AUDIT AND GOVERNANCE COMMITTEE

Date:Friday, 26 January 2024

Democratic Services

Edwina Adefehinti
Chief Officer Legal and Governance
Monitoring Officer

2nd floor, Pathfinder House
St Mary's Street
Huntingdon
Cambs
PE29 3TN72

10:00 AM

Civic Suite, Pathfinder House, St Mary's Street, Huntingdon PE29 3TN
[Venue Address]

AGENDA

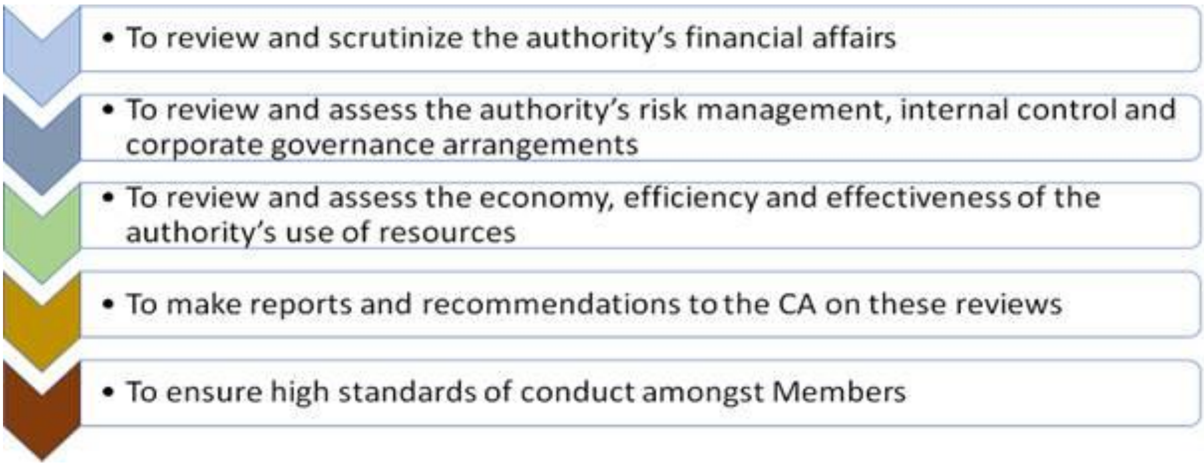
Open to Public and Press

Friday 8th March 2024 at 10am in Civic Suite, Huntingdonshire District Council

The Audit and Governance Committee comprises the following members:

For more information about this meeting, including access arrangements and facilities for people with disabilities, please contact

The Audit and Governance Committee Role.



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.

John Pye

Cllr Gary Christy

Councillor Andy Coles

Councillor Stephen Corney

Cllr Geoff Harvey

Cllr Mark Inskip

Cllr Simon Smith

Councillor Graham Wilson

Clerk Name:	Anne Gardiner
Clerk Telephone:	
Clerk Email:	anne.gardiner@cambridgeshirepeterborough-ca.gov.uk

Item 3

Audit & Governance Committee

Friday 17 November 2023

Venue:	Civic Suite, Pathfinder House, Huntingdon PE29 3TN	
Time:	10.00 to 13.00	
Present:	Cllr H Nawaz Cllr A Coles Cllr S Corney Cllr G Harvey Cllr M Todd Jones Cllr G Wilson Cllr Mark Inskip Mr John Pye	Fenland District Council Peterborough City Council Huntingdonshire District Council South Cambs District Council Cambridge City Council East Cambs District Council Cambridgeshire County Council Independent Person and Chair
Officers in attendance	Rob Bridge Rob Emery Chris Bolton Edwina Adefehinti Dan Harris Jacob McHugh Adam Lickorish	Chief Executive Officer Assistant Director Finance Head of Programme Management Office Interim Head of Legal, Governance & Monitoring Officer Internal Auditor (RSM) External Auditor (EY) RSM

Minutes:

1	**Apologies for Absence and Declarations of Interest**
1.1	Apologies were received from Cllr Christy, substituted by Cllr Nawaz and from Cllr Smith, substituted by Cllr Todd Jones.
1.2	No disclosable interests were declared.
2	**Chair's Announcements**
2.1	Nick Bell, Executive Director for Resources and Performance would be retiring at the end of this municipal year.
2.2	The Committee had a brief private meeting with the Internal and External Auditors in September in line with best practice – there was nothing to report following that meeting.
2.3	The Hearing panel, which was a cross party subcommittee of A&G – with the independent Chair – met on Tuesday to determine code of conduct complaints against the Mayor. The Panel sought representations from the legal adviser to the Panel, from the CPCA's independent person, from the independent investigator and from the Mayor's legal representative, in deciding whether or not to publish the Investigator's Report - the options were to publish either a full or a redacted version of the Report, or not to publish at all. After deliberation, the Panel decided unanimously not to publish the Investigator's Report. All the other findings of the Panel were also unanimous. The Law and the CPCA's Constitution prescribed the sanctions that could be imposed on an elected member. Consequently, and in order to ensure lawful and proportionate sanctions, the Panel constrained itself to the sanctions available to it. A Decision Notice would be published next week. This would set out the background and context to

	the conduct complaints, together with the Panel's findings.
3	**Minutes**
3.1	The minutes of the meeting held on 8th September 2023 were approved as a correct record.
3.2	The action log was noted.
4	**Improvement Framework Report**
4.1	The Committee received the report which provided the Audit and Governance Committee with an opportunity to review progress over September and October against the key areas of concern identified by the External Auditor in his letter dated June 2022 and February 2023, and the Department for Levelling up, Housing and Communities (DLUHC) in its letter dated January 2023.
4.2	The following points were raised during the discussion:- • The Chief Executive advised that the team at the Combined Authority had worked hard to help progress the organisation to be doing what it should for the region. There had been strong endorsements on partnerships; there would be a bigger piece of work including case studies which would be presented to the Independent Improvement Board (IIB) next week. There was hope that the organisation would be in a position in the New Year for the External Auditors to consider a positive Value for Money (VFM) opinion and for the government to consider removing the Best Value Notice. • Members queried the partnership RAG rating as it was not clear what needed to be done to get the rating to GREEN. They were advised that officers hoped it would be green following discussions with the IIB next week. DLUHC were requesting the CA demonstrate how good partnership working would be embedded within the organisation, but this would be a long process. • In response to a query on whether the partners were doing what the CA needed them to do to help embed good partnership working, the CEO advised that they had received feedback from constituent councils, other external partners and the M10 group (group of combined authorities Monitoring Officers) on how the CA was working with them. Despite potential areas of disagreement there was a shared goal that there needed to be a common vision. There was more work to be done to ensure the Region had one voice when approaching government. The CEO was confident of the work being done at the officer level. • The Chair invited the External Auditors to say when would they be in a position to provide their VFM opinion. The External Auditor advised that they appreciated that the CA had taken lots of steps and that they were confident, now certain matters had been concluded that they should be able to provide a final opinion on the 21/22 accounts in January. • In response to a query about how the Authority could provide assurance around the areas of risk highlighted by the recent code of conduct hearing; the CEO advised that he would be working with statutory officers to ensure that the recommendations made at the A&G Sub Committee were followed through; there were appointments being made to the final vacant senior management positions this month. These appointments would be made by the Human Resources Committee who would have been involved in the drafting of the job descriptions; the shortlisting and the interview process and that external stakeholders were also involved. The skill set of anyone applying to work at the CA would be heavily scrutinised and this process had been in place since 2022. • The culture of the organisation was changing; the way of working and staff feeling they were part of something positive was something officers would endeavour to demonstrate to external viewers. • It was important that the CA was not seen as a separate entity to everybody else – it was part of the system, and everyone was part of the CA and therefore the success was down to all councils; for the CA to be successful it was important to focus on making it clear there

	was a common vision. • In response to a question, the CEO assured the Committee that once the Best Value Notice was lifted the organisation would continue to work on improvement through an internal improvement board and the CEO encouraged the A&G Committee to have regular updates on the improvement work of the authority going forward. • In response to a question on how the CA should communicate its role to other levels of local government; the CEO advised that all minutes and decision made at the CA were shared with the constituent councils but there was further work to be done on how the CA communicated with all levels of government and partners.
4.3	The Committee RESOLVED: a) To note the progress made over September and October against stated areas of improvement identified by the External Auditor in June 2022 and Best Value Notice received in January 2023 as reported to the CA Board on 31 May 2023. b) To note the outcome of the recent Internal Review of the governance and decision making improvement programme c) To note the feedback from the staff conference on the progress made over the last 12 months
5	**Corporate Risk Register**
5.1	The Committee received the report which provided a progress update on the refreshed risk register, risk dashboard and heat map and requested that the Committee agree how often they would like to receive the register going forward.
5.2	The following points were raised during the discussion:- • Members felt that the new dashboards were helpful and that the process was starting to embed and mature. • The Committee were advised that some risks since the last meeting had been closed while others had been consolidated. • Many of the risks appeared to fall under finance; this was due to finance underpinning much of the work done at the CA including links to the delivery of any project. Other risks such as cyber security fell under finance as it was managed under that directorate despite it not being a financial risk. • The limited amount of detail on cyber security was intentional, but officers advised that the CA followed best practice as advised by GCHQ. • The dashboard that had been presented to the Committee had been devised specifically for A&G; however, other departments within the organisation would also receive the dashboards to ensure officers were risk aware and that decisions taken were risk informed. • The Committee were advised that the Executive Directors reviewed the risk register and dashboards monthly; the specific risks were taken to each relevant committee. Currently the risk register was not taken to CA Board but could be in future to ensure visibility at all levels. • Members were unaware that the CA Board had not asked to see the register. They agreed to recommend that the register should be considered by the CA Board at least once a year. • The Committee discussed and agreed they felt they should continue to receive the risk register at every meeting.
5.3	Committee RESOLVED: a) To note the refreshed Corporate Risk register report, risk dashboard and heat map. b) That the register should be reviewed at every A&G for the foreseeable future and in line with best practice. c) To note the update on Risk Software including Training.

	d) The Committee welcomed the maturity reached in devising a way of presenting risk in an understandable and meaningful way and recommended that the CA Board should review the Corporate Risk Register at least once a year.
5.4	ACTION 1) Corporate Risk Register be added to the work programme for every meeting going forward. 2) Recommend that the CA Board review the register at least annually.
6	**External Audit – Cambridgeshire & Peterborough Combined Authority – Audit Results Report**
6.1	The Committee received the report which presented the audit results report which expressed an opinion on the 2021/22 financial statements and addressed current statutory and regulatory requirements.
6.2	The following points were raised during the discussion:- • Officers advised that they felt that the audit had gone very smoothly and would be taking on both of the advisory notes within the External Auditors report. • In response to a query on the exit payments, officers advised that some payments fell between financial years, and they should be listed according to the year they related rather than the year they were paid – further information on this would be included in the report being brought to the January meeting. • The CEO stated that this was a positive audit report and showed how far the organisation had progressed. In regard to the VFM opinion still outstanding, discussion would be held with the external auditor as this would be crucial for when government reviewed the Best Value Notice. • The Chair requested that the External Auditor and officers aim to ensure that the audit could be brought to the A&G meeting on the 12th January.
6.3	RESOLVED a) To note the content of the report
7	**23/24 Treasury Management Mid-Year Review**
7.1	The Committee received the report which requested the Committee review the in – year against the prudential indicators included within the Treasury Management and Capital Strategies.
7.2	The following points were raised during the discussion:- • In response to a question on falling interest rates and the impact on treasury management the committee were advised that the CA were expecting the rates to peak at 5% and then fall in the medium term to 4% and therefore the current spread of the portfolio was not expected to change significantly. Officers would be looking to move to longer term rates with local authorities to lock in the rates. • There had been a risk identified by the internal auditors under Treasury Management in regard to staffing levels as there were currently only two officers to manage the day-to-day treasury management strategies. This would be addressed and reflected in the risk register in the future.
7.3	RESOLVED

	a) To review and note the in-year performance against the adopted prudential and treasury indicators.
8	**Internal Audit – Progress Report November 2023**
8.1	The Committee received the report which provided an update relating to the 2022/23 internal audit plan.
8.2	The Chair said that, if possible, it would be good to include the internal audit opinion as part of the A&G Committee's annual report which would be brought to the March meeting. The Vice Chair proposed that in their annual report the Committee state their support of the CEO's earlier statement that the CA would commit to continuous improvement going forward after the Best Value Notice had been lifted, and that the Internal Auditors should pick up elements of that continuous progress of improvement as part of their audit plan for 2024/25.
8.3	RESOLVED a) To note the contents of the report.
8.4	ACTION 1) The Committee add into the annual report a statement to support that the CA would commit to continuous improvement going forward after the Best Value Notice had been lifted, and that the Internal Auditors should pick up elements of that continuous progress of improvement as part of their audit plan for 2024/25
9	**Whistleblowing Policy**
9.1	The Committee received the report which provided an update on the changes to the whistleblowing policy, lessons learnt, and action taken to improve the policy and its operation.
9.2	The following points were raised during the discussion:- • Whistleblowing training was now provided to all staff as part of the induction process and was also covered in management training. • There were now links and signposting available on the CA Hub for all staff to access with ease. • As part of the new employee benefits officers can now use the ViVup platform, the CA health and wellbeing partner for staff to access support and have confidential discussions and get advice from independent sources. • Going forward, the goal was to make it even more visible to staff with posters around the office environment to assure staff that the CA culture was one of being open and that they would be supported. • In response to a question about how complaints were filtered to ensure they were genuine, members were advised that it was a balance between ensuring that anyone could make a whistleblowing complaint and then allowing an investigation to take place to ensure the complaint was genuine. The Committee welcomed the changes and supported the CEO's pledge to make arrangements on whistleblowing more visible to staff to help promote confidence in the process.
9.3	RESOLVED a) To note the report of the report and whistleblowing policy
10	**Audit and Governance Work Programme**
10.1	The Committee received the report which provided the Committee with the draft work programme for

	and also with the draft recommendation tracker requested for feedback from members.
10.2	The following items were requested to be added to the work programme: - Lessons Learned following the recommendation from the A&G Sub Committee to be added to the January meeting agenda. - External Audit Opinion to be added to the January meeting agenda. The Chair advised that there may be a need to use the reserve meeting in February to agree the accounts if they were not ready for their January meeting and if this was the case the scheduled Development Session would be held after this meeting.
10.3	RESOLVED a) To note the draft work programme for the Audit and Governance Committee for the 2023/24 municipal year attached at Appendix 1 b) To note the recommendation tracker for the Audit and Governance Committee attached at Appendix 2
11.	**Date of Next Meeting**
11.1	Friday 12th January 2024 at 10am Huntingdonshire District Council

Chair

Audit and Governance Committee Action Log

Purpose: The action log records actions recorded in the minutes of Audit and Governance Committee meetings and provides an update on officer responses.

Minutes of the meeting 17th November 2023

Minute	Report title	Lead officer	Action	Response	Status
5.4	Corporate Risk register	Anne Gardiner	Corporate Risk Register be added to the work programme for every meeting going forward.	Added to work programme	CLOSED
5.4	Corporate Risk Register	Chris Bolton	Recommend to the CA Board that they should review the Corporate Risk register at least once a year.	To be added to the CA Board forward plan for March 2024.	CLOSED
6.2	External Audit	Robert Emery	Further information on exit payments would be brought to the January meeting	To be included in the statement of accounts being brought to the Jan meeting	CLOSED
8.2	Internal Audit	Anne Gardiner/ Dan Harris	To be included in the A&G Annual report the Committee state their support that the CA would commit to continuous improvement going forward after the Best Value Notice had been lifted, and that the Internal Auditors should pick up elements of that continuous progress of improvement as part of their audit plan for 2024/25		OPEN

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY

# Audit and Governance Committee	Agenda Item
26th January 2024	**4**

Title:	Improvement Framework
Report of:	Angela Probert, Interim Director of Transformation Programme / Nick Bell, Executive Director Resources and Performance
Lead Member:	Mayor, Dr Nik Johnson
Public Report:	Yes
Key Decision:	No
Voting Arrangements:	A simple majority of all Members present and voting

Recommendations:	
A	Note the progress made over November and December against stated areas of improvement identified by the External Auditor in June 2022 and Best Value Notice received in January 2023 as reported to the CA Board on 31 May 2023, set out in paragraphs 2.2 to 2.7.
B	Note the proposed transition from the current Improvement plan to continuous improvement activity embedded across and down through the Cambridgeshire and Peterborough Combined Authority set out in paragraph 2.8.
C	Note the intention to review the current remit and focus for the Independent Improvement Board following the delivery of stated areas of improvement identified by the External Auditor and the Best Value Notice set out in paragraph 2.9.
D	Note the outcome of the recent Internal Audit review of the 'Project planning and delivery' improvement programme set out in paragraph 2.10.

Strategic Objective(s):	
The proposals within this report fit under the following strategic objective(s):	
x	Achieving ambitious skills and employment opportunities
x	Achieving good growth
x	Increased connectivity
x	Enabling resilient communities
x	Achieving Best Value and High Performance
The identified improvements set out in this report aim to meet the concerns of the External Auditor and Best Value Notice. By making necessary improvements, the capacity, culture and governance of the Combined Authority will support and enable the delivery of identified priorities and objectives set out in the Corporate Plan and result in the CPCA being seen as achieving best value and high performance.	

1. Purpose	
1.1	Provide the Audit and Governance Committee with an opportunity to review progress over November and December against the key areas of concern identified by the External Auditor in his letter dated June 2022 and February 2023, and the Department for Levelling up, Housing and Communities (DLUHC) in its letter dated January 2023.

2. Proposal	
2.1	The highlight report attached as Appendix 1 sets out activity delivered during the period November to December 2023 against the Improvement Plan agreed by the CA Board in May 2023.
2.2	**Improvement plan progress** The overall Improvement programme is rated as 'Green' at the end of December 2023, meaning 'successful delivery of the Improvement Plan to time, cost and quality appears to be highly likely', reflecting the positive trends across the five themes set out in the highlight report. The Improvement Group, chaired by the Executive Director, Resources and Performance continues to assess progress against the agreed plan and address any programme issues or risks. The Improvement Group has identified the key links between key deliverables set out in the Improvement Plan to ensure a programme wide focus on delivery is in place and dependencies managed. Set out below is detail of the activity delivered against the Improvement Plan for each improvement theme over November and December 2023.
2.3	**Governance and decision making (Green)** • The Governance training roll-out has continued for officers and members – specifically on how the CA works with its constituent authorities, running an effective committee/Board meeting and scrutinising and overseeing subsidiary companies of the CPCA. • SAF & EDAF links have been discussed within the project group and DLUHC have signed off the SAF and agree it is an exemplar for other authorities to reference. • The Risk Register has been reviewed to ensure the risks reflect the current project status and has contributed to the development of the programme risk register. • A new governance hub is being developed to provide a single point of contact for the Combined Authority on governance, processes and procedures. • The review of the Audit & Governance Committee's operations compared to other Mayoral Combined Authorities (MCAs) has been completed and shared with Committee members who have made recommendations regarding its outcome. • There is further work required in the Members arena to ensure that there is safe space for challenge outside of the formal CA Board, a space where they can agree joint purpose & focus. • Finally, the new Business Board and governance and processes are beginning to be embedded, the successful recruitment of new members supports this, and the Economic Development Group have met twice. • Some of our work is now being considered as best practice, for example a case study has been provided to the Centre for Governance & Scrutiny (CfGS) to demonstrate the development of the scrutiny roles specific to Combined Authority. As a result, discussions are taking place with CfGS about how the scrutiny developments that have been undertaken could helpfully contribute to the guidance for CA scrutiny being developed by CfGS and other MCAs are now looking at what we have done with O&S as leading practice.
2.4	**Procurement (Green)**

	• The new procurement hub to provide a single point of contact for the Combined Authority on procurement and contract management issues has been launched. • New documentation has been completed for procurement and Grant Funding Agreements and is being rolled out to relevant staff. • Basic training on procurement has been rolled out to every member of staff of the Combined Authority. • More specific training for complex procurements and for contract managers has been sourced for relevant officers and will be delivered in January and February. • Further KPIs to help demonstrate how procurement is delivering best value and social value have been developed and will be rolled out early in the New Year. • Work continues reviewing the main contracts used by CPCA and the workstream is in a very good place to have delivered its key outputs by the end of the year.
2.5	**Project plans and delivery (Green)** • The CA Board in November approved the SAF implementation report as presented to go live in June 2024 following the CA Board AGM as it requires the appointments to be made to the new Investment Committee • Work has been undertaken in support of the implementation, embedding and upskilling required that sits around the Single Assurance Framework • Further work to develop the Performance Management Framework has been completed, the Balanced Scorecard is now a more central element of the report and in addition a RAG rating system has been introduced to aid interpretation of performance data. • A 'State of the Region Review' project is being co-produced and co-delivered with constituent authorities, Higher Education (HE) institutions and the ICS. It has entered delivery phase and will create a relevant, reliable and accessible 'State of the Region' review of the current state of the Cambridgeshire and Peterborough Region. • The Combined Authority is developing plans to establish and embed an effective performance management culture for the organisation. This will include training for members and officers, and appointment of data champions. An initial all-staff 'Introduction to the Performance Management Framework' session took place on 4 December. • Work has begun to develop quarterly Thematic Performance Reports encompassing Dashboards of Key Performance Indicators (KPIs) relevant to the remit of the thematic committee. Infrastructure Committee or Business Board). • Training has been the implementation of Risk Software (4Risk) has commenced with initial training completed with the PMO and training for Combined Authority Programme and Project Managers scheduled for November.
2.6	**Partnership working (Green / Amber)** • An exercise was completed to collate evidence and case studies across key projects that have been or are currently being undertaken in each Directorate where collaboration, partnership working and building effective relationships have been instrumental in achieving the desired outcomes for the Combined Authority, its partner organisations, and the region. • The evidence base was completed, and a report was presented for consideration to IIB (Independent Improvement Board) in November. • The view of the IIB was that the case studies provided a wealth of evidence of progress in partnership working. However, it was concluded that it would be premature to conclude the workstream based upon this evidence and that there is scope in the member arena for further work to build a framework and culture that promoted a consensus-based approach to discussion and decisions. This will be developed further as part of the visioning and devolution workshops to take place in January 2024. • The CPCA is currently working with partners to develop its proposition at the UK Real Estate Infrastructure and Investment Forum (UKREIIF) in Leeds on 21st to the 23rd May this year. This will be a key theme and focus for the visioning workshop on 26 January.

	To turn the status of this important improvement theme to 'Green', the activity and approach set out above will be further embedded over the coming months.
2.7	**Confidence, culture and capacity (Green)** Ambition and priorities • Tenders have been scored for the delivery of State of the Region and a consultancy has been appointed. The consultants met with the State of the Region Partner Technical Group on the 15th of November to commence work. • In terms of the Vision piece of work, tenders have been received and evaluation/interviews completed. Consultants Prior+Partners have been appointed; mobilisation planning is underway and there is a Vision & Future Devolution Opportunities workshop being held on the 26th January 2024. • Q2 Corporate Performance Report was presented to November Board as planned. Leadership • The second development session for members took place on 22nd November with a focus on 'Budget Scrutiny', nine members including the Chair attended the session and it included a wide-ranging discussion, which all Members were engaged in and found helpful. • This was followed by the third session, 'Code of Conduct' on the evening of 6th December which again was well attended (circa twenty members including some Board members) and well received. • A further Executive Director Seminar has also taken place, focussing on the Place & Connectivity Directorate. Values and behaviours • Feedback from the fourth staff conference and workshops has been reviewed and the information is available for staff on the newly re-launched Central CPCA Hub. The feedback has also been used to inform the development of the next staff survey which was launched on 6th December alongside a video detailing some of the changes made in response to staff feedback. Findings from the survey will be shared at the next staff conference scheduled for the 1st of February. Planning is well under way for this. • Findings and recommendations from the external review of Communications, Engagement & Public Affairs has been shared with constituent Councils and partners engaged in the review, with an offer for further 1:1 meetings to discuss outcomes and next steps. Phase One of the plan, which was derived from the communications review has been completed and this includes the confirmation of three key posts (Head of Service, Corporate Communications Manager and Public Affairs & Stakeholder Engagement Manager) within a newly integrated Communications, Engagement & Public Affairs Team. Additionally, a new approach to campaigns and engagement is being trialled using the launch of the "Road to Better Buses" campaign at the end of November, and through the Corporate Plan and MTFP consultation. Recruitment, retention, reward, and resourcing • New Recruitment and Selection Training was signed off by CMT on 20th November and this was communicated to managers w/c 27th November regarding the commencement of training. The new procedures aim to ensure an efficient, fair, and merit-based approach to hiring, while revising appraisal processes to empower staff to excel in their roles. • Mid-year reviews with staff have been completed. This provides an opportunity to reinforce our values and behaviours with staff and ensure they are being adhered to and encouraged. We are still collating documentation and feedback but so far, the information is encouraging with 89% of reviews currently confirmed as completed.

2.8	**Transition from improvement to transformation and continuous improvement embedded across the CPCA**
	
	• The Improvement programme has delivered or is on track to deliver on all areas of concern set out in the Best Value Notice and External Auditors letter. Regular meetings have taken place with the Department for Levelling Up, Housing and Communities (DLUHC) and the Chief Executive has written to the External Auditor (attached as Appendix 2) on progress made to address identified concerns.
	• There is a need to keep a focus on those areas not yet delivered e.g. Implementation of the agreed Single Assurance Framework scheduled to be delivered by June 2024, to give the Independent Improvement Board and DLUHC confidence that the Combined Authority is clear (and confident) in its journey of continuous improvement.
	• A report to the Combined Authority Board at the end of January will give an update on this exercise to identify all areas of stated improvements that have delivered agreed outputs and milestones to address concerns by the External Auditor and Best Value Notice, and also any areas that need a continued focus to embed the improvements made.
	• It is also anticipated that the Combined Authority will have received feedback from DULHC and the External Auditor on any outstanding areas of concern.
	• The pace of required improvement has meant the organisation will need to continue to focus on embedding the changes and be recognised as 'this is how we work around here' and also evidence this through KPIs or other indicators. The Combined Authority will only see the benefit of this investment and hard work if it looks to embed the required governance, way of working, delivery and culture, and understand how this supports transformational change to deliver ambitions for the region and evidences the impact of this.
	• In February 2024 using the governance mechanisms already in place, it is proposed to:
	    • Close down identified improvement activity that is agreed to have been delivered.
	    • Learn lessons from this latest phase of improvement – and use going forward.
	    • Agree areas of 'transformation/continuous improvement' and where they sit in the revised 24/25 Directorate Business Plans currently being developed.
	    • Confirm outcomes and how impact will be measured (through a newly defined continuous improvement plan)
	    • Agree governance by the corporate management team in leadership, monitoring and reporting.
	    • Consider a potential revised role for the Independent Improvement Board, as set out in paragraph 2.9 of this report.
	    • Consult with key stakeholders on the proposed approach.
	• In March 2024 it is proposed to:
	    • Report the proposed approach to Overview and Scrutiny Committee, Audit and Governance Committee, the Independent Improvement Board and also external observers.
	    • Seek agreement at the Combined Authority Board on 20 March 2024 to the proposed approach to Transformation/Continuous Improvement and any revised role and remit of the Independent Improvement Board

2.9	**Independent Improvement Board engagement and future role** • The Independent Improvement Board (IIB) continues to meet formally on a bi-monthly basis where it receives a report by the Chief Executive on the progress of the Improvement plan. Constituent Chief Executives attended the IIB meeting on 16 January to discuss the opportunities that the developing future vision and deeper devolution will give the CPCA region and how all of the CA Board and officers need to work together. • A note from the Chair, Independent Improvement Board will be circulated to the CA Board and other key stakeholders on areas of assurance and those that require further focus. This note will also be circulated to members of the Audit and Governance Committee in advance of the meeting.

	• The Chief Executive and senior officers continue to engage with IIB members on a regular basis and the IIB Chair key continues to meet key stakeholders. • With the potential that external agencies may assess that the Combined Authority has addressed the key concerns set out in the External Auditor's letter and the Best Value Notice, consideration needs to be given to whether there is an on-going role for the Independent Improvement Board; and if so, what this is and how this might best support the Combined Authority Board in the delivery of the stated ambitions for Cambridgeshire and Peterborough Combined Authority and the region. • The remit and focus for the Independent Improvement Board was agreed in October 2022 by the Combined Authority Board and adopted by the Independent Improvement Board in January 2023. • The current focus for the Independent Improvement Board reflected in the current Terms of Reference attached as Appendix 3 is to: o Provide external advice, support, challenge and expertise to Cambridgeshire and Peterborough Combined Authority to ensure focus, grip, pace and effective change on key areas identified. o Support the delivery of the Combined Authority Improvement Plan agreed by the Combined Authority Board. o Provide assurance to the Combined Authority Board and external agencies of the progress on delivering the key outcomes and associated activity set out in the Improvement plan. o Identify and share learning and best practice with Members and Officers on all activities included in the Authority's Improvement Plan, including identification of development opportunities for both members and officers. • Following the discussion at the Independent Improvement Board meeting on 16 January a potential revised remit will be drafted and circulated to the Independent Improvement Board for consideration in February. The draft remit and terms of reference will then be shared with relevant Combined Authority Committees, and other key stakeholders; to be signed off at the Improvement Board meeting in March, considered by Audit and Governance and Overview and Scrutiny Committees and presented to the Combined Authority Board at its meeting on 20 March 2024 for agreement.
2.10	**Internal Audit review – Project planning and delivery improvement programme** • Following the positive Internal Audit on the 'Governance and decision-making' improvement activity in September; reported to this Committee in November 2023, a further Internal Audit review was undertaken in December on the 'Project planning and delivery' improvement programme. • The Internal Audit report concluded that '*overall, the CPCA was able to demonstrate that Workstream E (Project planning and delivery) of the Improvement Plan captured the key improvement themes identified and was subject to robust approval and monitoring processes. Key deliverables had been reported as achieved in line with the timeframes set out in the reframed Improvement Plan, whilst the organisation demonstrated collaboration with key stakeholders in the creation of frameworks designed as part of the workstream.* • *In a highlight report to the CPCA Board meeting in November 2023, the Project Planning & Delivery Workstream was RAG rated green by the organisation for the period up to the end of October 2023, meaning that successful delivery of the workstream in terms of cost, time and quality was highly likely*'. • It was noted that the frameworks will not be in operation until the following financial year and we have identified scope for improvements in relation to ensuring that the organisation has documented how it will assure itself that the new frameworks are being effectively applied in practice. • The Internal Audit opinion stated:

	‘*Taking account of the issues identified, the Board can take* ***reasonable assurance*** *that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.* *However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk(s).*’ • The following actions have been agreed and owners identified: **Management Action 1 (Workstream Group)** • We will add sections for revised dates and completed dates on the action logs for Workstream meetings. • Priority: Low **Management Action 2 (Embedding Change)** • For all frameworks created as part of the Project Planning and Delivery workstream, we will ensure that it has documented an implementation plan, setting out the key tasks to ensuring that the framework will be applied in practice, each with an owner and due date. • Priority: Low **Management Action 3 (Embedding Change)** • For all frameworks created as part of the Project Planning and Delivery workstream, we will ensure that it has an agreed list of quantitative and qualitative measures which it can utilise to assure itself that the frameworks are applied in practice. • Priority: Medium **Management Action 4 (Partner working group)** • We will ensure that key discussions from the Partner Working Group will be formally captured. • Priority: Low The Audit and Governance Committee will receive a separate report at its meeting on 26 January with regard to this audit from the Internal Auditor.

3. Background	
3.1	The proposals set out in this report respond to the report presented to CA Board in March 2023. The link to the relevant Board papers is attached as set out in paragraph 10.1. The proposals also address directly the issues raised by the External Auditor, the Best Value Notice and DLUHC; again attached through a link in paragraph 10.1

4. Appendices	
4.1	Appendix 1- Highlight report November / December 2023 Appendix 2 – Letter from Chief Executive to External Auditor Appendix 3 – Current Terms of Reference for the Independent Improvement Board

5. Implications
Financial Implications

5.1	The Board in July approved an additional £250K to fund the Improvement Programme to the end of January 2024 and it is anticipated that these funds will cover all the required activity to that point.
Legal Implications	
6.1	On 24 January 2023, the CPCA was issued a Best Value Notice ("Notice") which is a formal notification that the Department has concerns regarding an authority and is a request that the authority engages with the Department to provide assurance of improvement. The Notice was issued outside the statutory powers held by the Secretary of State under the Local Government Act 1999 to inspect or intervene in local authorities where there is evidence of Best Value failure and, separately, under section 230 of the Local Government Act 1972 to request information from local authorities. The notice advised that a failure to demonstrate continuous improvement may be judged to contribute to Best Value failure and the Secretary of State will consider using these powers as appropriate. The delivery of the actions within this report as well as any subsequently identified actions, supports the CPCA in demonstrating that it is achieving sustainable and continuous improvement. Ultimately, the changes made through this improvement plan will enable the CPCA to effectively deliver its strategic priorities and ensure it is delivering value for money. As noted in this report, a risk register is in place and will be maintained.
Public Health Implications	
7.1	None
Environmental & Climate Change Implications	
8.1	None
Other Significant Implications	
9.1	None
Background Papers	
10.1	CA Board Report 22 March Best Value Notice External Auditor Letter

Programme Level Highlight Report

for the Period:

1 November 2023 to 31 December 2023

Improvement Plan Phase 2
Programme Level Highlight Report for the Period:

Period – 1 November 2023 – 22 December 2023

Lead Executive Director Overview

I am pleased to present the highlight report for the Improvement Plan for November and December 2023.

As with previous highlight reports, I continue to highlight the five themes of this phase of our improvement journey and how this focusses tightly upon the expectations- based upon their advice and feedback - of our Independent Improvement Board, DLUHC (Department for Levelling Up, Housing and Communities) and the external auditor to ensure our priorities for improvement reflect those of our partners and stakeholders. It should be noted that these themes encapsulate actions to address in full both the issues raised by DLUHC in their Best Value Notice letter of January 2023 and the letter received from the External Auditor raising concerns in July 2022.

Regarding the safeguarding of staff, the cross-party Hearing Panel of the Audit & Governance Committee met in November to consider the conclusions of the independent investigator's report. The unanimous decisions of the Hearing Panel are a matter of public record but, in the context of our improvement journey, I believe demonstrate that we have established effective processes to consider and conclude such matters, whilst also noting that we will continue to review and improve those processes as part of continuous learning and improvement.

The Board meeting in November also saw a number of workstreams once again return for endorsement and approval of our progress. For example:

Following Board approval of the draft Single Assurance Framework (SAF) in September and its subsequent submission to, and approval by, Government the Final SAF was approved. I am pleased to note that at present the CPCA is the only Combined Authority with a Government approved Assurance Framework that has been assessed under English Devolution Accountability Framework requirements. This places us at the forefront of this work and the team are to be congratulated on this achievement.

The Board also agreed significant revisions to the Officer Scheme of Delegation included within the Combined Authority's Constitution to bring them in line with the SAF, the procurement review and other work undertaken by the Improvement Programme.

Finally, Grant Thornton who have been commissioned by the LGA to develop key guidance on governance for Combined Authorities met with us to understand the new governance arrangements at the CPCA, the new SAF and the Performance Management Framework and how they all linked together to drive effective decision-making and delivery. It is expected that this feedback will form a significant element of the guidance being developed and is another example of how our improvement journey is placing us as an example of best practice amongst Combined Authorities.

At the IIB meeting in November progress on Improvement was warmly received. However, the IIB also reflected upon the Partnership Working theme and next steps. It was noted that an exercise had been completed to develop a series of case studies which will serve as a benchmark of progress with our partnership journey. These case studies will allow us to look across the partnership landscape, draw lessons for further improvement and from that draw up the next stage of our partnerships action plan. The IIB asked that we use this work to set an ambitious baseline to embed partnership working across the authority, with a particular focus upon member activities.

Given this positive progress and based upon the information in this report, the direction of travel for the Improvement Programme, as demonstrated by the agreed RAG ratings, is positive with 4 themes rated as green & Partnerships rated as green/amber, meaning that delivery of all the agreed outcomes to time and budget is considered by the CMT (Corporate Management Team) workstream lead to be highly likely.

I continue to be confident of progress and achievement as we move forward and expect this to continue to be reflected in future highlight reports.

	This Period		Last Period	
Governance and decision making	**Green**		**Green**	
Procurement	**Green**		**Green**	
Project plans and delivery	**Green**		**Green**	
Partnership working	**Green**	**Amber**	**Green**	**Amber**
Confidence, culture, and capacity	**Green**		**Green**	

Programme Governance

Workstream Highlight Reports

<table>
<tr><th colspan="3">Governance and Decision Making</th></tr>
<tr><td colspan="3">Project Description:
To embed the governance structures & constitutional changes agreed at CA Board, enabling sound decision making & implementation. Create confidence and evidence to ensure external scrutiny of the CPCA (Cambridgeshire and Peterborough Combined Authority) governance arrangements is positive. Increase & improve the representation on decision making committees & boards of councillors from across the political spectrum.

Project Outcomes:
- Plan for embedding new structures
- Review membership of committees, & advisory groups
- Review of BB (Business Board) role & role of BAP
- Develop Terms of Reference for each group
- Create Financial Regs, Procurement Code & SAF
- Consideration of EDAF (English Devolution Accountability Framework) Requirements
- Internal review of governance arrangements by A&G (Audit & Governance)
- Review councillor representation
- Guidance documents and training
- Member renumeration
- Review role of Scrutiny function
- Review non-councillor membership in groups (CIPF code)</td></tr>
<tr><td colspan="2">Workstream Sponsor:</td><td>Nick Bell</td></tr>
<tr><td colspan="2">Project Manager/s:</td><td>Louisa Simpson</td></tr>
<tr><td colspan="2">PMO (Programme Management Office) Support:</td><td>Heidi Robinson</td></tr>
<tr><td colspan="2">Agreed Completion Date:</td><td>30/05/2024</td></tr>
<tr><td colspan="2">Forecast Completion Date:</td><td>30/05/2024</td></tr>
<tr><td colspan="3"></td></tr>
<tr><td colspan="2">Reporting Period:</td><td>01/11/2023 – 31/12/2023</td></tr>
<tr><td rowspan="2">Governance and Decision-Making Project Status</td><td>This Period:</td><td>Green</td></tr>
<tr><td>Previous Period:</td><td>Green</td></tr>
<tr><td colspan="3">Governance and Decision Making – November / December Project Update:

Key Activities:
The project workstream have met and have moved forward several key activities linked to the Improvement Plan. The key activities undertaken this period:
> Training roll-out – specifically how the CA works in relation to the districts/unitary authorities.
> SAF & EDAF links have been discussed and DLUHC have signed off the SAF and agree it is an exemplar for other authorities to reference.
> We have reviewed the risk register to ensure the risks reflect where we are in terms of governance – part of effective project management.
> The audit of governance has been completed & the findings are being reviewed to ensure they are covered in the workstream.</td></tr>
</table>

Engagement:
The workstream group have agreed to move to monthly meetings which will jointly focus on progress and risks.
SAF sign off by DLUHC moves the framework to the next stage of implementation and the governance structures are in place to support this.
There is further work required in the Members arena to ensure that there is safe space for challenge outside of the formal CA Board, a space where they can agree joint purpose & focus.
Finally, the new Business Board and governance and processes are beginning to be embedded, the successful recruitment of new members supports this, and the Economic Development Group have met twice.
The scrutiny work undertaken by the CA is being considered as best practice, for example a case study has been provided to the Centre for Governance & Scrutiny (CfGS) to demonstrate the development of the scrutiny roles specific to Combined Authority. As a result, discussions are taking place with CfGS about how the scrutiny developments that have been undertaken could helpfully contribute to the guidance for CA scrutiny being developed by CfGS and other MCAs are now looking at what we have done with O&S as leading practice.

Concerns/Issues:
There are no concerns relating to the changes to Governance & Decision making, there is a requirement to focus on the training support for CMT colleagues with regards to ensuring the committees are utilised correctly for decision making. The Member arena is still an area for concern but the workstream are not able to influence this, this needs to be driven by CMT and the Mayor's Office.

RAG Rating:
The RAG rating of Green reflects the progress & achievability of the project. The mitigations in place ensure we retain our green RAG rating. Training is being rolled out and CMT continue to engage with colleagues to explain/highlight the benefits of the new governance arrangements.

Governance and Decision Making: Workstream Sponsor Comments:

Further good progress has been made on this workstream during November and December. The Board decision on 29th November to approve the SAF and its implementation plan (following its sign off by the DfE, DfT, DLUHC and the relevant DLUHC Director) and the approval of a revised scheme of officer delegations were important milestones for us.

Much work was also undertaken to develop a more open and transparent process for the refresh of the Corporate Strategy and the Medium-Term Financial Plan, which included strong engagement with key partners, constituent councils and the Overview & Scrutiny Committee leading up to the draft MTFP being approved for consultation on the 29th of November. Specific training on budget scrutiny was also provided to the Overview & Scrutiny Committee Members during this period.

Although not a specific deliverable in this workstream, the conclusion of the Code of Conduct at the Hearing Panel on the 14th of November was a major step for the Combined Authority, and Audit & Governance Committee will review lessons learned from the process at its future meetings.

Overall, I am pleased with progress on this workstream which remains on track to deliver its key outputs by the end of the year.		
Governance and Decision Making - Key Milestones/Activities this Period:		**Status**
1	Expansion of Shareholder Comm to Investment Committee – in line with the agreed SAF	Ongoing
2	Agree officer support requirements for O&G	Ongoing
3	Complete BB governance changes	Ongoing
Governance and Decision Making - Key Milestones/Activities Planned for Next Period:		
1	Expansion of Shareholder Comm to Investment Committee – in line with the agreed SAF	
2	Agree officer support requirements for O&G	
3	Complete BB governance changes	
4	Implementation plan development for SAF	
Governance and Decision Making - Project Risks:		
	Risk Description	**Mitigation**
1	Financial instability of partner Authorities	"Stay aware of the financial health of partner authorities. Working with Section 151 Officers - Nick Bell organised 151 group."
2	Scrutiny role not developing in line with EDAF expectations	Financial planning workshops and training. Monitoring Officers have been contacted regarding workshops with other O&S (Overview & Scrutiny) committees.
Governance and Decision-Making Report Completed By:		**Louisa Simpson**
	Completion Date:	**19/12/2023**

Procurement

Project Description: To redesign the Procurement function in line with the Price Waterhouse Cooper Procurement Review report commissioned by the CA, ensuring that Governance, Operating Model, Capability & Capacity and Compliance are reflected in the redesign. Then conducting the practical elements of updating the Contracts Register, revising the Procurement Strategy, Policy & Procedures. Finally, ensuring the embedding of the new design through corporate training & support

Project Outcomes:

- Redesign the procurement function
- Agree operating model
- Develop operating model in line with recommendations
- Refresh the contracts register
- Revise procurement strategy, policies, and procedures
- Establish a procurement hub
- Implement procurement and contract management training
- Communication Strategy in place to support changes
- Develop procurement KPIs
- Develop M&E framework
- Regular reviews and periodic evaluations

Workstream Sponsor:		Nick Bell
Project Manager/s:		Louisa Simpson
PMO Support:		Heidi Robinson
Agreed Completion Date:		29/03/2024
Forecast Completion Date:		29/03/2024
Reporting Period:		01/11/2023 – 31/12/2023
Procurement Project Status	**This Period:**	Green
	Previous Period:	Green

Procurement – November / December Project Update:

Activities:

> Recruitment of procurement staff to support new structure – completed. The Contract Manager post is in train. The JD being written and expected to be advertised by January.
> Procurement training for all staff – this has been issued and staff are completing.
> Complete the development of standard templates for procurement documentation – not completed yet, will be on the HUB, completed by 31 December 2023.
> Agree a scheme of "Delegated Procurement Authority" (Delegated Authority) – this is linked to sign off the SAF which was signed off at the CA Board on the 29th of November 2023, the updating of contracts is also linked to this decision point at Board.
> The procurement Hub, completed by the end of November 2023.
> The comms strategy to support the roll out of the procurement hub and support documents is being developed due to be completed by December 2023.
> Development of Procurement KPIs, links have been made with the Strategy & Policy Team to support the development of KPIs.

Engagement:
The subgroup is moving to monthly meetings to monitor progress & risk.
The SAF been signed off by DLUHC – this supports the requirement for Procurement involvement in Business Case development.
The Procurement Team recruitment has enabled the team to be embedded in the CA and offer timely support across new projects.
Procurement colleagues have worked with the Policy Team to look at the development of KPIs and is working with the Comms Team to develop a comms plan for the procurement function.

Issues/Concerns:
Currently there are no issues or concerns, the delivery of the action plan and outcomes is on target and is happening at the required pace.

RAG Rating:
The RAG rating remains green, and the subgroup are confident of delivery on time. The mitigations in place support the delivery of outcomes and are monitored at each subgroup meeting. Where external support is required to ensure mitigation of risk it is being secured and where potential changes to government policy is being highlighted this is being built into the new documentation the CA is developing.

Procurement: Workstream Sponsor Comments:

Further positive progress has been made during November and December. The new procurement hub to provide a single point of contact for the Combined Authority on procurement and contract management issues has been launched, new documentation has been completed for procurement and Grant Funding Agreements and is being rolled out to relevant staff, and basic training on procurement has been rolled out to every member of staff of the Combined Authority. More specific training for complex procurements and for contract managers has been sourced for relevant officers and will be delivered in January and February. Further KPIs to help demonstrate how procurement is delivering best value and social value have been developed and will be rolled out early in the New Year.

Work continues reviewing the main contracts used by CPCA and the workstream is in a very good place to have delivered its key outputs by the end of the year.

Procurement - Key Milestones/Activities this Period:		**Status**
1	Engage HR to support any potential contractual changes to support SAF	Ongoing
2	Complete Contract Manager recruitment	Ongoing
3	Launch Procurement Hub	Ongoing

Procurement - Key Milestones/Activities Planned for Next Period:	
1	Engage HR to support any potential contractual changes to support SAF
2	Complete Contract Manager recruitment
3	Launch Procurement Hub
4	Develop KPIs linked to Procurement

Procurement - Project Risks:

	Risk Description	Mitigation
1	Financial delegations not agreed by Board	Working closely with the Board to ensure there is agreement of the delegated financial options proposed.
2	Fail to demonstrate Best Value in Procurement	The documents being developed are focused on achieving the outcomes required to achieve best value. We have engaged external support to ensure delivery on time. The Policy team are assisting with developing Procurement KPIs using the approved Performance Management Framework.
3	Procurement staff are not retained leading to loss of necessary skills and experience	Provide appropriate induction upon employment commencing. training opportunities to develop skills, provide a scope of work that is interesting to the individual and captures their attention, ensure inexperienced staff are engaged in all staff events to embed positive culture and new values. Finally, ensure staff progression is clear, membership opportunities are in place and a clear training and support plan is in place.
4	Contract & Grant Register not up to date	The Contract Register is complete, and discussions are being held on how far back the dates should go. New Procurement Officers will keep on top of this work until the new Contract Manager comes onboard.
5	Procurement and Contract Management training does not improve Officer knowledge.	Thorough research to ensure best provider secured to deliver the training. Contacted providers who can tailor the training to our processes and contextualise the learning to promote further embedding. Training to be reviewed regularly and could be incorporated into appraisal process.
	Procurement Report Completed By:	**Louisa Simpson**
	Completion Date:	**19/12/2023**

Project Plans and Delivery

Project Description: Development of an inclusive Single Assurance Framework (SAF)

Project Outcomes:

- Agreement by the CPCA and partners of a SAF
- Agreement of a Performance Management Framework and reporting Dashboard.
- Adoption of a new corporate risk management framework
- A revised PMO with expanded responsibility for corporate performance

Workstream Sponsor:	Steve Cox
Project Manager/s:	Jodie Townsend
PMO Support:	Thomas Farmer
Agreed Completion Date:	31/06/23
Forecast Completion Date:	30/06/23

Reporting Period:		01/11/2023 – 31/12/2023
Project Plans and Delivery Project Status	**This Period:**	Green
	Previous Period:	Green

Project Plans and Delivery – November / December Project Update:

Key Activity

The key activity since the draft SAF was approved at the September Board meeting has been focused on the Single Assurance Framework, this has involved liaison with Government Departments to seek clearance of the SAF, as well as preparing the report required for Board consideration on 29 November and developing the SAF implementation plan.

The SAF was approved by the DLUHC, DfT and DfE review teams and was officially signed off by the relevant DLUHC Director on 20th November. DLUHC and DfT provided some advice on elements of the SAF that could be worded more effectively during the review process, this advice has been taken on board in full and incorporated into the final SAF document.

It is our understanding that at present the CPCA is the only Combined Authority with a Government approved Assurance Framework that has been assessed under English Devolution Accountability Framework requirements.

Board considered proposals for the publication and implementation of the SAF on the 29th of November, the proposals were to implement SAF Phase A between January and May 2024 and to implement SAF Phase B between January and June 2024. SAF Phase C will be implemented following the Board AGM in June 2024 as it requires the appointments to be made to the new Investment Committee.

Board approved the implementation report as presented which now shifted the focus in December onto implementation. In early December, the Project Manager and PMO have met to discuss and review the implementation plan.

A significant amount of work has been undertaken in support of the implementation, embedding and upskilling required that sits around the Single Assurance Framework regarding training. The Project Lead (Heidi) leading on training has engaged with the Association of Project managers (APM) to schedule the following:

- Scheduled APM PFQ training – arranged for 30 CPCA staff and 34 Partners.
- Scheduled APM PMQ training – arranged for 26 CPCA staff and 31 Partners.

Heidi is also currently in the process of making arrangements for business case training for both CPCA staff and Partners (mainly Constituent Council Officers). All this upskilling is vital in support of implementing and embedding SAF.

Grant Thornton, who have been commissioned by the LGA to develop key guidance on governance for Combined Authorities met with the Project Manager who took them through the new governance arrangements at the CPCA, the new SAF, the PMF and explained how they all plugged into each other to drive effective decision-making and delivery. It is expected that this feedback will form a significant element of the guidance being developed.

Further work to develop the Performance Management Framework has been completed in preparation for presentation to Overview and Scrutiny Committee on 27 November and Board on 29 November.

The presentation of the Corporate Performance Report has been adapted in response to member feedback. The Balanced Scorecard is now a more central element of the report; the narrative element of the exception report on red rated metrics has been removed from the covering paper; and further commentary has been added on the overall trends of the time series data. An additional RAG rating system has been introduced to aid interpretation of performance data: metrics are now RAG rated against target (where available) in addition to being RAG rated against direction for improvement.

The Office for Local Government (Oflog) is developing a dashboard that compares performance data across similar local authorities. A beta version of the Local Authority Data Explorer has been launched with a handful of metrics and further metrics will be released in tranches. The Combined Authority has responded to a consultation providing feedback on the draft metrics. The Oflog metrics will inform our further development of the Corporate KPIs.

A ‘State of the Region Review’ project is being co-produced and co-delivered with constituent authorities, Higher Education (HE) institutions and the ICS. It has entered delivery phase and will create a relevant, reliable and accessible ‘State of the Region’ review of the current state of the Cambridgeshire and Peterborough Region. Findings from the review will be presented accessibly in a suite of communications resources including a report, video and an interactive dashboard embedded in the Cambridgeshire and Peterborough Insight website.

Work has begun to develop quarterly Thematic Performance Reports encompassing Dashboards of Key Performance Indicators (KPIs) relevant to the remit of the thematic committee. The quarterly Thematic Performance Reports will be scrutinised by our Corporate Management Team (CMT) and the relevant thematic committee (Skills and Employment Committee, Environment and Sustainable Communities Committee, Transport and Infrastructure Committee or Business Board). Whilst this work is in development, progress updates will be reported via Directors’ Highlight Reports.

The Combined Authority is developing plans to establish and embed an effective performance management culture for the organisation. This will include training for members and officers, and appointment of data champions. An initial all-staff Introduction to the Performance Management Framework session has been scheduled for 4 December.

Following on from the approval of the Risk Management Framework at the 20th of September Board, we have moved to the implementation stage of the framework. The risk software, (4Risk), is being rolled out to all CPCA directorates so from December all risk reporting will be centralised and be available to all relevant staff. Risk software training has been scheduled with all services this month.

The detailed risk reporting that has been available at a corporate level will now be available at service level. It is expected that all risk reports to each respective board or committee follow an agreed format, (risk register, heat map and risk dashboard). This will allow members and the corporate management team access to the latest risk information and support informed decision making.

A significant amount of preparation work has also been undertaken in November to prepare for the Internal Audit of the Project Plans & Delivery workstream with interviews taking place in early December.

The clearance of the SAF by Government and the development of an implementation plan are significant steps for the Combined Authority. The project team are confident that they are on track to successfully deliver the outstanding actions within the workstream and to successfully embed the three new frameworks. As a result, the RAG rating of GREEN reflects the view that the project team believe the workstream is being delivered in line with the timetable and budget.

Engagement

Single Assurance Framework (SAF)
The focus of engagement work relating to the SAF has been around DLUHC, DfT and DfE engagement in support of the Government clearance process.

Engagement work has been undertaken to continue to develop understanding of the SAF and to develop key templates and guidance that will be produced in support of the SAF. This has involved a workshop with the CPCA Governance Team to discuss how to embed behaviours required by the SAF in alignment with embedding good governance behaviours across the CA.

A workshop was also held with the CPCA PMO to take them through SAF and provide some examples of how certain projects would go through it, this is particularly important as the PMO need to be the guardians of the SAF and play a key enabling role in its future application. This is a key task to ensure the appropriate knowledge transfer is delivered from the Interim who is the Project Manager to the PMO team.

There has also been a PMO session with the Project Manager to initially discuss business case routes through the SAF, this conversation was also undertaken with the Economy & Growth team in the CPCA. In December, another workshop took place to discuss and review the SAF implementation plan.

The Economy & Growth Team have been provided with a SAF overview this month and will be engaged more significantly in the coming months to feed into the development of key templates.

An information session on the SAF took place with the Transport Team to provide an overview of the three key phases within the SAF and how it would impact the Transport Team.

To support the upcoming internal audit of the workstream a chronology of meetings and key data, change requests, key decisions, and an overview of the origins of the workstream and the governance of the workstream have been produced to be provided to the Internal Audit team.

The planned engagement session with Huntingdon Council which was originally scheduled in November took place in early December, the session was extremely positive.

Finally, the Project Manager attended the Combined Authorities Assurance Network at the end of November to set out details of the SAF and answer any questions on its content in relation to EDAF.

Risk Management Framework

Engagement this month has concentrated on the implementation of the Risk software and training for nominated officers.
All directorate and service level officers have been included across the Authority.
A further engagement session with the M10 Assurance group is planned for the 23rd of November.

Key Issues:
1.There are no identified key issues at present.

RAG Rating Rationale
The rating of Green is a continuation from the previous Green rating on the previous Highlight Report and a reflection of the confidence within the workstream.

Project Plans and Delivery: Workstream Sponsor Comments:

The approval of the SAF by Government is a significant step not just in delivering this workstream but also in demonstrating the robustness of improvements being delivered through the Improvement Plan. The November Board meeting provided a further opportunity for strategic level discussion of the SAF and agreement on its implementation, all of which was supported unanimous. Focus now means to implementation of SAF and the PMF.

	Project Plans and Delivery - Key Milestones/Activities this Period:	**Status**
1	Complete detailed implementation plan for SAF in alignment with Board approved implementation dates	High level implementation plan agreed by Board on 29 November, subsequently implementation project group established and detailed implementation plan completed. Focus is on ensuring knowledge transfer and handover from Project Manager to PMO during implementation
2	Complete roll out of Risk software to services and supporting training for users.	Ongoing

	Project Plans and Delivery - Key Milestones/Activities Planned for Next Period (January 2024):
1	Set up and operation of SAF Implementation governance arrangements and feed into Project Plans & Delivery workstream
2	Draft Business Case templates & guidance drafted
3	Delivery of January actions detailed in SAF implementation plan

Project Plans and Delivery - Project Risks:

	Risk Description	**Mitigation**
1	PMO strengthened Mandate – Funding not available	SAF has been developed to be applicable with or without additional PMO resources, however additional resource is required to meet objectives of full SAF delivery, meet Constituent Council asks and develop the PMO centre of excellence approach requested by Board in Improvement Plan.

		Discussions have taken place with Finance to ensure required resource is understood and a further meeting will be arranged to discuss detailed proposals.
2	CPCA staff upskilling and implementation of SAF is not sufficient	Lunch and Learn session already held and staff video released. Further plans to engage and train staff to be set out in Implementation Plan.
3	IT systems not provided to deliver PMF (Performance Management Framework) and SAF	Specification being developed as part of Project Plan requirements, initial discussions regarding procurement have already taken place with Finance.
4	CPCA unable to recruit required Analyst resource	Additional Analyst capacity is required to support full implementation of the Performance Management Framework. Budget and establishment are in place, but the recruitment market for analysts is highly competitive. A shared services model with Cambridgeshire County Council is being explored as an alternative resource.

Project Plans and Delivery Report Completed By:	**Jodie Townsend**
Completion Date:	**21/12/23**

Partnership Working

Project Description: To enhance partnership working within the combined authority, enabling it to function as a bridge between the local area and government. This involves establishing a unified voice and offer through co-ordinated representation, policy alignment, and effective advocacy. The workstream aims to foster strategic partnerships, streamline communication channels, and influence policy development. Additionally, it seeks to secure funding and resources, facilitate joint problem-solving, and empower local governance.

Project Outcomes:
The Combined Authority should be the bridge between the local area, government and all local regional and national partners and stakeholders, providing a single unified voice and offer for the combined authority area.

Workstream Sponsor:		Richard Kenny	
Project Manager/s:		Peter Tonks	
PMO Support:		Heidi Robinson	
Agreed Completion Date:		29/03/2024	
Forecast Completion Date:		29/03/2024	
Reporting Period:		01/11/2023 – 31/12/2023	
Partnership Working Project Status	**This Period:**	Green	Green
	Previous Period:	Amber	Amber

Partnership Working – November / December Project Update:

In the last report we advised that discussions with the constituent councils' Chief Executives indicated that in their view the Combined Authority is working collaboratively across the region and that relationships and partnership working are no longer broken (as was previously suggested back in 2020).
Considering this, the direction of the workstream changed to focus firstly on demonstrating how such collaborations and partnerships have worked to deliver better outcomes for the Region and secondly form a view as to what further lessons and improvements we might propose.

Accordingly, an exercise was completed to collate evidence and case studies across key projects that have been or are currently being undertaken in each Directorate where collaboration, partnership working and building effective relationships have been instrumental in achieving the desired outcomes for the Combined Authority, its partner organisations, and the region.

The evidence base was completed, and a report was presented for consideration to IIB (Independent Improvement Board) for guidance on the next steps to take regarding the workstream overall.

The view of the IIB was that the case studies provided a wealth of evidence of progress in partnership working. However, it concluded that it would be premature to conclude the workstream based upon this evidence. The IIB felt that there was scope in the member arena for further work to build a framework and culture that promoted a consensus-based approach to discussion and decisions.

The next step therefore is to build a revised Improvement Workstream Plan clearly outlining the next stages and expected outcomes. In the meantime, the IIB felt that a RAG rating of Green/Amber would reflect both achievements to date, but a level of confidence in meeting challenges ahead. **Issues** No risks that have crystallised as issues were identified in this month. **RAG Rationale** The RAG Rating for this workstream is Green/ Amber. It is clear from both partner and IIB feedback contained within the evidence collected to date that significant progress has been made and partners believe that the CA commitment to partnership working is good. The next steps are to embed this partnership ethos into the culture and practices, with a particular focus on the CA Board and other member led activities.
Partnership Working: Workstream Sponsor Comments: The project team's work to date demonstrates that there is confidence that the work being undertaken to evidence our commitment to partnership working will demonstrate that CPCA recognises the value of working with public and private partners to achieve more efficient and effective policy development, economic growth and investment, better services, and customer-focused outcomes. The reflections of both DLUHC and the IIB remind us that successful partnership working will be central to our ambitions for the CA, devolution and the lifting of the BV notice and I look forward to collaborating with the team to frame the next steps for this workstream.

Partnership Working - Key Milestones/Activities this Period:		**Status**
1	Complete a workstream plan for the next phase of this workstream	Ongoing

Partnership Working - Key Milestones/Activities Planned for Next Period:	
1	

Partnership Working - Project Risks:		
	Risk Description	**Mitigation**
1	Once the Improvement Plan is complete there is a risk that as focus is removed from partnership working, the partnerships will become ineffective.	Ensure the importance of Partnership Working is embedded in the Single Assurance Framework.

Partnership Working Completed By:	P Tonks
Completion Date:	18/12/2023

Confidence, Culture and Capacity

Project Description: To establish a clear direction for the Combined Authority, foster a positive work culture based on shared values and behaviours, develop effective leadership at all levels and be recognised as a good employer. By focusing on these areas, the project seeks to establish a solid foundation for the Combined Authority to effectively deliver its goals and serve the region within a positive working environment.

Project Outcomes:
Ambition and Priorities**:**
- We are clear in our ambition and priorities for the combined authority region
- We have a well-established framework to work in partnership with key stakeholders to deliver this ambition

Values and Behaviours:
- Values and behaviours are embedded and owned by everyone (both officers and members) through day-to-day activities
- Values and behaviours are recognised as central to all CPCA practice and processes and there is collective ownership and responsibility for culture- living the values through day to day working activity
- Alignment to the values is recognised and celebrated, whilst non-aligned of 'behaviours' are addressed
- Peer reviews and feedback from partners identify CPCA is 'living its values

Leadership:
- Leadership at all levels of CPCA is seen as high quality, effective and in line with the agreed values and behaviours

Recruitment, Retention, Reward and Resources
- Balanced scorecard in place that reflects job satisfaction, employee turnover, absence etc.
- Workforce strategy agreed (up to 2025) that identifies key resourcing requirements and how they will be delivered.
- CPCA is viewed as a 'good' employer evaluated through staff surveys, exit interviews and external review

Workstream Sponsor:		Kate McFarlane
Project Manager/s:		Peter Tonks
PMO Support:		Heidi Robinson
Agreed Completion Date:		29/03/2024
Forecast Completion Date:		29/03/2024
Reporting Period:		01/11/2023 – 22/12/2023
Confidence, Culture and Capacity Project Status	**This Period:**	Green
	Previous Period:	Green

Confidence, Culture and Capacity – November / December Project Update:

Key Activities undertaken this period include:

Ambition and priorities

- Tenders have been scored for the delivery of State of the Region and a consultancy has been appointed. The consultants met with the State of the Region Partner Technical Group on the 15th of November to commence work. In terms of the Vision piece of work, tenders have been received and evaluation/interviews completed. Consultants Prior+Partners have been appointed; mobilisation planning is underway.

- Q2 Corporate Performance Report was presented to November Board as planned.

Leadership

- The second development session for members took place on 22nd November with a focus on 'Budget Scrutiny', nine members including the Chair attended the session and it included a wide-ranging discussion, which all Members were engaged in and found helpful.
- This was followed by the third session, 'Code of Conduct' on the evening of 6th December which again was well attended (circa twenty members including some Board members) and well received.
- A further Executive Director Seminar has also taken place, focussing on the Place & Connectivity Directorate.

Values and behaviours

- Feedback from the fourth staff conference and workshops has been reviewed and the information is available for staff on the newly re-launched Central CPCA Hub. The feedback has also been used to inform the development of the next staff survey which was launched on 6th December alongside a video detailing some of the changes made in response to staff feedback. Findings from the survey will be shared at the next staff conference scheduled for the 1st of February. Planning is well under way for this.
- Findings and recommendations from the external review of Communications, Engagement & Public Affairs has been shared with constituent Councils and partners engaged in the review, with an offer for further 1:1 meetings to discuss outcomes and next steps. Phase One of the plan, which was derived from the communications review has been completed and this includes the confirmation of three key posts (Head of Service, Corporate Communications Manager and Public Affairs & Stakeholder Engagement Manager) within a newly integrated Communications, Engagement & Public Affairs Team. Additionally, a new approach to campaigns and engagement is being trialled using the launch of the "Road to Better Buses" campaign at the end of November, and through the Corporate Plan and MTFP consultation.

Recruitment, retention, reward, and resourcing

- New Recruitment and Selection Training has been signed off by CMT on 20th Novembers and communications are due to go out to managers w/c 27th November regarding the commencement of training. The new procedures aim to ensure an efficient, fair, and merit-based approach to hiring, while revising appraisal processes to empower staff to excel in their roles.
- Mid-year reviews with staff have been completed. This provides an opportunity to reinforce our values and behaviours with staff and ensure they are being adhered to and encouraged. We are still collating documentation and feedback but so far, the information is encouraging with 89% of reviews currently confirmed as completed.

Engagement

The above activity demonstrates a range of engagements have taken place with staff, members and external organisations across the Combined Authority and Region.

These include Vision and State of the Region Working Group established, and engagement between consultants and partners via the State of the Region Partner Technical Group underway; Engagement with relevant partners to produce and present the Q2 Performance Report;

Engagement with members through development sessions; and information sharing with constituent councils and partners regarding the communications review. Several engagement activities have also now shifted from the workstream into business as usual including; Regular updates via the Happenings newsletter and the CEX weekly email 'A View from the Bridge'; The promotion of HR policies and procedures through lunchtime drop-in sessions and virtual and physical 'Ask HR sessions'; and the continuation of wider communications through 'all-staff' meetings and briefings accompanied by vlogs and videos from senior officers to embed our values and behaviours. Further, work continues the members Hub with a planned launch for January 2024. This is an online area which will be used for information sharing and dissemination. This will be accompanied by a Members' Newsletter, also planned for release in January. **Key Issues** No risks that have crystallised as issues were identified in this month. **RAG Rationale** The workstream is on track to achieve key deliverables on time and budget, therefore the RAG Rating for this period is Green.
Confidence, Culture and Capacity: Workstream Sponsor Comments: Work on this improvement theme remains on track with procurement of consultants for two key pieces of work State of the Region and development of a Shared Vision completed. The Q2 performance report has been considered at scrutiny and the Board. The recruitment of two senior roles has concluded, with the role of Executive Director for Place & Connectivity confirmed. There has been an excellent completion rate of Mid-Year Reviews (LEAPs), the first time these have been completed and a range of training underway for staff including for new line managers. The findings of the external communications review have been shared with constituent Councils and partner organisations who fed into the review. The focus is now on implementing the recommendations and key actions. Implementing those actions requires a clear internal focus and accordingly Phase 1 staffing changes have now been made but also working differently and collaboratively with a broad range of partners on agreed communication, engagement & lobbying priorities.

Confidence, Culture and Capacity - Key Milestones/Activities this Period:		**Status**
1	Executive Director Seminars	Place & Connectivity - Complete
2	2nd & 3rd Member Development Session	Complete
3	Communication plan continued development and implementation	Phase One Complete
4	Staff survey development/readiness for launch	Survey launched
5	Staff conference planning	In progress – set for 1st February
6	Recruitment and Selection Training	Training approved
7	Recruitment and Selection communications	Complete
7	Commence enrolment onto Leadership Development Courses in collaboration with Cambridgeshire County Council	In progress
8	Commence delivery stage of State of the Region and Vision	Delivery stage commenced

Confidence, Culture and Capacity - Key Milestones/Activities Planned for Next Period:		
1	Executive Director Seminars to continue	
2	Staff survey analysis	
3	Planning for February staff conference	
4	Recruitment and Selection training commences	
5	Fourth member training session (Effective Committee Membership)	
6	Continue delivery of communications, engagement & public affairs implementation plan, especially Phase 2 recruitment	
7	Continue delivery of State of the Region and Vision	
Confidence, Culture and Capacity - Project Risks:		
	Risk Description	**Mitigation**
1	The workstream encompasses many facets of the organisation and is intertwined with BAU (Business as Usual) activities. This means there is a risk of scope creep which could shift focus to tasks and activities that are not a priority and do not directly impact upon tangible outcomes for the Improvement Plan. There could also be an impact upon capacity whereby project staff/other CPCA project resources are not used as intended.	Clearly define what is in and out of scope. Do not add tasks or actions to the project plan without a whole project team review. CMT have agreed to review items classed as BAU to ensure focus is maintained within the IP timetable.
2	Members can be perceived as the 'face' of the CA given their public profiles/roles. If they are unwilling or unable to engage properly in developmental activities, they may not demonstrate that change has happened/been effective (even if change has been a success for officers and staff).	Continue to plan and support Board Activities/Member Development. Seek formal feedback. Encourage and track attendance at staff and member development sessions.
3	The Confidence, Capacity and Culture Workstream relies on acceptance of change across staff and members. Whilst, training sessions, process, workshops, and internal communications will drive and encourage this, the change must be accepted. Some staff and members may not accept the changes. Depending upon several factors (i.e., which staff or members do not accept, how their rejection of change is voiced/heard, how many staff/members do not accept change) the effect can be significant and can undermine the outcomes for the workstream.	Continue to outline the benefits of the changes via staff forums, conferences etc.
Confidence, Culture and Capacity Completed By:		P Tonks, K McFarlane
Completion Date:		18/12/2023

The Independent Improvement Board have requested implementation of ‘Rag Rating’ to report progress against identified areas of activity. It is proposed that this will be used from now on for Improvement reports to all Boards and Committees to ensure a consistent approach. We have used our learning from the first phase of improvement and sought best practice to inform our future approach.

Set out below is the methodology adopted.

Green	Successful delivery of the improvement theme to time, cost and quality appears to be highly likely.
Green / Amber	Successful delivery of the improvement theme within timescale appears probable. However, constant attention will be needed to ensure risks do not materialise into issues threatening delivery.
Amber	Successful delivery of the improvement theme appears feasible, but issues exist requiring attention. These appear resolvable at this stage, and if addressed properly, should not represent a schedule overrun.
Amber / Red	Successful delivery of the improvement theme is in doubt with major risks or issues apparent some key areas. Action is underway to ensure these are addressed and establish whether resolution is feasible.
Red	Successful delivery of the improvement theme withing the agreed timescale and/or budget is unachievable as issues have been identified which officers conclude are at present not manageable or resolvable. The theme will therefore need re-profiling.

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY

14 December 2023

Mark Hodgson
Associate Partner
Ernst & Young LLP (Local Auditor)

By email only: MHodgson@uk.ey.com

Dear Mark

Progress against identified areas of concern set out in letter dated June 2022

Now that the Code of Conduct investigation and hearing has concluded, I believe it is timely to write to you to update you on progress against the key actions required by the Authority to address the significant governance weaknesses set out in your letter to John Pye - Independent Chair of Audit & Governance Committee - in June 2022.

I note the communications between yourself and the interim Chief Executive, Gordon Mitchell, on the progress made prior to my appointment and the specific areas you identified in your letter dated 17 March 2023 that still needed to be addressed. I believe we have made further and significant progress on the concerns you raised.

Since joining CPCA in June 2023, I have led the overall improvement activity supported by my Corporate Management Team. Nick Bell, Executive Director Resources and Performance, chairs the Improvement Group to ensure planned progress is made, dependencies and risks are addressed and that the programme highlight report is signed off en route to the Audit and Governance Committee, the Overview and Scrutiny Committee, the Combined Authority Board, the Independent Improvement Board, and the quarterly meetings with the Department for Levelling Up, Housing and Communities.

Now that the Code of Conduct investigation has concluded, the Decision Notice has been published and recommendations from the Hearing Panel are being implemented, I believe that all the areas of concern set out in your letter to John Pye in June 2022 have been addressed. As you know, this was part of our introductory conversation when we met in early July when you were clear the outstanding issue was the conclusion of the Code of Conduct investigation.

The key concerns were:

Addressing the significant employee related matters emanating from the whistleblowing notification and ensuring that all Authority employees are appropriately safeguarded is of paramount importance. The Authority also needs to be mindful of the impact that implementing these safeguarding actions has on the Senior Management employees taking those actions.

The Hearing panel met on 14 November 2023 to determine the Code of Conduct complaint against the Mayor. The panel unanimously agreed with the findings of the independent investigator that the Mayor had breached the Members' Code of Conduct regarding Civility and Disrepute and unanimously agreed that the following sanctions and recommendations would be appropriate:

Sanctions
1. Publish the Findings in the Decision Notice.
2. Report the Findings to the Combined Authority Board.

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Cambs
PE29 3TN

3. The Mayor to provide a written apology for the Decision Notice and consult with the Monitoring Officer on the appropriateness of providing a written apology directly to one or more of the complainants.
4. The Mayor to provide an undertaking not to repeat his behaviour, and to agree with the Chief Executive an appropriate development and training programme to take place over the next six months; this should include the appropriate HR best-practice when operating in a senior Member role.

Recommendations

1. The Combined Authority Board to agree a comprehensive Induction process for whenever a new Mayor takes up their appointment.
2. Audit & Governance Committee to review the relevant parts of the Constitution, in light of the lessons learned from this first Sub-Committee hearing and make recommendations to the Combined Authority Board.

Following the hearing, the Mayor has apologised to two complainants in writing. The Monitoring Officer sent the Mayor's apology to the complainants on 17 November 2023. In addition, the Mayor has provided a written apology which is annexed to the Decision Notice. The Mayor has also provided an undertaking as requested by the Hearing Panel which is annexed to the Decision Notice.

The Monitoring Officer considered carefully the public interest of this investigation and what should or should not be published and sought legal advice from both a large international firm of Solicitors and, separately, from a King's Counsel highly experienced in Public Law to enable the Audit & Governance Committee to make appropriate and balanced decisions. Following that external advice, as well as taking into consideration the views of the Independent Investigator and the Independent Person, it was decided not to publish the Independent Investigator's report as it contained the names of many individuals who had been interviewed, not all of whom had given consent for their names to be placed into the public domain. Instead, a detailed summary of the Independent Investigator's report was provided as part of the Decision Notice.

I believe the process has been managed appropriately and effectively, albeit that it has taken longer to conclude than any party would have liked, and that it brings to a conclusion the Code of Conduct issues relating to the Mayor.

To embed a culture that supports and protects staff, a set of clear values for both Officers and Members (CIVIL - Collaboration, Integrity, Vision, Innovation, Leadership) was agreed by the Combined Authority Board in January 2023 following extensive consultation. The 'CIVIL' values have been embedded into HR policies (including whistleblowing and grievance) agreed by the Employment Committee in March 2023. Training for managers has, and will continue, to take place.

I have worked closely with the two other Statutory Officers to set out a training and development programme for the Mayor. This was part of the sanctions imposed on the Mayor by the Hearing Panel and the programme will take place during January and February next year, which is well within the six month period stipulated by this sanction.

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Appropriate leadership capacity to be able to deliver its objectives and statutory responsibilities. In order to do so, we believe more formal intervention is required, and expeditious discussions with the Authority's sponsoring department to this end are time critical.

The current leadership and departmental structure was agreed by the Combined Authority Board in October 2022. A copy of the current structure is attached for your information.

All senior leadership team roles are currently filled by either a permanent appointment or temporary highly skilled and experienced individuals providing capacity and leadership to the agendas to be delivered.

A support structure is also now in place for the Mayor's office as well as a protocol and set of working arrangements for all staff.

This increased and stable team has provided capacity to enable a suite of governance and related policies and guidance to be developed, agreed by the Combined Authority Board, and implemented, including:

- A new Constitution for the Combined Authority
- Revised Officer / Member protocols
- Refreshed Procurement guide and protocols
- A Single Assurance Framework signed off by three government departments
- A Risk Management Framework developed in conjunction with RSM to ensure best practice
- A Performance Management Framework that provides a holistic view of how well the Combined Authority is delivering against its strategic objectives, and
- A Corporate Strategy and linked Medium Term Financial Plan

The Combined Authority continues to work closely with the Independent Improvement Board (IIB) which meets formally on a bi-monthly basis to report progress against the Improvement Plan.
Richard Carr, the IIB Chair, continues to engage with the Combined Authority Board, Chief Executives of Constituent Councils, and the Combined Authority's Corporate Management Team. He also reports to the Combined Authority Board and key stakeholders on the IIB's level of assurance on the progress on the Improvement Programme being reported and any areas that the IIB believe require continued focus.

The Combined Authority and IIB Chair also continues to engage on a regular basis with the Department for Levelling up, Housing and Communities, the most recent meeting taking place on 5 December 2023.

I believe that the Combined Authority Management team has fully addressed the concerns you set out in your letter dated June 2022 and in doing so has built increased capacity, sustained momentum and a culture of continuous improvement to confidently address any future challenges.

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I would welcome the opportunity to discuss the points I have set out above and trust that this update will support the value for money assessment you will present to the Audit and Governance Committee at its meeting on 26 January 2024. Prior to this meeting it would be helpful if you could respond to this letter and, if you are in agreement that the actions you required the Combined Authority to complete from your previous letters have now been actioned, to note that within your response.

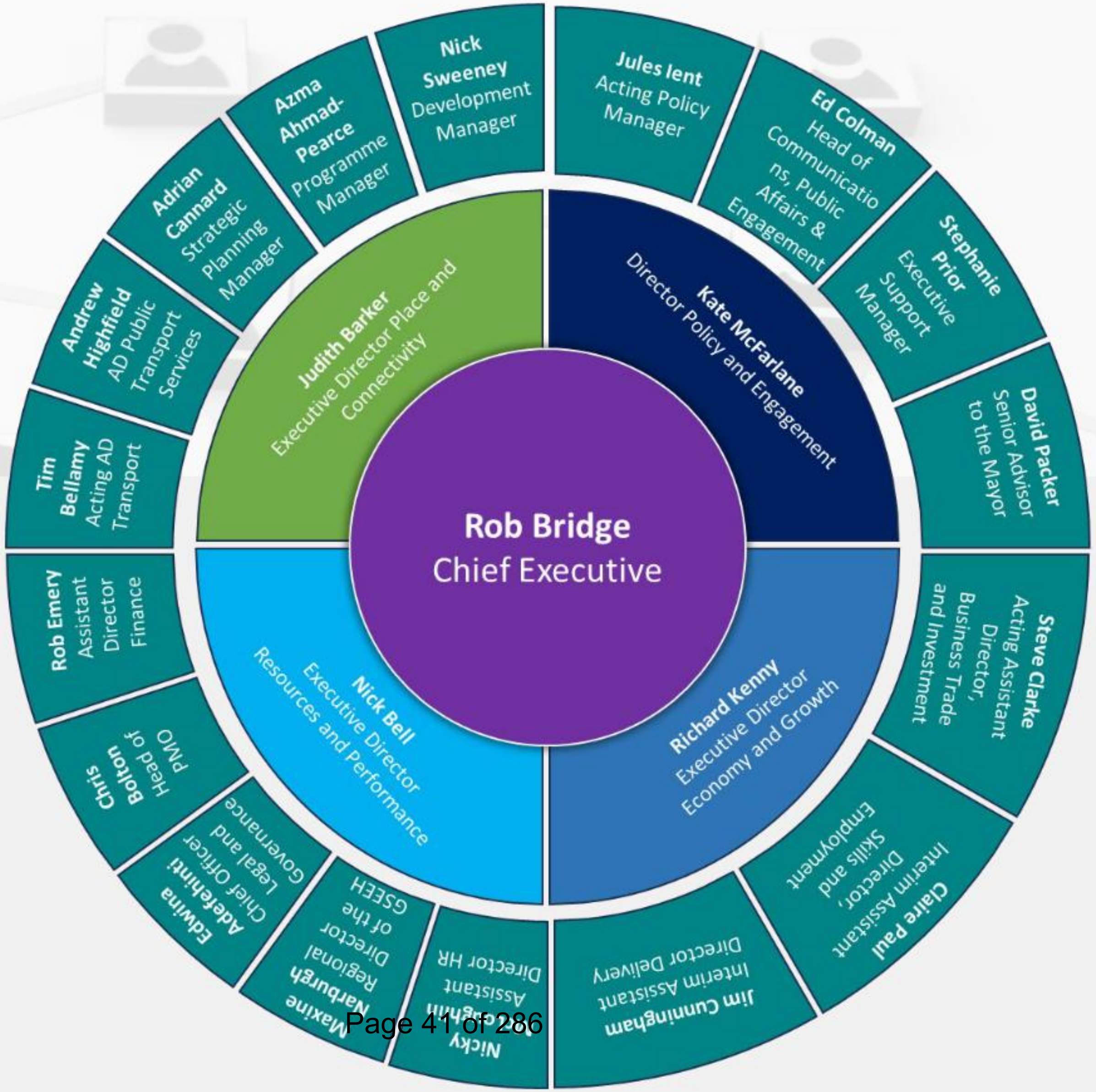
I look forward to hearing from you.

Yours sincerely,

Rob Bridge
Chief Executive

2nd Floor, Pathfinder House
St Mary's Street
Huntingdon
Cambs
PE29 3TN

Organisational Structure



Cambridgeshire and Peterborough Combined Authority Independent Improvement Board

Terms of Reference

The Cambridgeshire and Peterborough Combined Authority Improvement Board has been established by the Combined Authority Board to provide challenge and support to the issues identified in the Improvement Framework report presented to the Board on 27 July 2022.

1. Purpose

The purpose of the Improvement Board is:

- To provide external advice, support, challenge and expertise to Cambridgeshire and Peterborough Combined Authority to ensure focus, grip, pace and effective change on key areas identified.
- To support the delivery of the Combined Authority Improvement Plan agreed by the Combined Authority Board.
- To provide assurance to the Combined Authority Board and external agencies of the progress on delivering the key outcomes and associated activity set out in the Improvement plan.
- To identify and share learning and best practice with Members and Officers on all activities included in the Authority's Improvement Plan, including identification of development opportunities for both members and officers.

This will involve:

- Operating in an open and transparent way with officers, CA Board members and external agencies
- Ensuring there is a single, integrated, and holistic Improvement Plan that can be clearly understood and communicated internally and externally and to receive regular reports on progress against it and the effectiveness of actions taken.
- Providing regular advice, challenge, and support to the Combined Authority on the full range of identified improvement activities, and in particular on delivery of the recommendations in the External Auditor letter, June 2022 and the Best Value Notice January 2023 and any subsequent updates.
- Providing written commentary on the Council's progress to the Secretary of State for Levelling Up, Housing and Communities on the Combined Authority's progress.

- Investigating any activity within its terms of reference and seeking any information it requires from any member of staff (in compliance with the CPCA's Member/Officer Protocol); who will be directed to co-operate with any request made by the Improvement Board.

- Obtaining independent legal or other independent professional advice and to secure the attendance of third parties with relevant experience if it considers this necessary or beneficial to its work.

2. Accountability

- The Improvement Board will be accountable to the Combined Authority Board and respond as required; through agreed reporting mechanisms and timelines to requests for information on progress, key risks and shared learning.

- The Improvement Board will receive reports from the Chief Executive on a regular and timely manner in line with agreed reporting timelines.

- The Improvement Board will ensure the Chairs of Audit & Governance Committee and the Overview and Scrutiny Committee receive regular updates on all improvement action against agreed timelines.

- The Improvement Board will provide the Department for Levelling up, Housing and Communities with an update on a quarterly basis on the level of assurance and confidence it has on the progress being made against key areas of concern.

3. Membership of Independent Improvement Board

Members:

A balance of Members and officers to bring a balance of expertise and experience:
- Independent Chair
- Independent Deputy Chair
- Independent external Member representative of political groups
- Independent external members

Attendees:

- Mayor
- Conservative Member rep
- Lib Dem Member rep
- Interim Chief Executive
- 2 x constituent Chief Executives

- Interim Programme Director, Transformation
- LGA representative

  Others by invitation

4. Working arrangements:

- Changes to membership can be agreed by the IIB.
- The Board may invite anyone who it believes will be useful in achieving its aims and purpose to attend meetings.
- The IIB may request reports from officers and ask that officers attend if required.
- Individuals may raise matters directly with the IIIB if they are within the agreed remit of the Board through appropriate protocols.
- A&G and O&S Chairs may request to attend meetings on behalf of their committees.
- Democratic management of the meetings will be carried out by officers of the CPCA.
- The IIB will be supported by the programme office to ensure that the overall programme plan is proactively tracked, kept up to date and that issues and identified risks are managed on a day-to-day basis through officers.
- Any costs associated with the IIB will be met by CPCA.
-

5. Improvement Board meetings:

- It is proposed that the IIIB will be in place for at least 12 months from January 2023.
- The IIB will meet on a bi-monthly basis for the first six months when a review will take place and the future frequency of meetings agreed.
- Discussion and interaction during the IIB meetings will allow and enable constructive dialogue; officers and members being treated with respect and courtesy.
- The minutes of the board will not be public as the IIB is an advisory board.

6. Venue for meetings

- To be agreed

7. Agenda

- At each meeting the IIB will agree the content of the agenda for the next meeting. Standard agenda items should include:
  - Actions from previous meeting
  - Matters considered by the Chair to aid the working of the IIB in pursuing its aims
  - Report on progress against the improvement plan
  - Communication (if any) from the External Auditor or DLUHC
  - Progress and any issues to be communicated to key stakeholders (including staff)
  - Matters to be reported to the CPCA Board
  - Additional items for the agenda for the next meeting
  - Confirmation of date, time and venue for the next meeting

8. Review

These Terms of Reference will be kept under review and initially reviewed after six months

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY

Audit and Governance Committee	Agenda Item
26 January 2024	5

Title:	Corporate Risk Register
Report of:	Nick Bell, Executive Director, Resources and Performance
Lead Member:	Cllr Edna Murphy
Public Report:	Yes
Voting Arrangements:	To note

Recommendations:	
A	To note the refreshed Corporate Risk December 2023 register report, risk dashboard and heat map.
B	To note the update on progress of the Risk Software implementation at a service level
C	To note Monthly Corporate Management Team Risk register reviews

Strategic Objective(s):	
The proposals within this report fit under the following strategic objective(s):	
X	Achieving ambitious skills and employment opportunities
X	Achieving good growth
X	Increased connectivity
X	Enabling resilient communities
X	Achieving Best Value and High Performance

1. Purpose	
1.1	To note the refreshed risk register, risk dashboard and heat map in Appendix 1-3.
1.2	To note the update on progress of the Risk Software implementation at a service level
1.3	To note Monthly Corporate Management Team Risk register reviews

2. Proposal	
2.1	The December Corporate risk register shows the following 16 residual risks, (risks that have mitigations in place): • No red very high risks

	• 2 amber high risks • 13 medium risks • 1 low risk Of the 16 residual risks listed, 4 relate specifically to the improvement Programme. It is likely that these risks will be removed from the register in due course and moved to business as usual. The direction of travel of said risks has not changed since the last report. This improved trend is following a thorough review of the risks and the strengthening of controls.
2.2	**Implementation of Risk Register software – 4Risk** In May 2023, risk software was procured. (4Risk supplied by RSM). Implementation of the new risk recording system is ongoing. The investment in new corporate, web-based risk software has allowed a central and auditable platform to register risks associated across the work programme. Corporate risks have been reported via the new process recently but now service level risk registers (Transport, Skills, Business, Climate etc.) have now been added to 4Risk. This followed one-to-one training by RSM with programme and project managers from all service areas. As such, all risk register reporting will now take place via the new platform, allowing programme boards to access a more comprehensive risk information, such as heat maps as is already the case at both the Audit and Governance Committee and Combined Authority Board meetings.
2.3	**Monthly Corporate Management Team Risk register review** In accordance with the recent internal audit risk actions, a monthly risk register review at the Corporate Management Team meeting has been instigated. Review of the corporate risk register now takes place not only at the internal Performance and Risk meeting but also at CMT level increasing visibility of risk at executive level. Training for the CMT will be available as required noting that several corporate risk owners are CMT members.

3. Background	
3.1	The Combined Authority Risk Management Framework and Procedure was approved at 08 September Audit & Governance Committee, and 20 September Combined Authority Board. Work continues in embedding the Framework and Procedure, including through training and software.
3.2	The Framework states that the Programme Management Office are responsible for ensuring that the Corporate Risk Register is maintained, updated and that risks are regularly reviewed with the Executive Director of Resources & Performance, Corporate Management Team, Audit & Governance and the Risk Owners. The Audit & Governance Committee is responsible for overseeing the Authority's Risk Management Framework and Procedures and the Corporate Risk Register, to ensure that risk management is being done to the appropriate standard and in line with this framework. This item is key to ensuring this is completed.

4. Appendices	
4.1	Appendix 1. Corporate Risk register Appendix 2. Risk Dashboard Appendix 3. Residual movement heatmap

5. Implications	
Financial Implications	
5.1	There are no direct financial implications to this report.
Legal Implications	
5.2	The Cities and Local Government Devolution Act 2016 established the requirement for Combined Authorities to appoint an audit committee whose functions include reviewing and assessing the authority's risk management, internal control and corporate governance arrangements. The Accounts and Audit Regulations 2015, Regulation 3, provides that: 'A relevant authority must ensure that it has a sound system of internal control which (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives; (b) ensures that the financial and operational management of the authority is effective; and (c) includes effective arrangements for the management of risk. The proposals in this report contribute to the CPCA's effective arrangements for the management of risk.
Public Health Implications	
5.3	None
Environmental & Climate Change Implications	
5.4	None
Other Significant Implications	
5.5	None
Background Papers	
5.6	None

Corporate Risk Register

Generated Date	17 Jan 2024 11:00
Risk Criteria	
Project	Corporate Risk Register

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY

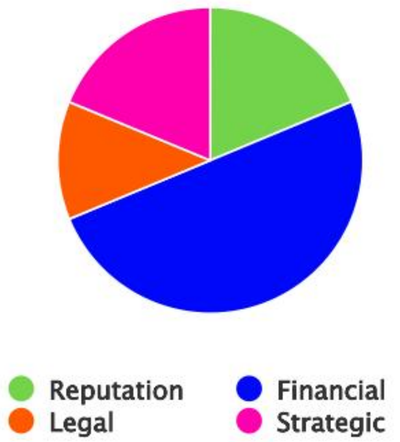
Corporate Risk Register

Reference	Title	Risk Type	Owner	Inherent Priority	Controls	Residual Priority	Residual Direction of Travel	Actions				Target Priority
					Summary			Detail	Owner	Assurance Line	Variable Target	
1047	Future viability of the CA	Strategic	CEO	Very High (5:5=25)	a) Developing an improvement plan in order to build confidence with central government. - Complete b) Actions contained within original improvement plan now complete. c) Reframed improvement plan now approved to meet issues identified in Best Value notice from DLUHC d) Developed and implemented a new governance model, in effect, from 31st May, 2023 e) Improved communications between partners delivered. f) Partnership mapping completed to identify and develop critical strategic and operational partnerships. g) Particular focus now on partnerships that extend beyond the local area (e.g. EEH, OxCam Arc)..	Medium (3:3=13)	=	Under the leadership of the interim CEO an improvement plan has been developed.	CEO	3rd	31 Jan 2024	Medium (2:3=8)
1052	National policies on climate change impacting on CPCA funding	Strategic	Strategic Planning Officer	Very High (4:4=21)	a) Corporate Strategy approved with (a) Resilience as one of the corporate objectives, and (b) climate as one of the six capitals. b) Public Affairs engaging with local and national decision-makers to illustrate impact of policy changes on the area. c) Keeping Climate action plan up to date, keeping evidence base current. e) Maintaining effective networks and national and regional level to enable horizon scanning.	Medium (2:4=12)	=	Regular progress reporting on net zero progress and climate impacts to Climate partnership (quarterly) and E&SC Committee. Clear messaging on climate impacts and the need for change. Launch of enhanced website information.	Strategic Planning Officer Strategic Planning Officer	3rd 3rd	31 Dec 2023 31 Dec 2023	Low (1:3=4)
1061	Net Zero Hubs (2)	Reputation	Interim Consultant Net Zero Hub	Very High (4:5=23)	Expedite the job gradings and approval to recruit	Medium (1:4=7)	=	Move to recruitment now the role evaluations are complete. Recruitment portal launch with these roles needs to be prioritised in CPCA or an alternate route to advert found. Appoint contingent labour if there is any delay beyond July for staff to be in post for key roles in reporting and project support. Continue recruitment for remaining roles with aim of making offers on roles ASAP.	TBC TBC TBC Executive Director Resources and Development	2nd 2nd 2nd 2nd	31 Dec 2023 31 Dec 2023 31 Dec 2023 31 Dec 2023	Low (1:3=4)
1073	Transforming Cities Fund (TCF)	Financial	Head of Transport	Very High (4:4=21)	Assessing the TCF funding programme around deliverability and cost undertaken. Where schemes will no longer be delivered and there will be a... Regular meetings with DfT to highlight the programme and project management measures in place - discussions based on quarterly returns and positive...	Medium (3:3=13)	=	f) Respond to government's request for information and evidence to inform their "study" - ongoing - complete g) Liaise with DfT on the additional programme management tools and associated information to maintain confidence in the deliverability of the programme	Head of Transport Head of Transport	3rd 3rd	30 Nov 2023 30 Nov 2023	Medium (3:2=9)
1088	Governance - VfM risk relating to governance	Strategic	CEO	Very High (5:3=22)	Both the A&G and O&S Committees have been briefed on the issues and are making their own recommendations to the board and will work to support the... It is to be noted that an interim CEO has been appointed to directly address these issues. Regular engagement with external auditors, DLUHC and BEIS. Board to action a plan to satify EY concerns leading to DLUHC to release funds.	Medium (3:3=13)	=	Under the leadership of the interim CEO an improvement plan has been developed to address the points raised in the EY letter. Under the leadership of the interim CEO an improvement plan is being developed in a response to DLUHC concerns so that they will release paused funding.	CEO CEO	3rd 3rd	31 Jan 2024 31 Jan 2024	Low (2:2=5)
1093	Culture	Reputation	CEO	Very High (5:3=22)	a) Governance review underway as part of Improvement Plan. b) Funding secured from LGA to help develop constructive discussions between members.	Medium (3:3=13)	=	Ongoing engagement with Members and Officers to display appropriate behaviours.	CEO	3rd	30 Nov 2023	Medium (2:3=8)
1117	Financial - Underspend	Financial	Assistant Director Resources and Performance	Very High (3:5=20)	a) Implementing self service financial reporting which will enable project managers to more easily identify if there is a disconnect between... b) Financial RAG ratings are in place so it can be seen immediately as part of the monthly performance reporting. c) Active programme/project management by those responsible within the CPCA.	Medium (3:3=13)	=	Development of directorate self service reports including RAG rating. This work will be supported by corporate project mgt and risk training. This work will be supported by corporate project mgt and risk training. PMO and Finance to work with service to identify which projects are actually not delivering and which are delivering but not having funds drawn down by elivery partners.	Assistant Director Resources and Performance Assistant Director Resources and Performance Assistant Director Resources and Performance	2nd 1st 1st	31 Mar 2024 31 Mar 2024 31 Mar 2024	Medium (2:4=12)
1125	EQIA	Legal	Head of Legal and Deputy Monitoring Officer	Very High (5:3=22)	Each project will undertake an EQIA as part of the Single Assurance Framework. EQIA training will be undertaken as part of the SAF training programme.	Medium (3:3=13)	=	EQIA legal review to be undertaken	TBC	2nd	30 Nov 2023	Medium (2:3=8)
1135	Cyber Security	Financial	Executive Director Resources and Development	Very High (4:4=21)	a) Data recovery - cloud based organisation. b) Recovery time - due back in minutes. c) Devices stock held to reissue equipment d) All devices are encrypted to protect from unauthorised access. e) Data access role based. f) Active monitoring on all systems. g) Yearly training to educate end users. h) Large number of system controls re. login protection - two factor authentication. i) SOCITM Cyber Essential accreditation done yearly. j) Remedial funding from DLUHC to support Cyber Security.	High (4:2=14)	=	Continue to develop CPCA Cyber security position with the support of Local Digital and industry best practices from GCHQ.	Executive Director Resources and Development	2nd	31 Mar 2024	Low (2:2=5)
1007	Future Funding	Financial	Executive Director Resources and Development	Very High (5:5=25)	a) Optimise the CA's ability to successfully bid into funding 'calls' - strategies and new PMO functions b) Workshops with partners to identify opportunities to deliver projects without Government grant c) Lobby Government for greater freedoms and flexibilities in funding, including devolved multi-year settlements d) Consider use of existing CA powers to fund future programmes e) Manage stakeholder expectations regarding CA resources available to deliver strategic objectives	High (5:2=19)	=	Engage with local partners, M10 colleagues & DLUHC to secure new long-term funding with greater freedoms and flexibilities through the devo negotiations with DLUHC. The role of the PMO is being reviewed and support provided by external experts - this report is expected within the next month so delivery of the new operating model can follow. Implementation of the recently Board approved Single Assurance Framework to ensure best use of remaining discretionary funding sources.	Executive Director Resources and Development Executive Director Resources and Development Executive Director Resources and Development	3rd 3rd 3rd	30 Nov 2023 30 Nov 2023 30 Nov 2023	Medium (3:3=13)
1096	Subsidiary Companies	Financial	Chief Officer Legal and Governance & Monitoring Officer (Interim)	Medium (3:2=9)	a) Action plan to address the internal audit recommendations has been developed. Early actions are being addressed. b) Shareholder Board met 7th June 2023. Audit and action plans discussed and agreed. c) Ensuring Investment Committee meet regularly and A&G and O&S get regular reports.	Low (2:2=5)	=	Shareholder Board to meet again later in year.	Chief Officer Legal and Governance & Monitoring Officer (Interim)	2nd	01 May 2024	Low (2:2=5)
1136	HR Operations	Legal	Assistant Director for Human Resources	Very High (4:4=21)	a) Digital review has been undertaken to identify system challenges and issues b) Quick wins have been identified and implemented. c) Long term solution HRIS to be agreed and new system procured which will generate process improvements and efficiencies d) Retrospective checks taking place over coming months on existing processes e) New staff added to the HR team	Medium (3:2=9)	=	Budget for business change (review all HR processes) and technology circa £30k p.a. Implementation costs circa £50k Budget for business change (review all HR processes) Phased approach to implementation starting with recruitment to application tracking software (our biggest challenge as we grow). Core HR system, performance management, learning and development, and payroll. HR staff to be upskilled.	Assistant Director for Human Resources Assistant Director for Human Resources Assistant Director for Human Resources Assistant Director for Human Resources Assistant Director for Human Resources	2nd 2nd 2nd 2nd 1st	31 Jul 2024 31 Jul 2024 31 Jul 2024 31 Jul 2024 31 Jul 2024	Low (2:1=3)
1199	Net Zero Hubs (1)	Reputation	Interim Consultant Net Zero Hub	Very High (4:4=21)	a) Taking longer to produce specifications for technical delivery and for Managing Agents and Suppliers b) Further risk that suppliers may not want/be able to adapt to deliver the new scheme c) Reduction in achievable volume of delivery, with potential for significant delay and loss of funding.	Medium (2:3=8)	=	Complete the Managing Agent and Turnkey Supplier Specifications Prepare the contracts that align to specifications Market engagement and testing of specifications to gauge level of interest Get remaining contracts signed and mobilise the suppliers	Interim Consultant Net Zero Hub Interim Consultant Net Zero Hub Interim Consultant Net Zero Hub Interim Consultant Net Zero Hub	2nd 2nd 2nd 2nd	31 Dec 2023 31 Dec 2023 31 Dec 2023 31 Dec 2023	Medium (1:4=7)

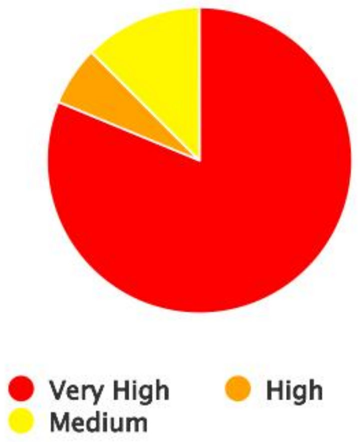
CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY

Reference	Title	Risk Type	Owner	Inherent Priority	Controls	Residual Priority	Residual Direction of Travel	Actions				Target Priority
					Summary			Detail	Owner	Assurance Line	Variable Target	
1001	Inflation	Financial	Executive Director Resources and Development	Very High (4:4=21)	a) Lobby government to highlight our position and what will happen without a more sustainable funding solution	Medium (3:3=13)	=	Implementation of the SAF will include active monitoring of the capital programme and create a route for projects to be accelerated to fill any space created by delays within the overall programme.	Executive Director Resources and Development	2nd	01 Jan 2024	Medium (2:4=12)
					b) Project delivery - enter into fixed price contracts, i.e. transferring inflationary risk to contractors.			Programme managers and Budget Holders reviewed their budgets as part of the 24/25 MTFP cycle and these updated costs are being included in the draft MTFP development.	Executive Director Resources and Development	2nd	01 Jan 2024	
					c) Project delivery delays mitigated by active project management to minimise slippage.			Continue to push for Business Rates Retention to be an option in the devolution options anticipated to be presented at the Autumn Statement.	Executive Director Resources and Development	2nd	01 Jan 2024	
					d) Reconsideration of the use of CA powers to use financial freedoms.							
					e). Engage with DLUHC to secure new devolution deal with sustainable funding at its core.							
					f) Budget and project managers consider the impact of inflation on their budgets each year as part of the development of the MTFP.							
					g) £2.4m put aside in 22-23 from underspend into inflation reserve to be used when/if needed to cover revenue inflation risk.							
1015	Workforce/HR	Financial	Assistant Director for Human Resources	High (3:4=17)	a) Workforce planning - redeployment of staff / temporary contracts	Medium (3:3=13)	=	Recruitment register being created, to fortnightly at ET and is extended to include planned leavers to enable us to take a more strategic view on vacancies.	Assistant Director for Human Resources	2nd	31 Dec 2023	Medium (2:3=8)
					b) The introduction of establishment control measures across the CA by Finance and HR (owner) brings greater control on vacancies within the...			Develop workforce strategy/plan to align with Business Plan (this needs to be reviewed in context of improvement work), including specific approval for fixed term contracts linked to funding and effects of inflation.	Assistant Director for Human Resources	2nd	31 Dec 2023	
					c) The HR Business Partner will hold regular meetings with Executive and Assistant Directors to monitor recruitment activity and create a pipeline...			Keep close to ET members in the context of potential changes to funding streams as a result of the EY letter. And update recruitment tracker accordingly.	Assistant Director for Human Resources	2nd	31 Dec 2023	
								Financial implications of funding stream coming to an end, for example, exit payments	Assistant Director for Human Resources	2nd	31 Dec 2023	
1068	University of Peterborough project	Financial	Executive Director Economy and Growth	Medium (3:3=13)	The wider CA finances are insulated from the performance of Prop Co 1 and Prop Co 2 by no future expenditure being reliant on financial returns...	Medium (3:2=9)	=	Working groups have been created to progress with the OPA and find solutions for the relocation of existing local amenities which currently occupy the site.	Executive Director Economy and Growth	2nd	31 Mar 2024	Low (2:2=5)
					Phase 2: Marketing underway to seek to identify tenants. Conversations with ARU regarding new shareholders agreement continue.			Engage with partners to establish programme delivery for future phases / programme business case.	Executive Director Economy and Growth	2nd	31 Mar 2024	

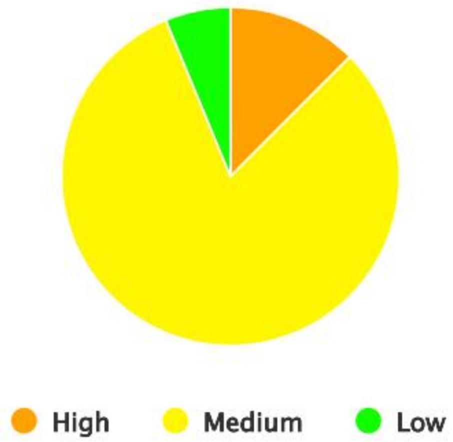
Risks by Category



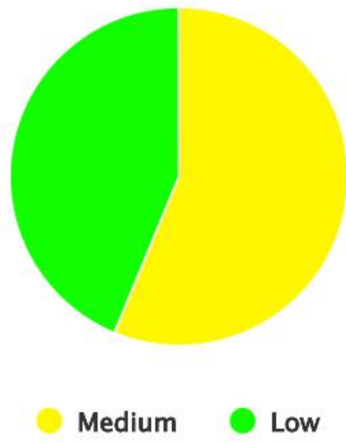
Risks by Inherent Score



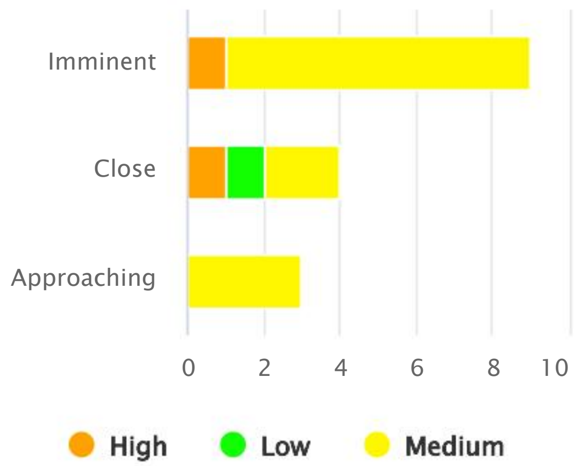
Risks by Residual



Risks by Target Score

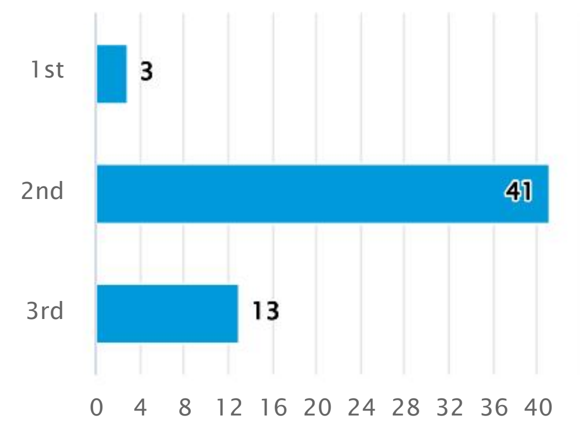


Risks by Proximity



Open and Closed Risks

Open Actions by Assurance Line



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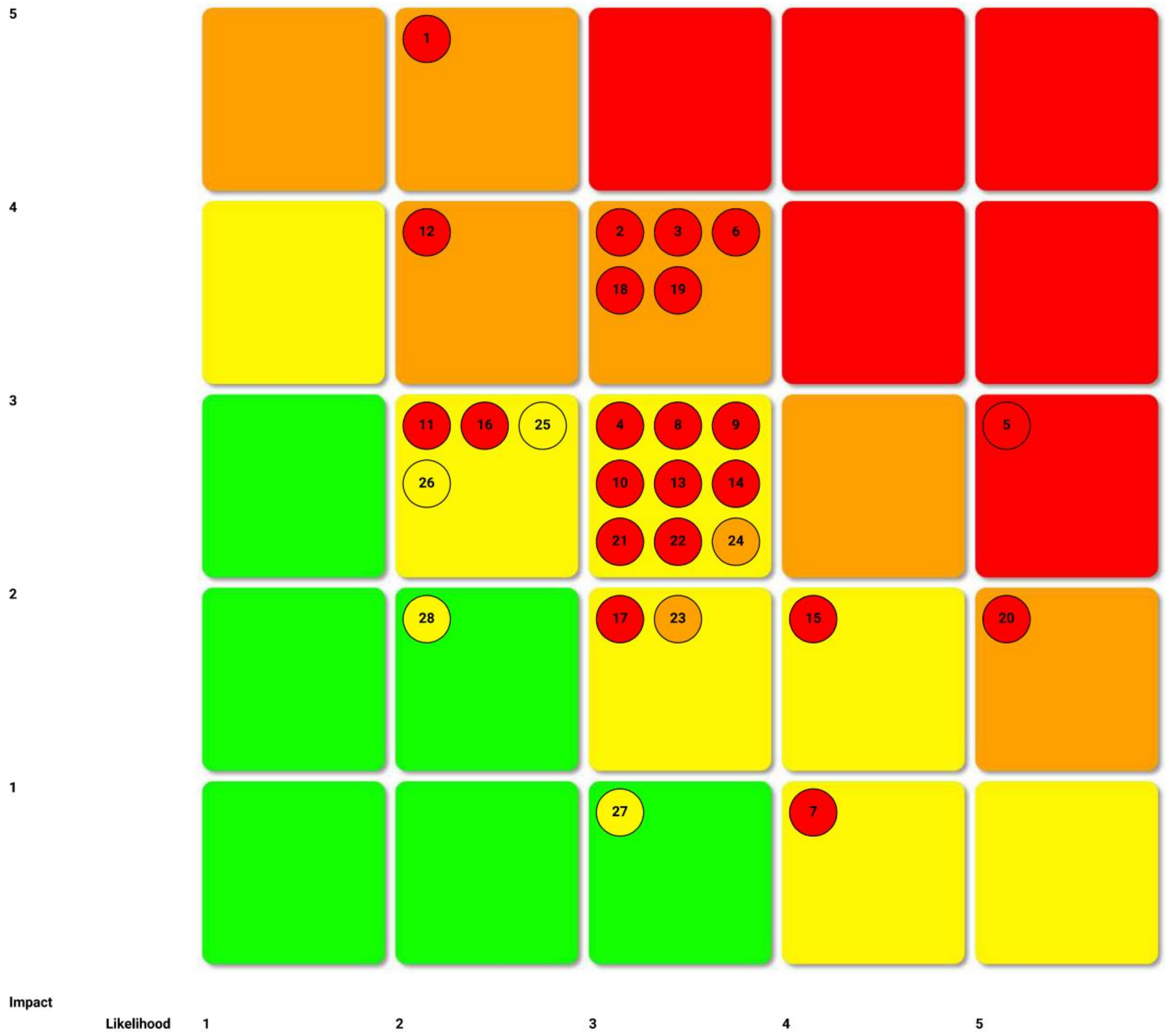
HEAT MAP - RESIDUAL MOVEMENT

In projects:
Corporate Risk Register



‹ INHERENT **RESIDUAL** TARGET ›

Display Lines Display Appetite

Matrix Id	Reference	Title	Inherent	Residual	Target
1	1007	Future Funding	Very High	High	Medium
2	1026	Strategy Gap	Very High	High	Low
3	1039	Information governance and security	Very High	High	Low
4	1047	Future viability of the CA	Very High	Medium	Medium
5	1122	Net Zero Hubs	Very High	Very High	Low
6	1137	Senior staff transition	Very High	High	Medium
7	1061	Net Zero Hubs (2)	Very High	Medium	Low
8	1093	Culture	Very High	Medium	Medium
9	1125	EQIA	Very High	Medium	Medium
10	1088	Governance - VfM risk relating to governance	Very High	Medium	Low
11	1126	Data Protection Training/Information Security	Very High	Medium	Low
12	1135	Cyber Security	Very High	High	Low
13	1001	Inflation	Very High	Medium	Medium
14	1073	Transforming Cities Fund (TCF)	Very High	Medium	Medium
15	1052	National policies on climate change impacting on CPCA funding	Very High	Medium	Low
16	1136	HR Operations	Very High	Medium	Low
17	1199	Net Zero Hubs (1)	Very High	Medium	Medium
18	1142	University of Peterborough project	Very High	High	Medium
19	1083	University of Peterborough project	Very High	High	Medium
20	1058	Public Health	Very High	High	Medium
21	1117	Financial - Underspend	Very High	Medium	Medium
22	1021	Capacity	Very High	Medium	Medium
23	1108	Net Zero Hubs	High	Medium	Medium
24	1015	Workforce/HR	High	Medium	Medium
25	1099	Net Zero Hubs	Medium	Medium	Medium
26	1068	University of Peterborough project	Medium	Medium	Low
27	1105	Net Zero Hubs	Medium	Low	Low
28	1096	Subsidiary Companies	Medium	Low	Low

Audit and Governance Committee	Agenda Item
26 January 2024	6

Title:	Internal Audit Action Tracker Report
Report of:	Nathan Bunting, Programme Office, Project Manager
Lead Member:	Chair, John Pye
Public Report:	Yes
Key Decision:	No
Voting Arrangements:	To note

Recommendations:	
A	To note progress on the implementation of internal audit actions

Strategic Objective(s):	
The proposals within this report fit under the following strategic objective(s):	
X	Achieving ambitious skills and employment opportunities
X	Achieving good growth
X	Increased connectivity
X	Enabling resilient communities
X	Achieving Best Value and High Performance

1. Purpose	
1.1	The purpose of this report is to provide an annual progress update on the internal audit actions. See Appendix 1 for the Internal Audit Tracker Dashboard.

2. Progress	
2.1	See Appendix 1 for a dashboard illustrating the number of open actions including overdue and future. In Appendix 1, the overdue actions are also set out in a table. Below details the progress with resolving those 6 overdue actions. **Name of Audit:** Subsidiary Company Governance **Categorisation:** Medium **Commentary:** To resolve this action, we need to ensure an UpToDate Business Plan is in place for each subsidiary company. The PropCo2 business plan is to be redrafted on the basis of ARU being a partner in the project. The CPCA are still going through the process of setting up a shareholder agreement, following this there will be an amendment to the business plan. **Name of Audit:** Net Zero Hub – Governance **Categorisation:** Medium **Commentary:** A paragraph is required to be inserted into the Constitution confirming that the Net Zero Hub has its own Terms of References. This cannot be done until April, because Local Enterprise Partnerships (LEP) are changing and the membership of the Net Zero Hub may change. **Name of Audit:** Net Zero Hub – Governance **Categorisation:** Medium **Commentary:** The Net Zero Hub will revise the Terms of References which will evolve as the hub transitions into the new governance structure. The date of which is aligned with the transition of the LEP functions by March 2024. **Name of audit:** IT General Controls **Categorisation:** Medium **Commentary:** A process has been developed to mitigate any risk of our IT Provider not being told when staff are leaving. There is still some further work to be done before we can say this is complete. **Name of Audit:** IT General Controls **Categorisation:** Medium **Commentary:** A formal process for periodic review of user access levels across the Authority will be completed following the rollout of the new teams site as all access data will have been reviewed. **Name of Audit:** Core Controls Framework - Treasury Management and Accounts Payable **Categorisation:** Low **Commentary:** Unfortunately, the implementation of the Treasury Management Guidance has been delayed, the anticipated implementation date is now the end of January 2024, still before treasury management responsibilities would be extended beyond the AD Finance and Senior Technical Accountant.

2.2	Since the previous report to A&G in July 2023, the number of outstanding actions has risen from 4 to 6. However, it is important to note that since July, 4 new audits have been approved and with those 18 new actions. Therefore, progress has been made but we continue to aim for no overdue actions.

3. Background	
3.1	The action tracker collates the agreed actions from the various RSM audits and provides a status and progress update against each action. Progress on the implementation of actions is also reported at the internal officer Performance & Risk Meetings.
3.2	It was agreed at July 2023 Audit & Governance that the Internal Action Tracker be reported to the Committee annually starting in January 2024.
3.3	At July 2023 A&G there was an update on the procurement of 4Action software which will allow greater visibility of internal audit actions across the organisation, be easily accessible to action owners and allow easier reporting. Since then, progress has been made and the actions have been transferred to 4Action. Appendix 1 is a dashboard ran on the software. Next step includes training for all audit action owners, this will take place in February/March.

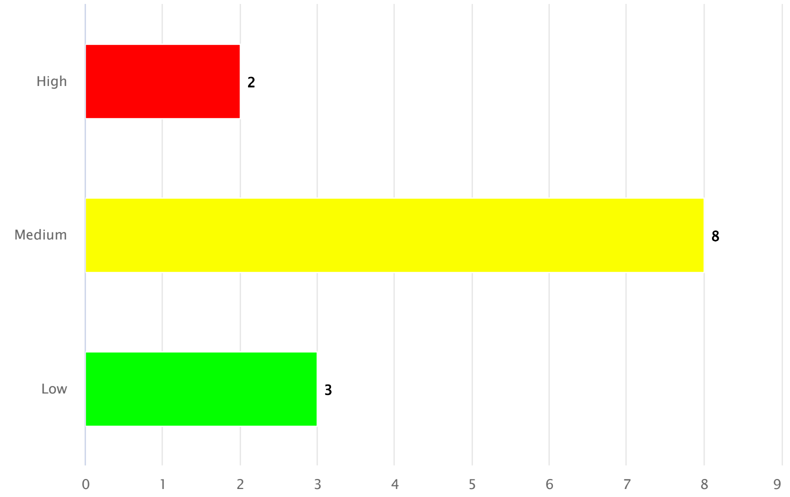
4. Appendices	
4.1	Appendix 1: Internal Audit Tracker Dashboard

5. Implications	
Financial Implications	
5.1	There are no financial implications
Legal Implications	
6.1	The provision of Internal Audit is a statutory requirement for all local authorities that is set out in the Accounts and Audit (England) Regulations 2015 which states "*A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance*." Internal Audit also has a role in helping the CPCA to fulfil its responsibilities under s.151 of the Local Government Act 1972, which are: "each local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs"
Public Health Implications	
7.1	There are no Public Health implications
Environmental & Climate Change Implications	
8.1	There are no Environmental & Climate Change implications
Other Significant Implications	
9.1	N/A
Background Papers	
10.1	*July 2023 A&G Internal Audit Action Tracker* *July 2023 A&G Committee Draft Minutes*

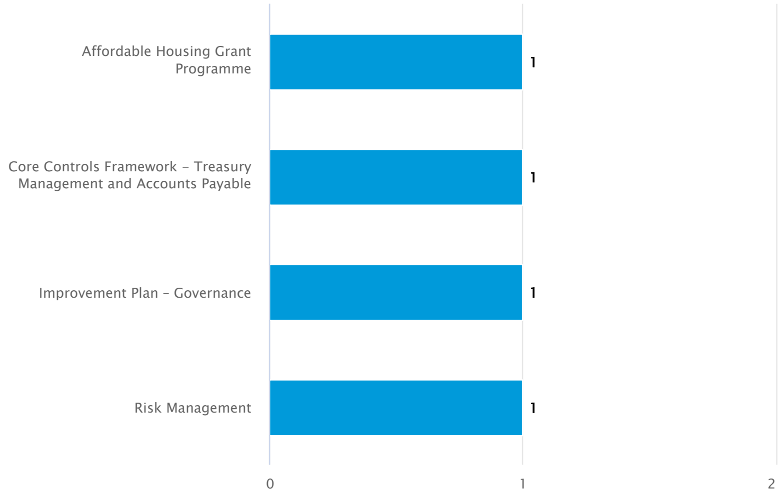
Open Actions by Report Name

Report Name	Count	
Affordable Housing Grant Programme	1	
Subsidiary Company Governance	1	
Net Zero Hub - Governance	3	
IT General Controls	2	
Core Controls Framework - Treasury Management and Accounts Payable	2	
Improvement Plan – Governance	1	
Risk Management	3	

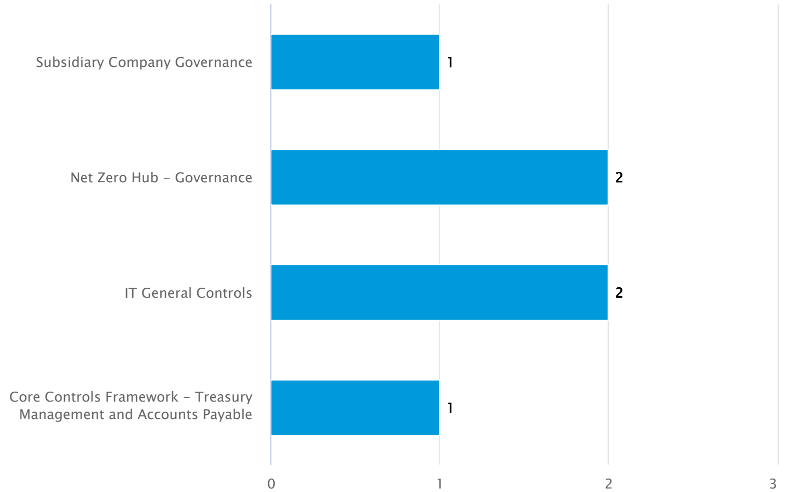
Open Actions by Categorisation



Open Actions due in the next 60 days



Overdue Actions by Report



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Internal Audit Actions

Report Name	Report ref	Report Action ref	IA Categorisation	Detail	Current Implementation Date
Subsidiary Company Governance	11.21.22	"Management Action 3"	High	The CPCA will ensure that business plans are in place for each of its current and future subsidiary companies, including key information such as the company's purpose, output, the need which the company serves, financial projections, and the company's management structure. Where companies are project focused, the CPCA will consider whether business cases fulfil the role of a business plan, or whether a separate plan is required. Furthermore, the CPCA will ensure that these business plans (and business cases where relevant) are being reviewed and updated periodically, in line with each company's Shareholder Agreement.	31 Dec 2023
Net Zero Hub - Governance	5.22.23	Management Action 1	Medium	The Combined Authority will ensure the Constitution is reviewed annually, updated as needed, approved by the Board, and made available on the public website	15 Apr 2023
Net Zero Hub - Governance	5.22.23	Management Action 2	Medium	The Combined Authority will ensure the Accountable Body Agreement is reviewed and renewed as it expires	22 May 2023
IT General Controls	7.22.23	Management action 6a	Medium	"The user access management related documentation will be updated to ensure coverage of the following areas: • process for amending IT user account access • the timing of notification of user account requests; • process for authorising administrator access; • approval for adding or amending IT user accounts, including who can approve this; • managing temporary access accounts, for instance, contractors; • managing default accounts; • post leaver review process to ensure all leaver accounts have been removed, such as review of a monthly HR list of leavers against user accounts; • periodic review of unused accounts; and • disciplinary with respect to non-compliance with policy (Leavers Policy). • In addition, the On-Board Work Flow document will be updated to include a next review date."	10 Nov 2023
IT General Controls	7.22.23	Management action 6b	Medium	The Authority will introduce a formal process for periodic review of user access levels across the Authority, with evidence of this retained. Once agreed, the process will be set out in the relevant policy	10 Nov 2023
Core Controls Framework - Treasury Management and Accounts Payable	9.22/23	"Management Action 1"	Low	"We will develop Treasury Management Guidance that will include, but will not be limited to; • Roles and responsibilities of staff; • Approval process and authorisation requirements; • Authorised personnel who can make investments and their respective financial limits; • The systems used and the requirements to record investment deals; Processes to obtain investments (such as the Debt Management Office (DMO) form, and the broker email requests); and • Governance requirements over treasury management"	31 Dec 2023

Audit and Governance Committee	Agenda Item
26 January 2024	8

Title:	Audited Statement of Accounts 2021/22 and Annual Governance Statement
Report of:	Robert Emery, Assistant Director of Finance
Public Report:	Yes
Key Decision:	No
Voting Arrangements:	A simple majority of all Members

Recommendations:	
A	Approve the audited Statement of Accounts 2021/22
B	Review the Annual Governance Statement 2021/22
C	Authorise the Chair of the Audit and Governance Committee to sign off any further immaterial changes required to the Statement of Accounts and Annual Governance Statement for 2021/22 prior to publication.

Strategic Objective(s):	
The proposals within this report fit under the following strategic objective(s):	
X	Achieving Best Value and High Performance
Completing annual statement of accounts, and the associated audit, are required by law ando demonstrate transparency and accountability to the public.	

1. Purpose	
1.1	Following publication of the draft 2021-22 accounts, our external auditors EY have completed their audit of the accounts and the arrangements in place at the time to deliver value for money and have come to an opinion.
1.2	As set out in the Committee's terms of reference, the Audit and Governance Committee are responsible for reviewing the annual governance statement and approving the annual accounts and this report presents the accounts, as adjusted for the findings of the auditors, for the Committee's review and approval.

2. Proposal	
2.1	The Committee are recommended to approve the audited accounts and review the annual governance statement.

3. Background	
3.1	According to the terms of reference the Audit and Governance Committee shall: 13.3.2 *"Approve the annual statement of accounts* 13.3.4 *"Review the Annual Governance Statement prior to approval to ensure it properly reflects the risk environment and supporting assurances"*
3.2	In December 2022 the Committee received the draft 2021-22 Statement of Accounts (SoA) and Annual Governance Statement (AGS) ahead of their publication for public inspection and audit by EY. In November 2023 the Committee received the draft audit results report which set out the findings and required updates to the accounts since the December 2022 draft.
3.3	The audit process has now concluded, and EY have presented their findings to the committee in an earlier item on this meeting's agenda. The auditor's report includes a summary of the changes between the unaudited accounts the Committee reviewed in December 2022 and the audited accounts presented here within the 'Audit Differences' section. The audited accounts, and AGS, are now presented to the Committee for their review and approval. The narrative report, AGS, and consideration of events after the balance sheet date will need to cover the period up to the date of publication and will therefore need to be kept under review until the accounts are formally published. Authority is therefore sought for approval of the final narrative report, AGS, and any required minor adjustments to the SoA for 2021/22 to be delegated to the Chair of the Audit and Governance Committee.
3.4	Following the Committee's approval, and the completion of EY's final processes, the anticipated date for the accounts to be signed off is the 7th February 2024.

4. Appendices	
4.1	Appendix 1 – audited statement of accounts with placeholder for audit results report.

5. Implications	
Financial Implications	
5.1	There are no direct financial implications to the decisions of the Committee, and the attached accounts reflect the results of the year ended 31st March 2022.
Legal Implications	

6.1	Production of these accounts is a legal requirement.
Public Health Implications	
7.1	None
Environmental & Climate Change Implications	
8.1	None
Other Significant Implications	
9.1	None
Background Papers	
10.1	External Audit Report

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY

Statement of Accounts 2021/22

Table of Contents

Narrative Report:

1. Introduction

The Code of Practice on Local Authority Accounting in the United Kingdom requires a Narrative Report to be published by local authorities in England, Northern Ireland and Wales with their financial statements. The purpose of the narrative report is to provide information on Cambridgeshire & Peterborough Combined Authority, its main objectives and strategies, to provide a commentary on how the Combined Authority has used its resources to achieve its desired outcomes, and to demonstrate how it is equipped to deal with the challenges ahead.

This report provides the narrative to Cambridgeshire & Peterborough Combined Authority's financial statements for the year ended 31 March 2022.

2. Organisational Overview and External Environment

The Combined Authority is made up of eight founding members across Cambridgeshire and Peterborough. Each of the following Constituent Authorities is represented by their nominated representative or substitute at Combined Authority meetings.

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

The eighth founding member of the Combined Authority was the Greater Cambridge Greater Peterborough Local Enterprise Partnership now represented by the Business Board. By virtue of their office, the Chair of the Business Board is the voting representative on the Combined Authority and the Deputy Chair is the substitute representative.

The following bodies have co-opted member status:
The Police and Crime Commissioner for Cambridgeshire
Cambridgeshire and Peterborough Fire Authority
Clinical Commissioning Group

The Business Board was constituted as a non-statutory body to be the Local Enterprise Partnership (LEP) for the region. 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 area.

The Business Board builds upon the strengths of established LEP services to create a stronger new model and focuses on:

- Local Industrial Strategy – strategy development, implementation oversight, and monitoring of key objectives
- Place-based growth plans – including oversight of implementation of the Growth Fund programme, making investment recommendations, strategically managing business growth zones (including Enterprise Zones)
- Key sectors – determining our priority sectors, agreeing plans for their growth, overseeing the products and services that directly stimulate sector growth
- International trade and exports – import and export strategies, fostering key places in the world for trade accords, with particular focus on post-Brexit trade and export planning
- Skills – strategy and delivery plans to achieve a pipeline of people with skills required by business.
- Major investment opportunities – maintaining an overview and management of the pipeline of the single most direct investment opportunities facing the area.
- Devolution – employment improvement and increased exporting impacting on GVA.

The Business Board gives commerce a stronger voice in developing the Combined Authority's plans and decision making and is committed to advising the Combined Authority on achieving its Sustainable Growth Ambition. It ensures that a clear business perspective is brought forward as the Combined Authority seeks to be at the frontier of accelerating delivery and securing new investment models, with and across Government, the private sector and the local area.

The Combined Authority Board decides the strategic direction of the Combined Authority but delegates many of its decision-making powers for operational matters to the three Executive Committees, the Transport & Infrastructure Committee, the Skills Committee and the Housing & Communities Committee.

The Combined Authority has six subsidiary companies which have been set up to deliver specific objectives of the Combined Authority. The six companies are as follows:

Angle Holdings limited,

Angle Developments East limited,

One CAM limited,

Cambridgeshire and Peterborough Business Growth Company limited,

Peterborough HE Property Company ltd, and

Peterborough R&D Property Company ltd

3. Governance

Cambridgeshire & Peterborough Combined Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Combined Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.

In discharging this overall responsibility, the Combined Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions including arrangements for the management of risk.

The Business Board and Combined Authority Board work to a single Assurance Framework which has been approved by the Department for Levelling Up, Housing and Communities (DLUHC). It provides a robust, singular framework that brings cohesion to the work of the single officer team, ensuring clarity, transparency and openness for Government, partners and members of the public around governance and compliance processes, and a singular approach to the recommendation and decision-making processes of both Boards.

In June 2022, our auditors, EY, highlighted a significant weakness in the Combined Authority's governance arrangements. These weaknesses and the authority's plans to address them are covered in the Annual Governance Statement.

4. Operational Model

The Devolution Deal for Cambridgeshire and Peterborough set out key ambitions for the Combined Authority to make our area a leading place in the world to live, learn and work. These include:

- Doubling the size of the local economy
- Accelerating house building rates to meet local and UK need
- Delivering outstanding and much needed connectivity in terms of transport and digital links
- Providing the UK's most technically skilled workforce
- Transforming public service delivery to be much more seamless and responsive to local need
- Growing international recognition for our knowledge-based economy
- Improving the quality of life by tackling areas suffering from deprivation

A significant element of the devolution deal was the award of a single pot investment fund. This single pot for Cambridgeshire & Peterborough Combined Authority initially comprised of a devolved, multi-year transport settlement and an additional long-term investment fund grant, worth up to £600 million over 30 year. Since then the Combined Authority has also received a devolved adult education budget of c. £12m per year.

The Combined Authority has committed to refreshing its overarching strategy for the remainder of the current mayoral term during 22-23. The refresh will clearly set out the vision, strategic priorities and the overall approach of the Combined Authority to enable our ambitions to be realised.

5. Risks and Opportunities

COVID-19

On 25 March 2020, the Combined Authority set out its response to COVID-19 to support recovery and formulated an approach covering an immediate, short term and medium-term response.

The Combined Authority conducted a review of all priorities to focus on those which would support economic recovery following the impact of the pandemic.

The Combined Authority Board approved the budget for 2021/22 and MTFP for the four-year period to 2024/25 in January 2021. The MTFP set out assumed future funding streams and a full capital programme of investments for the period. The whole of the MTFP was reviewed to consider risks to delivery and to focus on priorities which will support economic recovery.

The MTFP confirmed that the programmes and projects which were contained within the Business plan were affordable within the expected funding envelope across the lifetime of the MTFP, whilst maintaining a £1m Contingency Reserve.

Inflation

The impact of a worsening economic environment including rising inflation has created significant budgetary pressures for the Combined Authority. Whilst the impact on the 2021/22 financial year was limited, the impact of inflation will require the Board to carefully consider service delivery and funding options in going forward.

Vision and Purpose

We want to make sure that everything we do makes life better, healthier and fairer for all. If rising prosperity does not make life better, healthier or exhausts the resources our children will need for the future, our approach is flawed. It is now recognised that we don't just need growth: we need good growth. Our aim is not simply to increase our income, but to increase our area's wealth, in a way that is driven by our values and supports levelling up.

Values

The Combined Authority and our constituent council partners have continued to shape our approach for our region and endorsed the development of a core set of operational values; the following were suggested with a view to being reviewed in the planned strategy refresh:

- Collective Leadership
- Co-production
- Subsidiarity
- Additionality
- Devolution

At the Combined Authority we are also committed to enabling our mayoral values of leading with compassion, working cooperatively, and serving our community.

Sustainable Growth Ambition

The adoption by the Combined Authority of a Sustainable Growth Ambition statement shifts to a broader thinking, underpinned by a strategic assessment framework based largely on the six capitals approach called 'Six Keys'. Using the Six Keys enables decision making to be informed not just by one measure but a range of measures that taken together demonstrate that the area is growing sustainably towards its growth target; these measures are grouped around six key considerations for sustainable growth. These are:

Climate and Nature: restoring the area's depleted natural capital and addressing the impact of climate change on our low-lying area's special vulnerabilities and encouraging businesses to come up with solutions.

People: building human capital - the health and skills of the population - to raise both productivity and the quality of life so that that people in our region are healthy and able to pursue the jobs and lives they want.

Innovation: building on our reputation for new thinking, new technology and new ideas in Cambridgeshire and Peterborough to ensure this area can continue to be one of the most dynamic.

Reducing inequalities: investing in the community and building social capital to complement improved skills and connectivity as part of the effort to narrow the big gaps in life expectancy and people's income between places.

Infrastructure: from digital and public transport connectivity to water and energy, building out the networks needed to support a successful future.

Financial and systems: improving the institutional capital – the ways we work, organise, and fund ourselves - which supports decision-making and delivery.

6. Strategy and Resource allocation

Cambridgeshire and Peterborough Combined Authority was established as a Mayoral Combined Authority in 2017 to make life better, healthier and fairer for all. As the authority revises its focus to 2025, much of the original purpose and ambition remains with increased attention to address post-pandemic areas of deficit and more recent impact of climate, energy and cost of living crises. The overall strategy for the Combined Authority will aim to further enable a prosperous Cambridgeshire and Peterborough region; one that is more equitable, more environmentally sustainable, and securing good growth for its residents and businesses.

Climate and Nature

The Combined Authority has established the Independent Commission on Climate to provide independent evidence and advice on climate issues. The Commission has made 58 recommendations for action toward a pathway to reach Net Zero by 2050 (or before). The Commission found that transport and the heating of buildings provided the most emissions and are priorities for action. Emissions from soils are also a particular issue for the area, as they add a third to overall emissions. We will take action on climate recommendations where we have direct influence and will convene and support organisations in addressing the other climate recommendations. For the natural environment the Combined Authority Board has endorsed the “Doubling Nature” ambition. This will seek to double the amount of rich wildlife and natural green space. Our transport strategy has also evolved and business cases will include increased emphasis on climate impact. Improving public transport connectivity is at the heart of our climate strategy to combat the high levels of transport emissions in the region with a high reliance on private car use. We have developed a vision for buses that has committed to encourage sustainable growth and protect and enhance our environment. We intend to build on our strong active travel credentials building on our success as we have the highest UK cycling rates in Cambridge.

Employment and Skills

Our Employment and Skills Strategy sets out what our ambition means for each of the groups interacting with the skills system:

People experience fulfilment and good physical and mental health with productive, quality working lives. They drive their own learning and can access support and learning to meet their personal and work ambitions.

Employers are providing good quality jobs; have the skills they need in their staff and can recruit the right person for the right job.

Providers work collaboratively in an integrated education and skills system to deliver learning, qualifications, careers education and support to enable people to enter the labour market in the ways that suit individual's needs and ambitions.

Place leaders secure outcomes for the whole place, convening and supporting collaboration between employers and the integrated skills system.

Innovation

Our Local Industrial Strategy (LIS) proposes that the area's economic growth is supported by harnessing innovation. A key priority in the LIS is to replicate and extend the infrastructure and networks that have enabled Cambridge to become a global leader in innovative growth, creating a business support and innovation eco-system to promote inclusive growth to replicate the "Cambridge Phenomenon". Research is fundamental to achieving this replication, as it produces the new ideas and technologies that enable entrepreneurs to start up, existing businesses to scale-up and for new tech-firms to spin-out of academic and research institutions. It requires the generation of free-flowing exchange of ideas and insights that ensure research is informed by local business' needs. To achieve this, we will bring together leading entrepreneurs, innovators, mentors and coaches with growing firms to strengthen linkages across the area. We will also support businesses, universities and other partners to collaborate to maximise public and private investment, including Research & Development funding, and improving funding to support the growth of local businesses into global markets. Peterborough and Fenland require level 5, 6, 7 & 8 skills in advanced manufacturing and technologies that support the drive to net-zero. This will require the development of an innovation and business support eco-system to grow indigenous high-value firms and attract new ones to Peterborough and Fenland. The creation of new launchpads will be the focal points for this innovation cluster development, focusing on product development to support key growth sectors such as Agri-tech, artificial intelligence and advanced manufacturing innovation.

Reducing Inequalities

Levelling-Up is important to our region. Peterborough and Fenland are ranked as Priority One and Two retrospectively by the Government for levelling-up funding. Both have skills and quality of employment deficits that leads to deprivation, including:

- Education deprivation – just 32.1% of the population gain a National Vocational Qualification 4 or above qualification compared to 43% nationally.
- Social and health deprivation – healthy life expectancy is below retirement age in parts of Fenland.
- Child poverty – 25% of people in Peterborough are living in poverty, compared to 17% nationally.
- Poor social mobility – Peterborough is ranked 191st and Fenland as 319th out of 324 local authority districts putting it in the bottom 2% of places nationally

The major contributing factors are low aspirations, poor access to higher education and high-quality employment. Our Independent Economic Review (CPIER), which was designed to identify the economic performance and potential of Cambridgeshire and Peterborough, identified a new higher education institution in Peterborough as the only viable solution to the Higher Education Cold-Spot.

The Local Industrial Strategy (LIS) also identifies the northward expansion of the innovation clusters and networks from Cambridge, as the primary route to improving the knowledge intensity and quality of employment for Peterborough and the Fens. An inclusive growth strategy and improving absolute standards of living is vital for the long-term economic sustainability of our economy. Local political, education and business leaders are working together to achieve this, across place, sectors and political affiliations and we are keen to work with Ministers, to re-envision what Place Based innovation means and how it can be delivered to drive levelling-up. Improving transport connectivity will also aim to connect cut off communities, to create a far-reaching and affordable public transport network.

Infrastructure

Our infrastructure strategy is set out in the statutory Local Transport Plan and Digital Infrastructure Strategy. A new Local Transport and Connectivity Plan (LTCP) will be published in 2023. This document is a refresh to the first Local Transport Plan for Cambridgeshire and Peterborough published in 2020. The LTCP will describe how transport interventions can be used to address current and future challenges and opportunities for Cambridgeshire and Peterborough. It will set out the policies and strategies needed to secure growth, address the climate crisis and ensure that transport enables opportunity for all, with people able to access key services that will improve their quality of life, in a sustainable way.

The LTCP has six objectives:

Productivity – Giving both employers and people the means to fulfil their potential, making them more efficient and more innovative to create more prosperity.

Connectivity – People and communities are bought closer together, giving more opportunities for work, education, leisure, and pleasure.

Climate – Successfully and fairly reducing emissions to Net Zero by 2050.

Environment – Protecting and improving our green spaces and improving nature with a well-planned and good quality transport network.

Health – Improved health and wellbeing enabled through better connectivity, greater access to healthier journeys and lifestyles and delivering stronger, fairer and more resilient communities.

Safety – To prevent all harm by reducing risk and enabling people to use the transport system with confidence

Finance and Systems

We commit to a continued review of the funding we receive to ensure we can meet the ambitions set out in our strategies. We will therefore continue to lobby for funding to invest in interventions that will provide sustainable and healthy places in which to live and work. In 2021 we have been successful on bids from central government totalling over £40m, and in 2022 amongst other things we will play a lead role in administering the UK Shared Prosperity Fund allocation and be looking at opportunities to bid for Transport Levelling Up funding. We will also continue to build public and private partnerships where to date we have leveraged over £150 million from the private sector through our Business Board alone. We will continue to look at innovative ways to invest in the region and our businesses including through Recycled Growth Funds. Recycled Growth Funds are made up of repayments from previous Growth Fund investments, based on recommendations from the Business Board. As these investments repay the funds these can be reinvested in new projects delivering jobs and skills in the area. The interest payments on these investments give the Business Board revenue funds as well.

7. Performance

Our Key Achievements in 2021/22

Funding

In 2021 we have been successful on bids from Government totalling over £40m, this includes £20m of Levelling Up funding, £13.8m of Getting Building Funding, £4.3m for 30 Zebra buses, £3.4m of Community Renewal Funding and £2.9m of active travel funding.

Promotion

We have received funding confirmation that following the completion of a successful Cambridge South Station business case by the Combined Authority, Government have announced within the Budget that this project is funded, subject to planning to proceed for completion in 2025.

Delivery

Construction began on Manea and March stations to provide better station and platform facilities as well as improved parking and bus connectivity points. Over the course of 2021 a set of Quick Win schemes in March have also been delivered with only two remaining, these include zebra crossings, signage, footways, and link roads to improve safety and connectivity.

In 2021 we rolled out E-bikes and E-scooters into Cambridge and Peterborough. The scheme so far has tracked more than 224,000 trips in Cambridge alone that have travelled over 1million kilometres (equivalent to 25 times around the equator). The trial has been used by more than 36,000 active users. In the first 10 months of the Cambridge trial, it is estimated that 73,000 fewer car journeys have taken place which equates to a 66-tonne reduction in Carbon Dioxide emissions.

For the Digital Connectivity programme in 2021 we hit our full fibre target of 20% a year early and we are now at 35%. The public access CambWifi network has been extended to market towns in Huntingdonshire and East Cambridgeshire and is live in Peterborough city centre, with planning underway for deployment in March and Whittlesey.

In 2021 we rolled out a trial of Demand Responsive Transport in West Huntingdonshire named 'Ting', it is too early to make conclusions about its success, but the numbers are promising with an estimated 500 individual passenger trips a week prior to Christmas.

In partnership with Cambridgeshire County Council, we have begun construction on King's Dyke which is a £32 million infrastructure project. The bridge is now in position over the railway line and the two new roundabouts are taking shape.

The University of Peterborough Phase 1 begun construction and opened in September 2022, and funding has been approved for phases 2 and 3.

We have also continued creating jobs through the Local Growth Funds with 4,863 created over the course of the fund, and have continued to create jobs, apprenticeships and attract inward investment through our innovative Business Growth Service.

For housing, by the end of the programme we expect to have delivered 1,457 additional affordable houses

8. Outlook

Despite the potential impact of COVID-19 on local authority financial sustainability, the Combined Authority is able to maintain a balanced and affordable budget and to continue to operate for the foreseeable future. The Combined Authority has undertaken cash flow modelling which demonstrates the Combined Authority does not have any liquidity concerns over the next 12 months. It is therefore appropriate to prepare the financial statements on a going concern basis.

Basis of Preparation and Presentation

This Statement of Accounts has been prepared in accordance with statutory requirements, detailed in the Local Government Act 2003, the Accounts and Audit Regulations 2015 and The Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code).

The Statement of Accounts brings together the major financial statements for the Combined Authority for the financial year 2021/22. The financial statements, along with the notes that accompany them, aim to give a full and clear picture of the financial position of Cambridgeshire and Peterborough Combined Authority. The key contents of the various sections are as follows:

- Statement of Responsibilities – sets out the responsibilities of the Combined Authority and the Chief Finance Officer in respect of the Statement of Accounts

- Comprehensive Income and Expenditure Statement – shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices
- Movement in Reserves Statement – this statement shows the movement in the year on the reserves held by the Combined Authority
- Balance Sheet – shows the value of the assets and liabilities recognised by the Combined Authority as at 31 March 2022
- Cash Flow Statement – summarises the inflows and outflows of cash, and cash equivalents, arising from transactions with third parties
- Notes to the Financial Accounts - the various statements are supported by technical notes and by the Statement of Accounting Policies
- Annual Governance Statement – sets out how the Combined Authority's governance arrangements comply with the principles of the Local Code of Governance

Nick Bell
Executive Director of Resources & Performance and Section 73 Officer
Date: xx January 2024

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Independent Auditors' Report to the Members of Cambridgeshire and Peterborough Combined Authority (TBC)

Statement of Responsibilities for the Statement of Accounts

The Combined Authority's Responsibilities

The Combined Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Combined Authority, that officer is the Chief Finance Officer
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Section 73 Officer's Responsibilities

The Section 73 Officer is responsible for the preparation of the Combined Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code.

The Section 73 Officer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Section 73 Officer's Certificate

I certify that the accounts set out on pages 14 to 74 present a true and fair view of the financial position of the Combined Authority at 31 March 2022 and its income and expenditure for the year ended 31 March 2022.

Nick Bell
Executive Director of Resources and
Performance and Section 73 Officer

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Approval of the Statement of Accounts

I confirm that these accounts were approved by the Audit and Governance Committee at the meeting held on the **th ****** 2024

John Pye
Chair of the Audit Committee:

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Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Combined Authority has the ability to levy a council tax precept, but this power has not been utilised in 2021-22.

CPCA 2020/21					CPCA 2021/22		
Expenditure £'000	**Income £'000**	**Net Expenditure £'000**	**Comprehensive Income and Expenditure Statement**	**Note**	**Expenditure £'000**	**Income £'000**	**Net Expenditure £'000**
4,134	-	4,134	Chief Executive, Inc.Staffing		5,595	-	5,595
319	(2)	317	Externally Commissioned Support Services		477	(1)	477
631	-	631	Corporate Overheads		499	-	499
49	-	49	Governance Costs		42	-	42
458	-	458	Mayor´s Office		402	-	402
254	(38)	216	Other Corporate Budgets		186	(52)	135
-	-	-	Election		965	-	965
47,454	(47,042)	412	Business and Skills		38,132	(27,186)	10,946
74,883	(64,754)	10,130	Strategy and Delivery		71,465	(56,879)	14,586
23,502	(453)	23,048	Housing		19,859	(2,340)	17,519
151,684	**(112,289)**	**39,396**	**Net Cost of Services**		**137,622**	**(86,458)**	**51,164**
		94	Other Operating Income & Expenditure	8			-
		3,621	Financing and Investment Income and Expenditure	9			2,004
		(26,187)	Taxation and Non-Specific Grant Income	10			(42,611)
		16,923	**(Surplus) / Deficit on Provision of Services**				**10,557**
		57	Loss from investments in equity instruments designated at FVOCI				15
		1,542	Actuarial (Gains) / Losses on Pension Assets / Liabilities	21			(222)
		1,599	**Other Comprehensive Income and Expenditure**				**(207)**
		18,522	**Total Comprehensive Income and Expenditure**				**10,350**

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end of the year on reserves held by the Combined Authority, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure) and other ‘unusable reserves’. The Statement shows how the movements in year of the Combined Authority’s reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

CPCA - Movement in Reserves Statement	Note	General Fund Balance	Earmarked General Fund Reserves	Capital Grants Unapplied Account	Usable Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Combined Authority Reserves
Balance at 1 April 2020		**(13,936)**	**(3,101)**	**(104,892)**	**(11,008)**	**(132,937)**	**(37,776)**	**(170,713)**
Total Comprehensive Income & Expenditure		16,923	-	-	-	16,599	1,599	18,522
Adjustments between accounting basis & funding basis under regulations	14	(14,136)	-	45,967	1,787	33,618	(33,618)	-
Net Increase before Transfers to Earmarked Reserves		**2,787**	**-**	**45,967**	**1,787**	**50,541**	**(32,019)**	**18,522**
Transfers to / (from) Reserves		**3,347**	**(3,347)**	**-**	**-**	**-**	**-**	**-**
(Increase) / Decrease in 2020/21		**6,134**	**(3,347)**	**45,967**	**1,787**	**50,541**	**(32,019)**	**18,522**
Balance at 31 March 2021 Carried Forward		(7,802)	(6,448)	(58,925)	(9,221)	(82,396)	(69,795)	(152,191)
Balance at 1 April 2021		**(7,802)**	**(6,448)**	**(58,925)**	**(9,221)**	**(82,396)**	**(69,795)**	**(152,191)**
Total Comprehensive Income & Expenditure		10,557	-	-	-	10,557	(207)	10,350
Adjustments between accounting basis & funding basis under regulations	14	(13,421)	-	22,067	47	8,693	(8,693)	-
Net Increase before Transfers to Earmarked Reserves		**(2,864)**	**-**	**22,067**	**47**	**19,250**	**(8,900)**	**10,350**
Transfers to / (from) Reserves		1,049	(1,049)	-	-	-	-	-
(Increase) / Decrease)in 2021/22		(1,815)	(1,049)	22,067	47	19,250	(8,900)	10,350
Balance at 31 March 2022 Carried Forward		**(9,617)**	**(7,497)**	**(36,858)**	**(9,174)**	**(63,146)**	**(78,695)**	**(141,841)**

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Combined Authority. The net assets of the Combined Authority (assets less liabilities) are matched by the reserves held by the Combined Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Combined Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is that which the Combined Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses and reserves that hold timing differences shown in the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations’.

Restated* 31/03/2021 £'000		Note	31/03/2022 £'000
80	Property, Plant & Equipment	22	72
41,059	Long Term Investments	25,26	55,350
22,469	Long Term Debtors	25,26,28	3,819
63,608	**Total Long-Term Assets**		**59,241**
171,230*	Short Term Investments	25,26	253,141
39,011	Short Term Debtors	25,26,28	53,711
50,567*	Cash and Cash Equivalents	25,26,33	51,860
260,808	**Current Assets**		**358,713**
(60,272)	Short Term Creditors	25,26,29	(57,657)
(226)	Short Term Provisions	30	(546)
(60,498)	**Current Liabilities**		**(58,203)**
(3,644)	Long Term Creditors	7	(4,926)
(108,083)	Capital Grants Receipts in Advance	31	(212,983)
(111,727)	**Long Term Liabilities**		**(217,909)**
152,191	**Net Assets**		**141,841**
(82,396)	Usable Reserves	14	(63,146)
(69,795)	Unusable Reserves	14	(78,695)
(152,191)	**Total Reserves**		(141,841)

* In previous accounts Cash and Cash Equivalents had been classified as instruments with a maturity date within 3 months of the reporting date in order show the balance sheet in liquidity order. This accounting policy has been amended in line with IAS7 to classify Cash and Cash Equivalents as instruments maturing within 3 months of acquisition. Thos has reduced Cash & Cash Equivalents and increased Short Term Investments by £33million

Nick Bell
Chief Finance Officer and Section 73
Date: xx January 2024

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Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Combined Authority during the reporting period. The statement shows how the Combined Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Combined Authority are funded by way of taxation and grant income or from the recipients of services provided by the Combined Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Combined Authority's future service delivery.

2020/21 £'000	Cash Flow Statement	Notes	2021/22 CPCA £'000
16,923	Net (Surplus) or Deficit on the Provision of Services		10,557
(103,927)	Adjustments to Net (Surplus) or Deficit on the provision of Services for Non-Cash Movements	32	(112,067)
(87,004)	**Net cash flows from Operating Activities**		(101,511)
48,002	Investing Activities	32	133,347
-	Financing Activities		-
(39,002)	**Net (Increase) or Decrease in Cash and Cash Equivalents**		**31,837**
11,565	Cash & Cash Equivalent at the beginning of the Reporting Period		50,567
39,002	Increase / (Decrease) in Cash and Cash Equivalents		(31,837)
50,567	**Cash & Cash Equivalents at the end of the Reporting Period**	33	**18,730**

The adjustment of net (surplus) deficit on the provision of Services for non-cash movements contains £104,900k for the movement in Capital Grants Received in Advance, see note 32 for further details .

Notes to the Accounts

1. Accounting Policies

Basis of Identification of Group Boundary and Group Accounts Preparation.
Where the Combined Authority has the authority has interests in subsidiaries, associates and/or joint ventures, subject to consideration of materiality, group accounts must be prepared. The Combined Authority has considered its group relationship as follows:

Company	Interest (voting rights if different)	Category	In group accounts	Turnover 20/21 £'000	Profit / (Loss) 20/21 £'000	Net Assets 20/21 £'000	Turnover 21/22 £'000	Profit / (Loss) 21/22 £'000	Net Assets 21/22 £'000
Peterborough HE Property Company Limited	81% (40%)	Associate	Yes - equity	-	(164)	8,067	-	(265)	26,468
Cambridgeshire and Peterborough Business Growth Company Limited	100%	Subsidiary	Yes – line by line	143	(1,981)	3,426	6,438	(50)	3,348
One Cam Limited	100%	Subsidiary	Yes – line by line	-	(1,540)	455	-	(1,570)	885
Peterborough R&D Property Company Limited	86% (67%)	Subsidiary	Yes – line by line	-	(154)	(154)	-	(273)	7,789
Angle Holdings Limited	100%	Subsidiary	Not material	-	(2)	(4)		(4)	(8)
Angle Developments (East) Limited	100%	Subsidiary	Not material	-	(14)	(21)		(15)	(36)
Smart Manufacturing	100% (50%)	Joint Venture	Not material	-	(45)	670		(216)	454
Ascendal	100% (50%)	Joint Venture	Not material	-	(313)	652		(585)	67
MedTech Accelerator Ltd	20%	Associate	Not material	-	(191)	377*		(23)	301

*MedTech Accelerator Ltd accounts are prepared to 30 June, 21/22 figures are year to 31 March 22.

Peterborough HE Property Company Limited was set up in partnership with Peterborough City Council and Anglia Ruskin University to build and run the site for Peterborough University.

Cambridgeshire and Peterborough Business Growth Company Limited is a wholly owned subsidiary set up to deliver key services in the region covering Inward Investment, Skills Brokerage and provide support and resources to SMEs.

One Cam Limited is a wholly owned subsidiary set up to develop the Cambridgeshire Autonomous Metro. Decision has been made to wind down the company at Board meeting on 27 October 2021.

Peterborough R&D Property Company Limited has been set up in partnership with Photocentric Limited to build a commercial Research and Development facility linked to the new Peterborough University.

Angle Holdings Limited and its subsidiary Angle Developments Limited were set up to develop housing projects in accordance with the Combined Authority's Housing Strategy. To date no projects have been progressed through the companies. The Combined Authority Board has agreed to provide loan finance to the companies to cover running costs until such time as profitable projects are developed.

Smart Manufacturing is a joint venture with Opportunity Peterborough to establish a membership organisation supporting businesses to adapt to new technologies, business models by facilitating networking, and providing benchmarking, training and learning programmes to its members.

Ascendal Accelerator Ltd is a joint venture with Ascendal Innovation Ltd to support the development of SMEs and new technology in the public transport sector.

MedTech Accelerator Ltd. is a joint venture with Health Enterprise East, NHS Innovations East and New Anglia LEP which provides early-stage investment funding and support to organisations which have achieved proof of concept with innovations in the healthcare sector to enable these organisations to take the next step towards commercialisation.

Through the Illumina Accelerator programme the Combined Authority holds nine future equity agreements which will, upon maturity, become minor shareholdings in start-up companies. As these investments will not result in the Combined Authority holding a significant proportion of shares, nor having any form of control beyond its minor shareholding, these will be immaterial to the Authority's accounts.

General Principles

The Statement of Accounts summarises the Combined Authority's transactions for the 2021/22 financial year and its position at the year-end 31 March 2022. The Combined Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015.

The Statement of Accounts must be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.
The same accounting policies are applied to the Combined Authority and Group accounts, with the exception of statutory adjustments between the accounting and funding basis (see note 14) which only apply to the Combined Authority accounts.

1.1. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not when cash is paid or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected

1.2. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Combined Authority's cash management.

1.3. Charges to Revenue for Non-current Assets

Services and support services are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service

- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service

Depreciation, revaluation and impairment losses and amortisation are not charges to the Combined Authority's General Fund. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Combined Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by Minimum Revenue Provision (MRP) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.4. Employee Benefits

1.4.1 Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end that employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to surplus or deficit on the provision of services, but then reversed out through the Movement in Reserves Statement to the accumulated absences account so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

1.4.2 Termination Benefits

Termination benefits are amounts payable as a result of a decision by the authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

1.4.2 Post-employment Benefits

Employees of the authority can become members of the Local Government Pensions Scheme, administered by Cambridgeshire County Council in partnership with West Northamptonshire Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the authority.

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the pension fund attributable to the Authority are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees
- Liabilities are discounted to their value at current prices, using a discount rate of based on the indicative rate of return on high quality corporate bonds

The assets of the pension fund attributable to the Authority are included in the balance sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.
-

The change in the net pensions liability is analysed into the following components.

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the comprehensive income and expenditure statement to the Combined Authority Staffing Costs line
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited in the comprehensive income and expenditure statement to the Combined Authority Staffing Costs line
- net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the financing and investment income and expenditure line of the comprehensive income and expenditure statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments

Remeasurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the pensions reserve as other comprehensive income and expenditure
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the pensions reserve as other comprehensive income and expenditure
- contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense

In relation to retirement benefits, statutory provisions require the general fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the movement in reserves statement, this means that there are transfers to and from the pensions reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the pensions reserve thereby measures the beneficial impact to the general fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

Discretionary benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.5. Events after the Reporting Period

These are events that occur between the end of the accounting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- If events provide new evidence of conditions that existed at the balance sheet date the Statement of Accounts is adjusted
- Other events are only indicative of conditions that arose after the balance sheet date. The Statement of Accounts is not adjusted, but where such a category of events would have a material effect, disclosure is made in the notes. The note sets out of the nature of the events and their estimated financial effect

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.6. Financial Instruments

1.6.1 Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Combined Authority is contractually committed to a financial instrument. They are initially measured at fair value. They are carried at their amortised cost.

The amount charged to revenue is based on the effective interest rate. The effective interest rate discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

The carrying value for most loans is outstanding principal repayable plus accrued interest. Interest charged to the CIES is the amount payable under the agreement.
Annual charges for these loans are made to the Financing and Investment Income and Expenditure line in the CIES. The charge is the carrying amount of the liability multiplied by the effective rate of interest.
For these loans, the difference between the annual charge and the cash paid is reversed out in the MIRS.

1.6.2 Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

1.6.2.1 Financial Asset Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

When soft loans (loans below market rate) are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.
Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the borrower, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

1.6.2.2 Financial Asset Measured at Fair Value through Other Income and Expenditure (FVOCI)
Where the authority has eligible assets, it may elect to account for them at Fair Value through Other Income and Expenditure This means that any gains or losses in Fair Value are charged to Other Income and Expenditure and reversed out through the MIRS to the Financial Instrument Revaluation Reserve.

1.6.2.3 Financial Assets Measured at Fair Value through Profit or Loss (FVPL)
Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Combined Authority can access at the measurement date
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly
- Level 3 inputs – unobservable inputs for the asset

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

1.6.3 Expected Credit Loss Model

The Combined Authority recognises expected credit losses on all of its financial assets held at amortised cost either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Combined Authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

1.7. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Combined Authority when there is reasonable assurance that:

- the Combined Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received

Amounts recognised as due to the Combined Authority are not credited to the CIES until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Non-specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the CIES.

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the MIRS. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account.

Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

1.8. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

1.8.1 The Authority as Lessee

1.8.1.1 Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

1.9. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

Intangible Assets - Expenditure on non-monetary assets that do not have physical substance but are identifiable and controlled by the Authority (e.g. software licences) is capitalised when it will bring benefits to the Authority for more than one financial year.

1.9.1 Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

1.9.2 Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

In 2021/22, in addition to Vehicle, plant, furniture & equipment, there have been some expenditure classified as Assets Under Construction in the group accounts. measured at the same basis as above incurred for the University of Peterborough project.

Assets included in the Balance Sheet are held at current value.

1.9.3 Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

1.9.4 Depreciation and Amortisation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e., freehold land and certain community assets) and assets that are not yet available for use (i.e., assets under construction).

Deprecation is calculated on the following bases:

- Vehicle, plant, furniture and equipment – Depreciation is calculated from the year of acquisition, on a straight line basis, over a period of five years
- Assets Under construction – Assets in the course of construction are not depreciated until they are brought into use

The useful lives of assets are reviewed regularly. Where necessary, the life of an asset is revised and the carrying amount of the asset is then depreciated over the remaining useful life.

Intangible assets - amortised on a straight line basis over the economic life of the asset to reflect the pattern of consumption of benefits. All software is given a finite useful life, based on an assessment of the period that the software is expected to be of use to the Authority - usually five years

1.9.5 Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e., netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the revaluation reserve are transferred to the capital adjustment account. Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The receipts remain within the capital receipts reserve, and can then only be used for new capital investment or set aside to reduce the authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the reserve from the General Fund balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

1.10. Programme Management of Delegated Funds

Some funds are delegated to CPCA that HM Government require it to distribute and manage to achieve the desired outcomes. Government subsequently require officers of CPCA to monitor activity and report thereon regularly. Such funds require specific project management and this sets out the methodology for funds under management in 2021/22.

1.10.1 Local Growth Fund

This programme was inherited from the former GCGP LEP. Funding is allocated by the Business Board based upon the 2014/15 funding agreement to deliver increased Gross Value Added (GVA) in the area. Programme management costs are allowed by the funding agency, the Department for Business, Energy and Industrial Strategy (BEIS) as determined by the Accountable Body. Previously 4% was agreed but this was reviewed and, since it became the CPCA's responsibility in 2018/19, reduced to 2% of the funds received in year.

The final tranche of funding was received in 2020-21; however, the responsibility for monitoring and evaluation of the funded projects continues and will be funded from the reserve built up via the programme management element of the funds.

1.10.2 Housing Investment Fund

HM Government devolved funds to the CPCA to deliver affordable homes, and the CPCA has sought out opportunities and delivered utilising a combination of grants and loans. This funding was reviewed at the end of 2021-22 with Ministry of Housing, Communities and Local Government (MHCLG) to establish future funding provision and programme objectives. Repaid capital from the issued housing loans are ringfenced to programme pipeline of opportunities, and discussions are ongoing with

MHCLG to agree further funding to support and deliver the pipeline on a project by project basis. These discussions are based on the costs of running the programme continuing to be charged to these funds.

1.11. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Combined Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Combined Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Combined Authority has a payment obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g., from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Combined Authority settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Combined Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the balance sheet but disclosed in a note to the accounts. There are no Contingent Liabilities disclosed in the 2021/22 accounts.

1.12. Reserves

The Combined Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year. It is included in the Surplus or Deficit on the Provision of Services in the CIES.

The reserve is then transferred back into the General Fund Balance in the Movement in Reserves Statement.
Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits. These reserves are not usable resources for the Combined Authority and are explained within the relevant policies.

1.13. Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the General Fund Balance.

The Combined Authority receives many capital funds from H.M. Government to achieve outcomes in the area. Such funds include Gainshare (Capital), Transforming Cities Fund, Housing Investment Fund and Local Growth Fund. While the CPCA delivers some functions and services directly, predominantly passenger transport functions, it is primarily a commissioning organisation and seeks to deliver the outcomes through third parties such as constituent authorities by giving capital grants to deliver these capital projects. Under the CIPFA prudential code such expenditure is treated as REFCUS.

1.14. Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

1.15. Going Concern

Despite the potential impact of COVID-19 on local authority financial sustainability, the Combined Authority is able to maintain a balanced and affordable budget and to continue to operate for the foreseeable future. The Combined Authority has undertaken cash flow modelling which, taking account of the cash balances of £196.7 million at 31 December 2023 and forecast cash balances of

£103.6 million at 31 March 2025, demonstrates the Combined Authority does not have any liquidity concerns over the next 12 months from date of authorisation. It is therefore appropriate to prepare the financial statements on a going concern basis.

2. Accounting Standards that have been Issued but have Not Yet Been Adopted

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

- IFRS 16 Leases will require authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2024 following the impact of the COVID-19. Local authorities can adopt IFRS16 earlier than this if an authority considers that it is able to do so.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16.
- There are 4 standards which have been reviewed as part of the annual IFRS improvement programme. These are:
- IFRS 1 (First-time adoption) – the amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
- IAS 37 (Onerous contracts) – clarifies the intention of the standard
- IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

During the consultation process on the 2022/23 Code CIPFA/LASAAC did not envisage these changes having a significant effect on authority financial statements.

3. Critical Judgement in Applying Accounting Policies

In applying the accounting policies set out above, the Combined Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

The Combined Authority has received a number of capital grants. A judgement has been required for each one, and although some of the grants have been ring fenced for specific purposes, not all of these have conditions in place that satisfy the requirements of the Code to treat the unspent elements of the grants as Capital Grant Receipts in Advance. Unspent capital grant funding in relation to these grants has been accounted for in the CIES and transferred to the Capital Grants Unapplied Reserve.

4. External Audit Costs

The Combined Authority has incurred the following cost in relation to the audit of the Statement of Accounts provided by the Combined Authority's external auditors, Ernst & Young LLP (EY).

2020/21 £'000	Fees Payable	2021/22 £'000
45	Fees payable with regard to external audit services carried out by the appointed auditor	118
-	PSAA audit refund	-
45		**118**

Note, £45k has been recognised in the accounts based on the PSAA Scale fee, but £118k has been disclosed in this note based on discussion with EY on potential scale fee variations. The additional fees have not been accrued for as they are still subject to PSAA approval.

5. Mayor's and Members' Allowances

The Mayor is the only Member of the CPCA Board who receives an allowance from the Combined Authority in relation to their position on the Combined Authority Board. The Chair of the Business Board receives an allowance for that role, and the Leaders of the constituent authorities are remunerated by their own authorities.

	Allowances		Expenses		Total	
Role	2020/21	**2021/22**	2020/21	**2021/22**	2020/21	**2021/22**
Mayor	75,000	**80,742**	1,410	**567**	76,410	81,309
Chair of the Business Board	24,000	**24,000**	**-**		24,000	24,000
Chair of Audit and Governance Committee	1,534	**1,534**	**-**		1,534	1,534

6. Officers' Remuneration

The Accounts and Audit Regulations 2015 require the disclosure of certain details relating to employees whose remuneration was £50,000 or more. Additional disclosures are required relating to the organisation's Senior Employees.

These requirements only apply to directly employed staff.

Senior Employees

There are additional disclosures required in relation to senior employees and the table below includes those required disclosures. In this context, a senior employee is identified as follows:

- the designated head of paid service, a statutory chief officer or a non-statutory chief officer of a relevant body, as defined under the Local Government and Housing Act 1989

- any person having responsibility for the management of the relevant body, to the extent that the person has power to direct or control the major activities of the body, in particular activities involving the expenditure of money, whether solely or collectively with others

Total Remuneration including Employer Pension Contributions £000 21/22		**Pay**	**Pension**	**Exit Costs**	**3rd Party Payments**	**Total**
Post	**Name(s) of post holders**	**£000**	**£000**	**£000**	**£000**	**£000**
Chief Executive	Eileen Milner (from Oct 2021)	103	19	*	-	**122**
Co-Chief Executive	John Hill	-	-	-	44	**44**
Co-Chief Executive1*	Kim Sawyer	44	8	-	-	**52**
Director of Corporate Resources	Kim Sawyer	67	12	70	-	**149**
Monitoring Officer	Robert Parkin	97	18	*	-	**115**
Chief Finance Officer	Jon Alsop	108	20	-	-	**128**
Director of Business and Skills	John T Hill (to Feb 2022)	137	-	-	-	**137**
Director of Business and Skills	Alan Downton (Mar 2022)	9	2	-	-	**11**
Director of Delivery and Strategy	Paul Raynes	140	26	*	-	**166**
Director of Housing	Roger Thompson	140	26	-	-	**166**
	Total remuneration in 2021/22	**845**	**131**	**70**	44	**1,090**
2020/21						
Co-Chief Executive	John Hill	-	-	-	133	**133**
Co-Chief Executive 1*	Kim Sawyer	85	17	-	-	**102**
Director of Corporate Resources	Kim Sawyer	85	17	-	-	**102**
Monitoring Officer	Robert Parkin	87	16	-	-	**103**
Chief Finance Officer	Jon Alsop	100	18	-	-	**118**
Director of Business and Skills	John T Hill	152	-	-	-	**152**
Director of Delivery and Strategy	Paul Raynes	138	25	-	-	**163**
Director of Housing	Roger Thompson	138	25	-	-	**163**
	Total remuneration in 2020/21	**785**	**118**	-	133	**1,036**

1 -Kim Sawyer covers both the role of Director of Corporate Resources and Co-Chief Executive thus the costs are split across both budgets

*Exit package included within the Exit Packages note for 21/22 on an accounting basis, but disclosed in the 22/23 Senior Officers Remuneration note due to timing of payment.

Where these posts were covered by non-employees (consultants) these costs are shown here. The services of John Hill are provided under a shared services agreement with East Cambridgeshire District Council

Employee remuneration above £50,000

Including individuals shown in the senior officers table on the previous page, the number of Combined Authority staff with remuneration (comprising salary, fees, expenses, allowances and any exit package) above £50,000 is as follows:

Remuneration Band *	Number of employees 2020/21	Number of employees 2021/22
£50,000-£54,999	5	5
£55,000-£59,999	3	5
£60,000-£64,999	0	3
£65,000-£69,999	4	0
£70,000-£74,999	3	3
£75,000-£79,999	2	2
£80,000-£84,999	4	3
£85,000-£89,999	1	3
£95,000-£99,999	0	1
£100,000-£104,999	1	1
£105,000-£109,999	1	1
£110,000-£114,999	0	1
£120,000-£124,999	0	1
£135,000-£139,999	2	1
£140,000-£144,999	0	2
£150,000-£154,999	1	0
£170,000-£174,999	1	0
Total	28	32

Exit Packages

The number of exit packages in terms of compulsory and other departures is set out in the table below, total amount paid per banding is excluded as it would allow individual packages to be identified and includes pension strain payments where applicable. This note includes costs accounted for in 2021/22 where payment was made in 2022/23. Where these relate to Senior Officers they are disclosed in the Senior Officer Remuneration note in the 2022/23 Statement of Accounts.

	Number of compulsory redundancies	Number of other departures with exit packages	Total number of exit packages	Total exit package costs where >1 in band
2021/22				
£0 - £19,999	-	2	2	20,988
£20,000- £39,999	-	2	2	51,415
£40,000-£59,999	-	2	2	95,257
£60,000-79,999	-	2	2	140,919
£150,000-199,999	-	1	1	N/A
Total	**-**	**9**	**9**	**-**
2020/21				
£0-£20,000	3	-	3	27,972
Total	**3**	**-**	**3**	**27,972**

Pay Multiple

The pay multiple is defined as the ratio between the highest paid taxable earnings for a given year (including base salary, variable pay, bonuses, allowances and the cash value of any benefits-in-kind) and the median earnings figure of the whole of the authority's workforce.

For 2021-22 the Combined Authority's pay ratio was 4.76 (20/21 3.58).

7. Defined Benefit Pension Scheme

Following the transfer of employment contracts held by Peterborough City Council on 1 May 2019, the Authority became an admitted body to the Local Government Pension Scheme, administered locally by Cambridgeshire County Council. The scheme assets and liabilities related to these staff transferred to the Authority on a fully funded basis. For reasons of comparability between funds the Code prescribes the use of specific rates for discounting the scheme liabilities, which are different from the locally determined ones used in the calculation of the funding position and contribution rates. Therefore, under the actuarial calculations used for the accounts the Authority's share of the scheme showed an opening net liability of £3,644k which has increased to £4,926k as at 31 March 2022. This is not a real cost to the General Fund and is not likely to be reflect the actual cost of providing benefits which will be estimated in the next funding valuation.

As part of the terms and conditions of employment of its officers, the authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The authority participates in the Local Government Pension Scheme, administered locally by Cambridgeshire County Council – this is a funded defined benefit scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The Cambridgeshire County Council pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Fund Committee of Cambridgeshire County Council. Policy is determined in accordance with the Pensions Fund Regulations. The Fund invests the contributions in accordance with the Investment Strategy Statement which manages risks with diversification of asset classes, geography and asset managers. (https://pensions.cambridgeshire.gov.uk/governance/key-documents/cambridgeshire /Investment Strategy Statement - Word).

Other principal risks to the authority of the scheme are the demographic risks, statutory changes to the scheme, changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the general fund the amounts required by statute as described in the accounting policies note.

Transactions relating to post-employment benefits

The cost of retirement benefits in the reported cost of services is recognised when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, the charge that is required to be made against the General Fund is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the general fund via the movement in reserves statement.

The following transactions have been made in the comprehensive income and expenditure statement and the general fund balance via the movement in reserves statement during the year.

2020/21 £'000	Comprehensive Income and Expenditure Statement	2021/22 £'000
	Cost of service	
1,175	Current service costs	2,235
-	Past service costs	-
-	(Gain) Loss from Settlements	-
	Financing and Investment Income & Expenditure	
118	Interest costs	196
(77)	Interest income on plan assets	(107)
1,216	**Total Post Employment Benefit Charged to the Surplus or Deficit on the provision of Services**	**2,324**
	Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement	
-	Recognition of net Defined Benefit Liability on transfer on IAS19 basis	-
(700)	Return on Plan Assets (excluding amounts included in net interest)	(312)
106	Actuarial (Gains)/Losses Arising on Changes in Demographic Assumptions	(17)
2,186	Actuarial (Gains)/Losses Arising on Changes in Financial Assumptions	(1,494)
4	Difference between actual employers' contributions and estimate in Actuary's report	(1)
(54)	Other	1,601
2,758	**Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement**	**2,101**
	Movement in Reserves Statement	
(2,758)	Reversal of net changes made to the Surplus or Deficit for the provision of Services for post-employment benefits in accordance with the Code	(2,101)
	Actual amount charged against the General Fund and HRA Balance for pensions in the year	
668	Employer's contributions payable to the scheme	819
(2,090)	**Retirement benefits payable to pensioners**	(1,282)

Pension assets and liabilities recognised in the balance sheet

The amount included in the balance sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

2020/21 £'000	Pension Assets & Liabilities Recognised in the Balance Sheet	2021/22 £'000
(8,251)	Present value of the defined benefit obligation	(16,429)
4,607	Fair Value of Plan Assets	11,503
(3,644)	**Closing fair value of scheme assets**	**(4,926)**

Reconciliation of the movements in the fair value of scheme (plan) assets

2020/21 £'000	Reconciliation of the Movements in the Fair Value of the Scheme (plan) Assets	2021/22 £'000
2,850	Opening Fair Value of Scheme Assets	4,607
77	Interest Income	107
	Remeasurement Gain/(Loss)	
	Other Experience	5,280
700	Return on Plan Assets, excluding amounts included in the net interest expense	312
668	Contributions from employer	819
(4)	Difference between actual employers' contributions and estimate in Actuary's report	1
318	Contributions from employees into the scheme	380
(2)	Benefits Paid	(3)
4,607	**Closing fair value of scheme assets**	**11,503**

Reconciliation of present value of the scheme liabilities (defined benefit obligation)

2020/21 £'000	Reconciliation of Present Value of the Scheme Liabilities (defined benefit obligation)	2021/22 £'000
4,404	Opening balance	8,251
1,175	Current Service Cost	2,235
118	Interest Cost	196
318	Contributions from Scheme Participants	380
	Remeasurement (Gains) & Losses	-
106	Actuarial (Gains)/Losses Arising from Changes in Demographic Assumptions	(17)
2,186	Actuarial (Gains)/Losses Arising from Changes in Financial Assumptions	(1,494)
(54)	Other	6881
-	Past Service Cost	-
(2)	Benefits Paid	(3)
8,251	**Net Pension Liability**	**16,429**

Local Government Pension Scheme assets comprised

Period Ended 31 March 2021					Period Ended 31 March 2022			
Quoted Prices in Active Markets	Quoted Prices not in Active Markets	Total	Percent of Total Assets	Asset Category	Quoted Prices in Active Markets	Quoted Prices not in Active Markets	Total	Percent of Total Assets
£'000	£'000	£'000	%		£'000	£'000	£'000	%
				Debt Securities				
-	206	206	4%	UK Government	-	565	565	5%
				Private Equity				
-	347	347	8%	All	-	1228	1228	11%
				Real Estate				
-	283	283	6%	UK Property	-	808	808	7%
			0%	Overseas Property				0%
				Investment Funds & Unit Trusts				
-	2,767	2,767	60%	Equities	-	6,632	6,632	58%
-	535	535	12%	**Bonds**	-	1,223	1.223	10%
-	417	417	9%	Infrastructure	-	914	914	8%
-	3,719	3,719	81%	**Total Investment Funds & Unit Trusts**	-	8,769	8,769	76%
				Derivatives				
-	(19)	(19)	0%	**Other**	-	23	23	0%
				Cash & Cash Equivalents				
71	-	71	2%	All	111	-	111	1%
					-	-	-	0%
71	**4,536**	**4,607**	**100%**	**Totals**	**60**	**6,163**	**6,223**	**100%**

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The Local Government Pension Scheme liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates for the county council fund being based on the latest full valuation of the scheme as at 31 March 2019.

The significant assumptions used by the actuary have been:

31-Mar-21	Basis for Estimating Assets & Liabilities	31-Mar-22
	Mortality Assumptions:	
	Longevity at 65 for current pensioners:	
22.2 years	Men	22 years
24.4 years	Women	24.2 years
	Longevity at 65 for future pensioners:	
23.2 years	Men	22.9 years
26.2 years	Women	26 years
	Financial Assumptions	
2.80%	Rate of inflation	3.15%
3.30%	Rate of increase in salaries	3.65%
2.80%	Rate of increase in pensions	3.15%
2%	Rate for discounting scheme liabilities	2.80%
25%	Take-up of option to convert annual pension into retirement lump sum for Pre-April 2008 service	25%
64%	Take-up of option to convert annual pension into retirement lump sum for Post-April 2008 service	64%

The liabilities include an estimated allowance with respect to the McCloud judgement which relates to transitional protection given to some scheme members with respect to changes in the scheme which the Court of Appeal ruled was unlawful discrimination.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie on an actuarial basis using the projected unit credit method.

Change in assumptions at year ended 31 March 2022	Approximate % increase to Employer Liability	Approximate monetary amount increase (£'000)
0.1% decrease in Real Discount Rate	3%	293
1 Year Increase in member life expectancy	4%	457
0.1% increase in salary increase rate	0%	28
0.1% increase in pension increase rate (CPI)	2%	270

Impact on the authority's cash flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The county council has agreed a strategy with the scheme's actuary to achieve a 70% likelihood of a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2022.

The authority anticipated to pay £819k expected contributions to the scheme in 2022/23 (£664k 21/22).

8. Other Operating Income and Expenditure

2020/21 £'000		2021/22 £'000
94	(Gains)/losses on the disposal of non-current assets	-
94	**Total**	**-**

9. Financing and Investment Income and Expenditure

2020/21 £'000	Financing and Investment Income	2021/22 CPCA £'000
(809)	Interest Receivable	(487)
41	IAS 19 - Pension Interest & Return on Assets	89
4,388	Loss in Fair Value of Investments held at Fair Value Profit and Loss	2,402
3,620	**Total**	**2,004**

10. Non Specific Grant Income

2020/21 £'000		2021/22 £'000
	Grants, Contributions credited to Taxation and Non Specific Grant Income	
	Non -Specific Government Grants	
(8,000)	Gain Share - Revenue	(9,000)
-	Transport Levy	(13,040)
(1,559)	Other - Non -Specific Government Grants	(2,497)
(9,559)	Total Non-Specific Grants	(24,536)
	Capital Grants & Contributions	
(11,979)	Gain Share - Capital	(6,480)
(4,535)	Growth Deal	-
-	Getting Building Fund	(7,300)
-	Dft ZEBRA grant	(4,295)
(114)	Other - Capital Grants & Contributions	-
(16,628)	Total Capital Grants & Contributions	(18,075)
(26,187)	**Total Taxation and Non Specific Grant Income**	**(42,611)**

11. Related Parties

The Combined Authority is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Combined Authority or to be controlled or influenced by the Combined Authority.

Central Government

The UK Central Government has significant influence over the general operations of the Combined Authority, it is responsible for providing the statutory framework, within which the Combined Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Combined Authority has with other parties.

The funds received from the Central Government in year were as follows;

2020/21 £'000		2021/22 £'000
(9,040)	DLUHC - revenue grants	(11,493)
(12,000)	DLUHC - capital grants	(20,428)
(61,691)	DfT - capital grants	(66,764)
(2,030)	DfT - revenue grants	(2,021)
(1,266)	BEIS - revenue grants	(7,037)
(122,388)	BEIS - capital grants	(118,389)
-	DWP – revenue grants	(1,147)
(13,283)	DfE revenue grants	(13,633)
(221,698)	**Total Income**	**(240,912)**

Cambridgeshire and Peterborough Constituent Councils

The Leaders of the district councils, county council and unitary authority also serve as members of the Combined Authority.

The period's transactions, and period end balances were as follows;

2020/21 £'000		2021/22 £'000
	Expenditure	
	Expenditure with councils	
4,133	Cambridgeshire City Council	9,855
37,451	Cambridgeshire County Council	42,581
290	East Cambridgeshire District Council	1,529
1,499	Fenland District Council	2,784
185	Huntingdonshire District Council	1,740
14,254	Peterborough City Council	9,652
(226)	South Cambridgeshire District Council	-
57,586	**Total**	**68,142**
	Creditors	
	General Creditors with councils	
(9,100)	Cambridgeshire City Council	-
(4,053)	Cambridgeshire County Council	(1,663)
(18)	East Cambridgeshire District Council	(183)
878	Fenland District Council	(1,557)
(51)	Huntingdonshire District Council	(634)
(216)	Peterborough City Council	(589)
-	South Cambridgeshire District Council	(1,267)
(12,560)	**Total**	**(5,893)**

Group Companies

During the year the Combined Authority incurred spend on behalf of group companies and recharged them for services. The Combined Authority paid Cambridgeshire and Peterborough Business Growth Company Limited for services provided on its behalf. All amounts below were outstanding at 31 March 2022.

	Due from CPCA 2021/22 £'000	Due to CPCA 2021/22 £'000
Peterborough HE Property Company Limited	(4,072)	108
Cambridgeshire and Peterborough Business Growth Company Limited	(3,402)	3,776
One Cam Limited	-	-
Peterborough R&D Property Company Limited	(8,423)	738
Angle Developments Limited	-	28
Angle Holdings	-	3

Members

The Members of the Combined Authority have direct control over the Combined Authority's financial and operating policies.

The following companies related to Combined Authority Board and Business Board members have received grants, payments for services or investment (Start Codon) during 2021/22.

2020/21 £'000	Company	Reason for Funding	Related Party	2021/22 £'000
1,470	Cross Keys Homes	Grants for affordable housing	Cllr Holdich / Cllr Fitzgerald	(2,028)
2,281	City College Peterborough	Adult Education provision and the Health and Social Care Work Academy project	Cllr Holdich	-
181	Stainless Metalcraft	Local Growth Fund project – Advanced Manufacturing Centre	Austen Adams	(2,391)
3,358	NIAB	Local Growth Fund projects – Agri-Tech Start-up Incubator and Agri-gate Hasse Fen extension Eastern Agri-tech programme project	Tina Barsby	(313)
3,000	University of Cambridge	Local Growth Fund project – West Cambs Innovation Park	Professor Andy Neely	-
115	Cambridgeshire Chambers of Commerce	Payment for support services in administering grant programmes	Faye Holland	-
1,230	TWI Ltd	Local Growth Fund project – Ecosystem Innovation Centre	Aamir Khalid	-
890	Start Codon Ltd	Local Growth Fund project – Life Sciences Accelerator	Jason Mellad	(635)

Officers

The senior officers of the Combined Authority may have direct control over the Combined Authority's financial and operating policies.

John Hill is a director of East Cambs Trading Company Limited which the Combined Authority has provided loans to, see note 28.

12. Expenditure and Income Analysed by Nature

2020/21 £'000	Expenditure and Income Analysed by Nature	2021/22 £'000
	Expenditure	
6,708	Employee Expenses - Contracts held by CPCA	8,710
109,943	Capital Grants made treated as REFCUS	88,789
37	Depreciation	38
39,880	Other Service Expenses	42,578
156,568	**Total Expenditure**	**140,115**
	Income	
(1,447)	Interest & Investment Income	(1,853)
(130,062)	Government Grants & Contributions	(121,793)
(8,136)	Other Income	(5,911)
(139,645)	**Total Income**	**(129,557)**
16,923	**Surplus/Deficit on the Provision of Services**	**10,558**

13. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (e.g., government grants) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Combined Authority's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES).

2020/21				2021/22		
Exp Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net exp in the CIES		Exp Chargeable to the General Fund	Adjustments between accounting basis & funding basis under regulations	Net exp in the CIES
£'000	£'000	£'000		£'000	£'000	£'000
3,539	595	4,134	Combined Authority Staffing Costs	4,263	1,332	5,595
317	-	317	Externally Commissioned Support Services	477	-	477
500	131	631	Corporate Overheads	476	23	499
49	-	49	Governance Costs	42	-	42
421	37	458	Mayor´s Office	375	27	402
216	-	216	Other Corporate Budgets	135	-	135
-	-	-	Election	965	-	965
411	1	412	Business and Skills	478	10,468	10,946
8,386	1,744	10,130	Strategy and Delivery	13,666	920	14,586
539	22,510	23,049	Housing	(685)	18,204	17,519
14,378	**25,018**	**39,396**	**Net Cost of Services**	**20,190**	**30,974**	**51,164**
-	94	94	Other Operational Expenditure	-	-	-
(850)	4,472	3,621	Financing & Investment Income and Expenditure	(486)	2,491	2,004
(10,741)	(15,448)	(26,187)	Taxation and Non-Specific Grant Income	(22,568)	(20,044)	(42,611)
2,787	**14,136**	**16,923**	**(Surplus) / Deficit on Provision of Services**	**(2,864)**	**13,421**	**10,567**
		(17,037)	**Opening General Fund balance**	**(14,250)**		
		2,787	Less/plus (surplus) or deficit on HRA	(2,864)		
		(14,250)	**Closing General Fund**	**(17,114)**		

Adjustments between funding and accounting basis:

2020/21					2021/22			
Adjustments for Capital Purposes1 £'000	Net Change for Pensions Adjustments2 £'000	Other Differences3 £'000	Total Adjustments £'000		Adjustments for Capital Purposes1 £'000	Net Change for Pensions Adjustments2 £'000	Other Differences3 £'000	Total Adjustments £'000
-	483	112	595	Combined Authority Staffing Costs	-	1,376	(44)	1,332
-	-	-	-	Externally Commissioned Support Services	-	-	-	-
131	-	-	131	Corporate Overheads	38	-	(14)	23
-	-	-	-	Governance Costs	-	-	-	-
-	24	13	37	Mayor´s Office	-	40	(13)	27
-	-	-	-	Other Corporate Budgets	-	-	-	-
1	-	-	1	Business and Skills	10,482	-	(14)	10,468
1,744	-	-	1,744	Strategy and Delivery	1,085	-	(166)	920
22,510	-	-	22,510	Housing	18,509	-	(305)	18,204
24,386	**507**	**125**	**25,018**	**Net Cost of Services**	**30,114**	**1,416**	**(556)**	**30,974**
94	-	-	94	Other Operational Expenditure	-	-	-	-
4,446	41	(15)	4,472	Financing & Investment Income and Expenditure	2,402	89	-	2,491
(15,448)	-	-	(15,448)	Taxation and Non-Specific Grant Income	(20,044)	-	-	(20,044)
13,478	**548**	**110**	**14,136**	**Difference between general fund surplus or deficit and CIES surplus or deficit on the provision of services**	**12,472**	**1,505**	**(556)**	**13,421**

1. Adjustments for Capital Purposes:

- for service lines this column adds in depreciation, Revenue Expenditure Funded by Capital Under Statute and associated grant funding and the expected credit losses on capital loans
- the other income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year and adjusted for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets

2. Net change for the pension adjustments:

- for service lines this represents the removal of the employer pension contributions made by the Combined authority as allowed by statute and the replacement with current service costs and past service costs
- for other income and expenditure – the net interest on the defined benefit liability is charged to the CIES

3 Other Statutory adjustments:

- for service lines this represent the removal of short term accumulated absences
- for other income and expenditure this column recognises adjustments to the general fund for the timing differences for premiums and discounts

14. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement (CIES) recognised by the Combined Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Combined Authority to meet future capital and revenue expenditure.

General Fund Balance - is the statutory fund into which all the receipts of the Combined Authority are required to be paid, and out of which all liabilities of the Combined Authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Combined Authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Combined Authority is required to recover) at the end of the financial year.

Capital Receipts Reserve – holds the proceeds from the disposal of land or other assets and repayment of loans and continues to be restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure.

Capital Grants Unapplied Account – holds the grants and contributions received towards capital projects for which the Combined Authority has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is not restricted by grant terms as to the capital expenditure against which it can be applied and / or the financial year in which this can take place.

Usable Reserves are those reserves that can be applied to fund expenditure. The Capital Grants Unapplied Account can only be used to finance the Capital Programme and the General Fund is used by the Combined Authority to maintain a prudent level of reserves.

Unusable Reserves are those reserves that absorb the timing differences arising from different accounting arrangements

2021/22 Adjustments between Accounting Basis and Funding Basis Under regulations	Usable Reserves				
	General Fund	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves
	£000	£000	£000	£000	£000
Depreciation & impairment of non-current assets	(38)			**(38)**	**38**
Capital grants and contributions	74,385			**74,385**	**(74,385)**
Reversal of Expected credit loss on capital loans	485			**485**	**(485)**
Revenue expenditure funded from capital under statute	(88,789)			**(88,789)**	**88,789**
Loss for Interest foregone on capital loan	76			**76**	**(76)**
Loss in Fair Value of capital investments	(2,402)			**(2,402)**	**2,402**
Reversal of asset derecognition	-			**-**	**-**
Reversal of proceeds from asset disposal	-			**-**	**-**
Adjustments involving the Capital Grants Unapplied Account (CGU)					
Capital grants & contributions unapplied from the CIES	4,295		(4,295)	**-**	**-**
Application of grants to capital financing transferred to the Capital Adjustment Account	-		26,362	**26,362**	**(26,362)**
Adjustments involving the Capital Receipts Reserve (CRR):					
Redemption of Financial Assets (Loans)	-	(14,363)		**(14,363)**	**14,363**
Application of capital receipts to capital financing transferred to the Capital Adjustment Account	-	14,410		**14,410**	**(14,410)**
Adjustments involving the Pension Reserve					
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement	(1,505)			**(1,505)**	**1,505**
Adjustments involving the Accumulated Absences Adjustment Account					
Adjustments for Short term absences	56			**56**	**(56)**
Adjustments involving the Financial Instruments Adjustment Account:					
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements.	14			**14**	**(14)**
TOTAL ADJUSTMENTS	(13,421)	47	22,067	8,693	(8,693)

2020/21 Adjustments between Accounting Basis and Funding Basis Under regulations	Usable Reserves				
	General Fund	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves
	£000	£000	£000	£000	£000
Depreciation & impairment of non-current assets	(37)			**(37)**	**37**
Capital grants and contributions	89,400			**89,400**	**(89,400)**
Reversal of Expected credit loss on capital loans	18			**18**	**(18)**
Revenue expenditure funded from capital under statute	(109,943)			**(109,943)**	**109,943**
Loss for Interest foregone on capital loan	(76)			**(76)**	**76**
Loss in Fair Value of capital investments	(4,342)			**(4,342)**	**4,342**
Reversal of asset derecognition	(455)			**(455)**	**455**
Reversal of proceeds from asset disposal	361			**361**	**(361)**
Adjustments involving the Capital Grants Unapplied Account (CGU)					
Capital grants & contributions unapplied from the CIES	11,596		(11,596)	**-**	**-**
Application of grants to capital financing transferred to the Capital Adjustment Account			57,563	**57,563**	**(57,563)**
Adjustments involving the Capital Receipts Reserve (CRR):					
Redemption of Financial Assets (Loans)		(3,171)		**(3,171)**	**3,171**
Application of capital receipts to capital financing transferred to the Capital Adjustment Account		4,958		**4,958**	**(4,958)**
Adjustments involving the Pension Reserve					
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement (see also note 7)	(548)			**(548)**	**548**
Adjustments involving the Accumulated Absences Adjustment Account					
Adjustments for Short term absences	(125)			**(125)**	**125**
Adjustments involving the Financial Instruments Adjustment Account:					
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements.	15			**15**	**(15)**
TOTAL ADJUSTMENTS	(14,136)	1,787	45,967	33,618	(33,618)

Summary of Usable and Unusable Reserves

The table below shows the movement on each reserve to give total balances as at 31 March for usable and unusable reserves.

01-Apr-20	Movement	31-Mar-21		01-Apr-21	Movement	31-Mar-22
£'000	**£'000**	**£'000**		£'000	**£'000**	**£'000**
(13,936)	6,134	(7,802)	General Fund Balance	(7,802)	(1,815)	(9,617)
(3,101)	(3,347)	(6,448)	Earmarked General Fund Reserves	(6,448)	(1,049)	(7,497)
(11,008)	1,787	(9,221)	Usable Capital Receipts Reserve	(9,221)	47	(9,174)
(104,892)	45,967	(58,925)	Capital Grants Unapplied Account	(58,925)	22,067	(36,858)
(132,937)	**50,541**	**(82,396)**	**Total Usable Reserves**	**(82,396)**	**19,250**	**(63,146)**
(39,582)	(34,276)	(73,858)	Capital Adjustment Account	(73,858)	(10,126)	(83,984)
44	(15)	29	Financial Instruments Adjustment Account	29	(14)	15
208	57	265	Financial Instruments Revaluation Reserve	265	15	280
-	125	125	Accumulated Absences Account	125	(56)	69
1,554	2,090	3,644	Pensions Fund Reserve	3,644	1,282	4,926
(37,776)	**(32,019)**	**(69,795)**	**Total Unusable Reserves**	**(69,795)**	**(8,900)**	**(78,695)**
(170,713)	**18,522**	**(152,191)**	**Total Usable and Unusable Reserves**	**(152,191)**	**10,350**	**(141,841)**

15. Earmarked Reserves

This note sets out the amounts set aside from the General Fund Balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure.

Earmarked Reserve:	01-Apr-2021	Transfer Out	Transfer In	31-Mar-2022	Movement	Purpose of the Earmarked Reserve
	£'000	£'000	£'000	£'000	£'000	
Revenue Reserve	1,000			**1,000**	**-**	This reserve provides a working balance to cover risks to the revenue budget.
Elections Costs Reserve	780	(780)		**-**	**(780)**	This reserve smooths the impact on the revenue budget of the Mayoral elections which take place every four years.
AEB Reserve	1,848		759	**2,607**	**759**	This reserve holds the balance of adult education budget funding to maintain a locally determined ringfence between financial years.
Business Board Strategic Revenue Reserves	728		588	**1,316**	**588**	This reserve holds un-ringfenced revenue funds which are received by the Combined Authority as the Accountable Body for the Business Board.
Departmental Reserves	2,092	(434)	916	**2,574**	**482**	These represent unspent grant funding and other income which does not require repayment, but is earmarked for projects in future years.
Total Earmarked Reserves	**6,448**	**(1,214)**	**2,263**	**7,497**	**1,049**	

16. Capital Grants Unapplied Reserve

Capital Grants Unapplied Reserve	01-Apr-2021	Transfer Out	Transfer In	31-Mar-2022
	£'000	£'000	£'000	£'000
Housing Grant - General	3,629	(3,629)	-	**-**
DfT Zebra Grant	-	-	4,295	**4,295**
Gain Share - Capital	55,296	(22,733)	-	**32,563**
Total Capital Grants Unapplied Reserve	**58,925**	**(36,362)**	**4,295**	**36,465**

In March 2022 the Secretary of State for the Ministry of Housing, Communities and Local Government transferred responsibility for delivering the Affordable Housing programme within Cambridge City to Cambridge City Council, as such the remaining balance of the “Housing Grant -Cambridge” was paid across to the City Council to support their delivery.

17. Capital Adjustment Account

2020/21 £'000	Capital Adjustment Account	2021/22 £'000
(39,582)	**Balance as at 1 April**	(73,858)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement	
(89,400)	Capital Grants & Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to Capital Financing	(74,385)
109,943	Revenue Expenditure Funded from Capital under Statute	88,789
3,171	Redemption of financial assets (loans)	14,363
(4,958)	transfer from usable capital receipts	(14,410)
37	charges for depreciation	38
455	Asset derecognition	-
(361)	Proceeds from asset disposal	-
76	Loss for Interest foregone on capital loan	(76)
4,342	Loss in Fair Value of capital investments	2,402
(18)	charges for expected credit loss relating to capital loans	(485)
(4,267)	Application of grants to finance capital loans from the Capital Grants Unapplied Accounts	(10,264)
(53,296)	Application of Grants to Capital Financing from the Capital Grants Unapplied Account	(16,098)
(73,858)	**Balance as at 31 March**	**(83,985)**

18. Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions.

2020/21 £'000		2021/22 £'000
44	**Balance as at 1 April**	**29**
(15)	Amounts arising from timing differences associated with certain financial instruments	(14)
29	**Balance as at 31 March**	**15**

19. Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains and losses made by the Combined Authority arising from changes in the value of its investments that are measured at fair value through other comprehensive income.

2020/21 £'000		2021/22 £'000
208	**Balance as at 1 April**	**265**
57	Amounts arising from timing differences associated with certain financial instruments	15
265	**Balance as at 31 March**	**280**

20. Accumulated Absences Account

The accumulated absences account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year, e.g., annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the account.

2020/21 £'000		2021/22 £'000
-	**Balance as at 1 April**	**125**
125	Amounts Accrued at the end of the current year	(56)
125	**Balance as at 31 March**	**69**

21. Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Combined Authority accounts for post-employment benefits in the comprehensive income and expenditure statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Combined Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a shortfall in the benefits earned by past and current employees and the resources the Combined Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2020/21 £'000		2021/22 £'000
1,554	**Balance as at 1 April**	**3,644**
1,542	Remeasurements of the net defined benefit liability	(222)
1,216	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the comprehensive income and expenditure statement	2,324
(668)	Employer's pensions contributions and direct payments to pensioners payable in the year	(820)
3,644	**Balance as at 31 March**	**4,926**

22. Property, Plant and Equipment

	2020/21			2021/22		
Movement in 2021/22	**Vehicle, Plant, furniture & equipment**	**Assets under construction**	**Total Property, Plant & Equipment**	**Vehicle, Plant, furniture & equipment**	**Assets under construction**	**Total Property, Plant & Equipment**
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April	**287**	**361**	**648**	**159**	**-**	**159**
Additions	28		28	30		30
Disposals	(156)	(361)	(517)			-
At 31 March	**159**	**-**	**159**	**189**	**-**	**189**
Accumulated Depreciation & Impairment						
At 1 April	**(104)**	**-**	**(104)**	**(79)**	**-**	**(79)**
Depreciation Charge	(37)		(37)	(38)		(38)
Disposals	62		62			-
At 31 March	**(79)**	**-**	**(79)**	**(117)**	**-**	**(117)**
Net Book Value						
At 31 March	**80**	**-**	**80**	**72**	**-**	**72**
At 1 April	**183**	**361**	**544**	**80**	**-**	**80**

23. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the following table, together with the resources that have been used to finance the expenditure.

2020/21 £'000		**2021/22 £'000**
-	**Opening Capital Financing Requirement**	**-**
	Capital Investment	
109,943	Revenue Expenditure Funded from Capital Under Statute	88,789
28	Property Plant and Equipment	30
34,282	Equity Instruments	18,073
8,029	Capital loans	10,265
	Sources of Finance	
(5,319)	Usable Capital receipts	(14,410)
(57,563)	Capital grants unapplied	(28,362)
(89,400)	Capital Grants & Contributions	(74,385)
-	**Closing Capital Financing Requirement**	**-**

24. Combined Authority Leasing Arrangements

Combined Authority as Lessee - Operating Leases

The Combined Authority’s only material operating lease was for the office in Alconbury. The lease was surrendered during 2020/21.

25. Financial Instruments

Under IFRS 9 the financial assets on the Balance Sheet are now classified by one of the following categories in the table below:

- Amortised Cost
- Fair Value through the Income and Expenditure (FVOCI)
- Fair Value through the Profit and Loss (FVPL)

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

2020/21 £000		2021/22 £000
(794)	Interest Income - Treasury Management	(472)
(803)	Interest Income - Service Loans	(1,382)
150	Reduction in carrying amount of Service Loans due to interest foregone	-
(18)	movement in expected credit loss allowances	(485)
4,389	loss from changes in Fair Value (FVPL assets)	-
2,924	**Net impact on surplus/deficit on provision of services**	**(2,338)**
57	loss from changes in Fair Value (FVOCI assets)	15
57	**Impact on Other Comprehensive income**	**15**
2,981	**Net (gain)/loss for the year**	**(2,323)**

The following categories of financial instrument are carried in the Balance Sheet:

31-Mar-21			31-Mar-22	
Long Assets £000	**Current Assets £000**		**Long Term Assets £000**	**Current Assets £000**
		Assets at Amortised Cost:		
10,000	**171,230**	Investments - Amortised Cost	**10,000**	**253,141**
-	50,567	Cash & Cash Equivalents	-	51,860
22,469	**21,308**	Debtors - Service Loans	**3,819**	**35,974**
-	**10,760**	Debtors - Other	**-**	**9,278**
		Assets at Fair Value:	-	-
30,984	-	Investments at Fair Value Profit and Loss	46,351	-
75	**-**	Medtech Shares - Designated FVOCI	**60**	**-**
63,528	**253,865**	**Total Financial Assets**	**60,229**	**350,254**
		Liabilities at Amortised Cost:		
-	**(52,398)**	Creditors	**-**	**(43,878)**
-	**(52,398)**	**Total Financial Liabilities**	**-**	**(43,878)**

26. Fair Value of Financial Assets and Financial Liabilities

Financial liabilities and financial assets represented by loans and receivables are carried in the balance sheet at amortised cost.

Their fair value has been assessed by calculating the net present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- The fair values of other long-term investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March
- Service loans have been discounted using a rate with an equivalent margin over current base rate to that at the time the loan was agreed
- no early repayment is recognised
- where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount.
- For equity and equity type investments, the fair value has been assumed as the Combined Authority's share of shareholders funds as at 31 March 2022, except for investments in Start Codon where the fund valuation has been used and Illumina investments where an estimate has been made of the value to be received under the agreements.

With the introduction of IFRS 9 the authority has designated the Medtech shares at 31 March 2020 as fair value through other comprehensive income. This is because the shares are not held for trading or income generation, rather a longer-term policy initiative.

The Fair Values calculated are as follows:

31-Mar-21			31-Mar-22		
Carrying Amount	**Fair Value**		**Fair Value Level**	**Carrying Amount**	**Fair Value**
£000	**£000**			**£000**	**£000**
		Assets at Amortised Cost:			
10,000	**10,053**	LT Investments - Amortised Cost	**2**	**10,000**	**10,107**
43,777	**43,965**	Debtors - Service Loans	**2**	**39,792**	**39,487**
		Assets at Fair Value:			
30,984	**30,984**	Investments at Fair Value Profit and Loss	**3**	**46,351**	**46,351**
75	**75**	Medtech Shares - Designated FVOCI	**3**	**60**	**60**
84,836	**85,077**	**Total**		**96,203**	**97,435**
		Assets for which Fair Value is not disclosed:			
171,230	-	ST Investments - Amortised Cost		253,141	-
50,567	-	Cash & Cash Equivalents		51,860	-
10,760	**-**	Debtors - Other		**9,278**	**-**
317,393		**Total Financial Assets**		**314,280**	**-**
		Liabilities for which Fair Value is not disclosed:			
(52,398)	**(52,398)**	Creditors		**(43,878)**	**(43,878)**
(52,398)	**(52,398)**	**Total Financial Liabilities**		**(43,878)**	**(43,878)**

27. Nature and Extent of Risks Arising from Financial Instruments

The Combined Authority's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Combined Authority
- Liquidity risk – the possibility that the Combined Authority might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the Combined Authority as a result of changes in such measures as interest rates and money market movements

The Combined Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Finance team, under policies approved annually by the Combined Authority in the Treasury Management Strategy. The Combined Authority provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit risk

The Combined Authority manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice.

A limit of £25m of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in banks, building societies and companies, a smaller limit of £15m applies. The Combined Authority also sets limits on investments in certain sectors.

The Combined Authority had a total of £308.1m deposited with the Debt Management Office (DMO), other local authorities, UK banks and MMFs at 31 March 2022. As the DMO is within the scope of HM Treasury this reduces the overall credit risk. There is a specific risk attached to amounts deposited with the individual institutions based on their ability to make interest payments and repay the principal outstanding, it is however more difficult to assess the risk in general terms. Recent experience has shown that it is rare for such entities to not meet their commitments. Whilst there is a risk of recoverability with regard to these deposits, there was no evidence that this was likely at 31 March 2022 and no Expected Credit Loss allowances have been made on treasury investments. We are in constant communication with our treasury advisors to update our position in accordance with their advice on managing emerging risks.

Liquidity Risk

The Combined Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. In the unlikely event that unexpected movements happen, the Combined Authority has ready access to borrowings from the Public Works Loans Board (PWLB), other local authorities at favourable rates and the money market generally. There is no significant risk that it will be unable to raise finance to meet its commitments.

Market risks:

Interest rate risk

The Combined Authority is exposed to risk in terms of its exposure to interest rate movements on its and investments. Movements in interest rates have a complex impact on the Combined Authority. For instance, a rise in interest rates would have the following effects:

- investments at fixed rates – the fair value of the assets will fall
- investments at variable rates – the interest income credited to the (Surplus) / Deficit on the Provision of Services will rise

The Finance Team assesses interest rate exposure which feeds into the setting of the annual budget and is used to update the forecasts during the period. This allows any adverse changes to be accommodated.

Price Risk

The Combined Authority holds shares in several companies for service delivery purposes, which are not publicly traded. For most of these companies, the value in the accounts is based on the shareholder funds held on the 31st March 2022, rather than a market share value, as such for these companies, we do not consider there to be exposure to losses arising from movements in the traded price of shares. During 20/21 the Combined Authority invested Local Growth Funds in the Start Codon and Illumina projects which provide funding and support to local start-up companies across the Biomedical, healthcare technology and life sciences sectors. The value of the funds invested are exposed to the changes in the companies' values, however this risk is acceptably tolerated as no reliance has been placed on these funds for future service delivery, thus any losses would not have an effect on the wider financial sustainability of the Combined Authority.

Foreign Exchange Risk

The Combined Authority has no liabilities denominated in foreign currencies and thus there is no material risk arising from movements in exchange rates.

28. Debtors

31-Mar-21 CPCA £'000	Short Term Debtors	31-Mar-22 CPCA £'000
1,620	Central government bodies	2,187
993	Other local authorities	4,264
21,772	Other entities and individuals	35,995
7,635	Group Companies	2,806
6,991	Prepayments	8,459
39,011	**Total Short-Term Debtors**	**53,711**

31-Mar-21 CPCA £'000	Long Term Debtors	31-Mar-22 CPCA £'000
21,868	Other entities and individuals	3,819
601	Other local authorities	-
22,469	**Total**	**3,819**

Other entities and individuals include loans of £20.3m to East Cambs Trading Company, £13.4m to other housing developers, and £5.8m Growth Fund loans which are split across both short- and long-term debtors (20/201 £24m ECTC, £14m other housing and £5.8m of Growth Fund Loans).

29. Creditors

31-Mar-21 £'000	Short Term Creditors	31-Mar-22 CPCA £'000
	Creditors:	
(9,327)	Central government bodies	(14,584)
(19,625)	Other local authorities	(7,320)
(8,335)	Other entities and individuals	(19,856)
(22,985)	Group Companies	(15,896)
(60,272)	**Total Short-Term Creditors**	(59,071)

30. Provisions

The Combined Authority has an outstanding matter in relation to pension obligations relating to the transfer of ex-GCGP LEP staff to the Combined Authority in April 2018. The Combined Authority is working with the pension fund providers to confirm the nature and timing of the obligation and of the quantum of any liability attached to this obligation. The total potential liability is estimated at £226k. Exit cost provision for the FY 2021/22 is £319k.

Provisions	LEP Pensions £'000	Exit Costs £'000	Total £'000
Balance at 1 April 2021	(226)	-	(226)
Additional Provision made in 2021/22	-	(320)	(320)
Balance at 31 March 2022	**(226)**	**(320)**	**(526)**

31. Capital Grants Receipts in Advance

The Combined Authority has received a number of capital grants that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the funding body if not met. The balances at the year-end are as follows:

31-Mar-21 £'000	Capital Grants Receipts in Advance	31-Mar-22 £'000
(25,772)	Transforming Cities Fund	(33,161)
-	Local Transport Grant	(5,849)
(3,075)	Pothole and Flood Resistance	-
(79,236)	Green Homes LAD 2 Energy Grant	(53,684)
	DfT A10 Dualling and Junctions Grant	(1,993)
	BEIS Sustainable Warmth LAD3 Grant	(118,296)
(108,083)	**Total Capital Grants Received in Advance**	**(212,983)**

32. Cash Flow Statement – Investing Activities

Short Term Investments are sums invested with a maturity of greater than three months but less than 12 months at the balance sheet date. Sums invested with a maturity of less than three months at the balance sheet date are classified as Cash and Cash Equivalents, see note 32

Operating Activities

2020/21 £'000	Adjustments to Net Surplus or Deficit on the provision of services for Non-Cash Movements	2021/22 £'000
(37)	Depreciation of Non-Current Assets	(37)
(455)	Assets de-recognised during year	-
7,053	Increase/(Decrease) in debtors	(7,934)
(16,023)	(Increase)/Decrease in creditors	2,615
(226)	(Increase)/Decrease in provisions	(320)
(548)	Pension Fund costs adjustment	(1,504)
(93,705)	Capital Grants Received in Advance	(104,900)
14	Other Non-cash items	15
(103,927)	**Net cash (inflow)/outflow from operating activities**	**(112,067)**

Investing Activities

2020/21 £'000	Cash Flow Statement – Investing Activities	2021/22 £'000
45,183	Purchase of Short & Long-Term Investments	129,333
27	Purchase of Property, Plant & Equipment	30
	Cash advanced for capital loans	
2,792	Proceeds from loan repayments	3,984
48,002	**Net cash flows from investing activities**	**133,347**

33. Cash Flow Statement – Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is shown in the following table.

2020/21 £'000	Cash and Cash Equivalents	2021/22 £'000
50,001	Short Term Cash Investments	45,115
566	Bank Accounts	6,745
50,567	**Total Cash & Cash Equivalents**	**51,860**

Group Accounts

Introduction

In order to provide a full picture of the economic and financial activities of the Authority and its exposure to risk the accounting statement of a material subsidiary are consolidated with the Authority's accounts. They include the core accounting statements (movement in reserves statement. comprehensive income and expenditure statement, balance sheet and cash flow statement) presented in a similar manner to the Authority's accounts. Further explanatory notes are given and these should be read in conjunction with the Authority's (single entity) accounts.

Group accounts has been prepared under the requirement of the Code of Practice on Local Authority Accounting, consolidating and material subsidiary, associate or joint venture entities which the Authority exercises control or influence (See also Note 1 –Accounting Policies).

Accounting Policies

The Authority has reviewed the accounting policies applied to subsidiaries companies and has concluded that there are no material adjustments required to align accounting policies of both entities. As a subsidiary, the accounts have been consolidated with those of the Authority on a line by line basis and any balances and/or transactions between the parties have been eliminated in full in both the Comprehensive Income and Expenditure account and Balance sheet.

Group - Comprehensive Income and Expenditure Statement

Group 2020/21 Expenditure £'000	Group 2020/21 Income £'000	Group 2020/21 Net Expenditure £'000	Comprehensive Income and Expenditure Statement	Note	Group 2021/22 Expenditure £'000	Group 2021/22 Income £'000	Group 2021/22 Net Expenditure £'000
4,134	-	4,134	Chief Executive		5,595	-	5,595
319	(2)	317	Externally Commissioned Support Services		477	(1)	477
631	-	631	Corporate Overheads		499	-	499
49	-	49	Governance Costs		42	-	42
458	-	458	Mayor´s Office		402	-	402
254	(38)	216	Other Corporate Budgets		186	(52)	135
-	-	-	Election		965	-	965
46,618	(44,072)	2,547	Business and Skills		40,874	(29,577)	11,297
75,121	(63,452)	11,670	Strategy and Delivery		71,649	(55,494)	16,156
23,502	(453)	23,049	Housing		19,859	(2,340)	17,519
151,086	**(108,016)**	**43,071**	**Net Cost of Services**		**140,549**	**(87,464)**	**53,085**
		94	Other Operating Income & Expenditure				-
		99	Financing and Investment Income and Expenditure				(71)
		(26,187)	Taxation and Non-Specific Grant Income				(42,611)
		17,077	**(Surplus) / Deficit on Provision of Services**				**10,404**
		57	Loss from investments in equity instruments designated at FVOCI				15
		1,542	Actuarial (Gains) / Losses on Pension Assets / Liabilities				(222)
		1,599	**Other Comprehensive Income and Expenditure**				**(207)**
		18,676	**Total Comprehensive Income and Expenditure**				**10,197**

Group - Movement in Reserves Statement

Combined Authority Group Movement in Reserves Statement	Combined Authority Usable Reserves £'000	Cambridgeshire and Peterborough Business Growth Company Limited Usable Reserves £'000	One Cam Limited Usable Reserves £'000	Peterborough R&D Property Company Limited Usable Reserves £'000	Peterborough HE Property Company Limited Usable Reserves £'000	Total Usable Reserves £'000	Combined Authority Unusable Reserves1 £'000	Total Group Reserves £'001
Balance at 1 April 2020	**(132,937)**	**-**	**-**	**-**	**-**	**(132,937)**	**(37,776)**	**(170,713)**
Total Comprehensive Income & Expenditure	16,923	1,981	1,540	154	292	20,890	1,599	22,489
Adjustments between group accounts and authority accounts2	(385)	(1,973)	(1,302)	(154)	-	(3,813)	-	(3,813)
Net Increase/decrease before transfers	**16,538**	**9**	**238**	**-**	**292**	**17,077**	**1,599**	**18,676**
Adjustments between accounting basis & funding basis under regulations	**37,431**	**-**	**-**	**-**	**-**	**37,431**	**(37,431)**	**-**
(Increase) / Decrease in 2020/21	**53,969**	**9**	**238**	**-**	**292**	**54,508**	**(35,832)**	**18,676**
Balance at 31 March 2021 Carried Forward	(78,968)	9	238	-	292	(78,429)	(73,608)	(152,037)
Balance at 1 April 2021	**(78,968)**	**9**	**238**	**-**	**292**	**(78,429)**	**(73,608)**	**(152,037)**
Total Comprehensive Income & Expenditure	10,557	78	1,570	273	-	12,479	(207)	12,272
Adjustments between group accounts and authority accounts2	(2,374)	1,957	(1,385)	(273)		(2,075)		(2,075)
Adjustments between accounting basis & funding basis under regulations	10,767				-	10,768	(10,768)	-
Net Increase before Transfers to Earmarked Reserves	**18,951**	**2,035**	**185**	**-**	**-**	**21,172**	**(10,975)**	**10,197**
(Increase) / Decrease in 2021/22	18,951	2,035	185	-	-	21,172	(10,975)	10,197
Balance at 31 March 2022 Carried Forward	**(60,017)**	**2,044**	**423**	**-**	**292**	**(57,257)**	**(84,583)**	**(141,840)**

Group Balance Sheet

Group 31/03/2021 £'000		Note	Group 31/03/2022 £'000
782	Property, Plant & Equipment	2	6,159
37,178	Long Term Investments		37,580
22,469	Long Term Debtors		3,819
60,429	**Total Long-Term Assets**		**47,557**
171,230	Short Term Investments		253,141
34,738	Short Term Debtors	3	54,656
53,566	Cash and Cash Equivalents		53,290
259,534	**Current Assets**		**361,088**
(55,973)	Short Term Creditors	4	(48,349)
(226)	Short Term Provisions		(546)
(56,199)	**Current Liabilities**		**(48,896)**
(3,644)	Long Term Creditors		(4,926)
(108,083)	Capital Grants Receipts in Advance		(212,983)
(111,727)	**Long Term Liabilities**		**(217,909)**
152,037	**Net Assets**		**141,840**
(78,429)	Usable Reserves		(57,257)
(73,608)	Unusable Reserves		(84,583)
(152,037)	**Total Reserves**		(141,840)

Group - Cash Flow Statement

2020/21 Group £'000	Cash Flow Statement	Notes	2021/22 Group £'000
17,077	Net (Surplus) or Deficit on the Provision of Services		10,404
(104,081)	Adjustments to Net (Surplus) or Deficit on the provision of Services for Non-Cash Movements		(101,839)
(87,004)	**Net cash flows from Operating Activities**		(91,435)
48,002	Investing Activities		91,712
-	Financing Activities		
(39,002)	**Net (Increase) or Decrease in Cash and Cash Equivalents**		**277**
11,565	Cash & Cash Equivalent at the beginning of the Reporting Period		50,567
39,002	Increase / (Decrease) in Cash and Cash Equivalents		(277)
50,567	**Cash & Cash Equivalents at the end of the Reporting Period**		**50,290**

Notes to the Group Accounts

1. Accounting Policies

The Accounting policies of the group are the same as those applied to the Authority's single entity accounts.

2. Property, Plant and Equipment

	Group		
Movement in 2021/22	**Vehicle, Plant, furniture & equipment**	**Assets under construction**	**Total Property, Plant & Equipment**
Cost or Valuation	£'000	£'000	£'000
At 1 April 2021	**159**	**702**	**861**
Additions		5,384	5,384
Disposals			-
At 31 March 2022	**159**	**6,086**	**6,086**
Accumulated Depreciation & Impairment			
At 1 April 2021	**(79)**	**-**	**(79)**
Depreciation Charge	(8)		(8)
Disposals			-
At 31 March 2022	**(87)**	**-**	**(87)**
Net Book Value			
At 31 March 2022	**72**	**6,086**	**6,158**
At 1 April 2021	**80**	**702**	**782**

3. Debtors

31-Mar-21 Group £'000	Short Term Debtors	31-Mar-22 Group £'000
1,620	Central government bodies	2,187
993	Other local authorities	4,264
25,134	Other entities and individuals	39,746
6,991	Prepayments	8,459
34,738	**Total Short-Term Debtors**	**54,656**

4. Creditors

31-Mar-21 Group £'000	Short Term Creditors	31-Mar-22 Group £'000
	Creditors:	
(9,565)	Central government bodies	(14,584)
(19,625)	Other local authorities	(7,320)
(26,783)	Other entities and individuals	(26,445)
(55,973)	**Total Short-Term Creditors**	(48,349)

Glossary

Accounting Period - 1 April to 31 March is the local authority accounting period. It is also termed the financial year.

Accruals - Revenue and capital income and expenditure are recognised as they are earned or incurred, not as money is received or paid. Transactions are accrued with income and expenditure due but unpaid at 31 March brought into the accounts.

Annual Governance Statement – Identifies the systems that the Combined Authority has in place to ensure that its business is conducted in accordance with the law and proper standards and that public money is safeguarded.

Balance Sheet – This statement is fundamental to the understanding of the Combined Authority's financial position at the year-end. It shows the balances and reserves at the Combined Authority's disposal and its long term indebtedness. It also shows the long term and net current assets employed in its operations.

Balances – The non-earmarked reserves of the Combined Authority. These are made up of the accumulated surplus of income over expenditure. This is known as the General Fund Balance. Adequate revenue balances are needed to meet unexpected expenditure or a shortfall in income. The Combined Authority may decide to use its revenue balances to reduce its budget and thus its call on the Collection Fund.

Budget - A statement of an Combined Authority's plans for net revenue and capital expenditure.

Capital Expenditure - Expenditure on the acquisition or development of major assets which will be of use or benefit to a Authority in providing its services beyond the year of account.

Capital Grant - A grant received towards the capital expenditure incurred on a particular service or project. Capital grants can be made by an Authority.

Cash Equivalent – An investment that is liquid and matures within three months. There is no significant risk to the value on redemption.

Code of Practice on Local Authority Accounting – The statutory accounting code published by CIPFA.

Comprehensive Income and Expenditure Statement or CIES - Reports the income and expenditure for all the Combined Authority's services. The CIES demonstrates how services have been financed from general government grants and income from taxpayers.

Creditor - An amount owed by the Combined Authority for work done, goods received or services rendered to the Combined Authority within the accounting period but for which payment has not been made.

Current Asset - An asset which can be expected to be consumed or realised during the next accounting period.

Current Liability - An amount which will become payable or could be called in within the next accounting period.

Debtor - An amount owed to the Combined Authority within the accounting period, but not received at the Balance Sheet date.

Effective Rate of Interest – The rate of interest that is consistent with estimated cash flows over the life of a financial instrument and its initial value in the balance sheet. It is calculated using discounted cash flow.

Fair Value – Fair value is an important in setting the value for various assets in the balance sheet. It is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial Asset – A right to future economic benefits controlled by the Combined Authority. Examples include bank deposits, investments made and loans receivable by the Combined Authority.

Financial Instrument – This is an important definition in understanding the accounts. It includes both financial assets and liabilities. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

Financial Liability – An obligation to transfer economic benefits controlled by the Combined Authority. Examples include borrowings, financial guarantees and amounts owed to trade creditors.

General Fund - The main fund of the Combined Authority that meets the cost of most services provided by the Combined Authority. The services are paid for from Council Tax, business rates, government grant and other income.

Government Grants and Subsidies - Grants towards either the revenue or capital cost of Combined Authority services. These may be either in respect of particular services or purposes, (specific and supplementary grants), or in aid of local services generally such as Revenue Support Grant.

Movement in Reserves Statement or MIRS – This statement shows the movement in the year on the different reserves held by the Combined Authority, analysed into 'usable reserves' and unusable reserves.

Non-current asset - An asset which has value beyond one financial year.

Non-Domestic Rates (NDR) or business rates - The rates payable by businesses on their properties are calculated by applying a nationally determined multiplier to the rateable value of the property. There is a lower multiplier for small businesses.

Precept – The Combined Authority is not empowered to bill council tax payers directly. Instead it may raise a precept on the billing authorities that are its members.

Reserves - Amounts set aside for purposes falling outside the strict definition of provisions are considered as reserves. Reserves include earmarked reserves set aside for specific projects or service areas, or expected future commitments.

Revenue Expenditure - The day-to-day running costs the Combined Authority incurs in providing services (as opposed to capital expenditure).

Usable Reserves – Those reserves that can be applied by the Combined Authority to fund expenditure or reduce local taxation.

Unusable Reserves – Those reserves that absorb the timing differences arising from different accounting arrangements. Unusable reserves are not available to fund expenditure or reduce local taxation.

Annual Governance Statement

For the year ended 31 March 2022

Annual Governance Statement – 2021/22
Cambridgeshire and Peterborough Combined Authority

Scope of Responsibility

The Cambridgeshire and Peterborough Combined Authority ("the Authority") is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently, and effectively. The Authority is also the accountable body for the Local Enterprise Partnership (known as the Business Board) and Greater South East Net Zero Hub.

The Combined Authority also has a duty under the Local Government Act 1999 to arrange to secure continuous improvement in the way in which its functions are exercised.

In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions including arrangements for the management of risk.

The Authority was formally established on 3 March 2017 and continues to develop and refine its governance arrangements through regular review of its key documents. Latest copies of its constitution, assurance framework and monitoring and evaluation framework are available on its website.

The governance arrangements will comply with the principles of the Local Code of Governance, which is consistent with the principles of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government 2016 and the National Local Growth Assurance Framework (January 2019).*

This statement explains how the Combined Authority has complied with the Code and meets the requirements of the Accounts and Audit Regulations 2015 Regulation 6.1 (b) in relation to the publication of an Annual Governance Statement.

The Authority acknowledges that good governance arrangements will enable it to establish effective policies and to deliver ambitious programmes to communities in the combined authority area. The arrangements put in place must be both robust and adaptable to deliver its objectives in a dynamic and strategic environment.

The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values, by which the Authority is directed and controlled and how it engages with and leads the community in those activities for which it is accountable. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them effectively.

The Governance Framework

Context

The Cambridgeshire and Peterborough Combined Authority Order 2017 was made on 2 March 2017 and came into force on 3 March 2017.

The Cities and Local Government Devolution Act 2016 came into force on 28 March 2016, making Cambridgeshire and Peterborough local authorities amongst the first to establish a combined authority for its area under these new provisions. Following the making of the Order, the Authority's first directly elected Mayor was elected on 4 May 2017 for a four-year term of office. The Authority's second mayor was elected in May 2021.

The powers which were devolved from Central Government to the Combined Authority include:

- Control of a £20 million a year funding allocation, over 30 years, to be invested in the Cambridgeshire and Peterborough Single Investment Fund, to boost growth
- Funding to deliver new homes over a five-year period in Cambridgeshire and Peterborough which included affordable, rented and shared ownership housing
- Responsibility for chairing an area-based review of 16+ skills provision
- Responsibility to develop a more effective joint working with the Department for International Trade to boost trade and investment through agreement of a Joint Export Plan

Powers devolved to the Mayor as part of the devolution plan include:

- Responsibility for a multi-year, consolidated and devolved transport budget
- Responsibility for an identified Key Route Network of local authority roads

- Powers over strategic planning and the responsibility to create a non-statutory spatial framework for Cambridgeshire and Peterborough and to develop with Government a Land Commission

Further secondary legislation has since come into force to increase its powers. This includes:

- Mayoral powers to levy a business rate supplement to raise money for projects that will promote economic development.
- Devolved powers for the Adult Education Budget and associated powers to deliver an adult education service that supports wider economic and social priorities.
- Housing regulations enabling the Combined Authority to fund homes for Affordable Rent.

The Combined Authority is small in size and while it has been strategic in nature, it is also an operational delivery body for functions including the provision of bus services and adult education. It is also the local transport authority for the area of Cambridgeshire and Peterborough. The Authority has mainly delivered through a commissioning model with delivery being undertaken by those best qualified to do so across the public and private sector. It has increased staff numbers and increasingly delivers through the internal expertise of its employed officers across a range of disciplines.

Delivery through Subsidiary Undertakings

The Combined Authority currently has 6 subsidiary companies over which it has a significant level of control. Material trading activity of the subsidiaries only started in 2020-21 and, as such, the governance arrangements of these companies has become increasingly important. This is an area of significant interest across the Local Authority sector given recent high-profile issues that have come to light. CIPFA have now published new guidance on governance of Local Authority Trading Companies (LATC) and the Combined Authority will review its own governance arrangements considering this guidance, to ensure they are appropriate and effective.

Officers are working with the Audit and Governance and Overview and Scrutiny committees to develop and deliver appropriate oversight arrangements in respect of the companies.

Cambridgeshire and Peterborough Combined Authority Structure

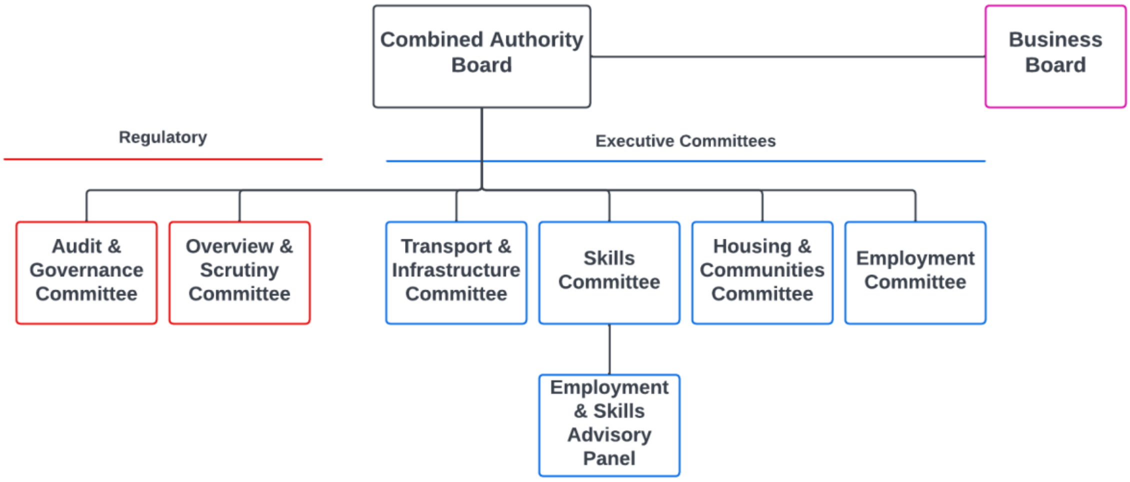
The Authority is made up of a directly elected Mayor and the following seven local authorities (referred to as the Constituent Councils) and the Local Enterprise Partnership known as the Business Board:

- Cambridge City Council
- Cambridgeshire County Council
- East Cambridgeshire District Council
- Fenland District Council

- Huntingdonshire District Council
- Peterborough City Council
- South Cambridgeshire District Council

In addition, the Authority co-opts the Police and Crime Commissioner, a representative of the Clinical Commissioning Group (CCG), and a representative from the fire authority.

The Constitution for the Authority sets out the Authority's governance arrangements. It sets out the powers and functions of the Combined Authority, including matters reserved to the Mayor and Board, financial procedures, contract standing orders, Member Codes of Conduct, the scheme of delegation to officers and arrangements for the operation of executive committees, an overview and scrutiny committee, and an audit and governance committee function.



The Scheme of Delegation provides for the day-to-day management and oversight of the Authority including the responsibilities of the Head of Paid Service, the Chief Finance Officer and the Monitoring Officer.

The key elements of the governance framework, its systems and processes, are outlined below.

Combined Authority Board

Each of the Constituent Councils appoints a nominated representative to be a Member of the Combined Authority and another Member to act in his or her absence. The Business Board (LEP) also nominates one of its members, normally the Chair and a substitute member, to be its representative. The Business Board representative has full voting rights on the Combined Authority Board.

The Board's role and powers are set out in the constitution. The Board provides strategic leadership for the Combined Authority area, approving strategies, policies and budget allocation to ensure that the required outcomes are delivered.

The Combined Authority Board has invited the following organisations with direct responsibility for functions relevant to the Combined Authority objectives to become co-opted Members to attend the Combined Authority Board and may take part in the debate.

(a) The Police and Crime Commissioner for Cambridgeshire;
(b) Cambridgeshire and Peterborough Fire Authority representative;
(c) Cambridgeshire and Peterborough Clinical Commissioning Group representative.

Mayor

Certain functions are reserved to the Mayor as set down in the Order and the Constitution. The Mayor has an overall leadership role and chairs the Board meetings. Both the Mayor and the Combined Authority have a general power of competence.

The functions of the Combined Authority are grouped into portfolios. In accordance with the Combined Authority's Constitution, the Mayor and the Combined Authority Board agree portfolio responsibilities in respect of those functions. The Mayor nominates Lead Members from amongst the Members of the seven constituent councils who are formally approved by the Board. Each Lead Member leads on his/her allocated portfolio functions and is accountable for his/her allocated area. Lead Members do not have delegated powers.

Executive Committees

In September 2018, the Board set up three executive committees; the Transport and Infrastructure Committees, the Skills Committee and the Housing and Communities Committee. By placing responsibility for three of the largest portfolios into a committee system, it enabled the Combined Authority to meet challenges of resilience and volume. The Chair of each committee leads the portfolio responsibilities of that committee and can distribute responsibility for delivering discreet areas of the portfolio amongst the members of the committee. By creating a division of the portfolio workload across the committee members, the Combined Authority ensures a measure of continuity in the delivery of its key projects. A committee system also allows member oversight of the delivery of its programme of works against the Combined Authority's Assurance Framework and Monitoring and Evaluation Framework.

In September 2019 the Combined Authority Board agreed amendment to the Authority's constitution to strengthen the role of the Executive Committees by delegating to them decision-making powers previously exercised by the Combined Authority Board. The membership of the Executive Committee was expanded to include representatives of all the constituent councils on each committee.

The advantages of these arrangements include:

- Creating more realistic workloads for the members of the Combined Authority Board
- Allowing members of the Combined Authority Board to have a strategic focus
- Increasing the profile of the Authority amongst the constituent councils
- Increasing the understanding of the Authority amongst constituent councils
- Sharing of knowledge and regional issues
- Improving cross-boundary co-operation
- Bringing in additional member expertise to the Authority in key areas, and
- Decreasing the frequency of Combined Authority Board meetings

The effectiveness of these governance arrangements is kept under review by the Authority's Audit & Governance Committee. The most recent review is nearing completion will report findings and recommendations to the Board in the Summer of 2022.

Overview and Scrutiny Committee

The Combined Authority has established an overview and scrutiny committee to comply with the requirements of the Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017. The Committee comprises 14 elected councillors, two from each of the seven constituent councils, and reflects the political balance across the combined authority area. Its primary role is to review and scrutinise decisions of the combined authority and the Business Board. They monitor the Forward Plan of forthcoming key decisions and may call-in any of these decisions where members consider that further scrutiny and challenge is required.

The committee undertakes other roles including pre-decision scrutiny where they can act as a "critical friend" to highlight key issues, and challenge policies at the developmental stage. The Mayor and Chief Executive attend meetings at least quarterly to update the committee and to answer any questions.

A review of the working arrangements was recently conducted by The Centre for Governance and Scrutiny (CfGS) to support the future work of the Overview and Scrutiny Committee and to develop its role. The review included an examination of:

- **Culture:** The mindset and mentality underpinning the operation of the overview and scrutiny process
- **Information**: How information is prepared, shared, accessed and used in the service of the scrutiny function, and
- **Impact**: Ways to ensure that scrutiny is effective, that it makes a tangible difference to the lives of local people.

Audit and Governance Committee

The Board has established an Audit and Governance Committee in accordance with the Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017. It comprises 7 elected members reflecting the political balance across the area and an independent person who chairs the meetings.

The Chair of the Audit and Governance Committee presented his annual report to the Combined Authority Board at its Annual General Meeting in June 2022. The annual report highlights the work of the Committee for the Municipal Year and details the following:

- Background to the Committee, its roles, responsibilities and membership
- An overview and coverage of its remit including Internal Audit, Accounts and Financial Management, External Audit, Risk Management, Control Assurance, Corporate Governance, and Fraud and Irregularities
- Training provided to ensure that suitable challenge and scrutiny is adopted
- Records of complaints, Freedom of Information requests and attendance levels for the committee to consider

The Audit and Governance Committee has an independent chair, who was re-appointed for a second period of four years in 2021.

Business Board (Local Enterprise Partnership)

On 1 April 2018, the Greater Cambridge Greater Peterborough Local Enterprise Partnership was dissolved, and a new Local Enterprise Partnership was formally created in September 2018 and is known as the Business Board. The Business Board is a voluntary partnership between constituent councils and non-constituent local authorities and the business community, playing a key role in determining local economic priorities and growth. The Partnership is a key interface with Central Government and the region and offers policy advice and strategic direction aligned to the Authority's objectives.

The current membership comprises fourteen members, which includes two public sector members and up to twelve business representatives from amongst the key sectors across the Cambridgeshire and Peterborough area. The majority members on the Board are from the private sector. Membership of the Business Board reflects two key priorities:

1) that the Business Board should be predominantly private sector led to provide the best possible platform for businesses within the area and that
2) the Board ought to be comprised of representatives of those key sectors which are driving economic growth in the area

The Mayor and the Lead Member for Economic Growth are members of the Business Board recognising the importance of its role and of the private sector in any growth strategies for delivery in the Authority's area.

The Business Board is closely aligned to the Authority through a unified assurance framework and has a single staffing structure under the Authority's Chief Executive. The Combined Authority is the accountable body for the Business Board.

The Business Board's constitutional arrangements comply with the National Local Growth Assurance Framework and with the joint Local Assurance Framework for the Authority and the Business Board.

Strategic Direction

The **Combined Authority's Sustainable Growth Ambition Strategy** sets out the area's responsibility in pursuing economic growth to ensure that rising prosperity makes life better, healthier and fairer, and does not exhaust the resources our children will need for the future. More and more people are recognising that we don't just need growth: we need good growth. Our aim is not simply to increase our income, but to increase our area's wealth, in a way that is driven by our values.

The values the Mayor wishes to be the hallmark of his term in office are

- Compassion
- Cooperation
- Community

These frame how we will pursue the devolution deal's overall aim of achieving sustainable growth.

The Sustainable Growth Ambition Strategy (SGAS) aims to build up the capital stock of Cambridgeshire and Peterborough across the six keys of

- Health and Skills: building human capital to raise both productivity and the quality of life
- Climate and Nature: restoring the area's depleted natural capital and addressing the impact of climate change on our low-lying area's special vulnerabilities
- Infrastructure: from digital and public transport connectivity, to water and energy, building out the networks needed to support a successful future
- Innovation: ensuring this area can continue to be one of the most dynamic and dense knowledge economies in Europe;
- Reducing inequalities: investing in the community and building social capital to complement improved skills and connectivity as part of the effort to narrow the gaps in life expectancy and income between places
- Financial and systems: improving the institutional capital which supports decision-making and delivery

The **Cambridgeshire and Peterborough Combined Authority Business Plan** sets out the authority's investment priorities. It is updated annually and presented to the Board for approval each January, alongside the Authority's budget and Medium-Term Financial Plan.

The Medium-Term Financial Plan forms the investment plan for the Combined Authority and allocates resources to deliver the next stages of these priority programmes.

This Business Plan and the Medium-Term Financial Plan sets out at a high level the transformational investments that the Cambridgeshire and Peterborough Combined Authority will commit resources to, subject to the detailed consideration and appraisal of project business cases. Some are project ideas at an early stage whilst others are in-progress construction projects. The Business Plan and the Medium-Term Financial Plan are not intended to be an exhaustive list of activity as new opportunities will arise during the financial year, but it identifies the key activities that will need investment during the plan period to unlock the opportunities they could bring. Prioritisation has been undertaken to ensure that our investment goes into projects that will have a significant impact on growing the whole Cambridgeshire and Peterborough economy in accordance with the six keys of the SGAS.

The Business Plan aligns with the approach to performance management reporting to enable members to monitor performance against the Business Plan priorities

The Combined Authority has progressed key investment decisions in a range of transport and infrastructure, skills, housing and economic development initiatives.

Assurance Framework

The Assurance Framework complies with the National Local Growth Assurance Framework and was approved by the Board in March 2021 following feedback and sign off from CLGU (Cities and Local Growth Unit). The Assurance Framework sets out:

(a) How the seven principles of public life shape the culture within the Combined Authority in undertaking its roles and responsibilities in relation to the use and administration of the Cambridgeshire and Peterborough Investment, incorporating the Single Pot funding

(b) The respective roles and responsibilities of the Combined Authority, the Business Board and officers, in decision-making and ways of working

(c) The key processes for ensuring accountability, including public engagement, probity, transparency, legal compliance and value for money

(d) How potential investments to be funded through the Cambridgeshire and Peterborough Medium Term Financial Plan incorporating the Single Pot, will be appraised, prioritised, approved, signed off and delivered

(e) The processes for oversight of projects, programmes and portfolios and how the progress and impacts of these investments will be monitored and evaluated

Project Delivery

The monitoring and evaluation framework provides assurance to the Combined Authority Board and to Central Government through robust monitoring and evaluation arrangements for each of the commissioned projects. Monitoring and evaluation (M&E) is a critical component of an effective performance management regime. Monitoring supports the effective tracking of a scheme or series of policy interventions ensuring that intended outputs are being achieved. Evaluation quantifies and assesses outcomes, including how schemes were delivered and whether the investment generated had the intended impact and ultimately delivered value for money

The Monitoring & Evaluation Framework incorporates the Local Growth Fund monitoring and evaluation plan. Being able to show the efficacy and impact of the Business Board's investments enables a positive case to be made to Government in discussions regarding the allocation and responsibility for future funding streams

Decision Making

All agendas and reports produced for meetings of the Combined Authority, its associated Committees and the Business Board are issued to members and published on the Authority's website in accordance with access to information requirements in the 2017 Order. All Combined Authority Board and Executive Committee meetings are held in public.

A Forward Plan identifying strategic decisions that will be made by the Board over a four-month period is updated and presented to the Combined Authority Board at each meeting. It will also include all forthcoming key decisions which require at least 28 days' notice.

Notice of decisions are also published no more than two days after the meeting and are not implemented until five days after they are published to enable the Overview & Scrutiny Committee to exercise its right to call-in decisions.

Financial Management

A key responsibility of the Combined Authority is determining, agreeing and monitoring appropriate budgets for it to be able to fulfil strategic objectives.

A budget framework has been agreed for setting the budget in future years which takes account of the process laid down in the Combined Authorities (Finance) Order 2017

In summary, the draft Budget shall be submitted to the Combined Authority Board for consideration and approval for consultation purposes before the end of December. The Board will agree the timetable for consultation and those to be consulted. The consultation period shall not be less than four weeks, and the consultees shall include Constituent Authorities, the Business Board (LEP) and the Overview and Scrutiny Committee.

Before 1st February, having considered the draft Budget, the consultation responses, and any other relevant factors, the proposed budget for the following financial year, including the Mayor's budget, will be submitted to the Board for final approval. There is also a process for agreeing the Mayor's budget where no agreement can be reached.

Budget update reports are presented bi-monthly at Combined Authority Board meetings to provide information on income and expenditure for the year to date, and the forecast outturn position against the approved budget and provides analysis of material variances for both Revenue Funds and the Capital Programme.

The Combined Authority is required to adhere to the CIPFA Financial Management Code. The following key actions were identified in the 2020-21 Annual Governance Statement and a summary of actions taken to address them is included below:

- A formal timeline for the creation of the Annual Governance Statement will be established.- To be included in the next review of the CPCA Financial Regulations

- Regular budget holder and project manager training will be implemented to reinforce the responsibilities associated with those roles The Combined Authority is rolling out new functionality of it's core financial system and formal budget holder training is being developed as part of this transformation
- The Authority will carry out a financial resilience assessment – The Combined Authority has considered its arrangements and position against the four pillars of financial resilience identified by CIPFA: routine, benchmarking, having clear plans and reserves to establish whether actions are required to further promote financial resilience
- Regular financial reporting to Executive Team (previously Corporate Management Team), Committees and Boards will include key balance sheet items – regular financial reporting is in place for the Executive team (via the Performance and Risk Committee), Committees and Boards

Developing Capacity

The Combined Authority's external auditors have highlighted a concern that "the Authority has insufficient capacity, capability and an inappropriate culture to support the effective governance and operation of the organisation." The staffing structure will be reviewed in 2022 as part of the Combined Authority's Improvement plan to address these concerns.

Internal Audit

RSM Assurance Limited provide the Chief Internal Auditor function for the Combined Authority and presented the audit plan for approval to the Audit & Governance Committee April 2021 and has provided the Committee with regular updates since then.

External Audit

On 1 June 2022, the Combined Authority's auditors, EY, wrote to the Chair of the Audit and Governance Committee in accordance with their responsibilities under the National Audit Office (NAO) 2020 Code of Audit Practice. The NAO Code sets out how auditors are expected to approach their work on Value for Money arrangements. The Code requires that where the auditor has concluded that there is a significant weakness in a body's arrangements, it should be reported to this body as soon as practicable, supported with recommendations for improvement. The EY letter identified a significant weakness in the Combined Authority's Governance arrangements – How the Authority ensures that it makes informed decisions and properly manages its risks. To address the significant governance weakness, "the Authority needs to urgently ensure that it has sufficient appropriate leadership capacity to be able to deliver its objectives and statutory responsibilities. In order to do so, we (EY) believe more formal intervention is required, and expeditious discussions with the Authority's sponsoring department to this end are time critical".

Improvement Framework

In July 2022, the Interim Chief Executive took a paper to the CPCA Board to seek approval for an Improvement Framework to address the weaknesses highlighted in the EY letter. The Board was recommended to:

- Note the recommendations of the Audit and Governance Committee and provide a response as requested
- Delegate authority to the Interim Chief Executive for the recruitment and appointment of additional resources, including interim Chief Officers and Statutory Officers,
- Delegate authority to the Interim Chief Executive to finalise the senior management structure of the Authority
- Acknowledge the scope and scale of the intended self-assessment exercise and recognition of the scale of the current issues facing the Combined Authority.
- Support the self-assessment exercise
- Note the review of governance and ways of working

Request that the Board, and the Chairs of Audit & Governance Committee and the Overview & Scrutiny Committee, receive regular updates on all improvement action

In October 2022, the Board agreed an improvement plan to address issues raised across six key themes:

A. Establish clarity on the scale of political ambition and develop an overarching strategy for the remainder of this mayoral term and to chart the next steps on that journey. This needs to include defining the purpose and role of the CPCA and in particular where the CPCA can add value
B. Implement a comprehensive reset of ways of working and align the policy development and pre-Board processes to support this
C. Prioritise work to establish a long-term strategy for transport, an urgent development of a bus strategy and review the role and functioning of the Business Board
D. Undertake a strategic review of income projections, including options, to secure sustainability and the possibility of taking a more strategic approach to the application of funds for identified priorities
E. Design and implement an organisation for today's performance, and with the agility to act on emerging demands and opportunities
F. Map the approach, capacity and arrangements needed to build effective public relations and influencing delivery operation

The Improvement plan set out a number of key deliverables over a three-month period and agreed the establishment of an Independent Improvement Board to be chaired by Lord Kerslake.

Regular updates are being taken to the Board, the Overview and scrutiny Committee and the Audit and Governance Committee to highlight progress being made against the Improvement plan.

Risk Management

The Authority's Audit and Governance Committee is responsible for overseeing the Authority's risk management strategy and corporate risk register.

Corporate and project risks are identified, recorded and monitored by the Performance and Risk Committee, a group made up of Combined Authority Officers and the Audit & Governance Committee. Significant risks are escalated to the Combined Authority Board where necessary.

Managing Performance

Given the level of investment undertaken by the combined authority, it is vital that it follows robust programme management processes for its programmes and for collective consideration of outputs and outcomes. Alongside the monitoring and evaluation framework, a Performance Management process has also been developed, to monitor and report on programme delivery (time, quality, cost) and the outcomes and impact of projects/programmes. Regular papers are taken to Board meetings which report on the performance of the Combined Authority's projects. The analysis includes a 'delivery dashboard' which provides metrics showing progress being made against devolution deal commitments to deliver Prosperity (measured by Gross Value Added (GVA)), Housing and Jobs.

Review of Effectiveness

The Authority has responsibility for conducting an annual review of the effectiveness of its governance framework. This includes consideration of systems of internal control and arrangements for internal audit and assurance statement from key officers. This has focused on where we are now and where we want to be in the year ahead against the Good Governance Principles.

The Combined Authority currently has 6 subsidiary companies over which it has a significant level of control but is in the process of winding up 3 of these as they have either ceased, or never traded. The Combined Authority will review its governance arrangements for its remaining subsidiary companies in light of recommendations expected from the relevant RSM internal audit review and the guidance published recently by CIPFA.

The Chief Internal Auditor of a Local Authority is required annually to provide their opinion on the overall systems of internal control and their effectiveness.

The Annual Internal Audit Opinion

The annual internal audit opinion is based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes.

For the 12 months ended 31 March 2022, the head of internal audit opinion for Cambridgeshire and Peterborough Combined Authority is as follows:

"There are weaknesses in the framework of governance, risk management and control such that it could become, inadequate and ineffective".

"Factors and Findings which have informed our opinion"

Risk Management

We have not undertaken a specific risk management review in 2021/22. An audit of risk management was originally included within the 2021/22 plan following the partial (negative) assurance opinion issued in 2020/21. Management advised that whilst some progress had been made, there were still a number of areas arising from the partial assurance opinion that still needed to be addressed. Due to the limited progress of implementing these actions, the risk management audit was replaced with another review.

Governance

Our governance coverage in 2021/22 was focussed on Subsidiary Governance. We carried out an audit designed to allow the Authority to take assurance that appropriate governance arrangements were in place to monitor, manage and support its subsidiary companies, including the reporting and escalation of matters to the CPCA for oversight and scrutiny. This concluded with a negative opinion, minimal assurance.

Our review identified significant issues requiring management attention, including a lack of operational and financial performance reporting from the subsidiary companies to the CPCA, and a lack of oversight from the CPCA regarding the operations of its subsidiaries. In addition, evidence was not provided during the audit to confirm that the business plans of subsidiary companies were being subject to regular review by the CPCA in line with Shareholder Agreements, whilst for one subsidiary, evidence of an initial business plan was not provided. Furthermore we identified issues with the risk registers for the CPCA's operational subsidiary companies, including a lack of separation between planned actions and implemented controls, and a lack of specific and measurable actions. We were also unable to confirm that a Programme Management Committee had been established for the

Business Growth Company, as required by its Shareholders Agreement. We did identify also some well designed and complied with controls.

We have also been advised post year end of a governance review commissioned by the Authority and conducted by Governance First Limited which has highlighted a wide range of improvement actions required in the area of governance. Following this review we have also been advised of a subsequent letter from EY, the authority's external auditors and the potential impact that the findings from the governance review may have on their value for money conclusion. These post year end events have also been taken into account when forming our opinion.

Internal Control

In addition to the Subsidiary Governance audit, we undertook four further assurance assignments during 2021/22, from all four of which the Authority could take positive (reasonable) assurance:

Adult Education Budget
Key Financial Controls – financial reporting and general ledger
Capital Programme – monitoring and reporting
Payroll

Our Follow Up review, conducted on a sample of the previously agreed management actions across five previous audits concluded that the Authority had made reasonable progress in implementing the actions.

We also undertook two additional follow-up reviews relating to the IT Control Framework. These reviews followed on from the minimal (negative) assurance audit undertaken in 2020/21. The first of these reviews found that of the four actions that had become due for implementation, three had been implemented, but one high priority action had not been implemented. The second review followed up that high priority action plus the six remaining actions which were all due for implementation. Whilst we found that three actions had been implemented, two medium priority actions had only been partly implemented (one downgraded to low priority), and one medium priority action and the same high priority action, which related to ensuring sufficient IT specialism/expertise is maintained amongst the authority's workforce, had not been implemented.

Advisory Reviews

As part of the internal audit plan, our specialist colleagues undertook an advisory Fraud Risk Assessment, which identified seven areas for suggested improvement, but did not identify any significant areas of weakness. In addition to the audits of the original 2021/22 audit plan, we were also commissioned to undertake three additional advisory reviews: OneCAM – Governance and Decision-making, Community Land Trust Advisory review (10 management actions agreed), and an Analysis of Government Procurement Card expenditure and Expenses – Deep dive. The deep dive report has been issued (with seven high, two medium and one low priority actions).

Additional factors and findings informing our opinion

In addition to the minimal assurance (negative) opinion of the Subsidiary Governance audit, the limited progress implementing the actions from the 2020/21 risk management audit, the findings of the Government Procurement Card Expenditure and Expenses – Deep Dive and some of the actions still requiring work following the 2020/21 IT Control Framework (minimal assurance) review, in forming our annual opinion we have also taken into account some significant wider governance issues. Some of these came to our attention following the independent review of governance commissioned by the Authority and subsequent concerns raised by the external auditor and reported by them to the Department for Levelling Up, Housing and Communities (DLUHC). The independent governance review made some 47 recommendations.

We note the External Auditor's concerns and include an extract from the June 2022 Audit and Governance Committee papers:

The Chair of the Committee received a letter from EY, the Authority's external auditors, on 1 June which notified him of their judgement that a value for money risk exists in the form of significant weakness in Cambridgeshire & Peterborough Combined Authority's governance arrangements.

This judgement was based on the following reasons:

- "Investigations into key individuals in the Mayor's office following a whistle-blower notification
- Increased number of employment related claims against the Authority
- Current vacancies in the Authority's senior management team, particularly at Chief Executive level, and the prospect that this could increase further from July 2022
- Weaknesses we have observed in how the extraordinary meeting of the Authority Board makes informed decisions; and
- That the nature of the whistle-blower allegations and initial findings of independent investigation reports raises significant questions on the culture, behaviour and integrity of key individuals in the Mayor's office"

and leads the auditors to a concern "that the Authority has insufficient capacity, capability and an inappropriate culture to support the effective governance and operation of the organisation and how it discharges its statutory services".

Governance Arrangements

There is a dedicated Governance team to ensure the Combined Authority complies with its regulatory responsibilities and to advise members, employees and partner organisations. The team oversees several areas including supporting the Board and committees, transparent decision making, Declarations of Interest, Whistle-blowing and Freedom of Information request handling.

Freedom of Information and Environmental Information Regulation Requests

The Combined Authority is subject to the Freedom of information Act 2000 and the Environmental Information Regulations 2004, and the Governance team processes such requests. Over the last financial year, the Combined Authority has received and responded to several such requests for information.

Internal Audits have carried out an audit of the Information Governance function of the Authority and have identified areas of improvement which the Authority has promptly responded to by taking action. Some of the issues identified are being dealt with while other matters have dates in which the actions will be completed.

Review of Effectiveness

The Combined Authority is responsible for conducting, at least annually, a review of the effectiveness of its governance framework. The review of effectiveness is informed by the work of the officers within the Authority who have responsibility for the development and maintenance of the governance environment, assurance work undertaken by Internal Audit, and by comments made by the external auditors and other review agencies and inspectorates. Any areas for review will be overseen and coordinated by the Chief Executive, Chief Finance Officer and Monitoring Officer and any findings reported to the Audit and Governance Committee, as appropriate.

The Authority is aware and is planning for the coming year that:

1. Internal Audit undertake a review of the effectiveness of internal audit and of the systems of internal control
2. Senior officers sign the annual statements of responsibilities confirming that during the year they have:
    - Established arrangements for establishing directorate objectives and compliance with corporate priorities
    - Endeavoured to ensure compliance with the Authority's governance arrangements (Constitution, Ethical Framework, and Policies & Regulations)
    - Made arrangements for sound budgetary controls
    - Effectively monitored and managed performance
    - Reported to the appropriate member committees and the Board

- Responded promptly to internal & external audits & inspections
- Continuously managed business risks and service continuity arrangements

3. Significant work is undertaken to successfully put risk management into the heart of decision making, strategic planning and performance processes so that the Authority is risk enabled and active management of risk is undertaken throughout the organisation.
4. A review of the Authority's corporate governance framework including the Code of Corporate governance.

Code of Conduct

All Combined Authority employees and members should be subject to a formal Code of Conduct. A member's code of conduct has recently been adopted by the Authority, which should form part of the Authority's Constitution.

Declaration of Interest.

The Authority will look into developing the register of Interests for members and officers which will be reviewed annually. In the interests of transparency, the declarations should be reviewed by both the Chief Executive and Monitoring Officer and published on the Authority's website.

Gifts and Hospitality

The Combined Authority will look to develop the register of offers of Gifts and Hospitality made to members and officers of the Combined Authority, even if these offers are declined.

Conclusion

The Combined Authority recognises its responsibilities for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively, alongside a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised.

As shown by the letter from our External Auditors "there are significant weaknesses in the Authority's governance arrangements". The Authority recognises this and has put in place a detailed and well resourced Improvement Framework to address the identified concerns. We are confident that the Authority is well on its way to emerging with a clear strategic direction, stronger and more effective governance arrangements, and the capability to deliver for the people of Cambridgeshire and Peterborough.

Certification

We have been advised on the implications of the results of the review of the effectiveness of the Combined Authority's governance framework, by the Audit and Governance Committee.

The Annual Governance Statement was approved by the Audit Committee on the XX XXXX 20XX.

Our overall assessment is that the Annual Governance Statement is a balanced reflection of the governance environment. The Combined Authority's auditors have identified a significant value for money risk relating to its governance arrangements. The Combined Authority is taking action to address these highlighted concerns through an Improvement Framework to ensure that the Authority has sufficient appropriate leadership capacity to be able to deliver its objectives and statutory responsibilities. The Improvement Framework will support the Authority in achieving value for money through appropriate governance arrangements and safeguard the future delivery of services.

Signed: ______________________ Signed: ______________________

Date: Date:

# Audit and Governance Committee	Agenda Item
26 January 2024	**9**

Title:	Draft Financial Strategies
Report of:	Ian Pantling
Public Report:	Yes
Key Decision:	*No*
Voting Arrangements:	N/A

Recommendations:	
A	Review and comment upon the Draft Capital, Investment and Treasury Management Strategies for 2024-25 and the draft 2024-25 Minimum Revenue Provision (MRP) statement

Strategic Objective(s):	
The proposals within this report fit under the following strategic objective(s):	
X	Delivering Best Value and High Performance
Adhering to best practice guidance is a key element to demonstrate that the Combined Authority is performing well, CIPFA treasury management guidance requires that the financial strategies are approved before the start of each financial year.	

1. Purpose

1.1	The purpose of the report is for the Audit and Governance Committee to review the draft Capital, Investment and Treasury Management Strategies and draft MRP Statement for 2024-25 before they are presented to the Combined Authority Board for adoption in March.

2. Proposal

2.1	In-line with the Audit and Governance Committee's terms of reference they are asked to review and comment upon the draft Capital, Investment and Treasury Management Strategies for 2024-25 and the draft 2024-25 Minimum Revenue Provision (MRP) statement

3. Background

3.1	According to its Terms of Reference, the Audit and Governance Committee shall "*ensure there is effective scrutiny of the treasury management strategy and policies in accordance with CIPFA's Code of Practice*".

3.2	The Treasury Management in the Public Services: Code of Practice 2021 recommends that Members receive regular reports on the authority's treasury management policies, practices and activities, including a mid-year review progress report.
3.3	The following strategies have been updated for 2024/25 and are attached as Appendix 1 with changes since the 2023/24 equivalents marked as Appendix 2.
3.4	Capital Strategy: To provide a high-level overview for elected members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured.
3.5	Non Treasury Investment Strategy: To meet the requirements of statutory guidance in which the Authority would support local public services by lending to or buying shares in other organisations, or to earn investment income
3.6	Treasury Management Strategy: Being the management of the Authority's cash flows, borrowing and investments and the associated risks.
3.7	Minimum Revenue Provision (MRP) Statement: A DLUHC requirement to approve an MRP Statement each year to ensure that capital expenditure is financed over a reasonable period
3.8	The figures used in the strategies reflect the draft Budget and Medium Term Financial Plan (MTFP) proposed to the Combined Authority Board at its November meeting. These figures will be updated to reflect the approved budget following the final decision in January, and any other relevant budgetary decisions made at that meeting before the final versions are presented for approval to the Combined Authority Board in March.
3.9	The majority of the changes are a result of updating to reflect the latest financial position and governance changes including the adoption of the Single Assessment Framework.
3.10	Other key changes are the increase in the approved limit for share investments in local businesses from £10m to £25m to provide sufficient headroom for the possibly transfer of investments currently held by Cambridgeshire and Peterborough Business Growth Company Limited, and new investments from the Strategic Growth Fund and Levelling Up Fund. The form of these investments are yet to be determined, but could take the form of shares.
3.11	In the Treasury Management Strategy the limits for long term investments have been updated to align with the Asset Benchmark and the Environmental, Social and Governance (ESG) policy has been strengthened to take advantage of information available from Arlingclose, our Treasury Management Advisors. The Authority is in the process of opening a Money Market Fund account with ESG credentials.
3.12	The MRP Statement has been updated to reflect the ability to make no MRP on loans made for service purposes where no repayment is received in the year, providing sufficient MRP is made to cover any difference between the borrowing outstanding in relation to the loan and the expected recoverable amount. This does not apply to any of the Authorities current loans as they are all funded fully by grant, not debt.
3.13	The Committee is asked to review the suite of strategies ahead of being taken to the Board for approval in March.

4. Appendices

4.1	Appendix 1 – Cambridgeshire and Peterborough Combined Authority Draft Strategies 2024-25
4.2	Appendix 2 – Cambridgeshire and Peterborough Combined Authority Draft Strategies 2024-25 (with track changes)

5. Implications

Financial Implications	
5.1	None other than those highlighted in the main body of the report.
Legal Implications	
6.1	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.
Public Health Implications	
7.1	There are no direct public health implications
Environmental & Climate Change Implications	
8.1	There are no direct climate change implications although the Treasury Management Strategy does prioritise banks and funds with ESG credentials.
Other Significant Implications	
9.1	There are no other significant implications
Background Papers	
10.1	None

Cambridgeshire and Peterborough Combined Authority

Capital Strategy Report 2024/25

Introduction

This capital strategy report gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members' understanding of these sometimes technical areas.

Decisions made this year on capital and treasury management will have financial consequences for the Authority for many years into the future. They are therefore subject to both a national regulatory framework and to a local policy framework, summarised in this report.

Capital Expenditure and Financing

Capital expenditure is where an Authority spends money on assets, such as property, shares in companies or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets.

In 2024/25, the Authority is planning capital expenditure of £162.40m as summarised below.

Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions

	2022/23 actual	**2023/24 forecast**	**2024/25 budget**	**2025/26 budget**
Capital investments	104.53	161.45	162.40	63.37
TOTAL	104.53	161.45	162.40	63.37

The figures for 2023/24, 2024/25 and 2025/26 are taken from the Approved Capital Expenditure Programme as set out and described in the draft Medium Term Financial Plan approved for consultation by the Combined Authority Board at its November meeting.

Governance:

The Combined Authority has a suite of key governance and policy documents with the Single Assurance Framework providing the primary governance document in relation to investment processes including:

(a) How the Combined Authority adheres to the requirements of the English Devolution Accountability Framework and Nolan principals shaping the culture within the Combined Authority in undertaking its roles and responsibilities in relation to the use and administration of the Cambridgeshire and Peterborough Investment, incorporating the Single Pot funding. This culture is developed and underpinned by processes, practices and procedures including a code of conduct for both Members and Officers.

(b) Alongside the Combined Authority's constitution, sets out the respective roles and responsibilities across the Combined Authority, including the Mayor, the Board, Investment Committee, Business Board, Thematic and statutory Committees, and statutory officers.

(c) The key processes for ensuring accountability, including public engagement, probity, transparency, legal compliance and value for money.

(d) How potential investments to be funded through the Cambridgeshire and Peterborough Medium Term Financial Plan, incorporating the Single Pot, will be appraised, prioritised, approved, signed off and delivered.

(e) The processes for oversight of projects, programmes and portfolios and how the progress and impacts of these investments will be monitored and evaluated.

All capital expenditure must be financed, either from external sources (government grants and other contributions), the Authority's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

Table 2: Capital financing in £ millions

	2022/23 actual	2023/24 forecast	2024/25 budget	2025/26 budget
Grant Funding	87.83	143.41	155.19	58.96
Usable Capital Receipts	16.70	18.04	7.21	4.41
Debt	0	0	0	0
TOTAL	**104.53**	**161.45**	**162.40**	**63.37**

Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance.

The Combined Authority currently does not have any debt, but has the ability to borrow to facilitate delivery should it be needed. While there are no current projects within the MTFP which fund delivery via borrowing, the Combined Authority is considering the case for Franchising the bus network. The investments to support the franchised network may be financed by debt but the Combined Authority would likely apply internal borrowing for this rather than external debt. The Combined Authority has no allowance built into it's MTFP to service debt, it is anticipated that any future borrowing would have to be supported by future receipts from the project delivery it funded.

The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The Authority currently has no debt and therefore no CFR.

The Authority expects that its capital financing requirement will be nil on 31st March 2024 and in line with the DLUHC Guidance expects to charge no MRP in 2024/25.

For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Authority will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead.

Where loans are made from grant funds, there will be no Capital Finance Requirement and therefore no MRP. Where loans are debt funded, where creditworthiness of the borrower decreases or the asset value drops below the loan value, MRP will be charged on the shortfall.

Asset disposals: When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. Repayments of capital grants, loans and investments also generate capital receipts.

Treasury Management

Treasury management is concerned with keeping sufficient, but not excessive, cash available to meet the Authority's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Authority is typically cash rich in the short-term as grant income is received before it is spent.

As at 31 December 2023, the Authority had no borrowing and £196.7m treasury investments at an average rate of 5.03%

Borrowing strategy: The Authority's main objectives when borrowing would be to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Authority would therefore seek to strike a balance between cheap short-term loans and long-term fixed rate loans where the future cost is known but higher.

The Authority does not borrow to invest for the primary purpose of financial return and therefore retains full access to the Public Works Loans Board.

Projected levels of the Authority's total outstanding debt (which comprises borrowing and leases) are shown below, compared with the capital financing requirement (see above).

Table 3: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £ millions

	31.3.2023 actual	31.3.2024 forecast	31.3.2025 budget	31.3.2026 budget
Debt (incl. PFI & leases)	0	0	0	0
Capital Financing Requirement	0	0	0	0

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. The Authority expects to comply with this in the medium term.

Liability benchmark: To compare the Authority's actual borrowing against an alternative strategy, a liability benchmark is calculated showing the lowest risk level of borrowing. This is a requirement of the Treasury Management Code. Given that there are no current plans to borrow, this calculation shows an asset benchmark for comparing against investment levels, but will be kept under review.

Table 4: Borrowing and the Liability Benchmark in £ millions

	31.3.2023 actual	31.3.2024 forecast	31.3.2025 budget	31.3.2026 budget
Forecast borrowing	0	0	0	0
Liability (Asset) benchmark	(192.4)	(137.8)	(93.6)	(29.8)

Affordable borrowing limit: The Authority is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year and to keep it under review. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

Table 5: Prudential Indicators: Authorised limit and operational boundary for external debt in £m

	2023/24 limit	2024/25 limit	2025/26 limit
Authorised limit – total external debt	84.61	84.61	84.61
Operational boundary – total external debt	74.61	74.61	74.61

Treasury investment strategy: Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

The Authority's policy on treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms can be invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Authority may request its money back at short notice.

Risk management: The effective management and control of risk are prime objectives of the Authority's treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.

Governance: Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Chief Finance Officer and staff, who must act in line with the treasury management strategy approved by the Board. Regular reports on treasury management activity are presented to the Audit and Governance Committee who are responsible for ensuring effective scrutiny of the treasury management strategy and policies in accordance with CIPFA's Code of Practice.

Investments for Service Purposes

The Authority makes investments to assist local public services, including making loans to and buying shares in local service providers, local small businesses to promote economic growth and the Authority's subsidiaries that provide services. In light of the public service objective, the Authority is willing to take more risk than with treasury investments, however it still plans for service loans to at least break even after all costs.

The Combined Authority will assume no future financial returns on any equity investments within its Medium-Term Financial Plan (MTFP). This is, financially, the worst-case scenario with equity investments; by not assuming any future returns the Combined Authority is exposed to only up-side risk and the future financial stability of the organisation is not reliant on the performance of the investments i.e. there is no risk that the Combined Authority will be unable to proceed with it's plans due to poorer than anticipated financial performance of the companies.

Governance: Decisions on service investments are made by the relevant service manager in consultation with the Chief Finance Officer and must meet the criteria and limits laid down in the investment strategy. Most loans and shares are capital project expenditure and will therefore follow the business case approval route appropriate for their value set out within the Single Assurance Framework. The Chief Officer for the relevant service is responsible for ensuring that adequate due diligence is carried out before investment is made.

Commercial Activities

The Combined Authority currently does not hold any commercial investments.

Other Liabilities

The Authority is committed to making future payments to cover its pension fund deficit (as at 31/3/23 this was a surplus of £0.92m). There are currently no commitments to make future payments in relation to debt or other major liabilities.

The Authority is also at risk of having to pay for costs related to issues on a construction project but has not put aside any money because current estimates anticipate the costs will be within the existing project budget There is currently no requirement to cover risks of other provisions, financial guarantees or major contingent liabilities.

Governance: Decisions on incurring new discretional liabilities are taken by Executive Directors in consultation with the Chief Finance Officer. The risk of liabilities crystallising and requiring payment is monitored by the Finance team and reported to both the relevant thematic committee and the investment committee. New liabilities/loans are reported to the Board for approval/notification as appropriate.

Revenue Budget Implications

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from general government grants. There are no current plans to borrow, and therefore no budget financing costs.

Table 6: Prudential Indicator: Proportion of financing costs to net revenue stream

	2022/23 actual	2023/24 forecast	2024/25 budget	2025/26 budget
Financing costs (£m)	0	0	0	0
Proportion of net revenue stream	0%	0%	0%	0%

Sustainability: Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend into the future. The Chief Finance Officer is satisfied that the proposed capital programme is prudent, affordable and sustainable as demonstrated in the Medium-Term Financial Plan.

Knowledge and Skills

The Authority employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Chief Finance Officer is a qualified accountant with over 25 years post qualification experience. The Authority pays for staff to study towards relevant professional qualifications and for all qualified staff to keep up to date with relevant 'continuing professional development'.

Where Authority staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Authority currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly and ensures that the Authority has access to knowledge and skills commensurate with its risk appetite.

Cambridgeshire and Peterborough Combined Authority
Non-treasury Investment Strategy Report 2024/25

Introduction

The Authority may invest its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
- to support local public services, skills or economic growth by lending to or buying shares in other organisations (**service investments**), and
- to earn investment income (known as **commercial investments** where this is the main purpose).

This investment strategy meets the requirements of statutory guidance issued by the government in January 2018 and focuses on the second and third of these categories.

The statutory guidance defines investments as “all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios.” The Authority interprets this to exclude (a) trade receivables which meet the accounting definition of financial assets but are not investments in the everyday sense of the word and (b) property held partially to generate a profit but primarily for the provision of local public services. This aligns the Authority’s definition of an investment with that in the 2021 edition of the CIPFA Prudential Code, a more recent piece of statutory guidance.

Treasury Management Investments

The Authority typically receives its income in cash (e.g. from grants before it pays for its expenditure in cash (e.g. through payroll, invoices and grants). It also holds reserves for future expenditure. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £135m and £104m during the 2024/25 financial year.

Contribution: The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.

Further details: Full details of the Authority’s policies and its plan for 2024/25 for treasury management investments are covered in a separate document, the treasury management strategy.

Service Investments: Loans

Contribution: The Council lends money to its subsidiaries and local businesses to support local public services, and to stimulate local economic growth and skills development.

Recycled Growth Fund and Strategic Growth Fund Loans

The Combined Authority has historically offered capital loans to local companies, and other Local Authorities, via recycled growth funds on the advice of the Business Board, where the projects are considered to achieve value for money and fit with the strategic direction set out in the Local Industrial Strategy.

As the majority of Recycled Growth Funds was awarded prior to March 2023, the Combined Authority is establishing a £20m Strategic Growth Fund. The criteria, and blend of grant, equity, and loans, will be established by the Combined Authority Board in 2024/25 and the funds allocated in-line with the recently approved Single Assurance Framework.

As the proportion of the £20m (£4.4m in 24/25) which will be available as loans and equity has not yet been established the approved limits have been set at a level which will allow flexibility to allocate the funds as either without breaching the limits.

Security of Service Loans

The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Authority, upper limits on the outstanding loans to each category of borrower have been set as follows:

Table 1: Loans for service purposes in £ millions

Category of borrower	31.3.2023 actual			2024/25
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Subsidiaries	0.403	0.003	0.400	10.000
Local businesses	14.578	0.065	14.513	20.000
TOTAL	**14.981**	**0.068**	**14.913**	**30.000**

Accounting standards require the Authority to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Authority's statement of accounts are shown net of this loss allowance. However, the Authority makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

Risk assessment: The Authority would assess the risk of loss before entering into and whilst holding service loans. All future loans would be subject to the following risk assessment and mitigating actions:

1) An appropriate level of due diligence, to include the use of external advisors where appropriate.
2) An appropriate loan period and timing of repayments
3) The calculation of an interest rate that would represent 'value for money', be of 'no detriment' to the Combined Authority, and to minimise the risk of Subsidy Control challenge
4) Approval being subject to a business case, due diligence, and loan agreement to the satisfaction of the Chief Executive, Monitoring Officer and Chief Finance Officer.
5) The business case would be reviewed to include focus on:
    a. Impact of existing loans and charges on assets
    b. Accuracy and reasonableness of Cashflow and profit forecasts
    c. Ambition of future sales targets and income to repay loan
    d. Provisions/allowances for contingency, inflation
    e. Review of credit worthiness of business and collateralisation of loan
6) For housing development loans, first legal charge over land and assets

7) Regular review and valuation of the assets
8) Drawdown subject to a gateway process
9) Consideration of options of parent company guarantees
10) Consideration of obligations of S106 agreements

All loans are subject to an approved project business case in-line with the delegations set out in the Single Assurance Framework.

Service Investments: Shares

The Combined Authority invests in the shares primarily for the delivery of service outcomes rather than for financial return. It invests in equities of both subsidiaries and local businesses to support local public services and stimulate local economic growth. These investments are an intrinsic part of the delivery of the Combined Authority's programmes they are subject to the Combined Authority's Monitoring and Evaluation framework (published here) which has been reviewed by the Department for Business, Energy and Industrial Strategy including quarterly reporting on the service outcomes being delivered. As such this strategy only refers to monitoring of the company from a financial investor's perspective beyond what is done in line with the Monitoring and Evaluation framework. As part of the implementation of the Single Assurance Framework a revised Monitoring and Evaluation Framework will be developed during 2024/25. The revised Framework will include any continuing requirements while aligning these to the Authority's new processes.

The Combined Authority has approved a number of material service equity investments as part of the University of Peterborough and Business and Skills agendas summarised below however, in consideration of the relative risk of equity investments over grants and loan funding, there are two overarching principals which the Combined Authority follows with all it's equity investments to ensure that it does not expose itself to undue financial risk:

1) The Combined Authority will only invest in limited companies – this limits the liability that the Combined Authority faces to the equity invested in the company, ensuring that the wider Combined Authority finances are insulated from movement in the values of the companies.

2) The Combined Authority will assume no future financial returns on any equity investments within its Medium-Term Financial Plan (MTFP). This is, financially, the worst-case scenario with equity investments; by not assuming any future returns the Combined Authority is exposed to only up-side risk and the future financial stability of the organisation is not reliant on the performance of the investments i.e. there is no risk that the Combined Authority will be unable to proceed with it's plans due to poorer than anticipated financial performance of the companies.

All existing material equity investments have been made following a recommendation of the Business Board as all involve an element of Local Growth Fund investment. As such all equity investments will have followed the robust due diligence and scoring process which all potential investments must complete prior to being considered by the Business Board – this involves an independent external evaluation of the applicant's business case, financial statements, credit searches, management capability and experience, project key risks, and strategic fit. This results in a report on these areas, a score, and recommendations on what controls and risk mitigations should be put in place if the investment is entered into.

Alongside this, for investments of £500k or more, the applicant will also be required to present their proposal to an Entrepreneurs' Assessment Panel (EAP) made up of Members of the Business Board and external experts in the field who also score the projects.

The Business Board, who's voting membership is made up of experienced CEOs, will then consider the application, appraiser's report and EAP scoring and they can request further information, recommend investments to the Combined Authority for ratification, or reject the project.

The equity investments fall into three groups, in this strategy referred to as: subsidiaries, silent partner service investments, and other equity investments.

Subsidiaries

Equity holdings in this group are in companies in which the Combined Authority has an active role in day-to-day management of the company. It is either a major, or sole, shareholder and appoints Directors to the company's boards as well as providing support services to the company across a range of areas including payroll, bank administration, management and legal support. These are the most closely monitored investments as Combined Authority staff actively manage and run the companies including production of monthly management updates and reports.

Peterborough HE Property Company Ltd - University of Peterborough Phases 1 & 3

Equity investment into a Joint Venture along with Peterborough City Council (PCC) and Anglia Ruskin University (ARU) with a total Combined Authority investment of £27m against a £22m investment from PCC mostly funded from the Levelling Up Fund and an £8m share from ARU. This company will deliver two teaching buildings, which will form the basis for the Anglia Ruskin University – Peterborough. ARU-Peterborough opened its doors to students in September 2022 and is delivering accredited university courses.

Peterborough R&D Property Company Ltd – University of Peterborough Phase 2

Equity investment into a Joint Venture to deliver a Research and Development centre on the University of Peterborough Campus, primarily funded by the Getting Building Fund grant provided specifically for the purpose from the Department of Levelling Up, Housing and Communities. This company is constructing a 3-story building within the overall Peterborough University Quarter site with the intention to lease space to support learning and research both with the ARU Peterborough, and companies working on research and development with an anchor tenant occupying the ground floor.

Cambridgeshire and Peterborough Business Growth Company Limited

This company was set up, with £5.4m of Local Growth Fund as equity, extended to £5.8m following the Combined Authority's decision to expand the inward investment service , as a pilot to deliver support to local businesses and improve the skills offering in the Combined Authority area over 3 years, with a planned winding down in December 2023.

In-line with this business plan the operations through the Growth Company have been wound down and the Combined Authority will take a view as to whether there is a future role for the company or whether the company itself should be wound up.

Silent partner service investments

These investments are joint ventures with a partner organisation where the partner has significant expertise in the area in which the company will operate, with the Combined Authority providing financial support. In recognition of the knowledge and experience of the other member of the joint ventures the Combined Authority does not operate significant control over the company regardless of the share ownership position, however it does have the right to appoint a director to each of the companies' Boards.

The Combined Authority receives all papers prepared for the company's boards and annually reviews the companies' financial position as part of the construction of the Combined Authority's group accounts.

Other Equity Investments

Illumina Accelerator Programme

On the recommendation of the Business Board the Combined Authority awarded up to £3m to provide investments of £100k to start-up companies which are accepted onto the accelerator programme to support them to complete the accelerator programme run by Illumina. The accelerator programme offers high growth potential companies 6-months of coaching and access to Illumina's lab space to facilitate their growth and development of their concepts. The outputs for this service investment are new companies establishing in the area, and creating jobs, after completion of the accelerator.

While the overall Illumina programme was subject to the Business Board's due diligence processes, the investments within the programme are made directly into the companies by the Combined Authority. Illumina are not regulated investment advisors and thus do not recommend the companies to the Combined Authority as such the Combined Authority is making its own decision to invest in each company. While there is no recommendation from Illumina, the Combined Authority considers it appropriate to take assurance from a company's acceptance onto the Illumina Accelerator programme taking into consideration the following factors:

i) By the nature of the accelerator programme the companies being accepted would be very early-stage start-ups which would likely not have a financial history from which to draw conclusions on their operations.

ii) Illumina conduct a multi-phase assessment of applicants, including a questionnaire on the company's technology and business plans, interviews, and a 3rd party background check. Acceptance onto the programme therefore indicates Illumina's opinion that the company has a high chance of success, and Illumina invest in each of the companies accepted onto their accelerator programme. Given Illumina's experience and expertise in the sector, as demonstrated by the survival rate of graduates from the established Silicon Valley accelerator, it is reasonable to take assurance from this.

iii) No potential future return on the amounts invested would be included in the Combined Authority's medium term financial plan or capital programme – as such the Combined Authority's financial resilience is independent of the performance of the investments, even in the worst-case scenario of nil returns.

As the value of the investment in each company is low (£100k) and represents a small minority of each company's capital the Combined Authority has very little control over these entities. On this basis their financial accounts are only considered on an annual basis to assess materiality for inclusion in the Combined Authority's group accounts.

The intended outcome of these investments is to enable the company to survive its early development stage to the point at which it can attract further capital investment, not profit from capital growth. Reflecting this the Combined Authority seeks to sell it's shares once the company has achieved further funding however the companies are not publicly traded so achieving a sale and exit is uncertain and could take a number of years.

Start Codon Fund

On the recommendation of the Business Board the Combined Authority agreed a £3m investment into a £15m fund to provide pre-seed equity funding of £250k-£500k to early-stage start-up healthcare and life-science research and development businesses. The fund provides annual performance reports to all it's investors beyond the service reporting required by the Monitoring and Evaluation framework.

Companies are identified by Start Codon, who's team is made up of local experts in the Bio-Pharma life sciences innovation sector, for acceptance onto the accelerator programme; the fund is managed, and investment decisions taken, by the Kin Group Ltd which specialises in venture capital investment.

The fund has a structured plan to sell its investments 10 years after the fund is fully invested, although this is subject to a possible 4-year extension if there is majority investor consent. At this point the fund's position will be liquidated and funding returned to the investors in the proportions in which they originally invested.

Capital Growth Scheme Investments

The Cambridgeshire and Peterborough Business Growth Co Ltd was tasked with the delivery of a fund for small-scale equity investments into SMEs. This programme provided working capital awards of up to £250k to fund growth projects which unlock growth in jobs or scale a company to secure more income generation and jobs at a level where private sector equity finance is lacking due to its focus on high-tech, Intellectual Property (IP) based start-ups and much higher growth rates, which typically favour much higher value equity investments of at least £250k up to £2m and higher. £1.9m has been invested to date, with a potential further £0.3m to be concluded.

The Cambridgeshire and Peterborough Business Growth Co Ltd currently holds these investments, but they are included in the limits in this strategy, as they may transfer to the Combined Authority in the near future if the decision is made to wind up the company.

Security: One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. In order to limit this risk, upper limits on the sum invested in each category of shares have been set as follows:

Table 2: Shares held for service purposes in £ millions

Category of company	31.3.2023 actual			2024/25
	Amounts invested	Gains or losses	Value in accounts	Approved Limit
Subsidiaries	49.090	32.484	42.893	60.000
Local businesses	3.521	1.929	1.913	25.000
TOTAL	**52.611**	**34.777**	**44.806**	**85.000**

Risk assessment: The Authority would assess the risk of loss before entering into, and whilst holding, share agreements. The approach followed would be to consider:

1) an assessment of the market that the Authority would be competing in, the nature and level of competition, how market/customer needs will evolve over time, barriers to entry and exit and any ongoing investment requirements;
2) whether to use external advisors;
3) risk assessment based on credit ratings and the use of credit rating agencies;
4) the monitoring of risk in accordance with the Combined Authority's risk management policy.

Liquidity: Investments will be subject to the drawdown requirements of the Capital programme as set out in the Medium-Term Financial Plan and as monitored in the monthly cashflow forecast.

Non-specified Investments: Shares (defined as equity and equity like instruments) are the only investment type that the Authority has identified that meets the definition of a non-specified investment in the government guidance. The limits above on share investments are therefore also the Authority's upper limits on non-specified investments. The Authority has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

Commercial Investments: Property

The Authority currently does not invest in property with the intention of making a profit that will be spent on local public services and has no immediate plans to do so. In the event that commercial property investments would be held in future, the Authority would consider the following:

Security: In accordance with government guidance, the Authority considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.

Risk assessment: The Authority would assess the risk of loss before entering into and whilst holding property investments. The approach followed would be to consider:

1) A full due diligence exercise covering an assessment of: the property business plan, including sensitivity and scenario analysis; the credit quality of incumbent tenants (if any); the local property market, including demand, availability and voids in current similar commercial

stock; the area's economic outlook and potential; how market/customer needs will evolve over time; barriers to entry and exit and any ongoing investment requirements;

2) Where in-house expertise does not cover the relevant investment opportunity, we will use external advisors for all/part of the due diligence and any other specialist areas;
3) External advice will be monitored by relevant officers, including adherence to deadlines, regular advisory meetings and adherence to project objectives;
4) The risk assessment will include credit ratings as part of the overall in-depth credit assessment of tenants. The creditworthiness of tenants will be monitored on a regular basis, using external expertise where necessary to give a credit view and an early warning of possible issues. As landlord, the Authority will maintain open dialogue with tenants, including discussion of financial stress;
5) The Authority will monitor the performance of the property asset against business plans throughout the life of the asset, assessing its performance and contribution of continued investment against the probable returns from sale.

Liquidity: Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. Each potential investment would be considered to ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed.

Loan Commitments and Financial Guarantees

Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Authority and were the Authority to enter into any, a process in line with that taken for service loans, as set out above, would be followed, including a calculation of a loss allowance where appropriate.

Investment Indicators

The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions.

Total risk exposure: The first indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down.

Table 3: Total investment exposure in £millions

Total investment exposure	31.03.2023 Actual	31.03.2024 Forecast	31.03.2025 Forecast
Treasury management investments	202.352	147.800	103.600
Service investments: Loans	14.513	8.000	15.000
Service investments: Shares	52.611	63.000	75.000
TOTAL INVESTMENTS	269.476	218.800	193.600
Commitments to lend	2.485	0.885	0.000
TOTAL EXPOSURE	271.961	219.685	193.600

Note: forecast for both Loans and Shares include both Strategic Growth Fund (£4.4m) and Levelling Ip Fund (£2.5m) as it is note yet clear what form these investments will take

How investments are funded:

To date, all investments are funded by the Authority's useable reserves and income received in advance of expenditure. There are no immediate plans to borrow.

Rate of return received: This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 4: Investment rate of return

Investments net rate of return	2022/23 Actual	2023/24 Forecast	2024/25 Forecast
Treasury management investments	1.351%	4.392%	5.220%
Service investments - Loans	3.529%	5.818%	2.472%
ALL INVESTMENTS	1.549%	4.463%	4.737%

Cambridgeshire and Peterborough Combined Authority

Minimum Revenue Provision Statement 2024/25

Annual Minimum Revenue Provision Statement 2024/25

Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the former Ministry of Housing, Communities and Local Government's *Guidance on Minimum Revenue Provision* (the MHCLG Guidance) most recently issued in 2018.

The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Revenue Grant, reasonably commensurate with the period implicit in the determination of that grant.

The MHCLG Guidance requires the Authority to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance.

- The Authority expects that its capital financing requirement will be nil on 31st March 2024 and in line with the MHCLG Guidance it expects to charge no MRP in 2024/25.

- For capital expenditure loans to third parties, the Authority will make nil MRP unless (a) the loan is an investment for commercial purposes and no repayment was received in year or (b) an expected credit loss was recognised or increased in-year, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment on loans that are investments for commercial purposes, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. Sufficient MRP will be charged to ensure that the outstanding capital financing requirement (CFR) on the loan is no higher than the principal amount outstanding less the expected credit loss. This option was proposed by the government in its recent MRP consultation and in the Authority's view is consistent with the current regulations.

- Where loans are made from grant funds, there will be no Capital Finance Requirement and therefore no MRP.

- Where former operating leases have been brought onto the balance sheet due to the adoption of the *IFRS 16 Leases* accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or incentives, then the annual MRP charges will be adjusted so that the total charge to revenue remains unaffected by the new standard.

- The table below summarises the MRP Policy.

Capital Expenditure Incurred	MRP Policy
Expenditure funded by unsupported borrowing	Asset Life, annuity method – MRP will be based on the prevailing PWLB interest rate for a loan with a term equivalent to the estimated life of the project.
Finance Leases	MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
Secured Loans to third parties repaid in bullet form.	No MRP will be charged as reliance can be placed on the capital receipt that will be generated when the loan is repaid or, in the event of a default, the realisation of the security. If realisation of the security does not equate to the original loaned amount, the Authority will recognise the associated impairment and will charge MRP on the outstanding balance.

Cambridgeshire and Peterborough Combined Authority

Treasury Management Strategy Statement 2024/25

Introduction

Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Authority's prudent financial management.

Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2021 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy.

External Context

Economic background:

The impact on the UK from higher interest rates and inflation, a weakening economic outlook, an uncertain political climate due to an upcoming general election, together with war in Ukraine and the Middle East, will be major influences on the Authority's treasury management strategy for 2024/25.

The Bank of England (BoE) increased Bank Rate to 5.25% in August 2023, before maintaining this level for the rest of 2023. In December 2023, members of the BoE's Monetary Policy Committee voted 6-3 in favour of keeping Bank Rate at 5.25%. The three dissenters wanted to increase rates by another 0.25%.

The November quarterly Monetary Policy Report (MPR) forecast a prolonged period of weak Gross Domestic Product (GDP) growth with the potential for a mild contraction due to ongoing weak economic activity. The outlook for CPI inflation was deemed to be highly uncertain, with upside risks to CPI falling to the 2% target coming from potential energy price increases, strong domestic wage growth and persistence in price-setting.

Office for National Statistics (ONS) figures showed CPI inflation was 3.9% in November 2023, down from a 4.6% rate in the previous month and, in line with the recent trend, lower than expected. The core CPI inflation rate declined to 5.1% from the previous month's 5.7%, again lower than predictions. Looking ahead, using the interest rate path implied by financial markets the BoE expects CPI inflation to continue falling slowly, but taking until early 2025 to reach the 2% target before dropping below target during the second half 2025 and into 2026.

ONS figures showed the UK economy contracted by 0.1% between July and September 2023. The BoE forecasts GDP will likely stagnate through 2024. The BoE forecasts that higher interest rates will constrain GDP growth, which will remain weak over the entire forecast horizon.

The labour market appears to be loosening, but only very slowly. The unemployment rate rose slightly to 4.2% between June and August 2023, from 4.0% in the previous 3-month period, but the lack of consistency in the data between the two periods made comparisons difficult. Earnings growth has remained strong, but has showed some signs of easing; regular pay (excluding bonuses) was up 7.3% over the period and total pay (including bonuses) up 7.2%. Adjusted for inflation, regular pay was 1.4% and total pay 1.3%. Looking forward, the MPR showed the unemployment rate is expected to be around 4.25% in the second half of calendar 2023, but then rising steadily over the forecast horizon to around 5% in late 2025/early 2026.

Having increased its key interest rate to a target range of 5.25-5.50% in August 2023, the US Federal Reserve appears now to have concluded the hiking cycle. It is likely this level represents the peak in US rates following a more dovish meeting outcome in December 2023. US GDP grew at an annualised rate of 4.9% between July and September 2023, ahead of expectations for a 4.3% expansion and the 2.1% reading for Q2. But the impact from higher rates has started to feed into economic activity and growth will weaken in 2024. Annual CPI inflation was 3.1% in November.

Eurozone inflation has declined steadily since the start of 2023, falling to an annual rate of 2.4% in November 2023. Economic growth has been weak and GDP contracted by 0.1% in the three months to September 2023. In line with other central banks, the European Central Bank has increased rates, taking its deposit facility, fixed rate tender, and marginal lending rates to 3.75%, 4.25% and 4.50% respectively.

Credit outlook:

Credit Default Swap (CDS) prices were volatile during 2023, spiking in March on the back of banking sector contagion concerns following the major events of Silicon Valley Bank becoming insolvent and the takeover of Credit Suisse by UBS. After then falling back in Q2 of calendar 2023, in the second half of the year, higher interest rates and inflation, the ongoing war in Ukraine, and now the Middle East, have led to CDS prices increasing steadily.

On an annual basis, CDS price volatility has so far been lower in 2023 compared to 2022, but this year has seen more of a divergence in prices between ringfenced (retail) and non-ringfenced (investment) banking entities once again.

Moody's revised its outlook on the UK sovereign to stable from negative to reflect its view of restored political predictability following the volatility after the 2022 mini-budget. Moody's also affirmed the Aa3 rating in recognition of the UK's economic resilience and strong institutional framework.

Following its rating action on the UK sovereign, Moody's revised the outlook on five UK banks to stable from negative and then followed this by the same action on five rated local authorities. However, within the same update the long-term ratings of those five local authorities were downgraded.

There remain competing tensions in the banking sector, on one side from higher interest rates boosting net income and profitability against another of a weakening economic outlook and likely recessions that increase the possibility of a deterioration in the quality of banks' assets.

However, the institutions on our adviser Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

Interest rate forecast:

Although UK inflation and wage growth remain elevated, the Authority's treasury management adviser Arlingclose forecasts that Bank Rate has peaked at 5.25%. The Bank of England's Monetary Policy Committee will start reducing rates in 2024 to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. Arlingclose sees rate cuts from Q3 2024 to a low of around 3% by early-mid 2026.

Arlingclose expects long-term gilt yields to be broadly stable at current levels (amid continued volatility), following the decline in yields towards the end of 2023, which reflects the expected lower medium-term path for Bank Rate. Yields will remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.

Table 1 Arlingclose Interest Rate Forecast – January 2024

	Current	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00
Central Case	5.25	5.25	5.25	5.25	5.00	4.75	4.25	4.00	3.75	3.50	3.25	3.00	3.00
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
3-month money market rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00
Central Case	5.40	5.40	5.40	5.30	5.15	4.80	4.30	4.10	3.80	3.50	3.25	3.05	3.05
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
5yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.77	3.75	3.75	3.75	3.70	3.60	3.50	3.50	3.40	3.30	3.30	3.30	3.35
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
10yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.72	3.75	3.80	3.80	3.80	3.80	3.80	3.80	3.75	3.65	3.60	3.65	3.70
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
20yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.16	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.25
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
50yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.76	3.80	3.85	3.90	3.90	3.90	3.90	3.90	3.90	3.90	3.95	3.95	3.95
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%
PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%
UKIB Rate (Maturity Loans) = Gilt yield + 0.40%
UK Infrastructure Bank Rate = Gilt yield + 0.40%

Local Context

On 31st January 2024 the Authority held £nil borrowing and £196.7m of treasury investments.

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment.

The Authority is currently debt free and its capital expenditure plans do not currently imply any need to borrow over the forecast period. Investments are forecast to fall from current levels (end of Jan 2024) of £197m to £14m (end Mar 2027) as capital funding is used to finance capital expenditure and reserves are used to finance the revenue budget as set out in the Capital programme and the Medium-Term Financial Plan.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years.

The Authority expects that its capital financing requirement will be nil on 31st March 2024 and in line with the DLUHC Guidance it expects to charge no MRP in 2024/25. The Combined Authority has no current requirement to borrow over the lifetime of the Medium Term Financial Plan and so the forecast CFR until 2028 is £nil.

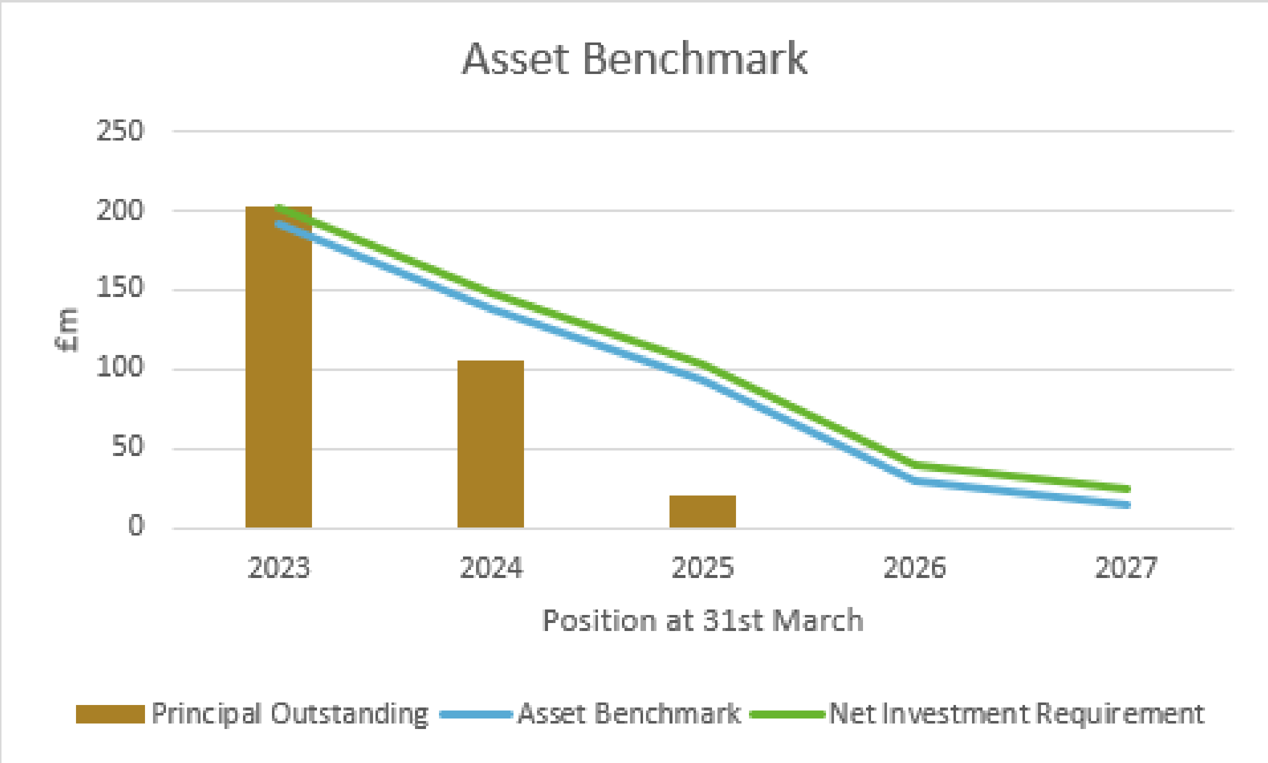
Liability benchmark: To compare the Authority's actual borrowing against an alternative strategy, the Authority is required to calculate a liability benchmark showing the lowest risk level of borrowing.

The liability benchmark is an important tool to help establish whether the Authority is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Authority must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Table 2: Prudential Indicator: Liability benchmark

	31.3.23 Actual £m	31.3.24 Estimate £m	31.3.25 Forecast £m	31.3.26 Forecast £m	31.3.27 Forecast £m
Loans CFR	0	0	0	0	0
Less: Balance sheet resources	(202.4)	(147.8)	(103.6)	(39.8)	(24.0)
Net loans requirement	(202.4)	(147.8)	(103.6)	(39.8)	(24.0)
Plus: Liquidity allowance	10.0	10.0	10.0	10.0	10.0
Liability (Asset) benchmark	(192.4)	(137.8)	(93.6)	(29.8)	(14.0)

As there are no current plans to borrow, the medium-term forecasts in table 2 above shows an asset benchmark for comparing against investment levels but will be kept under review. The chart below shows the Asset Benchmark against committed investments, whilst it is best practice to show this for a minimum of 10 years, as the Authority is asset rich with no long-term borrowing and the MTFP only covers 4 years it would not be meaningful to go further.



Borrowing Strategy

The Authority is not currently in receipt of any loans. The balance sheet forecast shows that the Authority does not expect to need to borrow in 2024/25. However, the Authority may borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £84.61 million.

Objectives: The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

Strategy: The Authority's borrowing strategy will address the key issue of affordability without compromising the longer-term stability of any future debt portfolio. Short-term interest rates are currently at a 15-year high but are expected to fall in the coming years and it is therefore likely to be more cost effective over the medium-term to either use internal resources, or to borrow short-term loans instead.

The benefits of internal / short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2024/25 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

The Authority expects to borrow any long-term loans from the PWLB or the UKIB, but will consider long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Authority intends to avoid this activity in order to retain its access to PWLB loans.

Alternatively, the Authority may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Authority may borrow short-term loans to cover unplanned cash flow shortages.

Sources of borrowing: The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- UK Infrastructure Bank Ltd
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except the Combined Authority's Pension Fund)
- capital market bond investors
- retail investors via a regulated peer-to-peer platform
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

Other sources of debt finance: In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback
- similar asset based finance

Municipal Bonds Agency: UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to the Board.

Short-term and variable rate loans: These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section below).

Debt rescheduling: The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this in the future and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

Treasury Investment Strategy

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's treasury investment balance has ranged between £190m and £265m, and levels are expected to be subject to the drawdown of funds to support the delivery of the Combined Authority's priorities and objectives as set out in the Business Plan and the Medium-Term Financial Plan.

Objectives: The CIPFA Code requires the Authority to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. The Authority aims to be a responsible investor and when making investments with private entities will consider environmental, social and governance (ESG) issues when investing.

Strategy: As demonstrated by the liability benchmark above, the Authority expects to be a long-term investor and treasury investments will therefore include both short-term low risk instruments to manage day-to-day cash flows and longer-term instruments where limited additional risk is accepted in return for higher investment income to support local public services.

ESG policy: Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Authority's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Authority will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

Business models: Under the IFRS 9 standard, the accounting for certain investments depends on the Authority's "business model" for managing them. The Authority aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

Approved counterparties: The Authority may invest its surplus funds with any of the counterparty types in table 3 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 3: Treasury investment counterparties and limits

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities	25 years	£25m	Unlimited
Secured investments *	25 years	£25m	Unlimited
Banks (unsecured) *	13 months	£15m	Unlimited
Building societies (unsecured) *	13 months	£15m	£25m

Registered providers (unsecured) *	5 years	£15m	£50m
Money market funds *	n/a	£25m	Unlimited
Strategic pooled funds	n/a	£25m	£100m
Real estate investment trusts	n/a	£25m	£50m
Other investments *	5 years	£15m	£25m

This table must be read in conjunction with the notes below

Minimum Credit rating: Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

For entities without published credit ratings, investments may be made where external advice indicates the entity to be of similar credit quality.

Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

Secured investments: Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

Banks and building societies (unsecured): Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Registered providers (unsecured): Loans to, and bonds issued or guaranteed by registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

Money market funds: Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

Strategic pooled funds: Bond, equity and property funds that offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

Real estate investment trusts: Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

Other investments: This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Authority's investment at risk.

Operational bank accounts: The Authority may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £25m per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

Risk assessment and credit ratings: Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other information on the security of investments: The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Authority's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

Reputational aspects: The Authority is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be taken into account when making investment decisions.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

Investment limits: In order to minimise the risk of a single default against available reserves, the maximum that will be lent to any one organisation (other than the UK Government) will be £25m. A group of entities under the same ownership will be treated as a single organisation for limit purposes.

Credit risk exposures arising from non-treasury investments, financial derivatives and balances greater than £25m in operational bank accounts would be taken account of against the relevant investment limits when making treasury management investments, but the limits in this strategy do not apply to service investments.

Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Investment limits

	Cash limit
Any group of pooled funds under the same management	£50m per manager
Negotiable instruments held in a broker's nominee account	£50m per broker
Foreign countries	£25m per country

Liquidity management: The Authority uses cash flow forecasting to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium-term financial plan and cash flow forecast.

The Authority will spread its liquid cash over at least three providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

Treasury Management Prudential Indicators

The Authority measures and manages its exposures to treasury management risks using the following indicators.

Security: The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	Target
Portfolio average credit rating	6 (A)

Liquidity: The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet payments within a rolling three month period, without additional borrowing.

Liquidity risk indicator	Target
Total cash available within 3 months	£15m

Interest rate exposures: This indicator is set to control the Authority's exposure to interest rate risk:

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% rise in interest rates	£1.5m
Upper limit on one-year revenue impact of a 1% fall in interest rates	£1.5m

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates.

Principal sums invested for periods longer than a year (excluding loans): The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	2024/25	2025/26	2026/27	No fixed date
Limit on principal invested beyond year end	£95m	£30m	£15m	£15m

Long-term investments with no fixed maturity date include strategic pooled funds and real estate investment trusts but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

Related Matters

The CIPFA Code requires the Authority to include the following in its treasury management strategy.

Financial Derivatives: Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 113A of the Local Democracy, Economic Development and Construction Act 2009 removes much of the uncertainty over combined authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.

In line with the CIPFA Code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

Markets in Financial Instruments Directive: The Authority has opted up to professional client status with its providers of financial services, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, the Chief Financial Officer believes this to be the most appropriate status.

Financial Implications

The budget for investment income in 2024/25 is £4.5 million, based on the expected investment portfolio. There is no budget for debt interest paid in 2024/25.

Where investment income exceeds budget, e.g. from higher risk investments including pooled funds, or debt interest paid falls below budget, e.g. from cheap short-term borrowing, then consideration will be given to transferring a portion of the revenue savings will be transferred to a treasury management reserve to cover the risk of capital losses or higher interest rates payable in future years as was done in 2022/23 in the creation of the inflation reserve.

Other Options Considered

The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Finance Officer believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain

Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Appendix A – Existing Investment & Debt Portfolio Position

	31 Dec 2023 **Actual Portfolio £m**	**Average Rate %**
External borrowing:		
Public Works Loan Board	**0**	
Local authorities	**0**	
LOBO loans from banks	**0**	
Other loans	**0**	
Total external borrowing	**0**	
Total gross external debt	0	
Treasury investments:		
Banks & building societies (unsecured)	0.4	2.00
Government (incl. local authorities)	173.3	4.99
Money Market Funds	23.0	5.33
Total treasury investments	196.7	5.03
Net debt	(196.7)	

Cambridgeshire and Peterborough Combined Authority

Capital Strategy Report ~~2023/24~~2024/25

Introduction

This capital strategy report gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members' understanding of these sometimes technical areas.

Decisions made this year on capital and treasury management will have financial consequences for the Authority for many years into the future. They are therefore subject to both a national regulatory framework and to a local policy framework, summarised in this report.

Capital Expenditure and Financing

Capital expenditure is where an Authority spends money on assets, such as property, shares in companies or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets.

In ~~2023/24~~2024/25, the Authority is planning capital expenditure of £~~101.59m~~162.40m as summarised below.

Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions

	~~2021/22~~2022/23 actual	~~2022/23~~2023/24 forecast	~~2023/24~~2024/25 budget	~~2024/25~~2025/26 budget
Capital investments	~~117.07~~104.53	~~125.43~~161.45	~~101.59~~162.40	~~48.95~~63.37
TOTAL	~~117.07~~104.53	~~125.43~~161.45	~~101.59~~162.40	~~48.95~~63.37

The figures for ~~2022/23,~~ 2023/24, 2024/25 and ~~2024/25~~2025/26 are taken from the Approved Capital Expenditure Programme as set out and described in the draft Medium Term Financial Plan approved for consultation by the Combined Authority Board at its ~~January~~November meeting.

Governance:

The Combined ~~Authority's~~Authority has a suite of key governance and policy documents with the Single Assurance Framework ~~sets out~~providing the primary governance document in relation to investment processes including:

~~(a) How the seven principles of public life shape~~(a) How the Combined Authority adheres to the requirements of the English Devolution Accountability Framework and Nolan principals shaping the culture within the Combined Authority in undertaking its roles and responsibilities in relation to the use and administration of the Cambridgeshire and Peterborough Investment, incorporating the Single Pot funding. This culture is developed and underpinned by processes, practices and procedures including a code of conduct for both Members and Officers.

(b) Alongside the Combined Authority's constitution, sets out the respective roles and responsibilities ~~of~~across the Combined Authority, including the Mayor, the Board, Investment Committee, Business Board ~~(the Local Enterprise Partnership)~~, Thematic and statutory Committees, and statutory officers.

(c) The key processes for ensuring accountability, including public engagement, probity, transparency, legal compliance and value for money.

(d) How potential investments to be funded through the Cambridgeshire and Peterborough Medium Term Financial Plan, incorporating the Single Pot, will be appraised, prioritised, approved, signed off and delivered.

(e) The processes for oversight of projects, programmes and portfolios and how the progress and impacts of these investments will be monitored and evaluated.

All capital expenditure must be financed, either from external sources (government grants and other contributions), the Authority's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

Table 2: Capital financing in £ millions

	~~2021/22~~2022/23 actual	~~2022/23~~2023/24 forecast	~~2023/24~~2024/25 budget	~~2024/25~~2025/26 budget
Grant Funding	~~102.14~~87.83	~~101.17~~143.41	~~88.92~~155.19	~~44.68~~58.96
Usable Capital Receipts	~~14.93~~16.70	~~24.26~~18.04	~~12.67~~7.21	4.~~27~~41
Debt	0	0	0	0
TOTAL	~~117.07~~104.53	~~124.43~~161.45	~~101.59~~162.40	~~48.95~~63.37

Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance.

The Combined Authority currently does not have any debt, but has the ability to borrow to facilitate delivery should it be needed. While there are no current projects within the MTFP which fund delivery via borrowing, the ~~role of the~~ Combined Authority ~~in~~is considering the case for Franchising the ~~sustainability and Public Transport agendas is still in development and~~bus network. The investments to support the franchised network may be financed by debt ~~may form part of~~but the Combined Authority would likely apply internal borrowing for this ~~role~~rather than external debt. The Combined Authority has no allowance built into it's MTFP to service debt, it is anticipated that any future borrowing would have to be supported by future receipts from the project delivery it funded.

The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The Authority currently has no debt and therefore no CFR.

The Authority expects that its capital financing requirement will be nil on 31st March ~~2023~~2024 and in line with the DLUHC Guidance expects to charge no MRP in ~~2023/24~~2024/25.

For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Authority will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead.

Where loans are made from grant funds, there will be no Capital Finance Requirement and therefore no MRP. Where loans are debt funded, where creditworthiness of the borrower decreases or the asset value drops below the loan value, MRP will be charged on the shortfall.

Asset disposals: When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. Repayments of capital grants, loans and investments also generate capital receipts.

Treasury Management

Treasury management is concerned with keeping sufficient, but not excessive, cash available to meet the Authority's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Authority is typically cash rich in the short-term as grant income is received before it is spent.

As at 31 ~~January~~December 2023, the Authority had no borrowing and £~~195.3m~~196.7m treasury investments at an average rate of ~~2.93~~5.03%

Borrowing strategy: The Authority's main objectives when borrowing would be to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Authority would therefore seek to strike a balance between cheap short-term loans and long-term fixed rate loans where the future cost is known but higher.

The Authority does not borrow to invest for the primary purpose of financial return and therefore retains full access to the Public Works Loans Board.

Projected levels of the Authority's total outstanding debt (which comprises borrowing and leases) are shown below, compared with the capital financing requirement (see above).

Table 3: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £ millions

	31.3.~~2022~~2023 actual	31.3.~~2023~~2024 forecast	31.3.~~2024~~2025 budget	31.3.~~2025~~2026 budget
Debt (incl. PFI & leases)	0	0	0	0
Capital Financing Requirement	0	0	0	0

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. The Authority expects to comply with this in the medium term.

Liability benchmark: To compare the Authority's actual borrowing against an alternative strategy, a liability benchmark is calculated showing the lowest risk level of borrowing. This is a requirement of the Treasury Management Code. Given that there are no current plans to borrow, this calculation shows an asset benchmark for comparing against investment levels, but will be kept under review.

Table 4: Borrowing and the Liability Benchmark in £ millions

	31.3.~~2022~~2023 actual	31.3.~~2023~~2024 forecast	31.3.~~2024~~2025 budget	31.3.~~2025~~2026 budget

~~Outstanding~~Forecast borrowing	0	0	0	0
Liability (Asset) benchmark	(~~298.3~~192.4)	(~~125.6~~137.8)	(~~54~~93.6)	(~~33~~29.8)

Affordable borrowing limit: The Authority is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year and to keep it under review. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

Table 5: Prudential Indicators: Authorised limit and operational boundary for external debt in £m

	~~2022/23~~2023/24 limit	~~2023/24~~2024/25 limit	~~2024/25~~2025/26 limit
Authorised limit – total external debt	84.61	84.61	84.61
Operational boundary – total external debt	74.61	74.61	74.61

Treasury investment strategy: Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

The Authority's policy on treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms can be invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Authority may request its money back at short notice.

Risk management: The effective management and control of risk are prime objectives of the Authority's treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.

Governance: Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Chief Finance Officer and staff, who must act in line with the treasury management strategy approved by the Board. Regular reports on treasury management activity are presented to the Audit and Governance Committee who are responsible for ensuring effective scrutiny of the treasury management strategy and policies in accordance with CIPFA's Code of Practice.

Investments for Service Purposes

The Authority makes investments to assist local public services, including making loans to and buying shares in local service providers, local small businesses to promote economic growth and the Authority's subsidiaries that provide services. In light of the public service objective, the Authority is willing to take more risk than with treasury investments, however it still plans for service loans to at least break even after all costs.

The Combined Authority will assume no future financial returns on any equity investments within its Medium-Term Financial Plan (MTFP). This is, financially, the worst-case scenario with equity investments; by not assuming any future returns the Combined Authority is exposed to only up-side risk and the future financial stability of the organisation is not reliant on the performance of the investments i.e. there is no risk that the Combined Authority will be unable to proceed with it's plans due to poorer than anticipated financial performance of the companies.

Governance: Decisions on service investments are made by the relevant service manager in consultation with the Chief Finance Officer and must meet the criteria and limits laid down in the investment strategy. Most loans and shares are capital project expenditure and ~~purchases and~~ will therefore ~~also be approved as part of~~follow the ~~capital programme~~business case approval route appropriate for their value set out within the Single Assurance Framework. The Chief Officer for the relevant service is responsible for ensuring that adequate due diligence is carried out before investment is made.

Commercial Activities

The Combined Authority currently does not hold any commercial investments.

Other Liabilities

The Authority is committed to making future payments to cover its pension fund deficit (~~valued~~as at ~~£~~31/3~~.87m~~/23 this was a surplus of £0.92m). There are currently no commitments to make future payments in relation to debt or other major liabilities.

The Authority is also at risk of having to pay for costs related to issues on a construction project but has not put aside any money because current estimates anticipate the costs will be within the existing project budget There is currently no requirement to cover risks of other provisions, financial guarantees or major contingent liabilities.

Governance: Decisions on incurring new discretional liabilities are taken by Executive Directors in consultation with the Chief Finance Officer. The risk of liabilities crystallising and requiring payment is monitored by the Finance team and reported to both the ~~Audit~~relevant thematic committee and ~~Governance~~the investment committee. New liabilities/loans are reported to the Board for approval/notification as appropriate.

Revenue Budget Implications

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from general government grants. There are no current plans to borrow, and therefore no budget financing costs.

Table 6: Prudential Indicator: Proportion of financing costs to net revenue stream

	~~2021/22~~2022/23 actual	~~2022/23~~2023/24 forecast	~~2023/24~~2024/25 budget	~~2024/25~~2025/26 budget
Financing costs (£m)	0	0	0	0
Proportion of net revenue stream	0%	0%	0%	0%

Sustainability: Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend into the future. The Chief Finance Officer is satisfied that the proposed capital programme is prudent, affordable and sustainable as demonstrated in the Medium-Term Financial Plan.

Knowledge and Skills

The Authority employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Chief Finance Officer is a qualified accountant with over 25 years post qualification experience. The Authority pays for staff to study towards relevant professional qualifications and for all qualified staff to keep up to date with relevant 'continuing professional development'.

Where Authority staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Authority currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly and ensures that the Authority has access to knowledge and skills commensurate with its risk appetite.

Cambridgeshire and Peterborough Combined Authority

Non-treasury Investment Strategy Report ~~2023/24~~2024/25

Introduction

The Authority may invest its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
- to support local public services, skills or economic growth by lending to or buying shares in other organisations (**service investments**), and
- to earn investment income (known as **commercial investments** where this is the main purpose).

This investment strategy meets the requirements of statutory guidance issued by the government in January 2018 and focuses on the second and third of these categories.

The statutory guidance defines investments as "all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios." The Authority interprets this to exclude (a) trade receivables which meet the accounting definition of financial assets but are not investments in the everyday sense of the word and (b) property held partially to generate a profit but primarily for the provision of local public services. This aligns the Authority's definition of an investment with that in the 2021 edition of the CIPFA Prudential Code, a more recent piece of statutory guidance.

Treasury Management Investments

The Authority typically receives its income in cash (e.g. from grants before it pays for its expenditure in cash (e.g. through payroll, invoices and grants). It also holds reserves for future expenditure. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £~~55m~~135m and £~~126m~~104m during the ~~2023/24~~2024/25 financial year.

Contribution: The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.

Further details: Full details of the Authority's policies and its plan for ~~2023/24~~2024/25 for treasury management investments are covered in a separate document, the treasury management strategy.

Service Investments: Loans

Contribution: The Council lends money to its subsidiaries and local businesses to support local public services, ~~to support the provision of affordable housing~~ and to stimulate local economic growth and skills development.

~~**Revolving Housing Fund**~~

~~In September 2018, the Combined Authority Board approved the creation of a £40m revolving fund from the £100m fund receivable from central government to bring forward 2,000 affordable homes by March 2022. No new loans are being made from the fund as the returned funds are now being used to fund affordable housing grants. Of the five loans made under the scheme three have been fully repaid and the other two are due to be repaid by the end of May 2023.~~

Recycled Growth Fund and Strategic Growth Fund Loans

The Combined Authority ~~offers~~has historically offered capital loans to local companies, and other Local Authorities, via recycled growth funds on the advice of the Business Board, where the projects are considered to achieve value for money and fit with the strategic direction set out in the Local Industrial Strategy. ~~As the majority of Growth Funds was awarded prior to March 2022 the extent of new loans that will be available in 2023-24 is likely to be quite small.~~

As the majority of Recycled Growth Funds was awarded prior to March 2023, the Combined Authority is establishing a £20m Strategic Growth Fund. The criteria, and blend of grant, equity, and loans, will be established by the Combined Authority Board in 2024/25 and the funds allocated in-line with the recently approved Single Assurance Framework.

As the proportion of the £20m (£4.4m in 24/25) which will be available as loans and equity has not yet been established the approved limits have been set at a level which will allow flexibility to allocate the funds as either without breaching the limits.

Security of Service Loans

The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Authority, upper limits on the outstanding loans to each category of borrower have been set as follows:

Table 1: Loans for service purposes in £ millions

Category of borrower	**31.3.~~2022~~2023 actual**			**~~2023/24~~2024/25**
	Balance owing	**Loss allowance**	**Net figure in accounts**	**Approved Limit**
Subsidiaries	0.~~000~~403	0.~~000~~003	0.~~000~~400	10.000
Local businesses	~~41.656~~14.578	0.~~344~~065	~~41.312~~14.513	20.000
TOTAL	**~~41.656~~14.981**	**0.~~344~~068**	**~~41.312~~14.913**	**30.000**

Accounting standards require the Authority to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Authority's statement of accounts are shown net of this loss allowance. However, the Authority makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

Risk assessment: The Authority would assess the risk of loss before entering into and whilst holding service loans. All future loans would be subject to the following risk assessment and mitigating actions:

1) An appropriate level of due diligence, to include the use of external advisors where appropriate.
2) An appropriate loan period and timing of repayments

3) The calculation of an interest rate that would represent 'value for money', be of 'no detriment' to the Combined Authority, and to minimise the risk of Subsidy Control challenge
4) Approval being subject to a business case, due diligence, and loan agreement to the satisfaction of the Chief Executive, Monitoring Officer and Chief Finance Officer.
5) The business case would be reviewed to include focus on:
    a. Impact of existing loans and charges on assets
    b. Accuracy and reasonableness of Cashflow and profit forecasts
    c. Ambition of future sales targets and income to repay loan
    d. Provisions/allowances for contingency, inflation
    e. Review of credit worthiness of business and collateralisation of loan
6) For housing development loans, first legal charge over land and assets
7) Regular review and valuation of the assets
8) Drawdown subject to a gateway process
9) Consideration of options of parent company guarantees
10) Consideration of obligations of S106 agreements

All loans are subject to ~~approval by the Combined Authority Board.~~an approved project business case in-line with the delegations set out in the Single Assurance Framework.

Service Investments: Shares

The Combined Authority invests in the shares primarily for the delivery of service outcomes rather than for financial return. It invests in equities of both subsidiaries and local businesses to support local public services and stimulate local economic growth. These investments are an intrinsic part of the delivery of the Combined Authority's programmes they are subject to the Combined Authority's Monitoring and Evaluation framework (published here) which has been reviewed by the Department for Business, Energy and Industrial Strategy including quarterly reporting on the service outcomes being delivered. As such this strategy only refers to monitoring of the company from a financial investor's perspective beyond what is done in line with the Monitoring and Evaluation framework. As part of the implementation of the Single Assurance Framework a revised Monitoring and Evaluation Framework will be developed during 2024/25. The revised Framework will include any continuing requirements while aligning these to the Authority's new processes.

The Combined Authority has approved a number of material service equity investments as part of the University of Peterborough and Business and Skills agendas summarised below however, in consideration of the relative risk of equity investments over grants and loan funding, there are two overarching principals which the Combined Authority follows with all it's equity investments to ensure that it does not expose itself to undue financial risk:

1) The Combined Authority will only invest in limited companies – this limits the liability that the Combined Authority faces to the equity invested in the company, ensuring that the wider Combined Authority finances are insulated from movement in the values of the companies.

2) The Combined Authority will assume no future financial returns on any equity investments within its Medium-Term Financial Plan (MTFP). This is, financially, the worst-case scenario

with equity investments; by not assuming any future returns the Combined Authority is exposed to only up-side risk and the future financial stability of the organisation is not reliant on the performance of the investments i.e. there is no risk that the Combined Authority will be unable to proceed with it's plans due to poorer than anticipated financial performance of the companies.

All existing material equity investments have been made following a recommendation of the Business Board as all involve an element of Local Growth Fund investment. As such all equity investments will have followed the robust due diligence and scoring process which all potential investments must complete prior to being considered by the Business Board – this involves an independent external evaluation of the applicant's business case, financial statements, credit searches, management capability and experience, project key risks, and strategic fit. This results in a report on these areas, a score, and recommendations on what controls and risk mitigations should be put in place if the investment is entered into.

Alongside this, for investments of £500k or more, the applicant will also be required to present their proposal to an Entrepreneurs' Assessment Panel (EAP) made up of Members of the Business Board and external experts in the field who also score the projects.

The Business Board, who's voting membership is made up of experienced CEOs, will then consider the application, appraiser's report and EAP scoring and they can request further information, recommend investments to the Combined Authority for ratification, or reject the project.

The equity investments fall into three groups, in this strategy referred to as: subsidiaries, silent partner service investments, and other equity investments.

Subsidiaries

Equity holdings in this group are in companies in which the Combined Authority has an active role in day-to-day management of the company. It is either a major, or sole, shareholder and appoints Directors to the company's boards as well as providing support services to the company across a range of areas including payroll, bank administration, management and legal support. These are the most closely monitored investments as Combined Authority staff actively manage and run the companies including production of monthly management updates and reports.

Peterborough HE Property Company Ltd - University of Peterborough Phases 1 & 3

Equity investment into a Joint Venture along with Peterborough City Council (PCC) and Anglia Ruskin University (ARU) with a total Combined Authority investment of £27m against a £22m investment from PCC mostly funded from the Levelling Up Fund and an £8m share from ARU. This company will deliver two teaching buildings, which will form the basis for the Anglia Ruskin University – Peterborough. ARU-Peterborough opened its doors to students in September 2022 and is delivering accredited university courses.

Peterborough R&D Property Company Ltd – University of Peterborough Phase 2

Equity investment into a Joint Venture to deliver a Research and Development centre on the University of Peterborough Campus, primarily funded by the Getting Building Fund grant provided specifically for the purpose from the Department of Levelling Up, Housing and Communities. This company is constructing a 3-story building within the overall Peterborough University Quarter site with the intention to lease space to support learning and research both with the ARU Peterborough, and companies working on research and development with an anchor tenant occupying ~~one of~~ the ~~3 floors~~ground floor.

Cambridgeshire and Peterborough Business Growth Company Limited

This company was set up, with £5.4m of Local Growth Fund as equity, extended to £5.8m following the Combined Authority's decision to expand the inward investment service , as a pilot to deliver support to local businesses and improve the skills offering in the Combined Authority area over 3 years, with a planned winding down in December 2023.

~~Via subcontracting with a consortia it delivers services on behalf of the Combined Authority including growth coaching for businesses, inward investment, and skills capacity building. The Combined Authority's equity investment is supported with other income streams including the Growth Hub grant, Community Renewal Funds (Start & Grow and Turning Point), EU funding, and the Careers and Enterprise Company contracts. It also manages the Capital Growth Scheme as discussed later.~~

~~**CAM Special Purpose Vehicle**~~

~~In 2020-21 the Combined Authority Board approved the creation of a special purpose vehicle company as the preferred option for carrying forward the CAM project. In light of this £4.0m of Combined Authority funds were invested to set up the company. In May 2021 the Mayor was elected under a clear commitment to no longer support the CAM and the company is now in the process of being wound up and the remaining funds have been returned to the Authority~~In-line with this business plan the operations through the Growth Company have been wound down and the Combined Authority will take a view as to whether there is a future role for the company or whether the company itself should be wound up.

Silent partner service investments

These investments are joint ventures with a partner organisation where the partner has significant expertise in the area in which the company will operate, with the Combined Authority providing financial support. In recognition of the knowledge and experience of the other member of the joint ventures the Combined Authority does not operate significant control over the company regardless of the share ownership position, however it does have the right to appoint a director to each of the companies' Boards.

The Combined Authority receives all papers prepared for the company's boards and annually reviews the companies' financial position as part of the construction of the Combined Authority's group accounts.

Other Equity Investments

Illumina Accelerator Programme

On the recommendation of the Business Board the Combined Authority awarded up to £3m to provide investments of £100k to start-up companies which are accepted onto the accelerator programme to support them to complete the accelerator programme run by Illumina. The accelerator programme offers high growth potential companies 6-months of coaching and access to Illumina's lab space to facilitate their growth and development of their concepts. The outputs for this service investment are new companies establishing in the area, and creating jobs, after completion of the accelerator.

While the overall Illumina programme was subject to the Business Board's due diligence processes, the investments within the programme are made directly into the companies by the Combined Authority. Illumina are not regulated investment advisors and thus do not recommend the companies to the Combined Authority as such the Combined Authority is making its own decision to invest in each company. While there is no recommendation from Illumina, the Combined Authority considers it appropriate to take assurance from a company's acceptance onto the Illumina Accelerator programme taking into consideration the following factors:

i) By the nature of the accelerator programme the companies being accepted would be very early-stage start-ups which would likely not have a financial history from which to draw conclusions on their operations.

ii) Illumina conduct a multi-phase assessment of applicants, including a questionnaire on the company's technology and business plans, interviews, and a 3rd party background check. Acceptance onto the programme therefore indicates Illumina's opinion that the company has a high chance of success, and Illumina invest in each of the companies accepted onto their accelerator programme. Given Illumina's experience and expertise in the sector, as demonstrated by the survival rate of graduates from the established Silicon Valley accelerator, it is reasonable to take assurance from this.

iii) No potential future return on the amounts invested would be included in the Combined Authority's medium term financial plan or capital programme – as such the Combined Authority's financial resilience is independent of the performance of the investments, even in the worst-case scenario of nil returns.

As the value of the investment in each company is low (£100k) and represents a small minority of each company's capital the Combined Authority has very little control over these entities. On this basis their financial accounts are only considered on an annual basis to assess materiality for inclusion in the Combined Authority's group accounts.

The intended outcome of these investments is to enable the company to survive its early development stage to the point at which it can attract further capital investment, not profit from capital growth. Reflecting this the Combined Authority seeks to sell it's shares once the company has achieved further funding however the companies are not publicly traded so achieving a sale and exit is uncertain and could take a number of years.

Start Codon Fund

On the recommendation of the Business Board the Combined Authority agreed a £3m investment into a £15m fund to provide pre-seed equity funding of £250k-£500k to early-stage start-up healthcare and life-science research and development businesses. The fund provides annual performance reports to all it's investors beyond the service reporting required by the Monitoring and Evaluation framework.

Companies are identified by Start Codon, who's team is made up of local experts in the Bio-Pharma life sciences innovation sector, for acceptance onto the accelerator programme; the fund is managed, and investment decisions taken, by the Kin Group Ltd which specialises in venture capital investment.

The fund has a structured plan to sell its investments 10 years after the fund is fully invested, although this is subject to a possible 4-year extension if there is majority investor consent. At this point the fund's position will be liquidated and funding returned to the investors in the proportions in which they originally invested.

Capital Growth Scheme Investments

The Cambridgeshire and Peterborough Business Growth Co Ltd ~~is~~was tasked with the delivery of a ~~£5.5m~~ fund for small-scale equity investments into SMEs. This programme ~~provides~~provided working capital awards of up to £250k to fund growth projects which unlock growth in jobs or scale a company to secure more income generation and jobs at a level where private sector equity finance is lacking due to its focus on high-tech, Intellectual Property (IP) based start-ups and much higher growth rates, which typically favour much higher value equity investments of at least £250k up to £2m and higher. £1.9m has been invested to date, with a potential further £0.3m to be concluded.

The Cambridgeshire and Peterborough Business Growth Co Ltd ~~will hold~~currently holds these investments, ~~so~~but they are ~~not~~ included in the limits in this strategy, ~~however~~as they ~~are mentioned as the Cambridgeshire and Peterborough Business Growth Co Ltd is wholly owned by~~may transfer to the Combined Authority~~.~~ in the near future if the decision is made to wind up the company.

Security: One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. In order to limit this risk, upper limits on the sum invested in each category of shares have been set as follows:

Table 2: Shares held for service purposes in £ millions

Category of company	31.3.~~2022~~2023 actual			~~2023/24~~2024/25
	Amounts invested	Gains or losses	Value in accounts	Approved Limit
Subsidiaries	49.~~975~~090	~~6.665~~32.484	~~43.310~~42.893	60.000
Local businesses	~~2.721~~3.521	1.~~608~~929	1.~~113~~913	~~10~~25.000
TOTAL	**52.~~696~~611**	**~~8.273~~34.777**	**44.~~423~~806**	**~~70~~85.000**

Risk assessment: The Authority would assess the risk of loss before entering into, and whilst holding, share agreements. The approach followed would be to consider:

1) an assessment of the market that the Authority would be competing in, the nature and level of competition, how market/customer needs will evolve over time, barriers to entry and exit and any ongoing investment requirements;
2) whether to use external advisors;
3) risk assessment based on credit ratings and the use of credit rating agencies;

4) the monitoring of risk in accordance with the Combined Authority's risk management policy.

Liquidity: Investments will be subject to the drawdown requirements of the Capital programme as set out in the Medium-Term Financial Plan and as monitored in the monthly cashflow forecast.

Non-specified Investments: Shares (defined as equity and equity like instruments) are the only investment type that the Authority has identified that meets the definition of a non-specified investment in the government guidance. The limits above on share investments are therefore also the Authority's upper limits on non-specified investments. The Authority has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

Commercial Investments: Property

The Authority currently does not invest in property with the intention of making a profit that will be spent on local public services and has no immediate plans to do so. In the event that commercial property investments would be held in future, the Authority would consider the following:

Security: In accordance with government guidance, the Authority considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.

Risk assessment: The Authority would assess the risk of loss before entering into and whilst holding property investments. The approach followed would be to consider:

1) A full due diligence exercise covering an assessment of: the property business plan, including sensitivity and scenario analysis; the credit quality of incumbent tenants (if any); the local property market, including demand, availability and voids in current similar commercial stock; the area's economic outlook and potential; how market/customer needs will evolve over time; barriers to entry and exit and any ongoing investment requirements;
2) Where in-house expertise does not cover the relevant investment opportunity, we will use external advisors for all/part of the due diligence and any other specialist areas;
3) External advice will be monitored by relevant officers, including adherence to deadlines, regular advisory meetings and adherence to project objectives;
4) The risk assessment will include credit ratings as part of the overall in-depth credit assessment of tenants. The creditworthiness of tenants will be monitored on a regular basis, using external expertise where necessary to give a credit view and an early warning of possible issues. As landlord, the Authority will maintain open dialogue with tenants, including discussion of financial stress;
5) The Authority will monitor the performance of the property asset against business plans throughout the life of the asset, assessing its performance and contribution of continued investment against the probable returns from sale.

Liquidity: Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. Each potential investment would be considered to ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed.

Loan Commitments and Financial Guarantees

Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Authority and were the Authority to enter into any, a process in line with that taken for service loans, as set out above, would be followed, including a calculation of a loss allowance where appropriate.

Investment Indicators

The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions.

Total risk exposure: The first indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down.

Table 3: Total investment exposure in £millions

Total investment exposure	31.03.~~2022~~2023 Actual	31.03.~~2023~~2024 Forecast	31.03.~~2024~~2025 Forecast
Treasury management investments	~~278.181~~202.352	~~109.604~~147.800	~~39.028~~103.600
Service investments: Loans	~~41.312~~14.513	~~15~~8.000	~~9~~15.000
Service investments: Shares	52.~~696~~611	~~55~~63.000	~~58~~75.000
TOTAL INVESTMENTS	~~372.189~~269.476	~~179.604~~218.800	~~106.028~~193.600
Commitments to lend	~~9.913~~2.485	~~1.600~~0.885	0.000
TOTAL EXPOSURE	~~382.102~~271.961	~~181.204~~219.685	~~106.028~~193.600

Note: forecast for both Loans and Shares include both Strategic Growth Fund (£4.4m) and Levelling Ip Fund (£2.5m) as it is note yet clear what form these investments will take

How investments are funded:

To date, all investments are funded by the Authority's useable reserves and income received in advance of expenditure. There are no immediate plans to borrow.

Rate of return received: This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 4: Investment rate of return

Investments net rate of return	~~2021/22~~2022/23 Actual	~~2022/23~~2023/24 Forecast	~~2023/24~~2024/25 Forecast
Treasury management investments	~~0.170~~1.351%	~~1.320~~4.392%	~~3.634~~5.220%
Service investments - Loans	3.~~287~~529%	~~3.076~~5.818%	~~3.073~~2.472%
ALL INVESTMENTS	~~0.569~~1.549%	~~1.273~~4.463%	~~3.152~~4.737%

Cambridgeshire and Peterborough Combined Authority

Minimum Revenue Provision Statement ~~2023/24~~2024/25

Annual Minimum Revenue Provision Statement ~~2023/24~~2024/25

Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the former Ministry of Housing, Communities and Local Government's *Guidance on Minimum Revenue Provision* (the MHCLG Guidance) most recently issued in 2018.

The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Revenue Grant, reasonably commensurate with the period implicit in the determination of that grant.

The MHCLG Guidance requires the Authority to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance.

- The Authority expects that its capital financing requirement will be nil on 31st March ~~2023~~2024 and in line with the MHCLG Guidance it expects to charge no MRP in ~~2023/24~~2024/25.

- For capital expenditure loans to third parties ~~that are repaid in annual or more frequent instalments of principal~~, the Authority will make nil MRP unless (a) the loan is an investment for commercial purposes and no repayment was received in year or (b) an expected credit loss was recognised or increased in-year, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment on loans that are investments for commercial purposes, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. ~~While this is not one of the options in the MHCLG Guidance, it is thought to be a prudent approach since it ensures that the capital expenditure incurred in the loan is fully funded over the life of the assets~~Sufficient MRP will be charged to ensure that the outstanding capital financing requirement (CFR) on the loan is no higher than the principal amount outstanding less the expected credit loss. This option was proposed by the government in its recent MRP consultation and in the Authority's view is consistent with the current regulations.

- Where loans are made from grant funds, there will be no Capital Finance Requirement and therefore no MRP.

- Where former operating leases have been brought onto the balance sheet ~~on 1st April 2022~~ due to the adoption of the *IFRS 16 Leases* accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or incentives, then the annual MRP charges will be adjusted so that the total charge to revenue remains unaffected by the new standard.

- The table below summarises the MRP Policy.

Capital Expenditure Incurred	MRP Policy
Expenditure funded by unsupported borrowing	Asset Life, annuity method – MRP will be based on the prevailing PWLB interest rate for a loan with a term equivalent to the estimated life of the project.
Finance Leases	MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
Secured Loans to third parties repaid in bullet form.	No MRP will be charged as reliance can be placed on the capital receipt that will be generated when the loan is repaid or, in the event of a default, the realisation of the security. If realisation of the security does not equate to the original loaned amount, the Authority will recognise the associated impairment and will charge MRP on the outstanding balance.

Cambridgeshire and Peterborough Combined Authority

Treasury Management Strategy Statement ~~2023/24~~2024/25

Introduction

Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Authority's prudent financial management.

Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2021 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy.

External Context

Economic background:

The ~~ongoing~~ impact on the UK from ~~the war in Ukraine, together with~~ higher interest rates and inflation, ~~higher interest rates, uncertain government policy, and~~ a ~~deteriorating~~ weakening economic outlook, an uncertain political climate due to an upcoming general election, together with war in Ukraine and the Middle East, will be major influences on the Authority's treasury management strategy for ~~2023/24~~2024/25.

The Bank of England (BoE) increased Bank Rate ~~by 0.~~to 5~~% to 3.5~~.25% in ~~December 2022. This followed a 0.75% rise in November which was the largest single rate hike since 1989 and the ninth successive rise since December 2021. The December decision was voted for by a 6-3 majority of the~~ August 2023, before maintaining this level for the rest of 2023. In December 2023, members of the BoE's Monetary Policy Committee ~~(MPC), with two dissenters voting for a no-change at 3% and one for a larger rise of 0.75~~voted 6-3 in favour of keeping Bank Rate at 5.25%. The three dissenters wanted to increase rates by another 0.25%.

The November quarterly Monetary Policy Report (MPR) forecast a prolonged ~~but shallow recession in the UK with CPI inflation remaining elevated at over 10% in the near-term. While the projected peak of inflation is lower than in the August report, due in part to the government's support package for household energy costs, inflation is expected remain higher for longer over the forecast horizon and the economic outlook remains~~ period of weak ~~, with unemployment projected to start rising.~~

~~The UK economy contracted by 0.3% between July and September 2022 according to the Office for National Statistics, and the BoE forecasts~~ Gross Domestic Product (GDP) ~~will decline 0.75% in the second half of the calendar year~~growth with the potential for a mild contraction due to ~~the squeeze on household income from higher energy costs and goods prices. Growth is then expected to continue to fall throughout 2023 and the first half of 2024.~~

~~CPI inflation is expected to have peaked at around 11% in the last calendar quarter of 2022 and then fall sharply to 1.4%, below~~ ongoing weak economic activity. The outlook for CPI inflation was deemed to be highly uncertain, with upside risks to CPI falling to the 2% target~~, in two years' time and to 0% in three years' time if Bank Rate follows the path implied by financial markets at the time of the November MPR (a peak of 5.25%). However, the BoE stated it considered this path to be too high, suggesting that the peak in interest rates will be lower, reducing the risk of inflation falling too far below target. Market rates have fallen since the time of the November MPR.~~ coming from potential energy price increases, strong domestic wage growth and persistence in price-setting.

Office for National Statistics (ONS) figures showed CPI inflation was 3.9% in November 2023, down from a 4.6% rate in the previous month and, in line with the recent trend, lower than expected. The core CPI inflation rate declined to 5.1% from the previous month's 5.7%, again lower than predictions. Looking ahead, using the interest rate path implied by financial markets the BoE expects CPI inflation to continue falling slowly, but taking until early 2025 to reach the 2% target before dropping below target during the second half 2025 and into 2026.

ONS figures showed the UK economy contracted by 0.1% between July and September 2023. The BoE forecasts GDP will likely stagnate through 2024. The BoE forecasts that higher interest rates will constrain GDP growth, which will remain weak over the entire forecast horizon.

The labour market ~~remains tight for now, with the most recent statistics showing~~appears to be loosening, but only very slowly. The unemployment rate ~~was 3.7%.~~rose slightly to 4.2% between June and August 2023, from 4.0% in the previous 3-month period, but the lack of consistency in the data between the two periods made comparisons difficult. Earnings ~~were~~ growth has remained strong, but has showed some signs of easing; regular pay (excluding bonuses) was up ~~strongly in nominal terms by 6.1% for both~~7.3% over the period and total pay ~~and~~(including bonuses) up 7.2%. Adjusted for ~~regular pay but factoring in~~ inflation ~~means real~~, regular pay ~~for both measures~~ was ~~-2.7~~1.4% and total pay 1.3%. Looking forward, the ~~November~~ MPR ~~shows the labour market weakening in response to the deteriorating outlook for growth, leading to~~ showed the unemployment rate ~~rising~~is expected to be around ~~6.5% in 2025~~4.25% in the second half of calendar 2023, but then rising steadily over the forecast horizon to around 5% in late 2025/early 2026.

~~Interest rates have also been rising sharply in the US, with the Federal Reserve increasing the range on~~
Having increased its key interest rate ~~by 0.5% in December 2022 to 4.25%-4.5%. This rise follows four successive 0.75% rises in a pace of tightening that has seen rates increase from 0.25%-0~~to a target range of 5.25-5.50% in ~~March 2022. Annual inflation has been slowing in the US but remains above 7%.~~August 2023, the US Federal Reserve appears now to have concluded the hiking cycle. It is likely this level represents the peak in US rates following a more dovish meeting outcome in December 2023. US GDP grew at an annualised rate of ~~3.2% (revised up from 2.9%)~~4.9% between July and September ~~2022, but with official interest rates expected to rise even further in the coming months, a recession in the region is widely expected at some point during 2023~~2023, ahead of expectations for a 4.3% expansion and the 2.1% reading for Q2. But the impact from higher rates has started to feed into economic activity and growth will weaken in 2024. Annual CPI inflation was 3.1% in November.

~~Inflation rose consistently in the Euro Zone~~
Eurozone inflation has declined steadily since the start of ~~the year, hitting a peak~~2023, falling to an annual rate of ~~10.6% in October 2022, before declining to 10.1~~2.4% in November 2023. Economic growth has been ~~weakening with an upwardly revised expansion of 0.3% (from 0.2%) in~~ weak and GDP contracted by 0.1% in the three months to September ~~2022. As~~2023. In line with ~~the UK and US~~other central banks, the European Central Bank has ~~been on an interest rate tightening cycle, pushing up~~increased rates, taking its ~~three key interest rates by 0.50% in December, following two consecutive 0.75% rises, taking its main refinancing rate to 2.5% and~~ deposit facility, fixed rate tender, and marginal lending rates to ~~2.0%.~~3.75%, 4.25% and 4.50% respectively.

Credit outlook:

Credit Default Swap (CDS) prices ~~have generally followed an upward trend throughout 2022, indicating~~were volatile during 2023, spiking in March on the back of banking sector contagion concerns following the major events of Silicon Valley Bank becoming insolvent and the takeover of Credit Suisse by UBS. After then falling back in Q2 of calendar 2023, in the second half of the year, higher ~~credit risk. They have been boosted by the~~ interest rates and inflation, the ongoing war in Ukraine, and now the Middle East, have led to CDS prices increasing ~~economic and political uncertainty and a weaker global and UK outlook, but remain well below the levels seen at the beginning of the Covid-19 pandemic~~steadily.

On an annual basis, CDS price volatility ~~was higher~~has so far been lower in ~~2022~~2023 compared to ~~2021 and the~~2022, but this year has seen more of a divergence in prices between ringfenced (retail) and non-ringfenced (investment) banking entities ~~has emerged~~ once again.

~~The weakening economic picture during 2022 led the credit rating agencies to reflect this in their assessment of the~~ Moody's revised its outlook ~~for~~on the UK sovereign ~~as well as several local authorities and financial institutions, revising them~~to stable from ~~to~~ negative to reflect its view of restored political predictability following the volatility after the 2022 mini-budget. Moody's also affirmed the Aa3 rating in recognition of the UK's economic resilience and strong institutional framework.

Following its rating action on the UK sovereign, Moody's revised the outlook on five UK banks to stable from ~~stable~~negative and then followed this by the same action on five rated local authorities. However, within the same update the long-term ratings of those five local authorities were downgraded.

There ~~are~~remain competing tensions in the banking sector~~ which could impact bank balance sheet strength going forward. The~~, on one side from higher interest rates boosting net income and profitability against another of a weakening economic outlook and likely recessions ~~in many regions~~that increase the possibility of a deterioration in the quality of banks' assets~~, while higher interest rates provide a boost to net income and profitability~~.

However, the institutions on our adviser Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

Interest rate forecast:

Although UK inflation and wage growth remain elevated, the Authority's treasury management adviser Arlingclose forecasts that Bank Rate ~~will continue to rise in 2022 and 2023 as~~has peaked at 5.25%. The Bank of ~~England attempts to subdue inflation which is significantly above its 2% target.~~

~~While interest rate expectations reduced during October and November 2022, multiple interest rate rises are still expected over~~England's Monetary Policy Committee will start reducing rates in 2024 to stimulate the ~~forecast horizon despite looming recession.~~UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. Arlingclose ~~expects Bank Rate~~sees rate cuts from Q3 2024 to ~~rise to 4.25% by June 2023 under its central case, with the risks in the near- and medium-term to the upside should inflation not evolve as the Bank forecasts and remains persistently higher~~a low of around 3% by early-mid 2026.

~~Yields are expected to remain broadly at current levels over the medium-term, with 5-, 10- and 20-year gilt yields expected to average around 3.5%, 3.5%, and 3.85% respectively over the 3-year period to December 2025. The risks for short, medium and longer-term yields are judged to be broadly balanced over the forecast horizon.~~

Arlingclose expects long-term gilt yields to be broadly stable at current levels (amid continued volatility), following the decline in yields towards the end of 2023, which reflects the expected lower medium-term path for Bank Rate. Yields will remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.

Table 1 Arlingclose Interest Rate Forecast – ~~December 2022~~January 2024

	Current	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
Official Bank Rate													
Upside risk	0.00	0.50	0.75	1.00	1.00	1.00	1.25	1.50	1.75	1.50	1.25	1.25	1.25
Arlingclose Central Case	3.50	4.00	4.25	4.25	4.25	4.25	4.00	3.75	3.50	3.25	3.25	3.25	3.25
Downside risk	0.00	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00
3-month money market rate													
Upside risk	0.00	0.50	0.75	1.00	1.00	1.00	1.25	1.50	1.75	1.50	1.25	1.25	1.25
Arlingclose Central Case	3.00	4.40	4.40	4.40	4.35	4.30	4.25	4.00	3.75	3.50	3.40	3.40	3.40
Downside risk	0.00	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00
5yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.43	3.60	3.80	3.80	3.80	3.70	3.60	3.50	3.40	3.30	3.30	3.30	3.30
Downside risk	0.00	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
10yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.47	3.50	3.60	3.60	3.60	3.60	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Downside risk	0.00	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
20yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.86	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85
Downside risk	0.00	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
50yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.46	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60
Downside risk	0.00	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

	Current	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00
Central Case	5.25	5.25	5.25	5.25	5.00	4.75	4.25	4.00	3.75	3.50	3.25	3.00	3.00
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
3-month money market rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00
Central Case	5.40	5.40	5.40	5.30	5.15	4.80	4.30	4.10	3.80	3.50	3.25	3.05	3.05
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
5yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.77	3.75	3.75	3.75	3.70	3.60	3.50	3.50	3.40	3.30	3.30	3.30	3.35
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
10yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.72	3.75	3.80	3.80	3.80	3.80	3.80	3.80	3.75	3.65	3.60	3.65	3.70
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
20yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.16	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.25
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
50yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.76	3.80	3.85	3.90	3.90	3.90	3.90	3.90	3.90	3.90	3.95	3.95	3.95
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%
PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%
UKIB Rate (Maturity Loans) = Gilt yield + 0.~~60~~40%
UK Infrastructure Bank Rate = Gilt yield + 0.40%

Local Context

On 31st January ~~2023~~2024 the Authority held £nil borrowing and £~~195.3m~~196.7m of treasury investments.

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment.

The Authority is currently debt free and its capital expenditure plans do not currently imply any need to borrow over the forecast period. Investments are forecast to fall from current levels (end of Jan ~~2023~~2024) of £~~195m~~197m to £~~34m~~14m (end Mar ~~2026~~2027) as capital funding is used to finance capital expenditure and reserves are used to finance the revenue budget as set out in the Capital programme and the Medium-Term Financial Plan.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years.

The Authority expects that its capital financing requirement will be nil on 31st March ~~2023~~2024 and in line with the ~~MHCLG~~DLUHC Guidance it expects to charge no MRP in ~~2023/24~~2024/25. The Combined Authority has no current requirement to borrow over the lifetime of the Medium Term Financial Plan and so the forecast CFR until ~~2027~~2028 is £nil.

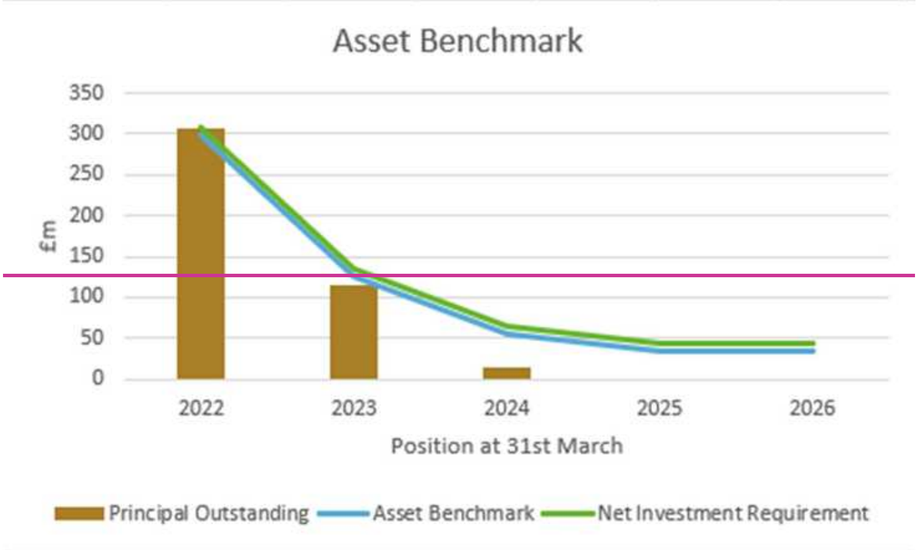
Liability benchmark: To compare the Authority's actual borrowing against an alternative strategy, the Authority is required to calculate a liability benchmark showing the lowest risk level of borrowing.

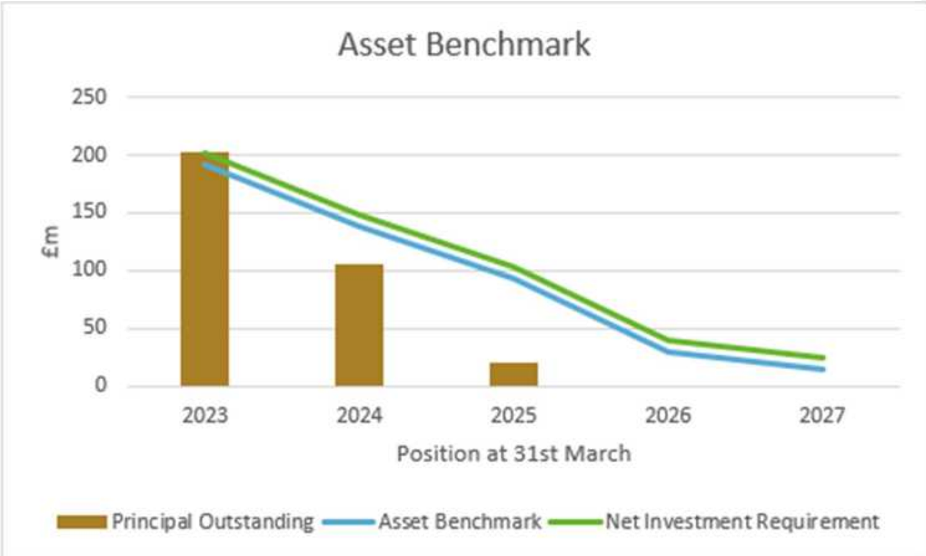
The liability benchmark is an important tool to help establish whether the Authority is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Authority must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Table 2: Prudential Indicator: Liability benchmark

	31.3.~~22~~23 Actual £m	**31.3.~~23~~24 Estimate £m**	**31.3.~~24~~25 Forecast £m**	**31.3.~~25~~26 Forecast £m**	**31.3.~~26~~27 Forecast £m**
Loans CFR	0	0	0	0	0
Less: Balance sheet resources	(~~308.3~~202.4)	(~~135.6~~147.8)	(~~64~~103.6)	(~~43~~39.8)	(~~44.4~~24.0)
Net loans requirement	(~~308.3~~202.4)	(~~135.6~~147.8)	(~~64~~103.6)	(~~43~~39.8)	(~~44.4~~24.0)
Plus: Liquidity allowance	10.0	10.0	10.0	10.0	10.0
Liability (Asset) benchmark	(~~298.3~~192.4)	(~~125.6~~137.8)	(~~54~~93.6)	(~~33~~29.8)	(~~34.4~~14.0)

As there are no current plans to borrow, the medium-term forecasts in table 2 above shows an asset benchmark for comparing against investment levels but will be kept under review. The chart below shows the Asset Benchmark against committed investments, whilst it is best practice to show this for a minimum of 10 years, as the Authority is asset rich with no long-term borrowing and the MTFP only covers 4 years it would not be meaningful to go further.





Borrowing Strategy

The Authority is not currently in receipt of any loans. The balance sheet forecast shows that the Authority does not expect to need to borrow in ~~2023/24~~2024/25. However, the Authority may borrow to pre-fund

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future years' requirements, providing this does not exceed the authorised limit for borrowing of £84.61 million.

Objectives: The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

Strategy: The Authority's borrowing strategy will address the key issue of affordability without compromising the longer-term stability of any future debt portfolio. ~~With~~ Short-term interest rates are currently ~~much lower than long-term rates,~~at a 15-year high but are expected to fall in the coming years and it is therefore likely to be more cost effective ~~in~~over the ~~short~~medium-term to either use internal resources, or to borrow short-term loans instead.

The benefits of internal / short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in ~~2023/24~~2024/25 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

The Authority expects to borrow any long-term loans from the PWLB or the UKIB, but will consider long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Authority intends to avoid this activity in order to retain its access to PWLB loans.

Alternatively, the Authority may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Authority may borrow short-term loans to cover unplanned cash flow shortages.

Sources of borrowing: The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- ~~The~~ UK Infrastructure Bank Ltd
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except the Combined Authority's Pension Fund)
- capital market bond investors
- retail investors via a regulated peer-to-peer platform
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

Other sources of debt finance: In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative

- sale and leaseback
- similar asset based finance

Municipal Bonds Agency: UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to the Board.

Short-term and variable rate loans: These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section below).

Debt rescheduling: The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this in the future and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

Treasury Investment Strategy

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's treasury investment balance has ranged between £~~196m~~190m and £~~345m~~265m, and levels are expected to be subject to the drawdown of funds to support the delivery of the Combined Authority's priorities and objectives as set out in the Business Plan and the Medium-Term Financial Plan.

Objectives: The CIPFA Code requires the Authority to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. The Authority aims to be a responsible investor and when making investments with private entities will consider environmental, social and governance (ESG) issues when investing.

Strategy: As demonstrated by the liability benchmark above, the Authority expects to be a long-term investor and treasury investments will therefore include both short-term low risk instruments to manage day-to-day cash flows and longer-term instruments where limited additional risk is accepted in return for higher investment income to support local public services.

ESG policy: Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Authority's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Authority will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

Business models: Under the IFRS 9 standard, the accounting for certain investments depends on the Authority's "business model" for managing them. The Authority aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

Approved counterparties: The Authority may invest its surplus funds with any of the counterparty types in table ~~2~~3 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 3: Treasury investment counterparties and limits

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities	25 years	£25m	Unlimited
Secured investments *	25 years	£25m	Unlimited
Banks (unsecured) *	13 months	£15m	Unlimited
Building societies (unsecured) *	13 months	£15m	£25m
Registered providers (unsecured) *	5 years	£15m	£50m
Money market funds *	n/a	£25m	Unlimited
Strategic pooled funds	n/a	£25m	£100m
Real estate investment trusts	n/a	£25m	£50m
Other investments *	5 years	£15m	£25m

This table must be read in conjunction with the notes below

Minimum Credit rating: Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

For entities without published credit ratings, investments may be made where external advice indicates the entity to be of similar credit quality.

Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

Secured investments: Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

Banks and building societies (unsecured): Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Registered providers (unsecured): Loans to, and bonds issued or guaranteed by registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

Money market funds: Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

Strategic pooled funds: Bond, equity and property funds that offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

Real estate investment trusts: Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

Other investments: This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Authority's investment at risk.

Operational bank accounts: The Authority may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £25m per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

Risk assessment and credit ratings: Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and

- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other information on the security of investments: The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Authority's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

Reputational aspects: The Authority is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be taken into account when making investment decisions.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and ~~2020~~2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

Investment limits: In order to minimise the risk of a single default against available reserves, the maximum that will be lent to any one organisation (other than the UK Government) will be £25m. A group of entities under the same ownership will be treated as a single organisation for limit purposes.

Credit risk exposures arising from non-treasury investments, financial derivatives and balances greater than £25m in operational bank accounts would be taken account of against the relevant investment limits when making treasury management investments, but the limits in this strategy do not apply to service investments.

Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Investment limits

	Cash limit
Any group of pooled funds under the same management	£50m per manager

Negotiable instruments held in a broker's nominee account	£50m per broker
Foreign countries	£25m per country

Liquidity management: The Authority uses cash flow forecasting to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium-term financial plan and cash flow forecast.

The Authority will spread its liquid cash over at least three providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

Treasury Management Prudential Indicators

The Authority measures and manages its exposures to treasury management risks using the following indicators.

Security: The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	Target
Portfolio average credit rating	6 (A)

Liquidity: The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet payments within a rolling three month period, without additional borrowing.

Liquidity risk indicator	Target
Total cash available within 3 months	£15m

Interest rate exposures: This indicator is set to control the Authority's exposure to interest rate risk:

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% rise in interest rates	£1.5m
Upper limit on one-year revenue impact of a 1% fall in interest rates	£1.5m

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates.

Principal sums invested for periods longer than a year (excluding loans): The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	~~2023/24~~	2024/25	2025/26	2026/27	No fixed date
Limit on principal invested beyond year end		£~~50m~~95m	£30m	£~~20m~~15m	£15m

Long-term investments with no fixed maturity date include strategic pooled funds and real estate investment trusts but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

Deleted Cells

Inserted Cells

Inserted Cells

Related Matters

The CIPFA Code requires the Authority to include the following in its treasury management strategy.

Financial Derivatives: Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 113A of the Local Democracy, Economic Development and Construction Act 2009 removes much of the uncertainty over combined authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.

In line with the CIPFA Code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

Markets in Financial Instruments Directive: The Authority has opted up to professional client status with its providers of financial services, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, the Chief Financial Officer believes this to be the most appropriate status.

Financial Implications

The budget for investment income in ~~2023/24~~2024/25 is £~~0.74~~4.5 million, based on the expected investment portfolio~~ during budget setting earlier in 22-23. As interest rates have proved more robust than anticipated, and available balances higher, this is likely to be exceeded and the Board will continue to receive regular updates on the forecast income through their regular budget update reports.~~. There is no budget for debt interest paid in ~~2023/24.~~ 2024/25.

Where investment income exceeds budget, e.g. from higher risk investments including pooled funds, or debt interest paid falls below budget, e.g. from cheap short-term borrowing, then consideration will be given to transferring a portion of the revenue savings will be transferred to a treasury management reserve to cover the risk of capital losses or higher interest rates payable in future years~~.~~ as was done in 2022/23 in the creation of the inflation reserve.

Other Options Considered

The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Finance Officer believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Appendix A – Existing Investment & Debt Portfolio Position

	31 ~~Jan~~Dec 2023 **Actual Portfolio** **£m**	**Average Rate** **%**
External borrowing:		
Public Works Loan Board	**0**	
Local authorities	**0**	
LOBO loans from banks	**0**	
Other loans	**0**	
Total external borrowing	**0**	
Total gross external debt	0	
Treasury investments:		
Banks & building societies (unsecured)	0.4	~~1.3~~
Government (incl. local authorities)	173.3	2.~~89~~00
Money Market Funds	~~178.0~~	~~3.45~~4.99
	~~17~~23.0	5.33
Total treasury investments	~~195.3~~196.7	~~2.93~~5.03
Net debt	(~~195.3~~196.7)	

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Cambridgeshire & Peterborough Combined Authority

Internal Audit Progress Report

26 January 2024

THE POWER OF BEING UNDERSTOOD
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RSM

CONTENTS

1 Key messages

The internal audit plan for 2023/24 was approved by the Audit and Governance Committee at the June 2023 meeting. We will continue to work closely with management to deliver an internal audit programme which remains flexible and 'agile' to ensure it meets your needs in the current circumstances.

2023/24 Planning and Delivery

We have issued two final reports since the November 2023 Audit Committee for 2023/24:

- **Risk Management (4.23/24); and**
- **Project Planning and Delivery - Improvement Plan (6.23/24).**

Three further 2023/24 draft reports have been issued:

- Key Financial Controls (3.23/24),
- Business Continuity Planning (5.23/24); and
- Strategic Planning (7.23/24).

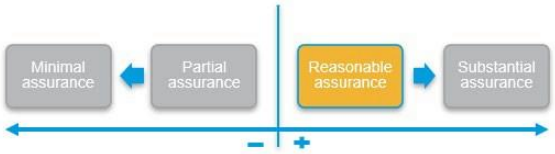
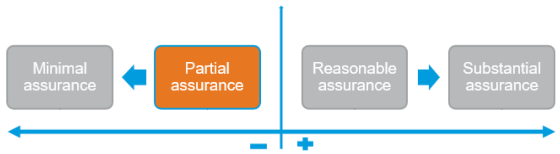
The fieldwork for the Subsidiary Governance audit is in progress, the IT Audit is planned to commence in February 2024 and there has been a request by Combined Authority management in regard to the HR Digital Processes audit being removed from the programme for 2023/24. A replacement audit is being discussed.

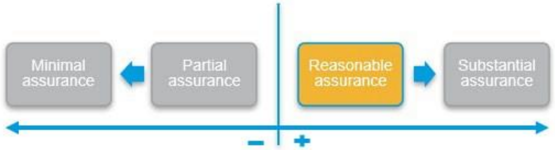
The full update in regard to the 2023/24 plan and schedule of work is included below in **Appendix A and B.**

2 Finalised Reports

2.1 Summary of final reports being presented to this committee

This section summarises the reports that have been finalised since the last meeting held in November 2023.

Assignment	Opinion issued	Actions agreed		
		L	M	H
Risk Management 4.23/24 Overall, we confirmed through our review that the Authority has made a number of improvements in the design of the control framework for managing risks, demonstrating a positive trend in developing a revised Risk Management Framework, delivery of risk management training and the implementation of risk management guidance. However, there remains a number of issues in regard to the application and compliance with the revised framework that now need to be the focus for the Authority to fully address some of the previous weaknesses identified. Specifically, on the design of the control framework we identified that the Authority now has an up-to-date Risk Management Framework approved by the Board, which outlines the approach, roles, and responsibilities of staff regarding the management of risks, including the process to review risks and the Authority now has a defined and documented Risk Appetite. There is also an approved and up-to-date Risk Management Procedure document to support the implementation of the Risk Management Framework. Additionally, we also noted positives regarding the development and rollout of risk management training to relevant staff. However, as alluded to above, we have identified application and compliance weaknesses relating primarily to the content, completeness, and timeliness and comprehension of the review of the risks held in the Project, Programme, and Corporate Risk Registers. We also identified that whilst there have been notable improvements in the design of the framework, we note that there is no formal plan in place to guide the implementation of the revised risk management approach.	**Control Design** **Reasonable Assurance**  **Control Design** **Partial Assurance** 	3	1	1

Assignment	Opinion issued	Actions agreed		
		L	M	H
Additionally, we identified areas for improvement regarding the recording of actions from the CMT monthly meetings and a governance point relating to the content and the need to review the Performance and Risk Meetings and Audit and Governance Terms of Reference documents. We included assessment of the progress with previously agree actions in these areas and identified that out of six medium priority management actions, three had been addressed and three had not yet been fully implemented. In forming our opinion below, this reflects the improvements made to the design of the risk management control framework and also reflects the need to ensure compliance with the revised framework and that the content and comprehensiveness of the risk content (within all types of risk register) is sufficient to allow it to be understood and relied upon.				
Project Planning and Delivery – Improvement Plan 6.23/24 Overall, we found that the CPCA was able to demonstrate that Workstream E of the Improvement Plan captured the key improvement themes identified and was subject to robust approval and monitoring processes. We found that key deliverables had been reported as achieved in line with the timeframes set out in the reframed Improvement Plan, whilst the organisation demonstrated collaboration with key stakeholders in the creation of frameworks designed as part of the workstream. In a highlight report to the CPCA Board meeting in November 2023, the Project Planning & Delivery Workstream was RAG rated green by the organisation for the period up to the end of October 2023, meaning that successful delivery of the workstream in terms of cost, time and quality was highly likely. It should be noted that the frameworks will not be in operation until the following financial year and we have identified scope for improvements in relation to ensuring that the organisation has documented how it will assure itself that the new frameworks are being effectively applied in practice.	Reasonable Assurance  	3	1	0

Appendix A – Progress against the 2023/24 Internal Audit Programme

There have been **two further 2023/24 reports** finalised since the previous Committee meeting held in November 2023, as highlighted in **bold** below. We also include an update on the remainder of the programme.

Assignment and Executive Lead	Status / Opinion issued	Actions agreed			Target AGC	Actual AGC
		L	M	H		
Budget Setting and Budgetary Control 1.23/24	Final Reasonable Assurance	4	1	0	September 2023	September 2023
Governance - Improvement Plan 2.23/24	Final Reasonable Assurance	2	1	0	November 2023	November 2023
Risk Management 4.23/24	**Final** **Reasonable Assurance - Control Design** **Partial Assurance - Control Compliance**	**3**	**1**	**1**	**January 2024**	**January 2024**
Project Planning and Delivery - Improvement Plan 6.23/24	**Final** **Reasonable Assurance**	**3**	**1**	**0**	**March 2024**	**January 2024**
Key Financial Controls 3.23/24	Draft Report issued 3 November 2023.				March 2024 (was January 2024)	
Business Continuity Planning 5.23/24	Draft Report issued 3 January 2024				March 2024	

Assignment and Executive Lead	Status / Opinion issued	Actions agreed			Target AGC	Actual AGC
		L	M	H		
Strategic Planning 7.23/24	Draft Report issued 18 January 2024				March 2024	
Subsidiary Company Governance	Fieldwork in progress				March 2024	
HR Digital Processes*	Call with Executive Director for Resource and Performance to be scheduled to discuss potential replacement audit.				June 2024	
IT Audit	To commence 19 February 2024				June 2024	

*** Please see Appendix B - Changes to Internal Audit Plan**

Appendix B – Other matters

Changes to the audit plan

There has been one change requested to the Internal Audit Plan for 2023/24 since the last Audit Committee Meeting in November 2023.

HR Digital Processes - The Executive Director for Resource and Performance has requested to replace the HR Digital Processes audit due to the Authority currently in the process of commencing the procurement of a replacement system for Citrus HR. The view was taken that auditing the Citrus HR system as this stage would not prove beneficial due to known issues and weaknesses with the system, which have led to this replacement exercise.

We are due to meet with the Executive Director for Resource and Performance shortly to agree another replacement audit.

Annual Opinion 2023/24

The Audit and Governance Committee should note that the assurances given in our audit assignments are included within our Annual Report. In particular, the Committee should note that any negative assurance opinions will need to be noted in the annual report and may result in a qualified or negative annual opinion (this includes follow up reviews, assurance opinions and advisory reviews with any significant weaknesses).

We have issued four final reports to date, with three of these reports providing a positive assurance rating, with one providing a split opinion in regard to Risk Management, and a partial assurance in relation to compliance with the control framework. We will provide further updates to the Executive Director for Resources and Performance at our regular meetings as more reviews are finalised. We will also update the Committee at the next meeting in March 2024. These updates will take into account the reviews from the remainder of the programme (when complete and finalised) and will also consider other relevant factors (for example, the ongoing best value notice).

Quality assurance and continual improvement

To ensure that RSM remains compliant with the IIA standards and the financial services recommendations for Internal Audit we have a dedicated internal Quality Assurance Team who undertake a programme of reviews to ensure the quality of our audit assignments. This is applicable to all Heads of Internal Audit, where a sample of their clients will be reviewed. Any findings from these reviews being used to inform the training needs of our audit teams. The Quality Assurance Team is made up of; the Head of the Quality Assurance Department (FCA qualified) and an Associate Director (FCCA qualified), with support from other team members across the department. This is in addition to any feedback we receive from our post assignment surveys, client feedback, appraisal processes and training needs assessments.

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Audit & Governance Committee	Agenda Item
26 January 2024	**11**

Title:	Overview and lessons learned from Code of conduct decision- 14th November 2023
Report of:	Edwina Adefehinti
Lead Member:	Cllr Edna Murphy- Governance
Public Report:	Yes
Key Decision:	No
Voting Arrangements:	Majority

Recommendations:	
A	This committee to identify areas for further work which may include amendments to the code of conduct and/or hearings.
B	The committee to consider whether to write to the government and Committee on Standards in public to reconsider the law on sanctions.

Strategic Objective(s):	
The proposals within this report fit under the following strategic objective(s):	
	The report improves the CPCA's corporate governance framework and helps to protect the interests of the CPCA and promotes achieving Best Value and High Performance.

1. Purpose	
1.1	To provide the Committee with an overview of observations from the recent code of conduct complaint concluded on 14th November 2023.
1.2	

2. Proposal	
2.1	To make any comments or recommendations regarding code of conduct complaints, investigations, sanctions, hearings and decisions.
2.2	

3. Background	
3.1	The Hearing Panel (a subcommittee of Audit and Governance committee) met on 14th November 2023, to consider a report by an independent investigator. The Hearing panel was a cross party committee consisting of John Pye as the Independent Chair, Cllr Andy Coles, Cllr Simon Smith and Cllr Mark Inskip who are members of the Audit & Governance Committee. The Hearing panel unanimously agreed with the findings of the independent investigator and resolved the following: Sanctions 1. Publish the Findings in the Decision Notice. 2. Report Findings to the CA Board. 3. The Mayor to provide a written apology for the Decision Notice and consult with the Monitoring Officer on the appropriateness of providing a written apology directly to one or more of the complainants. 4. The Mayor to provide an undertaking not to repeat his behaviour, and to agree with the Chief Executive an appropriate development and training programme to take place over the next six months; this should include the appropriate HR best-practice when operating in a senior Member role. Recommendations 5. The CPCA Board to agree a comprehensive Induction process for whenever a new Mayor takes up their appointment. 6. Audit &Governance committee to review the relevant parts of the Constitution, in the light of the lessons learned from this first Sub-Committee hearing and make recommendations to the CA Board Actions taken: i. The decision notice was published on 17th November 2023. ii. The findings were reported to the CPCA Board on 29 November 2023 iii. The Mayor has apologised to two complainants, the monitoring officer sent the mayor's apology to the complainants on Friday 17th November. In addition, the Mayor has provided a written apology which was published with the Decision Notice. iv. The Mayor has also provided an undertaking as requested by the Hearing Panel. The CEO agreed a four-session training and development programme with the mayor. The first session dealt with the CPCA's Member/Officer Protocol and was held on 18 January 2024. The session discussed topics such as the CPCA member officer protocol, actions to take in example scenarios, how and when the protocol applies, recognising statutory officers, relations with statutory officers and officers in general, setting expectations, ethical behaviour etc. The session was attended by the mayor, the CEO and the other two statutory officers, i.e. the Section 73/Chief Finance officer and the MO. The second session will cover HR Policies and Arrangements and will be held on 22nd January 2024. The third session will deal with Mayoral Office Protocols and is scheduled for 5 February 2024. The fourth session will deal with Values and Behaviours, and this is scheduled for 29 February 2024. v. This report is brought to enable the Audit &Governance committee to review the relevant parts of the Constitution, in the light of the lessons learned from this first Sub-Committee hearing and make recommendations to the CA Board.
3.2	The hearing on 14th November 2023 was the first for the CPCA. i. The first point that the MO would like to raise is that it felt that the process for the investigation took a long time. However, this is not the case, there were several reasons for the investigation taking a lengthy period, this included illnesses, officers leaving the employment of the CPCA, ensuring a thorough and fair process.

ii. There was a breach of confidentiality due to a leak in the press. It is the view of the MO that some of the documents and information that was shared widely should not have been shared at that stage and if shared a confidential method should have been used. With code of conduct complaints, it is good process for details of the complaint to be kept confidential due to fair hearing. It is not unusual for a code of complaint investigation to result in a non-breach, by which stage details of the member would have been in the public domain.

iii. The committee may wish to consider whether sanctions available in the constitution is adequate. Concerns have been raised by many including the Committee on Standards in Public Life ("CSPL") about the effectiveness of the changes to the previous standards regime effected by the Localism Act 2011 (LA 2011) requiring local authorities to draw up their own local codes of conduct. Since the LA 2011 does not give a relevant authority (or its standards committee) any power to impose sanctions for breach of its code, such as disqualification from office or withdrawal of monetary allowances payable under the Local Authorities (Members' Allowances) (England) Regulations 2003, sanctions likely to be imposed are:

- A formal letter to the member.
- Formal censure by motion.
- Removal of the member from a committee/committee.
- Adverse publicity.

The Government has rejected a recommendation by the Committee on Standards in Public Life (CSPL) that local authorities should be able to suspend councillors without allowances for up to six months for breaches of the code of conduct.

However, the Government response said: "*There is no provision in current legislation for a sanction to suspend a councillor found to have breached the code of conduct, and this was a deliberate policy decision by the Coalition Government at the time of the Localism Act 2011 to differentiate from the previous, failed Standards Board regime. The Standards Board regime allowed politically motivated and vexatious complaints and had a chilling effect on free speech within local government. These proposals would effectively reinstate that flawed regime.*
"It would be undesirable to have a government quango to police the free speech of councillors; it would be equally undesirable to have a council body (appointed by councillors, and/or made up of councillors) sitting in judgment on the political comments of fellow councillors."
The response insisted that "on the rare occasions" where notable breaches of the code of conduct had occurred, local authorities were not without sanctions under the current regime.

"Councillors can be barred from Cabinet, Committees, or representative roles, and may be publicly criticised. If the elected member is a member of a political group, they would also expect to be subject to party discipline, including being removed from that group or their party. Political parties are unlikely to reselect councillors who have brought their group or party into disrepute. All councillors are ultimately held to account via the ballot box."

The Department for Levelling Up, Housing and Communities (DLUHC) noted that as part of its response to the CSPL's report on intimidation in public life, the Government had recommended that every political party establish their own code of conduct for party members, including elected representatives.

The response added that the Government would engage with sector representative bodies of councillors and officers of all tiers of local government *"to seek views on options to strengthen sanctions to address breaches of the code which fall below the bar of criminal activity and related sanctions but involve serious incidents of bullying and harassment or disruptive behaviour".*

	The CSPL had also called on the Government to clarify if councils may lawfully bar councillors from council premises or withdraw facilities as sanctions. *"These powers should be put beyond doubt in legislation if necessary,"* it had said. In its response the Government said: *"The criminal law, overseen by the police and courts, provides for more appropriate and effective action against breaches of public order, for anti-social behaviour, and against harassment.* *"The occasion where councils would seek to bar councillors from council premises are thought to be extremely rare. We will consider this further."* In other comments the Department for Levelling Up, Housing and Communities said: *On a CSPL recommendation that councillors should be presumed to be acting in an official capacity in their public conduct, including statements on publicly accessible social media, the DLUHC said it was for individual local authorities to consider if their code of conduct is adequate in addressing the issue of councillors' inappropriate use of social media. "It is important to recognise that there is a boundary between an elected representative's public life and their private or personal life. Automatically presuming (irrespective of the context and circumstances) that any comment is in an official capacity risks conflating the two."* iv. The committee resolved that the mayor consider the appropriateness of apologising to one or more of the complainants. The mayor apologised to two of the complainants, however, there has been some comments made about the apology. The Committee may want to discuss sanctions requiring apologising to complainants. v. The membership of the sub-committee should be clarified to confirm substitutes. vi. The complaint had details and comments concerning ex-employees. However, the committee does not have jurisdiction to deal with employees. Employees fall within the jurisdiction of the Head of Paid Service and interaction with employees are governed by HR rules and employment law. This committee would be going beyond its statutory powers and powers under the constitution, if it sought to determine conduct pertaining to an employee. Any decision made would most likely be ultra vires and challengeable by way of judicial review.
3.2	*Alternative options considered:* Do nothing

4. Appendices	
4.1	Appendix 1- Code of conduct

5. Implications	
Financial Implications	
5.1	
Legal Implications	
6.1	Under the Constitution this committee has the responsibility: • for ensuring the Combined Authority has effective policies and processes in place to ensure high standards of conduct by its Members and Co-opted Members • for assisting the Members and Co-opted Members to observe the Code of Conduct and

	• for implementing the obligation to ensure high standards of conduct amongst Members The Members' Code of Conduct is set out in the constitution. The CPCA's arrangements in Chapter 16 of the constitution, under which complaints about Member conduct are investigated and decided to comply with the relevant provisions of the Localism Act 2011.
Public Health Implications	
7.1	
Environmental & Climate Change Implications	
8.1	
Other Significant Implications	
9.1	
Background Papers	
10.1	

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CHAPTER 16: MEMBERS

16.1 Principles of Public Life

16.1.1 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.

16.1.2 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.

16.2 Member Code of Conduct and Protocols

16.2.1 The Member Code of Conduct forms Annex 1 to this Chapter.

16.2.2 The Protocol on Gifts and Hospitality forms Annex 2 in Chapter 19: Policies and Protocols.

16.2.3 The Protocol on Member Use of Resources and the Code of Recommended Practice on Local Authority Publicity forms Annex 1 in Chapter 19: Policies and Protocols.

16.3 Complaints Against Members of the Combined Authority

16.3.1 As 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.

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

(a) 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.

(b) 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.

(c) 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.

(d) 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.

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

(f) 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.

(g) 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', see 16.4, below.

(h) 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.

(i) 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.

16.4 Registering and Declaring Pecuniary and Non-pecuniary Interests

16.4.1 You must, within 28 days of taking office as a Member or Co-opted Member, notify your authority's Monitoring Officer of any disclosable pecuniary interest , 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.

16.4.2 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 of any non-pecuniary interest 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.

16.4.3 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.

16.4.4 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'.

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

16.4.6 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.

16.4.7 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.

16.5 Interests

16.5.1 Disclosable Pecuniary Interests

16.5.1.1 Disclosable pecuniary interests are specified in the table below:

Subject	***Prescribed description***
Employment, office, trade, profession or vocation	Any employment, office, business, trade, profession or vocation carried on for profit or gain.
Sponsorship	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.

	This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract with the Combined Authority/Business Board: (a) for goods, works or services are to be provided or works are to be executed; and (b) which has not been fully discharged 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. **For Business Board members only** Your declaration should include any contracts by any organisation named in (1) above. 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. Any beneficial interest in land which is within the area of the Combined Authority. **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 which is likely to be affected by a decision made by the Business Board.
Licenses	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.
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 16.5.1.2 below, has a

	beneficial interest.
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 once class, the total nominal value of the shares of any once class in which the person in paragraph 16.5.1.2 (below) has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

16.5.1.2 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.

16.5.2 Other Disclosable Interests

16.5.2.1 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.

16.5.2.2 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.

16.5.3 Registration of Disclosable Pecuniary Interests and Other Interests

16.5.3.1 Subject to paragraph 16.5.5 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 in writing of any disclosable pecuniary interests and other interests you have at that time.

16.5.3.2 Subject to paragraph 16.5.5 (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 in writing of that new pecuniary interest or change.

16.5.4 Disclosable Pecuniary Interests in Matters Considered at Meetings or by a Single Member

16.5.4.1 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 of the interest before the end of 28 days beginning with the date of the disclosure;

(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;

(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.

16.5.5 Sensitive Interests

16.5.5.1 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.

16.6 Related Documents

16.6.1 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.

16.6.2 The Audit and Governance Committee (see Chapter 13) Rules of Procedure set out the arrangements for dealing with an alleged breach of this Code.

16.7 Complaints against Members of the Combined Authority

16.7.1 Introduction

16.7.1.1 The Combined Authority has adopted a Member Code of Conduct which applies to:

(a) all members of the combined authority, and co-opted members;

(b) all members of its committees or sub-committees.

16.7.1.2 The code sets out how members will conduct themselves when carrying out Combined Authority business. All members must adhere to the code.

16.7.2 Making a Complaint

16.7.2.1 A complainant alleging a failure to comply with the Code should submit their complaint in writing to the Legal Counsel and Monitoring Officer for initial assessment.

16.7.2.2 The complaint must set out:

(i) who was involved;
(ii) the alleged misconduct;
(iii) when and where it occurred; and
(iv) how the complainant wants the complaint resolved.
also

(v) the name and a contact address or email address of the complainant.

16.7.2.3 The complainant should complete a complaint form available from the Combined Authority's website. Complaints can be made in writing without completing the form, but if information is missing, the complainant might be asked to resubmit the complaint by completing a form.

16.7.2.4 The Combined Authority does not normally investigate anonymous complaints, unless there is a clear public interest in doing so.

16.7.2.5 Any person making a complaint who would like to keep their name and address confidential can indicate this on the complaint form. Where a person has asked for confidentiality the Monitoring Officer will not disclose their name and address to the member complained about without prior consent.

16.7.2.6 Even where anonymity is agreed at the outset of the complaint it may not always be possible to bring the matter to hearing without the complainant agreeing to give evidence at the hearing.

16.8 Stage 1: Initial Assessment of Complaint(s) Received

16.8.1 The Monitoring Officer will:

16.8.1.1 acknowledge the complaint within five working days of receiving it;

16.8.1.2 notify a member about any complaint against them;

16.8.1.3 undertake an initial assessment of the complaint to determine whether the complaint should be investigated.

16.8.2 Where a complaint may relate to a member in their capacity as a Member of a constituent council, the Monitoring Officer will consult with the Monitoring Officer of the relevant council.

16.8.3 Any complaints about the Police and Crime Commissioner or his/her substitute will be referred to the Police and Crime Panel.

16.8.4 The Monitoring Officer may decide to consult the Independent Person.

16.8.5 The Monitoring Officer will decide the complaint should be dealt with under stage 2 of the procedure – informal resolution. (Stage 2) or whether to proceed to a matter for formal investigation (Stage 3). The Monitoring Officer will have regard to a range of factors including:

16.8.5.1 whether there is sufficient information upon which to base a decision;
16.8.5.2 how serious the alleged action is;
16.8.5.3 is the complaint politically motivated, vexatious or tit for tat?
16.8.5.4 has there been any delay between the action complained of and the complaint?
16.8.5.6 do the allegations relate to actions occurring whilst the subject member was acting in their official capacity?
16.8.5.7 the opinion of the elected member regarding the complaint.

16.8.6 The initial assessment will normally be completed within 28 days of receiving the complaint and the person making the complaint and the member will be informed, in writing, of the outcome.

16.8.7 Unless exceptional circumstances exist, the Monitoring Officer will always inform the member of the receipt and nature of the complaint and invite their comments.

16.8.8 Where the Monitoring Officer requires additional information to come to a decision, they may refer back to the person making the complaint or ask the member against whom the complaint is directed.

16.8.9 If the complaint identifies criminal conduct or breach of other regulation by any person, the Monitoring Officer is authorised to refer the complaint to the Police and other regulatory agencies.

16.9 Stage 2: Informal Resolution

16.9.1 In appropriate cases, the Monitoring Officer may seek to resolve the complaint informally, without the need for a formal investigation. Informal resolution may include:

16.9.1.1 an **explanation** by the member of the circumstances surrounding the complaint;
16.9.1.2 an **apology** from the member;
16.9.1.3 an agreement from the member to attend relevant **training** or take part in a **mentoring** process;

16.9.1.4 an offer of **mediation or conciliation** between the member and the complainant; or
16.9.1.5 **any other action** capable of resolving the complaint.

16.10 Stage 3: Formal Investigation

16.10.1 If the Monitoring Officer and Independent Person decide that a complaint merits formal investigation, they will appoint an Investigating Officer. This could be another officer of the authority, or of another authority or an external investigator. The decision regarding the appointment will depend upon a variety of factors including staff capacity and nature of the complaint.

16.10.2 The investigating officer will decide to whom they need to speak. It is likely that they will begin the investigation by speaking to the person making the complaint and to gather any documents the investigating officer needs to see. This will also help the investigating officer to decide whom they need to interview.

16.10.3 The investigating officer would normally:

16.10.3.1 write to the member complained of;

16.10.3.2 provide them with a copy of the complaint;

16.10.3.3 ask the member to provide their explanation of events;

16.10.3.4 identify what documents they need to see; and

16.10.3.5 make a list of interviewees.

16.10.4 In exceptional cases, where disclosure of the details of the complaint to the member might prejudice the investigation, the investigating officer may delay notifying the member until the investigation has progressed sufficiently.

16.10.5 At the end of the investigation, the investigating officer will produce a draft report and will send copies of that draft report, in confidence, to the person making the complaint and to the member concerned, giving both an opportunity to identify any matter in that draft report which they disagree with or which they consider requires more investigation.

16.10.6 Having received and taken account of any comments which may be made on the draft report, the investigating officer will send the final report to the Monitoring Officer. The Combined Authority aims to conclude the investigation stage within three months of a complaint being received.

16.10.7 The Monitoring Officer will, in consultation with the independent person, review the investigating officer's report.

16.10.8 If the investigating officer concludes that there is evidence of a failure to comply with the Code of Conduct, the Monitoring Officer in consultation with the Independent Person will either:

16.10.8.1 seek a local resolution; or

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16.10.8.2 send the matter for local hearing before the Hearings Panel.

16.11 Local Resolution

16.11.1 The Monitoring Officer may consider that the matter can be resolved without the need for a hearing. Such resolution may include the member accepting that their conduct was unacceptable and offering an apology, and/or other remedial action agreed. If the member complies with the suggested resolution, the Monitoring Officer will report the matter to the authority's Audit and Governance Committee for information but will take no further action.

16.12 Local Hearing

16.12.1 The Monitoring Officer will report the Investigating Officer's report to the Hearings Panel of the Audit and Governance Committee, which will conduct a local hearing to decide whether the member has failed to comply with the Code of Conduct and, if so, whether to take any action in respect of the member.

16.12.2 The Hearings Panel is a Sub-Committee of the Combined Authority's Audit and Governance Committee and will consist of at least three members of the Committee.

16.12.3 The Monitoring Officer will conduct a "pre-hearing process", asking the member to give their response to the Investigating Officer's report. This will identify what is likely to be agreed and what is likely to be in contention at the hearing. The Chairperson of the Hearings Panel may decide, in consultation with the Monitoring Officer to give instructions about the way in which the hearing will be conducted.

16.12.4 At the hearing, the Investigating Officer will present their report, call such witnesses as they consider necessary, and make representations to substantiate their conclusion that the member has failed to comply with the Code of Conduct. For this purpose, the Investigating Officer may ask the complainant to attend and give evidence to the Hearings Panel.

16.12.5 The member will then have an opportunity to give their evidence, to call witnesses and to make representations to the Hearings Panel as to why they consider that they did not fail to comply with the Code of Conduct.

16.12.6 The Hearings Panel, with the benefit of any advice from the Independent Person, may conclude that the member did not fail to comply with the Code of Conduct, and so dismiss the complaint.

16.12.7 Alternatively, if the Hearings Panel finds that the member did fail to comply with the

Code of Conduct, the Chairperson will inform the member of this finding and the Hearings Panel will then consider what action, if any, the Hearings Panel should take as a result of the member's failure to comply with the Code of Conduct. In doing this, the Hearings Panel will give the member an opportunity to make representations to the Panel and will consult the Independent Person.

16.13 Actions Hearing Panel can take for Failure to Comply with the Code

16.13.1 The Combined Authority has delegated to the Hearings Panel such of its powers to take action in respect of individual members as may be necessary to promote and maintain high standards of conduct. Accordingly, the Hearings Panel may:

(a) publish its findings in respect of the member's conduct;

(b) report its findings to Combined Authority for information;

(c) recommend to the Constituent Council or to the Combined Authority that they be removed from any or all Committees or Sub-Committees of the Combined Authority;

(d) recommend to the Mayor that the member be removed from particular lead member responsibilities;

(e) recommend to the Combined Authority to remove the member from any or all outside appointments to which they have been appointed or nominated by the authority;

(f) recommend to Combined Authority that it restricts the member from contacting specified Combined Authority's officers.

16.13.2 The Hearings Panel has no power to suspend or disqualify the member or to withdraw members' allowances.

16.13.3 At the end of the hearing, the Chairperson will state the decision of the Hearings Panel as to whether the member failed to comply with the Code of Conduct and set out any actions which the Hearings Panel resolves to take.

16.13.4 The Monitoring Officer will prepare a formal decision notice in consultation with the Chairperson of the Hearings Panel and send a copy to the person making the complaint, to the member, and make the decision notice available for public inspection. If appropriate the Monitoring Officer will report the outcome of the hearing to the next Combined Authority meeting.

16.14 Independent Person

16.14.1 The Independent Person is invited to attend all meetings of the Hearings Panel and their views are sought before the Hearings Panel takes any decision on whether the member's conduct constitutes a failure to comply with the Code of Conduct and determines any action to be taken following a finding of failure to comply with the Code of Conduct.

16.14.2 The Independent Person is a person appointed by a positive vote from a majority of all the members of Combined Authority. A person cannot be "independent" if they –

i. are, or have been within the past five years, a member, co-opted member or officer of the combined authority, constituent council or any parish council within the Combined Authority area;

ii. are a relative or close friend, of a person within paragraph (a)???? above. For this purpose, "relative" means:

- spouse or civil partner;
- living with the other person as husband and wife or as if they were civil partners;
- grandparent of the other person;
- a lineal descendent of a grandparent of the other person;
- a parent, sibling or child of a person within i or ii;
- a spouse or civil partner of a person within paragraphs iii, iv or v; or
- living with a person within paragraphs iii, iv or v as husband and wife; or as if they were civil partners.

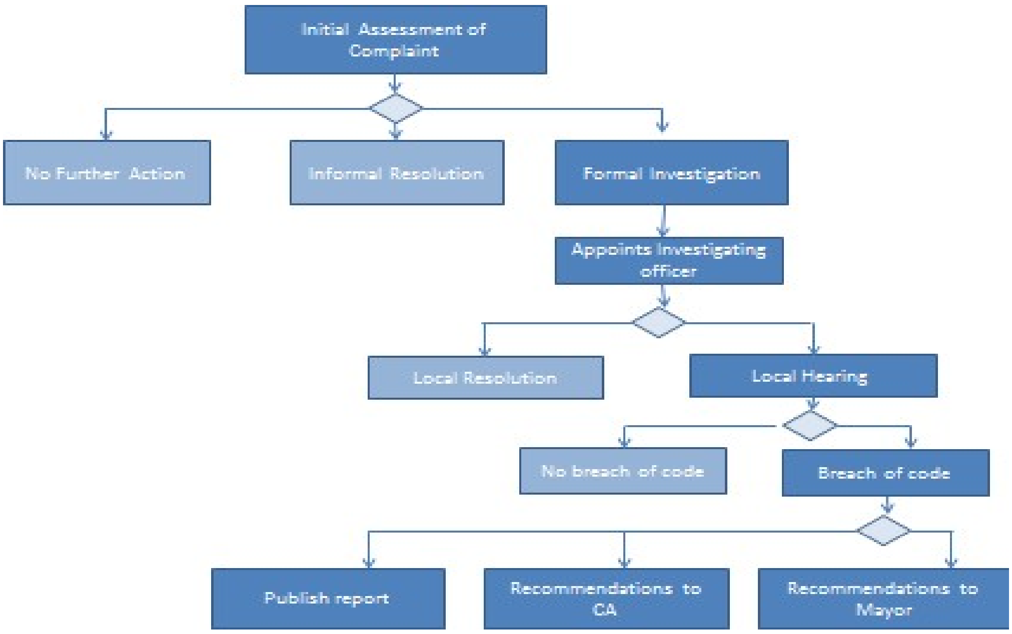
16.15 Revision of these Arrangements

16.15.1 The Combined Authority may, by resolution, agree to amend these arrangements, and has delegated to the Chair of the Hearings Panel the right to depart from these arrangements where they consider it is expedient to do so to secure the effective and fair consideration of any matter.

16.16 Appeals

16.16.1 There is no right of appeal for a complainant or for the member against a decision of the Monitoring Officer or of the Hearings Panel.

16.16.2 If a complainant feels that the authority has failed to deal with their complaint properly, they may make a complaint to the Local Government Ombudsman.



Annex 1: Code of Conduct

Purpose

The purpose of this Code of Conduct is to assist members in modelling the behaviour that is expected of them, to provide a personal check and balance, and to set out the type of conduct against which appropriate action may be taken. It is also to protect yourself, the public, fellow members, Authority officers and the reputation of local government. It sets out the conduct expected of all members and a minimum set of obligations relating to conduct. The overarching aim is to create and maintain public confidence in the role of member and local government.

Application of the Code

The Code of Conduct applies to you when you are acting in your capacity as a member, co-opted member, member of the Business Board or representative of your Authority, although you are expected to uphold high standards of conduct and show leadership at all times. The Code applies to all forms of member communication and interaction, including written, verbal, non-verbal, electronic and via social media. Model conduct and expectations is for guidance only, whereas the specific obligations set out instances where action will be taken.

The Seven Principles of Public Life

Everyone in public office at all levels – ministers, civil servants, members, Authority officers – all who serve the public or deliver public services should uphold the seven principles of public life. This Code has been developed in line with these seven principles of public life, which are set out in appendix A.

Model Member Conduct

In accordance with the public trust placed in me, on all occasions I will:

- act with integrity and honesty
- act lawfully
- treat all persons with civility; and
- lead by example and act in a way that secures public confidence in the office of member

In undertaking my role, I will:

- impartially exercise my responsibilities in the interests of the local community

- not improperly seek to confer an advantage, or disadvantage, on any person
- avoid conflicts of interest
- exercise reasonable care and diligence; and
- ensure that public resources are used prudently and in the public interest

Specific Obligations of General Conduct

This section sets out the minimum requirements of member conduct. Guidance is included to help explain the reasons for the obligations and how they should be followed. These obligations must be observed in all situations where you act as a member, including representing your Authority on official business and when using social media

As a member I commit to:

Civility

1. Treating other members and members of the public with civility.

2. Treating Authority employees, employees and representatives of partner organisations and those volunteering for the councils with civility and respecting the role that they play.

Civility means politeness and courtesy in behaviour, speech, and in the written word. Debate and having different views are all part of a healthy democracy. As a member you can express, challenge, criticise and disagree with views, ideas, opinions and policies in a civil manner. You should not subject individuals, groups of people or organisations to unreasonable or excessive personal attack.

In your contact with the public you should treat them courteously. Rude and offensive behaviour lowers the public's expectations and confidence in its elected representatives.

In return you have a right to expect courtesy from the public. If members of the public are being abusive, threatening or intimidatory you are entitled to close down any conversation in person or online, refer them to the Authority, any social media provider or if necessary, the police. This also applies to members, where action could then be taken under the Member Code of Conduct.

Bullying and Harassment

3. Not bullying or harassing any person.

Bullying may be characterised as offensive, intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient. The bullying might be a regular pattern of behaviour or a one-off incident, happen face-to-face, on social media, in emails or phone calls, happen in the workplace or at work social events and not always be obvious or noticed by others.

The Equality Act 2010 defines harassment as '*unwanted conduct related to a relevant protected characteristic, which has the purpose or effect of violating an individual's dignity or creating an intimidating, hostile, degrading, humiliating or offensive environment for that individual*'. The relevant protected characteristics are age, disability, gender reassignment, race, religion or belief, sex, and sexual orientation.

Impartiality of Officers of the Authority

4. Not compromising, or attempting to compromise, the impartiality of anyone who works for, or on behalf of, the Authority.

Officers work for the Authority as a whole and must be politically neutral (unless they are political assistants). They should not be coerced or persuaded to act in a way that would undermine their neutrality. Although you can question officers in order to understand, for example, their reasons for proposing to act in a particular way, or the content of a report that they have written, you must not try and force them to act differently, change their advice, or alter the content of that report, if doing so would prejudice their professional integrity.

Confidentiality and Access to Information

5. Not disclosing information given to me in confidence or disclosing information acquired by me which I believe is of a confidential nature, unless I have received the consent of a person authorised to give it or I am required by law to do so.

6. Not preventing anyone getting information that they are entitled to by law.

Local authorities must work openly and transparently, and their proceedings and printed materials are open to the public except in certain circumstances. You should work on this basis but there will be times when it is required by law that discussions, documents and other information relating to or held by the Authority are treated in a confidential manner. Examples include personal data relating to individuals or information relating to ongoing negotiations.

Disrepute

7. Not bringing my role or Authority into disrepute.

Behaviour that is considered dishonest and/or deceitful can bring your Authority into disrepute. As a member you have been entrusted to make decisions on behalf of your community and your actions and behaviour are subject to greater scrutiny than that of ordinary members of the public. You should be aware that your actions might have an adverse impact on other members and/or your Authority.

Your Position

8. Not using, or attempting to use, my position improperly to the advantage or disadvantage of myself or anyone else.

Your position as a member of the Authority provides you with certain opportunities, responsibilities and privileges. However, you should not take advantage of these opportunities to further private interests.

Use of Authority Resources and Facilities

9. Not misusing Authority resources.

You may be provided with resources and facilities by the Authority to assist you in carrying out your duties as a member. Examples include office support, stationery and equipment such as phones, and computers and transport. These are given to you to help you carry out your role as a member more effectively and not to benefit you personally. You should familiarise yourself with the Authority's Protocol on Member Use of Resources and the Code of Recommended Practice on Publicity.

Interests

10. Registering and declaring my interests.

You need to register your interests so that the public, Authority employees and fellow members know which of your interests might give rise to a conflict of interest. The register is a document that can be consulted when (or before) an issue arises, and so allows others to know what interests you have, and whether they might give rise to a possible conflict of interest. The register also protects you. You are responsible for deciding whether or not you should declare an interest in a meeting, but it can be helpful for you to know early on if others think that a potential conflict might arise.

It is also important that the public know about any interest that might have to be declared by you or other members, so that decision making is seen by the public as open and honest. This helps to ensure that public confidence in the integrity of local governance is maintained. Discuss the registering and declaration of interests with your Monitoring Officer and more detail is set out in appendix B.

Gifts and Hospitality

11. Not accepting significant gifts or hospitality from persons seeking to acquire, develop or do business with the Authority or from persons who may apply to the Authority for any permission, licence or other significant advantage.

12. Registering with the monitoring officer any gift or hospitality with an estimated value of at least £25 within 28 days of its receipt.

You should exercise caution in accepting any gifts or hospitality which are (or which you reasonably believe to be) offered to you because you are a member. However, you do not need to register gifts and hospitality which are not related to your role as a member, such as Christmas gifts from your friends and family, or gifts which you do not accept. However, you may wish to notify your monitoring officer of any significant gifts you are offered but refuse which you may think may have been offered to influence you. You should familiarise yourself with the Authority's Protocol on Gifts and Hospitality.

Breaches of the Code of Conduct

Most members conduct themselves appropriately and in accordance with these standards. Members have both individual and collective responsibility to maintain these standards, support expected behaviour and challenge behaviour which falls below expectations.

Section 27 of the Localism Act 2011 requires relevant authorities to promote and maintain high standards of conduct by members and co-opted members of the authority. Each local authority must publish a code of conduct, and it must cover the registration of pecuniary interests, the role of an 'independent person', and sanctions to be imposed on any members who breach the Code.

The 2011 Act also requires local authorities to have mechanisms in place to investigate allegations that a member has not complied with the Code of Conduct, and arrangements under which decisions on allegation may be made.

Failure to comply with the requirements to register or declare disclosable pecuniary interests is a criminal offence. Taking part in a meeting or voting, when prevented from doing so by a conflict caused by disclosable pecuniary interests, is also a criminal offence.

Political parties may have its own internal standards and resolution procedures in addition to the Member Code of Conduct that members should be aware of.

Code Appendix A

The seven principles are :

Selflessness

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

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.

Objectivity

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

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

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. Honesty Holders of public office should be truthful.

Honesty

Holders of public office should be truthful.

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.

Registering interests

1. Within 28 days of this Code of Conduct being adopted by the Authority or your election or appointment to office (where that is later) you must register with the Monitoring Officer the interests which fall within the categories set out in Table 1 (Disclosable Pecuniary Interests) and Table 2 (Other Registerable Interests).

2. You must ensure that your register of interests is kept up-to-date and within 28 days of becoming aware of any new interest in Table 1 or 2, or of any change to a registered interest, notify the Monitoring Officer.

Declaring interests

3. Where a matter arises at a meeting which directly relates to an interest in Table 1, you must declare the interest, not participate in any discussion or vote on the matter and must not remain in the room unless granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest.

4. Where a matter arises at a meeting which directly relates to an interest in Table 2, you must declare the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest.

5. Where a matter arises at a meeting which directly relates to your financial interest or well-being (and is not a Disclosable Pecuniary Interest) or a financial interest or well-being of a relative or close associate, you must declare the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest.

6. Where a matter arises at a meeting which affects –

   (a) your own financial interest or well-being;
   (b) a financial interest or well-being of a friend, relative, close associate; or
   (c) a body covered by table 1 below

   you must disclose the interest.

Where the matter affects the financial interest or well-being to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest you must declare the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest.

Table 1: Disclosable Pecuniary Interests

Subject	Description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit
Sponsorship	Any payment or provision of any other financial benefit (other than from the Authority) made to the member during the previous 12-month period for expenses incurred by him/her in carrying out his/her duties as a member, or towards his/her election expenses This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract made between the member or his/her spouse or civil partner or the person with whom the member is living as if they were spouses/civil partners (or a firm in which such person is a partner, or an incorporated body of which such person is a director* or a body that such person has a beneficial interest in the securities of*) and the Authority — (a) under which goods or services are to be provided or works are to be executed; and

	(b) which has not been fully discharged
Land and Property	Any beneficial interest in land which is within the area of the Authority. 'Land' excludes an easement, servitude, interest or right in or over land which does not give the member or his/her spouse or civil partner or the person with whom the member is living as if they were spouses/civil partners (alone or jointly with another) a right to occupy or to receive income.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the Authority for a month or longer
Corporate Tenancies	Any tenancy where (to the member's knowledge)— (a) the landlord is the Authority; and (b) the tenant is a body that the member, or his/her spouse or civil partner or the person with whom the member is living as if they were spouses/civil partners is a partner of or a director* of or has a beneficial interest in the securities* of.
Securities	Any beneficial interest in securities* of a body where— (a) that body (to the member's knowledge) has a place of business or land in the area of the Authority; and (b) either: (i) the total nominal value of the securities* exceeds 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 member, or his/ her spouse or civil partner or the person with whom the member is living as if they were spouses/civil partners has a beneficial

	interest exceeds one hundredth of the total issued share capital of that

*'director' includes a member of the committee of management of an industrial and provident society.

*'securities' means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society

Table 2: Other Registerable Interests

Any Body of which you are a member or in a position of general control or management and to which you are appointed or nominated by the Authority;

Anybody -
(a) exercising functions of a public nature;
(b) directed to charitable purposes; or
(c) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union) of which you are a member or in a position of general control or management.

CAMBRIDGESHIRE
& PETERBOROUGH
COMBINED AUTHORITY

CHAPTER 17: SUBSIDIARY COMPANIES AND SHAREHOLDER OVERSIGHT

17.1 Introduction

17.1.1 The Combined Authority currently has the following subsidiary companies registered with Companies House:

Angle Holdings Limited: Incorporated in September 2019, Angle Holdings was originally set up to be a holding company for all CPCA companies. It is, however, the holding company for Angle Developments (East) Limited only. ANGLE HOLDINGS LIMITED overview - Find and update company information - GOV.UK (company-information.service.gov.uk)

Angle Developments (East) Limited: A housing development company incorporated in September 2019 and owned in the main by Angle Holdings. It was incorporated with the intention of delivering affordable housing schemes and forming joint ventures with local developers in order to contribute to the housing element of the 2017 devolution deal for Cambridgeshire and Peterborough. ANGLE DEVELOPMENTS (EAST) LIMITED overview - Find and update company information - GOV.UK (company-information.service.gov.uk)

Cambridgeshire & Peterborough Business Growth Service Limited: Incorporated in August 2020 to act as a fund management and contracting vehicle to procure the private sector to deliver growth coaching, skills brokering and inward investment promotion. The *GrowthCo* was also established to enable the management of an allocated amount of Local Growth Fund finance to be used as grant or equity investment in businesses in the area. The company has three major services reflecting the initial aims. These are:

The Business Growth Service: targeting places and companies that will have the most impact on our goal to shift to a more inclusive growth dynamic across sub-economies;

The Inward Investment Service: for a new all-economy foreign direct investment and capital investment promotion service for the promotion of

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY

Audit & Governance Committee	Agenda Item 12
26 January 2024	

Title:	Annual Complaints report and update on complaints against Members 2023/24
Report of:	Edwina Adefehinti
Lead Member:	Cllr Edna Murphy- Governance
Public Report:	Yes
Key Decision:	No
Voting Arrangements:	Majority

Recommendations:

A	The annual report on code of conduct complaints be reviewed and any areas for further work be identified.

Strategic Objective(s):

The proposals within this report fit under the following strategic objective(s):

	The report improves the CPCA's corporate governance framework and helps to protect the interests of the CPCA and promote best value.

1. Purpose

1.1	This report is an overview of complaints dealt with throughout 1 June 2023 to 31 May 24("the review year")and complaints against members for this period.
1.2	To enable the committee to be assured that high standards of conduct continue to be promoted and maintained. To provide an overview of the arrangements for dealing with code of conduct complaints. It is important this committee has an overview of complaints received against elected members and any trends. This report will enable this committee to discharge its duty to promote and maintain high standards of conduct for Members; review the application of the Code of Conduct for Members'; and maintain an overview on ethical standards in general across the authority.

2. Proposal

2.1	To make any comments or recommendations regarding complaints against members which may include: Recommending training Investigating the trends Making recommendations to the Board Recommending amendments to the constitution Recommending amendments to the code of conduct complaints process

3.	**Background**
3.1	**Complaints** Four legacy complaints were dealt with during the period 1 June 2023 to 31 May 2024. These complaints were made in 2022. Three of the complaints were against the mayor and were concluded via a hearing on 14th November 2023. A Decision Notice has been published. The fourth complaint is yet to be concluded. This complaint was made by a member against another member. the primary cause for complaint relates to an alleged breach of confidential information. In addition, there have been three fresh complaints made in the review period. These complaints were made by members against members for and the primary cause for complaint relates to comments made in public and/or social media. Therefore, there are four outstanding complaints to conclude. In order to deal with each complaint, the Monitoring Officer contacts the member who is subject to the complaint and may consult the Independent Person.
3.2	**Independent Persons** Section 28(7) of the Act also requires that the CPCA appoint "at least one independent person" whose views are sought and taken into account before it makes its decision on an allegation of a breach of the code of conduct. During the review year, there were two independent persons appointed for the CPCA. The Independent Persons are appointed by this committee. The monitoring officer is grateful for the work and support from the independent persons. Independent persons may also offer support to councillors who are subject to complaints. Members may approach independent persons when they are informed that a complaint has been made against them. The independent persons have not provided support to any members during the review period. The Independent Persons are appointed by this committee. The Monitoring Officer in consultation with the Independent Person can filter out complaints that, for example: • do not fall within the code of conduct; • are considered to be frivolous or vexatious; • are about events which took place more than 6 months' prior to the receipt of the complaint by the Monitoring Officer, unless there are exceptional circumstances; and/ or • do not merit further investigation on public interest grounds.
3.2	*Alternative options considered:*

	There are no alternative options, the committee should annually review overall figures and trends from code of conduct complaints. The report provides a factual summary of the complaint undertaken during the period 1 June 2023 to 31 May 2024 the ('review year').

4. Appendices	
4.1	*N/A*

5. Implications	
Financial Implications	
5.1	
Legal Implications	
6.1	Under the Constitution this committee has the responsibility: • for ensuring the Combined Authority has effective policies and processes in place to ensure high standards of conduct by its Members and Co-opted Members • for assisting the Members and Co-opted Members to observe the Code of Conduct and • for implementing the obligation to ensure high standards of conduct amongst Members The Members' Code of Conduct is set out in the constitution. The CPCA's arrangements in Chapter 16 of the constitution, under which complaints about Member conduct are investigated and decided to comply with the relevant provisions of the Localism Act 2011. All complaints are dealt with in consultation with one of the CPCA's Independent Persons.
Public Health Implications	
7.1	
Environmental & Climate Change Implications	
8.1	
Other Significant Implications	
9.1	
Background Papers	
10.1	

Audit and Governance Committee	Agenda Item
26th January 2024	13

Title:	Review of Committee Arrangements
Report of:	Nick Bell, Executive Director (Resources & Performance)
Lead Member:	Edna Murphy (Lead Member for Governance)
Public Report:	Yes
Key Decision:	No
Voting Arrangements:	N/A

Recommendations:	
A	To note the outcome of the review of the arrangements for the Audit & Governance Committee following the completion of the questionnaire and workshop regarding options for changes following benchmarking with other Mayoral Combined Authority Audit & Governance Committees.
B	To approve that there will be an annual review by Members of the Audit & Governance Committee of the arrangements for that committee in sufficient time for any proposed changes to be made in the following Municipal Year.
C	To ask the Monitoring Officer to contact other Mayoral Combined Authorities with a view to establishing a forum for the Chairs and Vice-Chairs of their Audit & Governance Committees to discuss issues of mutual concern and benefit.

Strategic Objective(s):	
The proposals within this report fit under the following strategic objective:	
	Achieving Best Value and High Performance

1. Purpose

1.1	The report sets out the results of a questionnaire sent to Members of the Audit & Governance Committee and a workshop attended by Members of the Audit & Governance Committee to consider a number of potential changes to the arrangements for the Committee.

2. Proposal

2.1	This committee received a report at its September 2023 meeting which provided the committee with an overview of some of the arrangements for Audit & Governance Committees by the other eight existing Mayoral Combined Authorities (excluding the Greater London Authority which was not considered a good comparator given its different scale and remit) and sought views from the Committee as to what, if any, changes should be considered for this committee.

2.2	The report followed a request by the committee in June 2023 that a review of Audit & Governance arrangements in other Mayoral Combined Authorities (MCAs) be undertaken to provide the committee with a basis to discuss whether there were arrangements being used by Audit and Governance Committees in the other MCAs that might be useful to be incorporated in Cambridgeshire & Peterborough.
2.3	Officers requested information from eight MCAs (all other MCAs excluding the Greater London Authority, whose remit and scale is significantly different to other MCAs). Five of the MCAs responded directly and information was sought from the websites of the remaining three. The information was collated and is attached as Appendix A to the report.
2.4	The information raised a number of potential areas for discussion by the committee, as noted in the paragraphs below, although the questions were not meant to be exhaustive should the committee have wished to consider other points as well.
2.5	Members of the Committee were issued with a questionnaire to ascertain their views and a number of the Members of the committee responded to that questionnaire. Following that there was a workshop to which all Members of the committee were invited to discuss these questions further. This report reflects the outcome of responses to the questionnaire and discussion at the workshop.
2.6	**QUESTIONS POSED AND RESPONSES**
2.7	The membership of other MCA Audit Committees ranged from 6-12 members, with five of the eight committees having nine or more members. CPCA's Audit Committee currently had 8 members (one from each constituent council plus an independent Chair). This suggested that there was scope for a larger committee should the members consider that it was beneficial to co-opt other members onto the committee. (It was noted that the decision to co-opt an Independent Councillor, and to co-opt another Independent Person, would raise the number of members of the Committee to 10). The Committee were asked whether they had a view about the ideal size of the Committee. *In response the view of the Committee was that the ideal size should be no greater than the 10 who would be Members of the Committee following the addition of an Independent Councillor and an additional Independent Person.*
2.8	All the Audit Committees had at least one Independent Person as a member. Two (Greater Manchester and Tees Valley) had more than two Independent Persons. The Committee were asked whether they believed that the number of Independent Persons should be more than the two who would be Members of the Committee after the additional Independent Person was appointed. *Members of the Committee believed that two Independent Persons on the Committee should be sufficient as this allowed for both succession planning and coverage on the Committee should one of the Independent Persons not be available for certain meetings*
2.9	One Audit Committee (West Midlands) included a co-opted member from the LEP. Some other CPCA Committees (including the Board and thematic committees) included co-opted members from the Business Board. The Committee was asked whether they had a view about whether the co-option of a Business Board member should be considered. *Members of the Committee agreed that a Member of the Business Board should not be co-opted, but that the views of the Business Board should be sought in advance of Committee meetings where any item had a particular link to the work of the Business Board.*
2.10	All other MCA Audit Committees had three or four scheduled meetings a year (albeit that some held additional meetings where required). CPCA had six meetings of the Audit & Governance Committee scheduled for this Municipal Year. Members were asked whether, subject to the Best Value Notice being lifted, they had a view about the ideal number of scheduled meetings in the next Municipal Year. *Members were in agreement that the current workload of the Committee was likely to continue to need six meetings in the next Municipal year. The frequency of meetings should, however, be reviewed annually by the Committee.*
2.11	Two of the other MCA Audit Committees (Greater Manchester and South Yorkshire) held regular deep dives on key risks. Greater Manchester considered a range of strategic risks at full Audit committee whilst South Yorkshire focused on transport related risks through a separate sub-committee. It was noted that the committee had agreed to test out deep dives of specific risks, starting with key financial risks. Members were asked whether they would consider a smaller sub-committee of the Audit & Governance Committee undertaking deep dives if the deep dives were taking up too much time on the

	main committee's agenda. *Members of the Committee agreed that there was no need for a separate sub-committee to undertake deep dives and that the time of business on the agenda of the main committee should be managed in such a way as to enable sufficient time to be spent on deep dives.*
2.12	A number of the other Audit Committees had different names, including the words 'Risk', 'Standards' and/or 'Assurance'. Feedback from some of the MCAs was that they believed this helped staff, stakeholders and the public understand the full role of the committee. Members were asked if they had any views about whether the current name of Audit & Governance Committee should be amended if it was considered that this would better reflect its responsibilities. *Members agreed that the remit of the committee was more important than its name and did not support any change to the name of the committee.*
2.13	Finally, although not specifically asked of other MCAs, it was noted that there could be benefit in arranging occasional virtual meetings between Chairs and Vice Chairs of MCA Audit Committees to share ideas and best practice. This already happened with Overview & Scrutiny Committees and Members were asked if they would support this. *There was general agreement that this would help the committee understand continuing developments in other MCAs.*
2.14	In addition to the above a question has been posed by some Members of the Committee about how proactive the committee should be in seeking out potential areas for further improvement as opposed to commenting on issues raised by the auditors or the executive. *It was agreed that this should be the subject of further discussion for Members of the committee in the future as part of an annual review of the arrangements for the committee.*

3. Background	
3.1	As part of the Improvement Programme it is important that all of the key parts of the governance structure of the CPCA reviews itself against best practice. This report provides an overview of the review undertaken by the Audit & Governance Committee after considering what, if any, changes should be recommended after comparing CPCA's Audit & Governance Committee arrangements against practice in other MCA Audit Committees.

4. Appendices	
4.1	*Appendix A – Details of arrangements in Mayoral Combined Authorities' Audit Committees*

5. Implications	
Financial Implications	
5.1	There are no direct financial implications from the issues contained in the report.
Legal Implications	
6.1	The CPCA is subject to the best value duties under the Best Value legislation to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. Under the Duty of Best Value, therefore, authorities should consider overall value, including economic, environmental and social value, when reviewing service provision. Therefore, the actions in this report will demonstrate and contribute to the CPCA fulfilling its best value duties. Furthermore, it is good practice for the Committee to review its own arrangements to ensure that it is fit for purpose and delivering at its highest to residents of the CPCA area.
Public Health Implications	

7.1	None directly
Environmental & Climate Change Implications	
8.1	None directly
Other Significant Implications	
9.1	
Background Papers	
10.1	

Audit and Governance Committee	Agenda Item
26 January 2023	**14**

Title:	Information Governance Update
Report of:	Audit & Governance Committee
Lead Member:	Cllr Edna Murphy – Lead Member for Governance
Public Report:	Yes
Key Decision:	No
Voting Arrangements:	N/A

Recommendations:	
A	The Audit & Governance Committee is recommended to consider and note the contents of this report.

Strategic Objective(s):	
The proposals within this report fit under the following strategic objective(s):	
	Achieving ambitious skills and employment opportunities
	Achieving good growth
	Increased connectivity
	Enabling resilient communities
	Achieving Best Value and High Performance

1. Purpose

1.1	To update the Audit & Governance Committee on the current position with regards to Information Governance and to provide data related to Freedom of Information requests, Environmental Information requests, data breaches and state 2 complaints for the period 01 January 2023 – 31 December 2023.
1.2	This report outlines the key Information Governance activities undertaken by the Combined Authority during this period and provides assurances that the CA across all its work areas and functions remains compliant with its legal obligations and follows good practice.

2. Proposal

2.1	To provide the Committee with an update on the current position Information Governance and to provide data related to Freedom of Information requests, Environmental Information requests, data

	breaches and state 2 complaints for the period 01 January 2023 – 31 December 2023 and request comments from the Committee.

3.	**Background**
3.1	The Committee agreed that yearly reports should be presented on the number of data breaches and how they were handled, number of complaints received, timings of FOI's and cases referred to the ICO.
3.2	*Freedom of Information (FOI)/Environmental Regulations (EIR) requests:* 79 x FOIs received from 01/01/23 – 31/12/23. 3 x late responses – these were all complex requests. Two of the requests asked for copies of emails. 4 x FOI reviews received. 0 x ICO reviews received. Subjects received: Business – UKSPF expenditure, UK shared prosperity fund, LEP funding, companies who have received grants. Transport – timetabling, bus services, complaints, bus contracts, bus stops, VOI, electric scooter trial, electric buses, DRT, LTP, EV charging, LEVI, bus passes, rail franchise, bid information, public transport infrastructure that CPCA is responsible for Skills – bootcamp providers HR – zero contracts, political restrictive posts, how many staff, T level placements Climate change – climate change action scorecards, GNR training Mayor's office – mayoral precept, mayoral allowance, mayoral office staff numbers Mayor – costs regarding investigation, information about the investigation, mayor's 6 point action plan Finance – inspection of accounts, financial documents, unpaid invoices, funding gap, all expenditure Other – cost of coronation, media intelligence service, IT equipment and software
3.3	*Environmental Information Regulations (EIR)* 0 x EIRs received from 01/01/23 – 31/12/23 0 x late responses 0 x EIRs reviews 0 x ICO reviews

3.4	*Data Breaches* 9 data breaches occurred between 01 January 2023 – 31 December 2023. These were all low risks and not reportable to the ICO. Spreadsheet containing personal information sent to wrong member of staff, lost laptop, lost mobile phones, personal email address shown in the To box of an email, blank master form was not blank – it contained personal information of a member of staff, letter sent to wrong person. 0 breaches were reportable to the ICO.
3.5	*Corporate Complaints* 2 Level 2 complaints have been received, logged and responded to by the Monitoring Officer.

3.6	*Information Risk Group Meeting* An Information Risk Group meeting is held monthly. Attendees are Data Protection Officer, Director of Resources and Performance, Senior Information Risk Officer/Monitoring Officer, Head of Digital Services at SOCITM, PMO Manager, Programme Co-ordinator, Finance rep Standard agenda items are Data Protection update report, FOI/ EIR/SAR/Complaints update, SIRO update, Information Security update. Action notes are taken at each meeting.
3.7	*Other Work* • Cyber Security/Data Protection training to be rolled out to all members. This is the training which was recently given to the members of the Audit & Governance Committee. • Sharepoint Redesign Project - storage of digital documents being moved to a team share site to make data more secure. • Storage of physical documents to an off-site storage location. • Regularly communications to all staff regarding confidentiality of documents. • Logging of all complaints. At present, only Level 2 complaints are logged.

4. Appendices	
4.1	None

5. Implications	
Financial Implications	
5.1	There are no financial implications.
Legal Implications	
6.1	The Combined authority is under a duty to ensure that it processes, holds and releases any information in line with a range of legislative provisions including General Data Protection Regulation, Data Protection Act 2018, Freedom of Information Act, Privacy and Electronic Communications Regulations and the Human Rights Act.
6.2	The CA also has a duty to publish information wherever possible, and in accordance with its own publication scheme. However, regard should be had to not publishing any information of a confidential or sensitive nature, in accordance with the relevant legislation and public interest tests.
6.3	Ineffective information governance arrangements have a number of inherent risks in the context of organisational management, the use of resources and service delivery. Addressing any issues raised in this report is a means of mitigating such potential risks and maximising opportunities for effective information management and use to support decision making and service delivery.
Public Health Implications	
7.1	There are no public health implications.

Environmental & Climate Change Implications	
8.1	There are no environmental and climate change implications.
Other Significant Implications	
9.1	None
Background Papers	
10.1	None

CAMBRIDGESHIRE & PETERBOROUGH
COMBINED AUTHORITY

# Audit & Governance Committee	Agenda Item
26 January 2024	**15**

Title:	Audit and Governance Work Programme
Report of:	Anne Gardiner, Governance Manager
Lead Member:	Edna Murphy – Lead Member Governance
Public Report:	Yes
Key Decision:	*NA*
Voting Arrangements:	Majority

Recommendations:	
A	Note the draft work programme for the Audit and Governance Committee for the 2023/24 municipal year attached at Appendix 1

1. Purpose

1.1	To provide the Committee with the draft work programme for Audit and Governance Committee, for the 23/24 municipal year.

2. Proposal

2.1	The Committee to review the proposed work programme at Appendix 1 and provide any comments including suggestions of items for future meetings.

3. Background

3.1	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.
3.2	A draft work programme which outlines when these decisions are taken for the current municipal year is attached at Appendix 1.

4. Appendices

4.1	Appendix 1 – Draft Work Programme 2023/24

5. Implications

Financial Implications	
5.1	None
Legal Implications	
6.1	None
Public Health Implications	
7.1	None
Environmental & Climate Change Implications	
8.1	None
Other Significant Implications	
9.1	None
Background Papers	
10.1	None

AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME 2023/24			
8th September @ Huntingdonshire District Council			
Item:	**Title:**	**Purpose:**	**Lead:**
Standard Items:			
	☐ Minutes ☐ Chair's Announcements ☐ Work Programme		
Improvement Items:			
	Improvement Plan Highlight Report - CIVIL values embedded within organisation	Review and challenge to seek assurance of improvement progress	Angela Probert
Internal Control Items:			
	Risk Register	Review of register including two deep dives which will focus on explaining operational process issues including risk appetite. Risk training roll out	Chris Bolton/Nick Bell
	Single Assurance Framework		Jodie Townsend/ Nathan Bunting
Audit Items:			
	Internal Audit – Progress Report		
	Verbal update on the 21-22 audit, and the approach to the national audit backlog".		EY Mark Hodgeson
	Final 21-22 statement of accounts & annual governance statement		Nick Bell/Robert Emery/Edwina Adefehinti
Standards and Conduct Items:			
	Member Officer Protocol	Report providing the context and background to the member officer protocol agreed at the July meeting.	Edwina Adefehinti/Nick Bell
Other:			
	Update Procurement Review		Nick Bell/Chantel Allott
	Audit of A&G Committee of other CA's		Nick Bell
	Co-Opted Independent Councillor		Edwina Adefehinti
	Co-Opted Independent Person		Edwina Adefehinti

AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME 2023/24

17th November @ Huntingdonshire District Council

Item:	Title:	Purpose:	Lead:
Standard Items:			
	☐ Minutes ☐ Chair's Announcements ☐ Work Programme		
Improvement Items:			
	Improvement Plan Highlight Report		Angela Probert
Internal Control Items:			
	2023-24 Treasury Management mid-year update		Ian Pantling
Audit Items:			
	Internal Audit – Progress Report		Dan Harris
	2021/22 Audit Results Report, Audit Opinion		EY – Mark Hodgson
Standards and Conduct Items:			
	Whistleblowing Arrangements	Review of lessons learned from 2021/22 & 22/23 events and examination of current process to see if it is fit for purpose	Edwina Adefehinti
Other:			

AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME 2023/24

12th January @ Huntingdonshire District Council

Item:	Title:	Purpose:	Lead:
Standard Items:			
	☐ Minutes ☐ Chair's Announcements ☐ Work Programme		
Improvement Items:			
Internal Control Items:			
	Internal Audit Action Tracker	To be reported to Committee on an annual basis	Nathan Bunting
	Corporate Risk Register		Chris Bolton
	Draft 2024-25 Financial Strategies		Ian Pantling

	Review Performance Management Framework		Jules Ient
Audit Items:			
	Internal Audit – Progress Report		
	External Audit – Opinion Value for Money		EY
Standards and Conduct Items:			
	Code of Conduct Annual Report	Committee requested they receive an annual report on complaints received.	Edwina Adefehinti
Other:			
	Information Governance Update	Reported to Committee Annually	Susan Hall
	Review of A&G Committee Arrangements		Nick Bell

AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME 2023/24

9th February @ Huntingdonshire District Council (RESERVE)

Item:	Title:	Purpose:	Lead:
Standard Items:			
	☐ Minutes ☐ Chair's Announcements ☐ Work Programme		
Improvement Items:			
Internal Control Items:			
Audit Items:			
Standards and Conduct Items:			
Other:			

AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME 2023/24

8th March @ Huntingdonshire District Council

Item:	Title:	Purpose:	Lead:
Standard Items:			
	☐ Minutes ☐ Chair's Announcements ☐ Work Programme		
Improvement Items:			
	Improvement Highlight Report		Angela Probert
Internal Control Items:			
	Assurance Framework		
Audit Items:			
	Internal Audit – Progress Report		
	External Audit – Initial Audit Plan for 2022/23		EY – Mark Hodgson
	2021/22 Audit - Auditor's Annual Report		EY- Mark Hodgson
Standards and Conduct Items:			
Other:			
	Treasury Management Summary		
	Audit Committee Draft Annual Report		
	Shareholder Board Annual Report to A&G Committee		Edwina Adefehinti/Nick Bell/Mayor Johnson
	Proposed Deep Dives for the 24/25 Municipal Year		Edwina Adefehinti/Nick Bell

AUDIT & GOVERNANCE COMMITTEE DEVELOPMENT PROGRAMME 2022/23 – 23/24

Date:	Item:	Provider:	Purpose:	Lead:
24th March 2023	Risk Appetite Training	Internal Audit		Adam Lickorish, RSM
8th June	A&G Committee Induction	Governance Team	Provide induction to the CA for new members	Anne Gardiner
9th June PM	Financial Management and Role of the Committee	Arling Close (CPCA's treasury advisors)	To set out the role of the Committee in regard to financial management and provide training on key elements of role	Nick Bell/Robert Emery

13th July	KPI Training	Policy & Executive Support Team		Jules Ient
TBC	Project Management Training	Chris Bolton		Chris Bolton
9th October	Development Session – Subsidiary Companies	Robert Fox/Edwina Adefehinti		Robert Fox
4th December	Development Session Topic Cyber Security	Adam Goldsmith		Susan Hall
9th February	Development Session – Analysing the Draft Accounts	TBC		TBC
8th September at close of meeting.	Private Meeting of Committee & Internal and External Auditors			Anne Gardiner

Items for future work programmes:

Member Officer Protocol to be reviewed every 2 years – next review date Sept 2025.

Risk Management Framework to be reviewed every 2 years – next review date Sept 2025

Risk Appetite to be reviewed annually – next review date Sept 2024