deputy Chair if they cease to be a Business Board member.
- 10.4. The terms of office of the Chair will be for two (2) years with one successive term permitted upon unanimous vote of the Board members present and voting
- 10.5. The Chair will be a voting member of the Combined Authority Board. The Vice Chair will be a non- voting member of the Combined Authority Board except when substituting for the Chair.
- 10.6. The Business Board shall appoint a vice chair from amongst its membership. A member may only be appointed as vice chair if they have secured membership through an open recruitment process.

## **11. Code of Conduct and Register of Interests**

- 11.1. Every Business Board member must sign and comply with the Business Board member code of conduct.

## **12. Co-opted Members**

- 12.1. Where specific skills or abilities are required which are not available among existing members co-optees may be appointed to the Business Board. The appointment will be made by the Chair, in consultation with the Board, for 12 months. Co-opted members will not have voting rights and will not count towards the quorum. In accordance with Government Guidance, the maximum number of co-opted members should not exceed five.

## **13. Working Groups**

- 13.1. The Business Board may appoint informal non-decision-making working groups. Any such subordinate body set up by the Business Board shall include one or more Business Board Members, as nominated by the Board. With the consent of the Chair, any such group may also co-opt onto it any independent person with the relevant expertise - judged against pre-determined criteria - on the issues within the remit of these groups.
- 13.2. The remit and terms of reference for any such subordinate body shall be approved by the Business Board.



## **14. Scrutiny Arrangements**

- 14.1. The Combined Authority's Overview and Scrutiny Committee may review or scrutinise any Combined Authority decision in its role as accountable body for the Business Board. The Combined Authority's Scrutiny Officer shall ensure that this includes appropriate scrutiny of Business Board decision-making and achievements.
- 14.2. Any Business Board member may be asked to attend, or otherwise contribute to, a meeting of the Combined Authority's Overview and Scrutiny Committee.
- 14.3. The Combined Authority's Audit and Governance Committees will also review the local assurance framework and how the local assurance frameworks are operating in practice.

## **15. Complaints and Whistleblowing**

- 15.1. Any complaint received about the Business Board will be dealt with under either the Combined Authority and Business Board's Complaints or Confidential Complaints Policy.
- 15.2. Any complaint about an individual Business Board member alleging a breach of the Code of Conduct will be dealt with in accordance with paragraph 7 above.
- 15.3. Any whistleblowing concerns raised about the Business Board will be dealt with under the Combined Authority and Business Board's Whistleblowing Policy.
- 15.4. Each of these procedures or policies shall be published on the Combined Authority web-site and accessible from the Business Board's web-site.

## **16. Remuneration**

- 16.1. Allowances or expenses shall be payable to any Business Board member, in accordance with a scheme approved from time to time by the Combined Authority.

## **17. Secretariat Arrangements**

- 17.1. In accordance with Government requirement to have a secretariat independent of local government to support the Chair and Board, a S73 Chief Finance Officer and Monitoring Officer has been appointed to advise the Board who is independent of the Cambridgeshire and Peterborough Combined Authority.

## **18. Local Area Agreement**

In accordance with Government requirements for mayoral areas there is a requirement for a Local Agreement between the Business Board and the Combined

Authority and the Accountable Body setting out the responsibilities of the Chair, Board and Accountable Body. (To be developed).

## **19. Amendments to the Constitutional**

- 19.1. These terms of reference will be reviewed annually. The Business Board will recommend any proposed changes to the Constitution to the Combined Authority.
- 19.2. The Combined Authority's Legal Counsel and Monitoring Officer is authorised to make any changes to any constitutional or governance documents which are required:
  - (a) as a result of any government guidance, legislative change or decisions of the Business Board, or
  - (b) to enable the documents to be kept up to date, or
  - (c) for the purposes of clarification only.

## **20. Publication of constitution and other governance documents**

- 20.1. This constitution and other governance documents shall be published on the Combined Authority website and accessible from the Business Board website.

## **Part 2 – Procedure Rules**

### **1. Meetings**

- 1.1. The Business Board shall have at least two public meetings a year to include its Annual General Meeting.
- 1.2. The Business Board will hold annual general meetings open to the public to attend to ensure the communities that they represent can understand and influence the economic plans for the area<sup>7</sup>.
- 1.3. With the exception of 1.1 above, meetings of the Business Board shall not be open to the public unless determined otherwise by the Chair.
- 1.4. An extraordinary meeting of the Business Board may be called by:
  - (a) the Chair of the Business Board; or
  - (b) any two Members of the Committee;
  - (c) the Chief Executive.

### **2. Agendas and Minutes**

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<sup>7</sup> Strengthening Local Enterprise Partnerships, MHC&LG, July 2018

- 2.1. Agendas and reports for the Business Board will be available on the Cambridgeshire and Peterborough Combined Authority website at least five clear working days before the meeting to which they relate in accordance with the Transparency rules in chapter 6 of the Combined Authority constitution. Any funding decisions shall be ratified by the Combined Authority as accountable body for the Business Board.
- 2.2. The public may have access to agenda, reports and minutes of public and private meetings except where they are exempt from disclosure under the Freedom of Information Act 2000 (FOIA). .

### **Freedom of Information**

- 2.3. Reports will be released with the agenda, except in those cases where the information contained in the reports is exempt from disclosure under the Freedom of Information Act 2000 (FOIA). These papers will be classed as reserved papers.
- 2.4. Likely exemptions that are likely to make information reserved include but are not limited to:
  - Commercial sensitivity
  - Information provided in confidence
  - Personal data
  - Legal professional privilege
  - Information intended for publication at a future date

## **3. Attendance**

- 3.1. Private sector Business Board members who fail to attend a third or more of the scheduled Board meetings in a 12-month period shall be reviewed by the Chair and their membership may be terminated.

## **4. Quorum**

- 4.1. No business is to be transacted at a meeting of the Business Board unless a majority of the total number of Members of the Board are present which should include the majority of private sector members and at least one public sector member.
- 4.2. During any meeting if the Chair counts the number of members present and declares there is not a quorum present, then the meeting will adjourn immediately. Remaining business will be considered at a time and date fixed by the Chair. If the Chair does not fix a date, the remaining business will be considered at the next ordinary meeting.

## **5. Decision Making and Voting**

- 5.1. Wherever possible, decisions of the Board will be by consensus, without the need for a vote. Where this is not possible a vote may be taken where the Chair considers it to be necessary to establish whether a consensus exists.
- 5.2. Each private sector Member of the Business Board is to have one vote and no Member (including the Chair) is to have a casting vote. The public sector members of the Board shall be non-voting members.
- 5.3. The vote will be by way of a show of hands and recorded in the minutes.
- 5.4. Any questions that are to be decided by the Business Board are to be decided by a simple majority of the Members present and voting. If a vote is tied on any matter it is deemed not to have been carried.

## **6. Conflicts of Interest**

### **Register of Interests**

- 6.1. It is the responsibility of Board members to ensure an up to date Register of Interests is maintained. Each Business Board member must complete and keep up to date a register of interest form required under the code of conduct. The register of interest form will be published on the Combined Authority's website within 28 days from the date of the appointment and is a condition of appointment. A member must within 28 days of becoming aware of any change in their interests provide written notification of this.
- 6.2. It is the responsibility of Board members to declare any interest on any item of business being conducted at a Business Board or working group meeting. Any declarations of interest made by a Business Board member at a meeting and any action taken, (such as leaving the room, or not taking part), will be recorded in the minutes for that meeting. The member should update their register of interest form within 7 days of the meeting if a new interest has been declared.
- 6.3. Any alleged breach of the Business Board member code of conduct will be dealt with under the Combined Authority's Member Complaints Procedure.

### **Declaration of Interests at a meeting**

- 6.4. It is the responsibility of Board members to declare any interest on any item of business being conducted at a Business Board. Where a 'pecuniary interest is declared Members will leave the meeting, where a 'non- pecuniary interest is declared, Members may remain at the meeting but not participate in business in accordance with the Board members' code of conduct.

## **7. Decisions of the Business Board**

- 7.1. The draft minutes of each meeting of the Business Board will be posted on the Combined Authority and Business Board website within 12 clear working days of the meeting taking place. The agreed minutes of each meeting will be published within 2 clear working days after approval at the subsequent meeting.
- 7.2. All decisions of the Business Board will be ratified at the next meeting of the Combined Authority Board. Where the Combined Authority does not agree with the recommendations, they will refer the matter back to the Business Board with the reasons and ask the Business Board to reconsider.

## **8. Urgency procedure**

- 8.1. In order to ensure that the Business Board is able to progress its business in an efficient manner, comments on urgent matters may be sought by the Chief Executive or other Statutory Officer outside the meeting cycle.
- 8.2. Members will receive email notification which identifies:
  - (a) Details of the matter requiring comment and/or endorsement and the reason for urgency (including an explanation as to why an emergency meeting is not proposed to be held to conduct the business);
  - (b) The date responses are required by;
  - (c) The name of the person or persons making or putting forward the proposal/decision
- 8.3. Two working days after the close of responses, the following will be circulated to all Business Board Members:
  - (a) The outcome of the decision taken by Statutory Officers (including responses received in agreement and responses received in disagreement); and the date when any decision comes into effect; and
  - (b) Any mitigating action taken to address Members' stated views or concerns.

Decisions and actions taken will be retrospectively reported to the next meeting of the Business Board.

## **9. Forward Plan**

- 9.1. The Committee will set its own work programme and its forward plan will be published in accordance with the Transparency rules in [chapter 6](#) of the Combined Authority constitution.



<b>AUDIT AND GOVERNANCE COMMITTEE</b>	<b>AGENDA ITEM No: 9</b>
<b>28 SEPTEMBER 2018</b>	<b>PUBLIC REPORT</b>

## **INTERNAL AUDIT: PROGRESS REPORT 2018 / 2019**

### **1.0 PURPOSE**

- 1.1. Internal Audit provide assurance to the Audit and Governance Committee that activities undertaken across the Combined Authority are appropriately managed, monitored and delivered in accordance with set governance, controls and risk management frameworks. This report provides details of the progress made in delivering the approved Audit Plan for 2018 / 2019.

<b><u>DECISION REQUIRED</u></b>	
<b>Lead Officer:</b>	<b>Steve Crabtree, Peterborough City Council</b>
The Audit and Governance Committee is recommended that the progress report from Internal Audit is considered.	

### **2.0 BACKGROUND**

- 2.1. In March 2018 Audit and Governance Committee discussed and agreed the Internal Audit Plan for 2018 / 2019. In accordance with the agreed work programme for Internal Audit, the reports provide an independent and objective opinion on the Combined Authority's effectiveness in managing risk management, governance and the control environment.
- 2.2. The reports will also feed into the Annual Internal Audit report that will be prepared at the end of the financial year. The Annual Report will provide an overall audit opinion on the adequacy and effectiveness of the governance, risk management and internal control processes, based upon the outcome of the reviews completed during the year. This opinion can then be used to feed into the Combined Authority's Annual Governance Statement that accompanies the Annual Statement of Accounts.

- 2.3. It is too early into the audit cycle for an overall opinion to be made. A number of key audits are planned to be undertaken during the next quarter and currently background research is being collated.
- 2.4. Since the last report to Audit and Governance Committee in July 2018, no frauds / irregularities have been reported to Internal Audit.

### **3.0 FINANCIAL IMPLICATIONS**

- 3.1. The cost of undertaking Internal Audit activities is contained within the charges contained within the Combined Authority's budget. Any increase in the required audit coverage will be agreed with Peterborough City Council on an ongoing basis.

### **4.0 LEGAL IMPLICATIONS**

- 4.1. The Accounts and Audit Regulations 2015, Regulation 5, requires a relevant organisation to undertake an effective internal audit to evaluate the effectiveness of its risk, control and governance processes, taking into account public sector internal auditing standards or guidance.

### **5.0 SIGNIFICANT IMPLICATIONS**

- 5.1. There are no direct wider CPCA implications arising from this report.

### **6.0 APPENDICES**

- 6.1. Appendix 1: Internal Audit Plan 2018 / 2019: Progress

<u>Source Documents</u>	<u>Location</u>
List background papers:	

**APPENDIX 1**

## **INTERNAL AUDIT PLAN 2018 / 2019 PROGRESS REPORT**

**ANNUAL REPORT**

1. Introduction
2. Summary of Audit Reviews

This report has been prepared for the use of Members and management of the Cambridgeshire and Peterborough Combined Authority. Details may be made available to specified external organisations, including external auditors, but otherwise the report should not be used or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

The matters raised in this report are only those that came to our attention during the course of our work – there may be weaknesses in governance, risk management and the system of internal control that we are not aware of because they did not form part of our work programme, were excluded from the scope of individual audit engagements or were not brought to our attention. The opinion is based solely the work undertaken as part of the agreed Internal Audit plan.



## 1. **INTRODUCTION**

- 1.1 The purpose of this report is to bring the Audit and Governance Committee up to date with the progress made against the delivery of the 2018 / 2019 Internal Audit Plan.
- 1.2 The Committee has a responsibility to review the effectiveness of the system of internal controls and to monitor arrangements in place relating to corporate governance and risk management arrangements. Internal Audit is an assurance function which provides an independent and objective opinion to the organisation on the control environment, comprising risk management, control and governance. This work update provides the Committee with information on recent audit work that has been carried out to assist them in discharging their responsibility by giving the necessary assurances on the system of internal control.
- 1.3 The information included in this progress report will feed into, and inform our overall opinion in our Internal Audit Annual Report issued at the year end. Where appropriate each report we issue during the year is given an overall opinion based on the following criteria:

<b>TABLE 1: ASSURANCE RATINGS</b>	
<b>Opinion / Assurance</b>	<b>Description</b>
SUBSTANTIAL	The internal control system is well designed to meet objectives and address relevant risks, and key controls are consistently applied. There is some scope to improve the design of, or compliance with, the control framework in order to increase efficiency and effectiveness.
REASONABLE	The internal control system is generally sound but there are some weaknesses in the design of controls and / or the inconsistent application of controls. Opportunities exist to strengthen the control framework and mitigate further against potential risks.
LIMITED	The internal control system is poorly designed and / or there is significant non-compliance with controls, which can put the system objectives at risk. Therefore, there is a need to introduce additional controls and improve compliance with existing ones to reduce the risk exposure for the Authority.
NO	There are significant weaknesses in the design of the internal control system, and there is consistent non-compliance with those controls that exist. Failure to improve controls will expose the Authority to significant risk, which could lead to major financial loss, embarrassment or failure to achieve key service objectives.

## 2. **SUMMARY OF AUDIT REVIEWS COMPLETED**

2.1 The agreed Internal Audit Plan 2018 / 2019 is table below, together with the indicative completion timelines:

<b>TABLE 2: AUDIT PLAN 2018 / 2019</b>						
		<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Total</b>
<b>FINANCIAL ARRANGEMENTS</b>						
TREASURY MANAGEMENT	Review of the operation of key controls including treasury management segregation, review and authorisation; third party services and assurances and the prudential code compliance.	-	-	10	-	10
<b>CORPORATE GOVERNANCE</b>						
GOVERNANCE	Follow up to the 2017 / 2018 audit review.	-	-	5	-	5
<b>PROGRAMMES, PROJECTS, AND CONTRACTING</b>						
PROJECTS	Processes and procedures. Compliance with funding agreements / scheme delivery to timescales and outputs.  Covering the various workstreams (Fiscal; Transport; Infrastructure; Housing and Skills). Specific project reviews will be determined during the year as schemes get approved / risk assessed etc.	-	10	10	10	30
CONTRACTS	Contract processes and procedures.  Areas which could be covered include specification design; tenders, evaluation and awarding of contracts; monitoring; and post contract review.	-	-	10	10	20
<b>GRANTS</b>						
GRANT CLAIMS	Review and certification of external funding claims in line with the various grant conditions and that monies are appropriate spent and accounted for	-	-	10	-	10
<b>OVERALL PLANS</b>		-	10	45	20	75

- 2.2 The Audit Plan is re-profiled throughout the year as and when the risk profile of the Combined Authority changes, and to react to emerging issues, management and Audit and Governance Committee requests. Following on from its initial approval, additional reviews have been requested (Table 3).
- 2.3 Progress against the works to date are as follows:

TABLE 3: AUDIT PLAN PROGRESS	
	Opinion
<b>AUDITED AREAS PREVIOUSLY REPORTED</b>	
<p><b>BEIS LEP PROJECT</b></p> <p>The Greater Cambridge and Greater Peterborough Local Enterprise Partnership (GCGP LEP) was a recipient of a grant from the Department for Business, Energy and Industry Strategy. When it ceased to operate as of 1 April 2018, its functions were transferred to the CPCA and was replaced by the Business Board.</p> <p>Internal Audit were commissioned to review the adequacy, or otherwise, of the financial records maintained and ensure that the grant sums claimed were in line with its conditions.</p> <p>The deadline for approval and return to BEIS was 25 June 2018.</p> <p><i>(This audit did not form part of the original audit plan as the LEP was at the time considered outside of scope of the CPCA).</i></p>	<p>Following review of the financial records maintained, supporting documentation and the grant conditions imposed, we were able to confirm that the monies claimed were appropriate.</p> <p>The grant letter was signed and issued in line with the timetable.</p>
<b>WORK IN PROGRESS</b>	
<p><b>GRANTS</b></p> <p>We have been notified of four grants that require a declaration to be sent to the Department for Transport, these being Capital Block Funding; Challenge Fund Tranche 2A; Local Transport Grant and Pothole Action Fund.</p> <p>Based on the determination letters, monies are spent separately by PCC and CCC. Where monies are spent directly by County they will undertake a review of the appropriateness of spending. As Chief Internal Auditor for the CPCA, I will then look to place reliance on their works. As at 20 September, we await a declaration from the County's CIA and either s151 Officer / Chief Executive covering their grants.</p>	<p>Deadline: 30 September 2018</p>

<p><b>LEP GOVERNANCE</b></p> <p>Discussions at the Informal Audit and Governance Committee meeting 22 May 2018 considered the LEP transfer into CPCA. It was noted that a temporary Business Board had been created to oversee a number of the decision making processes until such time that appropriate business leaders are appointed.</p> <p>A separate report / presentation from the Legal Counsel and Monitoring Officer is due for inclusion on the Audit and Governance Committee for 28 September 2018 in relation to the LEP and the Business Board.</p> <p>Once this has been submitted Internal Audit will use this as the basis to verify the governance arrangements are in line with the constitution etc. and that the CPCA is fully complying with it.</p>	<p>Deadline: 31 December 2018</p>
<p><b>PROJECTS: ADULT EDUCATION BUDGETS</b></p> <p>Adult Education Budgets are due to be devolved to the CPCA from 2018/2019. A report was been submitted to the Board earlier in the summer and there is a separate report scheduled for this committee.</p> <p>Our review has commenced in terms of obtaining various background documents, meetings with the Project Manager and also attending an Assurance and Knowledge Working Group with the Education and Skills Funding Agency and other MCAs on assurance processes and discussion for future proposals. Obtaining this best practice will enable us to undertake the review in Quarter 3 the Readiness Conditions and associated Programme Plan to provide assurance, or otherwise, that appropriate steps have been put in place to enable the CPCA to deliver. Practical solutions will be provided where necessary.</p>	<p>Deadline: 30 November 2018</p>
<p><b>PROJECTS: EAST CAMBRIDGE TRADING COMPANY</b></p> <p>Internal Audit has identified the allocation of monies for housing projects in relation to the East Cambridge Trading Co. Ltd as an area for review. We are currently liaising with East Cambridgeshires' Internal Auditors to obtain details of any previous works undertaken in this area as well as our rights of access to the Trading Company. In addition, we plan to review the business case.</p>	<p>Deadline: 31 December 2018</p>
<p><b>FOLLOW UP: CORPORATE GOVERNANCE</b></p> <p>We will review progress in Quarter 3 against last years' audit.</p>	<p>Deadline: 31 December 2018</p>
<p><b>FUTURE PROPOSALS</b></p>	
<p>In relation to future audit activity</p> <ul style="list-style-type: none"> <li>No fraud / irregularities have been reported to Internal Audit</li> </ul>	



<b>AUDIT AND GOVERNANCE COMMITTEE</b>	<b>AGENDA ITEM No: 10</b>
<b>28<sup>th</sup> SEPTEMBER 2018</b>	<b>PUBLIC REPORT</b>

## **ADULT EDUCATION BUDGET DEVOLUTION PROGRAMME**

### **1.0 PURPOSE**

1.1 To inform Audit Committee of the AEB Devolution Programme.

<b><u>RECOMMENDATIONS</u></b>
<b>Lead Officer: Neil Cuttall, Programme Manager Skills</b>
<p>The Audit and Governance Committee are recommended to:</p> <ul style="list-style-type: none"><li>a) Note to the Readiness Conditions submitted to the Department for Education in May 2018.</li><li>b) Agree and note that the AEB Programme will be identified on the CPCA Risk Register</li><li>c) Note the inclusion of the AEB Programme audit on the CPCA Internal Audit plan</li><li>d) Note the timelines for delivery of the AEB Programme going forward.</li></ul>

### **2.0 BACKGROUND**

2.1 Since 2014, devolution deals between government and regions in England have been announced, supporting economic growth, public service reform and improved local accountability.

The deals transfer certain powers and funding previously held by central government.

As outlined in the [Adult Education Budget Changing Context and Arrangements for 2016 to 2017](#) and the [Industrial Strategy](#), from the 2019/20 funding year, the MCAs will take on more responsibility for commissioning quality adult education provision in their local areas, when adult further education funding is devolved.

This means that the ESFA will, from Academic Year 2019/20, no longer be accountable for the totality of the AEB, which it currently allocates and manages.

Once the CPCA take on the role they will, within the agreed conditions of their devolution deal, be responsible for commissioning AEB-funded provision in their local areas, and have the freedom to set their own priorities and funding rates, while still being subject to the statutory duties of the Secretary of State. This will allow the Combined Authority to focus on meeting local area need, delivering local economic objectives and developing a sustainable local provider base.

DfE and ESFA are supporting the CPCA in working together to align national and local policy on adult education.

A transitional year for the CPCA will operate for the 2018/19 academic year to give the Combined Authority time to develop their knowledge of providers delivering to their residents, as well as testing out processes and systems, before AEB devolution comes fully into force.

- 2.2 The Readiness Conditions & Evidence Checklist was submitted to the Department for Education (DfE) on the 18<sup>th</sup> May 2018, confirmed in writing by the Chief Executive of the Combined Authority. As of summer 2018 the CPCA does not have to have the policies and processes approved and in place, but will have to have identified through a project plan what requires undertaking and when it will be completed by. The Programme Manager has completed the Project Plan and has identified that the timescale for delivery are challenging and leave little room for contingency time or failure to achieve milestones.

The key tasks to take on delivery of the AEB Programme include;

- The creation of a AEB Specific Skills Plan or
- The Agreement and Consent of the CPCA and Constituent Councils
- Audit and Governance Compliance
- The Development of a Commissioning Strategy
- The Creation of a Procurement Strategy
- An Operational Plan for Engagement with Providers
- A Funding Rules Document for Providers
- Planned processes to make payments to Providers
- A Data Sharing Agreement

## **Readiness Conditions Self-Assessment Evidence Checklist**

The evidence checklist is attached as Appendix one, and was submitted to the Department for Education on the 18<sup>th</sup> May 2018. This document has two sections, the first on 'Improving Adult Education delivery to our residents' which includes a requirement to provide an AEB Skill Plan. This plan is coupled with a letter from the Chief Executive of the CPCA indicating that the Combined Authority will be ready to exercise the statutory functions in 2019.

The second section identifies the evidence required under the titles of Governance, Financial, Procurement, Contracting & Funding Agreements, Payments, AEB policy on Funding Rules, Data Collection and Reporting, and Provider Management. The CPCA does not have to be ready to operate the AEB service by September 2018, but does have to provide evidence to show how they will ensure that the appropriate resources, processes and systems are in place before 2019. Appendix 2 provides a drafted Assurance Process Chart for the Adult Education Budget.

- 2.3 In section 2 of the Readiness Conditions Checklist, under the title of 'Governance' the DfE seek an 'information requirement' of "internal audit committee awareness of the project" and "is the project on the risk register, and has it been audit or due to be." Within the submission of the Readiness Conditions the CPCA stated "The project will be audited during Summer 2018, any recommendations made these will be robustly pursued during the Autumn 2018."

The Programme Manager (Skills) has undertaken a Project Risk Register and has identified, with the Compliance Manager that the AEB Devolution is on the Strategic Risk Register for the CPCA.

The AEB Devolution Programme project audit has been included within the Internal Audit work programme and will enable the CPCA to;

- A) Fully understand the risks with the AEB devolution programme
- B) Understand and identify the critical path to delivery, and provide constructive criticism & recommendations to improve the programme.
- C) Provide assurance that the AEB Devolution Programme has provided the necessary capacity and resource to make operational the new powers in 2019.

The Audit is identified to be undertaken in quarter three of the 2018/19 financial year.

## **3.0 RECOMMENDATION**

- 3.1 Note to the Readiness Conditions submitted to the Department for Education in May 2018.
- 3.2 Agree that the AEB Programme will be identified on the CPCA Risk Register

#### **4.0 FINANCIAL IMPLICATIONS**

- 4.1 The review is included within the Internal Audit Plan for 2018 / 2019 and is reported on separately on the agenda, as such there are no financial implications.

#### **5.0 LEGAL IMPLICATION**

- 5.1 It is essential to ensure that:
- (a) funding is solely used for the purpose for which it is intended;
  - (b) complete and accurate records are kept in order to show how funding has been utilised;
  - (c) any, and all data is obtained, processed, stored and used, in strict accordance with GDPR; and
  - (d) providers are procured in accordance with CA Governance

#### **7.0 APPENDICES**

- 7.1 Appendix 1; CPCA Readiness Conditions for the Devolution of the Adult Education Budget
- 7.2 Appendix 2; Adult Education Budget Assurance Processes Chart

<b><u>Source Documents</u></b>	<b><u>Location</u></b>



# CPCA - Adult Education Budget (AEB) devolution readiness: self-assessment evidence checklist – April 2018

To demonstrate readiness for AEB devolution from the academic year 2019/20, you will need to submit the following to the Department for Education by **18 May 2018**:

1. A letter from your CEO (or equivalent which states:
  - a. how you expect to improve the exercise of statutory functions in your area
  - b. that they are content the area will be ready to deliver the function to your residents from academic year 2019/20
2. Your AEB strategic skills plan (SSP), as described at Section 2, to support statement a.  
Evidence to support statement b. (Our suggestions for evidence you could consider to support this statement are listed in Section 2)

## Section 1 – Improving adult education delivery to your residents

The Secretary of State (SoS) may only make the order to devolve statutory functions to a Mayoral Combined Authority (MCA) if he considers that the making of the order is likely to improve the exercise of those functions in the area or areas to which the order relates.

**AEB strategic skills plans (SSPs)** will be considered as **your evidence** to support your CEO's statement and to demonstrate this to SoS. They are an opportunity for you to show how you can improve the delivery of adult education to your residents.

They should show:

- a) how the AEB will be used to achieve your objectives,
- b) how you will support national objectives,
- c) the impact of your decision-making on learners, employers and learning providers,
- d) preparation has been taken to reflect your intentions with regard to commissioning provision and that you are engaging with local stakeholders in doing so,
- e) links to work on Strategic Economic Plans / Local Industrial Strategies.

## Section 2 – Suggested evidence

Your CEO should in their letter state that your area will be ready to delivery adult education functions to your residents from academic year 2019/20.




The evidence **suggested** below is intended to support this statement. We do not expect you to have all processes, communications, documentation, etc. for the 2019/20 finalised by this point. However, the evidence you provide will need to clearly demonstrate how you will arrive at a satisfactory position, if these things are not already in place in time for assuming the functions. You are also welcome to set out what additional requirements you anticipate needing from DfE/ESFA in order to arrive at a satisfactory position in time for devolution.

For each theme below, please:


- give a **brief answer**
- include descriptions of the **products and outputs** that support your answer **and attach with this evidence**, if available
- include hyperlinks (web addresses) for **evidence you have already published**
- state who will give **final approval** for the products and outputs, and the governance processes you will use to get that approval, wherever appropriate

## Governance


Information requirement	Current Position (Y/N)	If yes, evidence to support requirement <i>could</i> include	If no please provide brief explanation	Target date for completion
A clear constitution (or similar document) which details: <ul style="list-style-type: none"> <li>• the governance framework and operating principles including investigations /complaints whistleblowing policy for the combined authority</li> </ul>	Yes	<p>there is a Constitution for the CPCA, which can be found at;  <a href="http://cambridgeshirepeterborough-ca.gov.uk/assets/Uploads/Combined-Authority-Constitution-2018.pdf">http://cambridgeshirepeterborough-ca.gov.uk/assets/Uploads/Combined-Authority-Constitution-2018.pdf</a></p> <p>Additional information on the development of AEB Governance and Assurance arrangements is provided in the Supplementary Evidence Pack: Annex 4 and 5.</p>		Completed

<p>Internal Audit Committee awareness of the AEB devolution project.</p> <p>Is the project on your risk register and has it been audited (or is due to be) and a report made</p>	Yes	<p>The project will be audited during Summer 2018, any recommendations made these will be robustly pursued during the Autumn 2018.</p> <div>    </div> <p>Annex A Internal Audit Plan CPCA.pdf    Annex B Audit Governance Mins 260    Annex C Copy of CPCA Risk Register.xl:</p> <p>The risk register for AEB is provided in the Supplementary Evidence Pack: Annex 6.</p>		Summer - Autumn 2018
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## Financial

Information requirement	Current Position (Y/N)	If yes, evidence to support requirement <i>could</i> include	If no, please provide brief explanation	Target date for completion
Compliance with the Local Audit and Accountability Act 2014 <sup>1</sup>	Yes	<p>The CPCA is compliant. Here is the Audit Letter:</p> <div>  </div> <p>Annex D Cambridge and Peterborough Co</p>		
Please provide confirmation that your Internal Audit team are aware of their responsibilities towards this funding stream to verify processes and controls.	Yes	<p>The Audit Committee have already discussed AEB (see Annex B) and it will be on the agenda of their next meeting on 20 July 2018.</p> <p>The data received from Serco shows that 94.6% of payments were made within 30 days of the invoice being Goods Receipted. This</p>		

<sup>1</sup> This Act requires you to have in place an external audit arrangement to annually report on whether your accounts and statements present fairly the financial position and whether you have put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources to secure value for money.

		<p>reflects the Combined Authority's policy to pay valid and undisputed invoices within 30 days. (see Annex E)</p> <p> Annex E CPC/</p> <p>A meeting is in the diary with the Government Internal Audit Agency and appropriate arrangements will be in place for 2019/20.</p>		
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## Procurement

Information requirement	Current Position (Y/N)	If yes, evidence to support requirement <i>could</i> include	If no, please provide brief explanation	Target date for completion
What plans, systems and processes you have for procuring AEB provision and how will you ensure compliance with the appropriate legal regulations for procurement.	In development	<p>A draft Commissioning Strategy is being developed based on NAO best practice. This alongside a new Funding Strategy will enable the CPCA to ensure that it is legally compliant when it launches its procurement round in the Autumn.</p> <p>Additional information on the development of the commissioning arrangements is provided in the Supplementary Evidence Pack: Annex 7 and 8.</p>		Summer for use in Autumn 2018

## Contracting and funding agreements

Information requirement	Current Position (Y/N)	If yes, evidence to support requirement <i>could</i> include	If no, please provide	Target date for completion
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			<b>brief explanation</b>	
Are contracting arrangements planned which: <ul style="list-style-type: none"> <li>• reflect the type of organisation you are contracting with (i.e. not for profit organisation - college/local authority or commercial provider)</li> <li>• define the terms and conditions for provision funded through the AEB?</li> <li>• allow for varying contracts, if required</li> <li>• the standards you expect providers to adhere to.</li> </ul>	In development	Draft financial grant memorandum and contract for services are being developed. These will build on the ones currently used by the ESFA. Additional information on the development of the contracting arrangements is provided in the Supplementary Evidence Pack: Annex 9 and 10.		Final documents will be available Summer 2018


## Payments

<b>Information requirement</b>	<b>Current Position (Y/N)</b>	<b>If yes, evidence to support requirement <i>could</i> include</b>	<b>If no, please provide brief explanation</b>	<b>Target date for completion</b>
Planned processes to make payments against <b>your</b> AEB policy and funding rules	Yes	Payment processes are provided in Annex 14 of the Supplementary Evidence Pack.  A Review will be taken and CPCA will ensure that they are tested and work effectively.		Summer 2018 with an agreed system in place by Autumn 2018

## AEB policy: funding rules and learner eligibility. Provider allocations and Funding Formula and Rates


<b>Information requirement</b>	<b>Current Position (Y/N)</b>	<b>If yes, evidence to support requirement <i>could</i> include</b>	<b>If no, please provide brief explanation</b>	<b>Target date for completion</b>

Clear draft documented rules and principles that safeguard public funding. The rules should confirm how funding is earned, learner eligibility, contracting and sub-contracting, evidence requirements, payment and performance management arrangements for AEB funding. The rules should also confirm the commissioning strategy.	In development	<p>A funding strategy document is currently being developed and will be available to support the procurement activity which will be undertaken during the Autumn. The CPCA financial Grant Memorandum and the Contract for Services will ensure that the providers adhere to the relevant conditions contained in the CPCA funding and performance management rules. The rules will not confirm the commissioning strategy, they support its effective delivery.</p> <p>Additional information on the development of the Funding and Performance Management arrangements is provided in the Supplementary Evidence Pack: Annex 11, 12 and 13.</p>		<p>Draft – Summer 2018</p> <p>Final – Autumn 2018</p>
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Information requirement	Current Position (Y/N)	If yes, evidence to support requirement <i>could</i> include	If no, please provide brief explanation	Target date for completion
Do you have a data sharing agreement in place with the department?	Yes	<p>Confirmation of returned data sharing agreement.</p> <p> Annex F Final DSA March 2018 (003).pdf</p>		Completed April 2018
Do you have additional requirements for data <b>held / not held</b> by the department to support your operational processes?	In development	Discussion on this continue through the Data Governance Group the CA will look to minimise any additional burdens on providers		Ongoing

If <b>yes</b> , have you balanced the need for this data against the possible impact on providers? <sup>2</sup>		and will be looking to use the ILR as its main source of data.		Ongoing
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## Provider Management

Information requirement	Current Position (Y/N)	If yes, evidence to support requirement <i>could</i> include	If no, please provide brief explanation	Target date for completion
Provider Management arrangements which plan to assess provider performance including: Financial Health, intervention and minimum standards policy.	On going	<p>DfE as the FE Regulator will be responsible for the National Financial Health and Intervention arrangements. The CPCA procurement strategy will set out the approach to both financial due diligence and performance management. Meetings will be held with DfE/Ofsted, to discuss the approach to minimum standards going forward</p> <p>CPCA is looking to develop a financial risk and resilience tool kit to support the need for a stable post 16 provider base.</p>  <p>Annex G CPCA FRR PID V1.0.pdf</p>		ASAP

<sup>2</sup> We can provide an example of issues you may wish to consider on request.



Figure 1 High Level Illustration of Assurance Processes

Level	Adult Education Budget – Outline Process	Assurance/ Audit Mechanisms	Accountability (Member of the Public)
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## Adult Education Budget: Assurance Processes

National	Adult Education Budget is allocated by Parliamentary Vote – Annually	Parliamentary Scrutiny including The Public Accounts Committee.	Accountable to citizens through MPs. PAC (and other select committee reports) are published.
	DfE submit a Comprehensive Spending Review (CSR) 'bid' for AEB – three-year cycle. Bid is evidence based; and is annually updated. New policy items may be added. Evidence of new policies must include impact statements (including impact on devolved administrations and regions).	National Audit Office conduct Value for Money, policy and thematic audits; and investigate significant changes in the FE System (for example the "Investigation into the circumstances surrounding the monitoring, inspection and funding of Learndirect Ltd")	NAO reports are published. NAO often call for evidence (from the FE community). [Ofsted also undertake thematic reviews.]
	DfE spend AEB via the Education and Skills Funding Agency (and from 2019/20 MCAs).	DfE and ESFA are subject to Internal process, policy and financial audits.	DfE and ESFA Accounts are a matter of public record.
Regional	ESFA (and from 2019/20 MCAs) commission adult education provision from the FE Sector – colleges, Local Authorities and Independent Training Providers (ITPs).	Requirements for Financial Assurance and Audit are set out in the Joint Audit Code of Practice.	Accountable to citizens through MPs. PAC (and other select committee reports) are published.
	Procurement Register is used (currently the Register of Training Organisations – RoTO) for due diligence.	ESFA is subject to Internal process, policy and financial audits.	ESFA Accounts are a matter of public record
	Procurement Arrangements being finalised ahead of 2019/20 – <i>all MCAs currently procure services/ projects so procedures need review and revision rather than completely new arrangements.</i>	Combined Authorities are subject to Internal and External Audit	Accountable to residents through Elected Members. MCAs will have Governance and Assurance arrangements for AEB – including audit and scrutiny committees. Ultimately the MCAs Section 151 Officer will be the Accountable Officer.
Providers	Providers (Colleges, LAs and ITPs) deliver learning to residents – earning AEB (from their allocation)	Requirements for Financial Assurance and Audit are set out in the Joint Audit Code of Practice (JACOP).	Accountable to Learners through their (required) complaints procedure. Accountable to the ESFA/ MCA through the requirements of JACOP and their Grant Agreement/ Contract for Services. GIAA provide audit services to ESFA for provider audit. MCAs have external audit capability [currently reviewing their capacity].

			External Auditor required to sign of accounts. [Colleges required to have audit committees.] Accounts are published.
		Requirements for the quality of teaching and learning set out in the (Ofsted) Common Inspection Framework 2015.	Ofsted Inspection and Monitoring visit reports are published.
		Assurance of Awards/ qualifications by Awarding Organisations	Awarding Organisations Assurance Processes
	Providers may subcontract provision but they remain responsible for its quality; and they retain financial accountability.		



<b>AUDIT AND GOVERNANCE COMMITTEE</b>	<b>AGENDA ITEM No: 11</b>
<b>28<sup>TH</sup> SEPTEMBER 2018</b>	<b>PUBLIC REPORT</b>

## **RECRUITMENT PROCESS FOR THE DIRECTOR OF STRATEGY & PLANNING**

### **1.0 PURPOSE**

- 1.1. For the Audit and Governance Committee to be informed of the recent director recruitment process for the Director of Strategy and Planning and to provide assurance that the process was robust and carried out appropriately.
- 1.2. To note that the Combined Authority has obligations to ensure the confidentiality of the recruitment process and has obligations in this regard to its employees and prospective employees

<b><u>RECOMMENDATION</u></b>	
<b>Lead Officer:</b>	<b>Karl Fenlon, Interim Chief Finance Officer</b>
For information only	

### **2.0 BACKGROUND & CONTEXT**

#### **Constitutional Position**

- 2.1. The Employment Committee comprises four named members, or their alternates:
  - Mayor James Palmer
  - Councillor Charles Roberts
  - Councillor John Holdich sub. Councillor Wayne Fitzgerald
  - Councillor Lewis Herbert sub. Councillor Anna Smith (previously Councillor Kevin Price)

- 2.2. Along with two other members taken in rotation, one of whom must be the relevant portfolio holder for any position being considered.
- 2.3. At the Employment Committee meeting of 28th March 2018 it was agreed that Employment Sub Committees would be formed for the appointment of Directors, comprising: the Mayor (as Chair), the Statutory Deputy Mayor (as Vice-Chair) Councillor for Cambridge City Council (to maintain political balance) and one other Board member which must include the relevant Portfolio Holder when interviewing for a particular Chief Officer post.
- 2.4. At the Annual Meeting on 30th May 2018 it was agreed (item 1.10) to amend the constitution to, inter alia, remove the requirement for political balance on employment sub-committees; thereby simplifying the process and reducing the quorum requirement for employment sub-committee to 3 members.

### **Timeline and Participation**

- 2.5. Regulations applying to recruitment of local authority posts allows officers to be recruited without first advertising them to existing staff. Appointment must however be on merit, with the exception of political assistants who can be selected for appointment.
- 2.6. Where it is proposed to recruit externally the position must be advertised and applications invited. Again, all appointments must be on merit.
- 2.7. The Combined Authority therefore has a choice regarding the appointment of its employees. At the Employment Committee in March 2018, it was agreed that four new Director positions would be recruited externally. All roles were subsequently advertised through online publications of the Times, Guardian and Telegraph as well as LinkedIn.
- 2.8. Arrangements for the recruitment process began in April with requests for holiday plans for all members along with detailed availability requests for the relevant portfolio holders and an element of political balance. The process was however mindful of the impending elections and dates were to be confirmed following the elections. Allowing for conclusion of Council AGM's, dates were then set to June 21 & 22 for assessment and June 29 for interview.
- 2.9. The recruitment process itself was devised by the Combined Authority's Human Resources lead with assistance from Penna, a national recruitment agency with a specialism in local government. The process included a number of assessments, all held over the course of a day, concluding with an informal panel meeting to make recommendations to the relevant Employment Sub-Committee. It being the Sub-Committee which holds delegated responsibility for interviewing and appointing candidates. The assessment day therefore acted as a screening process for candidates and, in general, each assessment panel interview was conducted by a senior officer from the Authority supported by an adviser from Penna.

- 2.10. Following the advertisement of posts, applications for the four director positions closed at 09.00 on 6 June 2018. All written applications were received before this deadline.
- 2.11. Prior to each assessment day, councillors and officers were supplied with candidate details and assessment packs for the short-listed candidates for each Director role.
- 2.12. As part of the process, in addition to the assessment panel interviews, candidates were also assessed through an additional panel interview with the Mayor, Deputy Mayor and the Chief Executive with the Chief of Staff observing.
- 2.13. Further steps in the assessment process comprised:
- CV review by panel
  - Behavioural/psychometric testing
  - Leadership scenario testing
  - Stakeholder lunch with feedback; various stakeholders were invited
- 2.14. The wrap-up discussions, including the decision as to which candidates to take through to interview, were held on the same day as the assessments. These sessions were not formally minuted as this is a screening process and it is the Employment Sub-Committee which ultimately holds responsibility for making decisions on appointments.
- 2.15. Following the Assessment Centre there were two candidates for the Strategy & Planning position, one for the Chief Finance Officer role, one for Business & Skills and none for Infrastructure.
- 2.16. The Employment Sub-Committee was held on 29 June. The Employment Sub-Committee comprised 3 members in accordance with the requirements of the process agreed on 28 March 2018, as subsequently modified: the Mayor (strategy portfolio), Deputy Mayor, and the substitute Councillor for Huntingdon.
- 2.17. Notice of the Employment Sub-Committee was given five (5) clear working days in advance and agenda and reports were issued for the meeting as is required by law and the constitutional arrangements: the member for Cambridge City Council was not available.

### **3.0 OUTCOME & RECOMMENDATIONS**

- 3.1 The Business & Skills and one of the Strategy & Planning candidates have been successfully appointed. The Chief Finance Officer candidate withdrew from the process after the assessment stage; he advised that he had secured another role. We have subsequently appointed, subject to Board approval at the September Board, a Chief Finance Officer on a fixed term contract following a panel interview of four additional candidates on July 25.
- 3.2 The Infrastructure position is being held vacant following the recent addition of Directors for both the housing and transport portfolios.

3.3 Notwithstanding the comprehensive process above, there are some points to note:

- This was an exceptional situation due to our start-up nature: we should not in future need to recruit four key positions simultaneously and certainly not during the holiday season.
- All member participants should be invited to hear the results of all panel sessions at the conclusion of the assessment day to ensure they have a rounded understanding of the candidates being proposed for interview

3.4 Following the appointment to relevant posts there was a disclosure of personal data regarding the appointment to the Director of Strategy and Planning (subsequently re-titled Strategy & Assurance) (Appendix 1). This disclosure has been reported to the Monitoring Officer for advice regarding the obligations of the Combined Authority to its employees. Should any further action be required, such as a review of the relevant constituent authority's code of conduct or our requirements under the Data Protection Act, the Monitoring Officer will deal with this, if necessary, in conjunction with the Audit and Governance Committee under its governance remit.

#### **4.0 LEGAL IMPLICATIONS**

4.1 The process to recruit and appoint to positions within the Combined Authority are governed by general employment law and a series of Regulations relating specifically to local government employment. These Regulations are captured in the 'Officer Employment Procedure Rules' and included within the Constitution. They are described earlier in this report.

4.2 The Assessment Day and the Employment Sub-Committee processes are confidential and dealt with in private. This is common practice within local government and within industry in general, as interviews involve the disclosure of personal data. Disclosure of interview performance could impact an individual's career prospects and the Combined Authority has an obligation as an employer to ensure the confidentiality of the employment process to ensure that it can attract the best candidates to vacant positions.

#### **5.0 FINANCIAL IMPLICATIONS**

5.1 None

#### **6.0 APPENDICES**

- 6.1. Appendix 1 - Statement Issued to the Press on the Recruitment Process
- 6.2. Appendix 2 – Member Code of Conduct and Complaints Procedure

<b>Source Documents</b>	<b>Location</b>
Employment Committee Agenda 28 <sup>th</sup> March 2018	<a href="http://cambridgeshirepeterborough-ca.gov.uk/assets/Employment-Committee/Employment-Committee-Agenda-180328.pdf">http://cambridgeshirepeterborough-ca.gov.uk/assets/Employment-Committee/Employment-Committee-Agenda-180328.pdf</a>
Employment Committee meeting 28 <sup>th</sup> March 2018	<a href="http://cambridgeshirepeterborough-ca.gov.uk/assets/Uploads/EC-Minutes-280318.pdf">http://cambridgeshirepeterborough-ca.gov.uk/assets/Uploads/EC-Minutes-280318.pdf</a>

## **Appendix 1**

### **Statement Issued to the Press on the Recruitment Process**

The Combined Authority conducted an open and competitive recruitment process for a new permanent position of Director of Strategy and Planning during June and July 2018 which reviewed all candidates on merit.

As a result, Paul Raynes, was appointed to the position following a rigorous process, in accordance with the requirements of both our constitution and our Employment Committee.

All applications were made to an independent, national, recruitment advisor; no direct applications were considered. The recruitment advisor provided a list of applicants for this position to the employment panel, as approved by the Employment Committee. Candidates were then long-listed by the panel before attending a series of assessments.

Following these assessments, a number of candidates were shortlisted by the employment panel. This smaller list of candidates attended a final interview with an Employment Sub-Committee which reached a decision on the preferred candidate, in accordance with our constitution.

Councillor Price participated in part of the candidate assessments, prior to shortlist selection. The outcome of all elements of the candidate assessments were provided to the Employment Sub-Committee; including that in which Councillor Price participated.

The Director roles were advertised in the recruitment pages of the Telegraph, Times and Guardian websites, plus LinkedIn.

The Employment Sub-Committee comprised of the Mayor, Deputy Mayor Charles Roberts and Councillor Ryan Fuller with CPCA Chief Executive Martin Whitely in attendance as an observer. They were supported by the external recruitment advisor.



## Chapter 15 - Member Code of Conduct and Complaints Procedure

### 1. Principles of Public Life

1.1. The Code of Conduct is intended to promote high standards of behaviour amongst the Members and Co-opted Members of the Combined Authority, including Members of the Business Board.

1.2. The Code is underpinned by the following principles of public life, which should be borne in mind, when interpreting the meaning of the Code:

#### i. Selflessness

Holders of public office should act solely in terms of the public interest.

#### ii. Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

#### iii. Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

#### iv. Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

#### v. Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

#### vi. Honesty

Holders of public office should be truthful.

#### vii. Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

### Part 1 – General Provisions

1.1 You are a Member or Co-opted Member of the Combined Authority or Business Board, and hence you shall have regard to the following principles –

selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

1.2 Accordingly, when acting in your capacity as a Member or Co-opted Member -

You must act in a manner consistent with the Board's diversity statement and treat your fellow Board Members, members of staff and others you come into contact with when working in their role with respect and courtesy at all times.

You must act solely in the public interest and should never improperly confer an advantage or disadvantage on any person or act to gain financial or other material benefits for yourself, your family, a friend or close associate.

You must not place yourself under a financial or other obligation to outside individuals or organisations that might seek to influence you in the performance of your official duties.

When carrying out your public duties or Business Board duties you must make all choices, such as making appointments, awarding contracts or recommending individuals for rewards or benefits, on evidence. .

You are accountable for your decisions and you must co-operate fully with whatever scrutiny is appropriate to your office or position.

You must be as open as possible about your decisions and actions and the decisions and actions of your authority or Business Board. In addition, you should be prepared to give reasons for those decisions and actions.

You must declare any private interests, both pecuniary and non-pecuniary, including membership of any Trade Union, political party or local authority that relate to your public or Business Board duties. Furthermore, you must take steps to resolve any conflicts arising in a way that protects the public interest. This includes registering and declaring interests in a manner conforming with the procedures set out in the section 'Registering and declaring pecuniary and non-pecuniary interests' below...

You must, when using or authorising the use by others of the resources of your authority or Business Board, ensure that such resources are not used improperly for political purposes or personal purposes (including party political purposes) and you must have regard to any applicable Local Authority Code of Publicity made under the Local Government Act 1986.

1.2.1 You must promote and support high standards of conduct when serving in your public post or Business Board post, in particular as characterised by the above requirements, by leadership and example.

## Registering and declaring pecuniary and non-pecuniary interests

You must, within 28 days of taking office as a Member or Co-opted Member, notify your authority's Monitoring Officer<sup>1</sup> of any disclosable pecuniary interest<sup>2</sup>, where the pecuniary interest is yours, your spouse's or civil partner's, or is the pecuniary interest of somebody with whom you are living with as a husband or wife, or as if you were civil partners.

In addition, you must, within 28 days of taking office as a Member, Co-opted Member or Business Board member, notify your authority's Monitoring Officer<sup>3</sup> of any non-pecuniary interest<sup>4</sup> which your Authority or Business Board has decided should be included in the register or which you consider should be included if you are to fulfil your duty to act in conformity with the Seven Principles of Public Life. These non-pecuniary interests will necessarily include your membership of any Trade Union.

Members should review their individual register of interest before each board meeting and decision making committee meeting. They must declare any relevant interest(s) at the start of the meeting.

If an interest has not been entered onto the authority's register, then the Member must disclose the interest to any meeting of the authority at which they are present, where they have a disclosable interest in any matter being considered and where the matter is not a 'sensitive interest'.<sup>5</sup>

Following any disclosure of an interest not on the authority's register or the subject of pending notification, you must notify the Monitoring Officer<sup>6</sup> of the interest within 28 days beginning with the date of disclosure.

Unless dispensation has been granted, you may not participate in any discussion of, vote on, or discharge any function related to any matter in which you have a pecuniary interest. Additionally, you must observe the restrictions your authority or Business Board places on your involvement in matters where you have a pecuniary or non-pecuniary interest as defined by your authority.

You are required to sign a document stating that you have read, understood and agree to abide with the requirements set out in part 1 of the Code of Conduct outlined above.

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<sup>1</sup> In relation to the Business Board you should also notify the Business Board Chief Executive and Accountable Body's S151 Officer

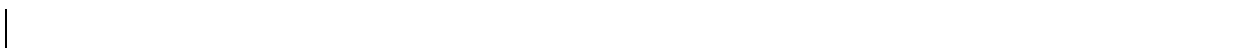
<sup>2</sup> **For the purposes of this guidance, we are using the definition of a pecuniary interest as set out in the Localism Act 2011 and The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012.**

<sup>3</sup> As for footnote 1 above

<sup>4</sup> A Non-Pecuniary interest is any interest which is not listed in the Schedule to The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 (No.1464).

<sup>5</sup> A 'sensitive interest' is described in the Localism Act 2011 as a member or co-opted member of an authority having an interest, and the nature of the interest being such that the member or co-opted member, and the authority's monitoring Officer, consider that disclosure of the details of the interest could lead to the member or co-opted member, or a person connected with the member or co-opted member, being subject to violence or intimidation.

<sup>6</sup> In relation to the Business Board you should also notify the Business Board Chief Executive and Accountable Body's S151 Officer



## Part 2 – Interests

### 1. Disclosable Pecuniary Interests

1.1. Disclosable pecuniary interests are specified in the table below:

	<b><i>Subject</i></b>	<b><i>Prescribed description</i></b>
1.	Employment, office, trade, profession or vocation	<p>Any employment, office, business, trade, profession or vocation carried on for profit or gain</p> <p>For the business board this should include remunerated public sector roles such as councillors.</p>
2.	Sponsorship	<p>Any payment or provision of any other financial benefit (other than from Combined Authority/Business Board) which is paid as a result of carrying out your duties as a Member, or towards your election expenses.</p> <p>This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.</p>
3.	Contracts	<p>Any contract with the Combined Authority/Business Board:</p> <p>(a) for goods, works or services are to be provided or works are to be executed; and</p> <p>(b) which has not been fully discharged</p> <p>This includes a contract between the Combined Authority/Business Board and any organisation in which you, or a person specified in paragraph 1.2 below, has a beneficial interest.</p> <p>For Business Board Members only Your declaration should include any contracts by any organisation named in 1 above.</p> <p>Any contract for goods, works or services entered into by any organisation named at 1. where either party is likely to have a commercial interest in the outcome of business being decided by the Business Board</p>
4.	Land	<p>Any beneficial interest in land which is within the area of combined authority.</p> <p>For Business Board Members only Any beneficial interest you or any organisation listed in 1 may have in land or property which is within the Business Board area</p>

		which is likely to be affected by a decision made by the Business Board.
5.	Licences	Any licence (alone or jointly with others) to occupy land in the Combined Authority's area (or Business Board's area for Business Board Members) for a month or longer.
6.	Corporate Tenancies	Any tenancy where (to your knowledge):  (a) the landlord is the Combined Authority or Business Board; and  (b) the tenant is a body in which you, or a person listed in paragraph 1.2 below, has a beneficial interest
7.	Securities	Any beneficial interest in securities of an organisation under 1 where:  (a) that body (to your knowledge) has a place of business or land in the Combined Authority's area (or Business Board's area for Business Board Members); 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 person in paragraph 1.2 (below) has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

1.2. You must declare an interest if:

It is your interest, or

It is an interest of:

- (i) your spouse or civil partner;
- (ii) a person with whom you are living as husband and wife, or
- (iii) a person with whom you are living as if you were civil partners

and you are aware that that other person has the interest.

## **2. Other Disclosable Interests**

- 2.1. You must declare the interests of any person from whom you have received a gift or hospitality with an estimated value of at least £50.
- 2.2. You should not act or take decisions in order to gain financial or other material benefits for yourself, your family, or your friends. You must declare and resolve any interests and relationships.

## **3. Registration of Disclosable Pecuniary Interests and Other Interests**

- 3.1. Subject to paragraph 4.2 below (sensitive interests), you must, within 28 days of:
  - (a) this Code being adopted or applied by the Combined Authority/Business Board; or
  - (b) your election or appointment (where that is later)notify the Monitoring Officer<sup>7</sup> in writing of any disclosable pecuniary interests and other interests you have at that time.
- 3.2. Subject to paragraph 4.2 (sensitive interests) you must, within 28 days of becoming aware of any new disclosable pecuniary or other interest or any change to any such interest, notify the Monitoring Officer<sup>8</sup> in writing of that new pecuniary interest or change.

## **4. Disclosable Pecuniary Interests in matters considered at meetings or by a Single Member**

- 4.1. If you attend a meeting and are aware that you have a disclosable pecuniary interest in any matter to be considered at that meeting:
  - (a) if the interest is not entered in the register of members' interests you must disclose to the meeting the fact that you have a disclosable pecuniary or other interest in that matter;
  - (b) if you have not already done so, you must notify the Monitoring Officer<sup>9</sup> of the interest before the end of 28 days beginning with the date of the disclosure; and
  - (c) whether the interest is registered or not you must not unless you have obtained a dispensation from the Monitoring Officer to participate, or participate further, in any discussion of the matter at the meeting

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<sup>7</sup> In relation to the Business Board you should also notify the Business Board Chief Executive and Accountable Body's S151 Officer

<sup>8</sup> As above

<sup>9</sup> As above

- (d) whether the interest is registered or not you must not, unless you have obtained a dispensation from the Audit and Governance Committee participate in any vote, or further vote, taken on the matter at the meeting.

### Sensitive Interests

- 4.2. Where you consider (and the Monitoring Officer agrees) that the nature of a disclosable pecuniary or other interest is such that disclosure of the details of the interest could lead to you, or a person connected with you, being subject to intimidation or violence, it is a “sensitive interest” for the purposes of the Code and the details of the sensitive interest do not need **to be disclosed to a** meeting, although the fact that you have a sensitive interest must be disclosed.

### Part 3 – Related Documents

- 1.1 The following documents also provide guidance on the Standards of Conduct expected of Members and can assist in the interpretation of this Code of Conduct. These documents can be found in the Combined Authority’s Constitution.
  - (a) The Audit and Governance Committee Rules of Procedure set out the arrangements for dealing with an alleged breach of this Code.





<b>AUDIT AND GOVERNANCE COMMITTEE</b>	<b>AGENDA ITEM: 12</b>
<b>28<sup>th</sup> SEPTEMBER 2018</b>	<b>PUBLIC REPORT</b>

## **WORK PROGRAMME**

### **1.0 PURPOSE**

- 1.1 To provide the Committee with the draft work programme for Audit and Governance Committee for the remainder of the 2018/19 municipal year.

<b><u>DECISION REQUIRED</u></b>	
<b>FROM:</b>	<b>28<sup>TH</sup> September 2018</b>
<b>Lead Officer:</b>	<b>Anne Gardiner</b>
That the Committee notes the work programme for the Audit and Governance Committee for the 2018/19 municipal year attached at Appendix 1 and agree to regularly review the work programme at each meeting.	

### **2.0 BACKGROUND**

- 2.1 In accordance with the Constitution, the Audit and Governance Committee must perform certain statutory duties including the approval of accounts, governance arrangements, financial reporting and code of conduct.
- 2.2 A draft work programme which outlines when these decisions are taken is attached at Appendix 1.

### **3.0 FINANCIAL IMPLICATIONS**

- 3.1 There are no financial implications

#### **4.0    LEGAL IMPLICATION**

4.1    There are no legal implications

#### **5.0    EQUALITIES IMPLICATION**

5.1    None

#### **6.0    APPENDICES**

6.1    Draft Work Programme

<b><u>Source Documents</u></b>	<b><u>Location</u></b>
<b>None</b>	


**AUDIT & GOVERNANCE COMMITTEE – WORK PROGRAMME**
**LEAD OFFICER(S): Karl Fenlon, S151 Officer**
**DEMOCRATIC SERVICES OFFICER (DSO): Anne Gardiner**

Date	Report Description	Relevant Officer/ Report Author
<b>Deadlines:</b>	<b>Final Reports to DSO: 4pm Tuesday 20 November 2018</b>	<b>Agenda Publication/Despatch: Thursday 22 November 2018</b>
30 November 2018 1pm	Procedural Role of the Audit and Governance Committee	
30 November 2018 10am – Public Meeting	External Audit – Annual Certification Report (if required)	Suresh Patel/Kay McClennon (Ernst & Young)
	External Audit - Annual Audit and Inspection Plan	Suresh Patel/Kay McClennon (Ernst & Young)
	External Audit - Local Government Sector Briefing	Suresh Patel/Kay McClennon (Ernst & Young)
	Annual Treasury Management Strategy/MRP/AIS	Jon Alsop
	Internal Audit – Progress Report	Steve Crabtree
	Forward Agenda Plan	Anne Gardiner
	Board report on Combined Authority Organisational Risk Strategy	Karl Fenlon
	Self-Assessment Actions for Review	Jon Alsop

Deadlines:	Final Reports to DSO: 4pm Tuesday 19 March 2019	Agenda Publication/Despatch: Thursday 21 March 2019
29 March 2019 1pm – Training Session		
29 March 2019 10am – Public Meeting	External Audit Progress Report	Suresh Patel/Kay McClennon (Ernst & Young)
	External Audit - Local Government Sector Briefing	Suresh Patel/Kay McClennon (Ernst & Young)
	Code of Corporate Governance Review	Kim Sawyer
	CA Constitution Annual Review	Kim Sawyer
	Corporate Complaints Procedure(s) - Annual Reports & Review	Kim Sawyer
	Corporate Risk Register Annual Review	Darren Edey
	Internal Audit Plan 2019/20	Steve Crabtree
	Internal Audit – Progress Report	Steve Crabtree
	Forward Agenda Plan	Anne Gardiner
31 May 2019 – Informal Workshop	Draft Accounts 2018/19	Jon Alsop

#### Items to be Timetabled

- *Performance Management Framework*