



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

AUDIT AND GOVERNANCE COMMITTEE

Date: Friday, 07 July 2023

Democratic Services

Edwina Adefehinti
Chief Officer Legal and Governance
Monitoring Officer

10:00 AM

72 Market Street
Ely
Cambridgeshire
CB7 4LS

**Civic Suite, Pathfinder House, St Mary's Street, Huntingdon
PE9 3TN
[Venue Address]**

AGENDA

Open to Public and Press

1 Apologies for Absence & Declarations of Interest

Committee to receive apologies and members must declare whether they have a disclosable pecuniary interest, or other interest, in any of the items on the agenda, unless it is already entered in the register of members' interests.

2 Chair Announcements

3 Minutes of the Previous Meeting

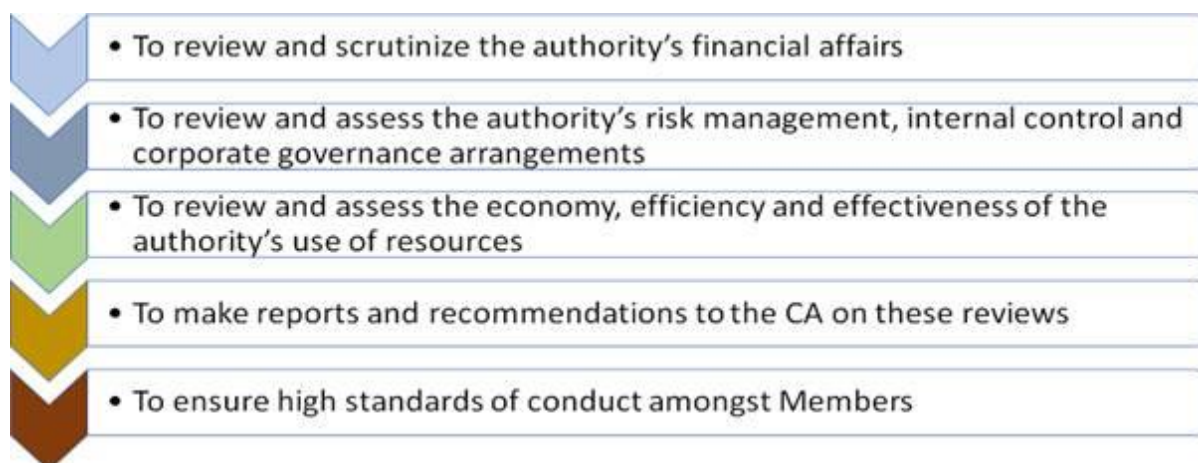
To approve the minutes of the meeting held on 9th June 2023

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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



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY

AUDIT & GOVERNANCE COMMITTEE DRAFT MINUTES

Date: Friday, 9th June 2023

Time: 10.00

Location: Civic Suite, Pathfinder House, Huntingdon District Council

Members Present:

Mr John Pye	Independent Chair
Cllr Graham Wilson	Cambridgeshire County Council
Cllr Gary Christy	Fenland District Council
Cllr Mark Inskip	East Cambs District Council
Cllr Andy Coles	Peterborough City Council
Cllr Tim Griffin	Cambridge City Council
Cllr Geoff Harvey	South Cambs District Council
Cllr Steve Corney	Huntingdonshire District Council

Officers:

Nick Bell	Executive Director for Resources and Performance
Angela Probert	Interim Programme Director - Transformation
Edwina Adefehinti	Chief Officer – Legal & Governance, and Monitoring Officer
Rob Emery	Business Board S151 & Dept.S73 Combined Authority
Anne Gardiner	Governance Manager
Dan Harris	RSM (Internal Auditor) Partner
Jules Ient	Senior Policy Advisor

Also in attendance – Mayor Nik Johnson

1. Apologies for Absence and Declarations of Interest

- 1.1 Apologies were received from Cllr Smith and his substitute Cllr Pounds. Cambridge City appointed Cllr Tim Griffin as the temporary substitute and was in attendance.
- 1.2 No disclosable interests were declared.

2. Election of Vice Chair

- 2.1 Nominated by Cllr Harvey and seconded by Cllr Inskip - Cllr Graham Wilson was elected as Vice Chair for the ensuing year.

3. Co-Option of Independent Member

- 3.1 The Committee received the report which asked the Committee to consider the co-option of an independent member from a constituent council.
- 3.2 The Committee discussed whether an Independent Member would be as beneficial as having an Independent Person as a co-opted member of the Committee.
- 3.3 The Mayor advised the Committee that the request from the CA Board was a result of the acknowledgement of how the Combined Authority area was changing in regards to the political make up with larger numbers of Independents being elected as representatives for their areas – the request to include these members was to provide a sense of inclusivity for all political groups.
- 3.4 The Interim Monitoring Officer advised that an elected Independent Member from one of the constituent councils appointed to sit as an Independent Person on the Committee would not be able to represent their constituent council but would rather be there to offer an independent view on matters brought to the Committee.
- 3.5 The Committee discussed that having an Independent Member from one of the constituent councils would not prevent them from also co-opting an Independent Person with specific expertise to support the committee.
- 3.6 RESOLVED

The Committee advise the CA Board that the Committee has requested that officers look into creating a process for selecting a co-opted independent member from one of the constituent councils.

An amendment to the Constitution be brought back to the Committee which would formally allow for co-opted members on the Audit and Governance Committee.

The Committee requested that officers look into co-opting an Independent Member as a trial.

3.7 ACTIONS

Officers to bring a report back to the July meeting with the Constitution amendments required for co-opting an Independent Member.

4. Chair's Announcements

- 4.1 Draft Accounts – moved to July meeting: Due to a combination of delays in several key reports required for inclusion in the draft accounts, including the pension fund position and asset valuations, and the additional pressure of providing audit evidence for the 21-22 audit while also preparing the 22-23 accounts, the publication of the CPCA's draft accounts has been delayed. The pensions valuation, and the delay to audits are national issues, as can be seen by the majority of the other Mayoral Combined Authorities missing the deadline this year, and that the overall fraction of Local Authorities missing the deadline is widely expected to have increased this year from 23% of upper tier and 37% of lower tier authorities for 21-22 accounts. Subject to the relevant reports being completed the Combined

Authority is aiming to deliver draft accounts in time for the Committee's July meeting.

- 4.2 Member Induction Day – 22nd June 9am at Anglia Ruskin University - Peterborough, University House

5. Minutes

- 5.1 The minutes of the meetings held on 24th March 2023 were approved as a correct record.

- 5.2 Under consideration of the Action Log the Interim Monitoring Officer advised that all recommendations from the A&G Committee regarding the Constitution were accepted by the Board and all comments would be taken into the refreshed constitution.

5.3 ACTION

The governance team would create a means to track recommendations and record where they go to be reported back to the Committee.

6. Single Assurance Framework

- 6.1 The Committee received the report which provided an update on the development of a Single Assurance Framework.

- 6.2 The following points were raised during the discussion:-

- The diagram within the report sets out the development phase for the content required by DLUH; the new Single Assurance Framework (SAF) would be brought back to this Committee in September and would include an implementation plan.
- Risk was embedded in all areas, but officers needed to ensure this would be strategic. Data and learning would be picked up on all Combined Authority activity not only to use it but also to report it to members over the course of the year.
- The new performance report would link the SAF and the Improvement programme as well as delivery and delegations. The SAF was not being done in isolation but as part of all the areas of development at the CA.
- From reviewing the existing assurance framework officers had identified areas for significant improvements; these areas had been commented on by the Audit and Governance Committee as part of the governance review.
- SAF's had been referenced in the new English Devolution Accountability Framework and could potentially play an important role in devolution discussions.
- There was a role for this committee to have an annual review of SAF and how usable it is.
- While SAF was not currently present in the internal audit plan – there was an audit on the budget setting process that would pick up whether appropriate steps had been followed.

- 6.3 The Mayor thanked and acknowledged the work of officers and stated he was delighted that the SAF would provide an insight into what the Combined Authority does and would help to emphasise what it could become including presenting an annual state of the region which would be a huge opportunity especially in regards to further devolution deals.

6.4 RESOLVED

The Committee noted the report.

6.5 ACTION

SAF to be brought back to the September meeting including best practice examples from other CA's on how they report back on the operation of their SAF

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The Committee agreed to consider item 11 to accommodate the officers from PWC attending remotely.

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11. Outcome & Recommendations from Procurement Review and High-Level Action Plan

11.1 The Committee received the report which requested the committee consider the report from PWC and recommend to the CA Board the implementation of the high-level action plan as set out in Appendix 2 and recommend that the CA Board approve the recruitment of the additional posts noted in the high-level action plan.

11.2 The following points were raised during the discussion:

- While some projects were delivered by the constituent councils many areas were delivered directly by the CA, especially within the skills directorate.
- Where the CA relies on support from constituent councils there was a need to ensure the right processes for grants were in place and ensure there were close links to procurement areas to avoid duplication.
- Implementing contract procurement training would not negate the need for the recruitment of staff in the procurement team.
- The contract register would be the main source of data for the Committee to use to scrutinise the procurement system; there would also be the key performance indicators which would be reported as part of the new performance management framework.
- Members felt that there would be benefit from having the rationale detailed in the report to enable members to be sure that the implementation process of the recommendations from PWC was being done appropriately.
- The new performance management framework would be ready in September and the team should be able to bring some indications through to the Committee on the procurement process in December. The final results of the audit would be reported back to the Committee in March 2024.

11.3 The Mayor stated his thanks for the external review done by PWC as it highlighted concerns he had raised back in 2021. In particular the Mayor wanted to highlight the work of one officer who had kept the procurement process going. The fact that the procurement process was a key part of the improvement process was reassuring and a high-level action plan was needed including the recruitment of officers.

11.4 RESOLVED

- a) Recommend to the CA Board the Implementation of the high-level action plan as set out in Appendix 2 - Action Plan
- b) Recommend that the CA Board approve additional resources (posts and budget) for the management of the procurement process, along the lines proposed by PWC.

11.5 ACTION

- 1) Update on the implementation of the recommendations from the procurement review to be brought to the September meeting.
- 2) Officers to provide the rationale for the model chosen to enable members to be sure that the implementation process of the recommendations from PWC was being done appropriately in the report being brought to Committee.

7. Shareholder Board Update

7.1 The Committee received the report which provided an update on the progress of the Shareholder Board.

7.2 The Chair provided some background about the Committee's involvement with the CA's Trading Companies. The Committee first received a report in May 2020 and then had received a development session on the trading companies. The topic had been brought to the Committee seven times over the past 3 years and had been identified in the Committee's last three annual Report's as an area to focus on. The governance of trading companies was an area of high risk, and it was welcome that the Combined Authority was finally addressing the issue.

7.3 The following points were raised during the discussion:-

The Interim Monitoring Officer advised the Committee of the membership of the newly formed Shareholder Board and advised they had met for the first time on Wednesday 7th June. The membership was as follows:

Cllr Lynne Ayres Peterborough City Council
Cllr Mike Davey – Cambridge City Council
Cllr Lucy Nethsingha – Cambridgeshire County Council
Chief Executive Officer for CA.

In response to a question, officers advised that the Committee's role in relation to the Shareholder Board was to assure itself the trading companies of the Combined Authority were governed appropriately. The Shareholder Board should provide that assurance.

Members of the Committee would receive invites to all the Shareholder Board meetings and could attend as observers and report back any concerns to the Committee.

7.4 RESOLVED:

- a) To note the update and asked for an annual report every March be included in its work programme. The report should describe the Combined Authority's companies and the work the Shareholder Board.

- b) Requested that the Company Secretary notify all members of A&G when the Shareholder Board meeting takes place.
- c) Cllr Coles would attend the first meeting and report back to the Committee.

7.4 ACTION:

- 1) Annual report in March from the Shareholder Board be added to the work programme.

8. Improvement Framework

8.1 The Committee received the report which provided an opportunity to review the progress against the key areas of concern identified by the External Auditors in his letters dated June 2022 and February 2023, and the Department for Levelling Up and Housing and Communities (DLUHC) in its letter dated January 2023.

8.2 The following points were raised during the discussion:-

- Members queried whether purposes should be changed from 'will' to 'should' in the report.
- The new name of the Chair for the Independent Improvement Board to be circulated to A&G members on Monday.
- Members raised some concerns over the rag ratings as they felt they lacked some clarity; there needed to be consistency across the ratings as definitions were currently quite subjective. Officers agreed to review this.
- Officers agreed to bring back the results from the staff survey and an update following the staff conference due to take place next week; the senior management team recognised there was still work to be done to ensure staff's happiness, but that staff were starting to see green shoots.
- Stability of the membership of the two statutory committees at the CA had been recognised as a challenge by the Improvement Board; the A&G Chair referred to the CIPFA guidance which held the view that there should be two independent members on an Audit Committee. The Chair had requested that officers carry out an audit of other CA's to see how membership and stability was dealt with.
- The Chair explained that the Committee sat outside the business of the CA and advised that consideration needed to be given on how to address this as part of the improvement work.

8.3 RESOLVED:

- a) Considered progress against the stated areas of improvement identified by the External Auditor in June 2022 and Best Value Notice received in January 2023.
- b) to note the reframed improvement plan as agreed by the CA Board at its meeting on 31 May 2023
- c) to note the observations of the Independent Improvement Board held on 22 May 2023.

- d) to note the observations from the recent meetings between the Combined Authority corporate management team and constituent councils management teams.
- e) to note the proposed RAG rating methodology to measure progress of improvement activity against the agreed reframed Improvement Plan.
- f) to note the progress made on the appointment of Chair, Independent Improvement Board.

8.4 ACTIONS

- 1) An audit of the A&G Committees across the CA's to see ways in which other CA's deal with the issue of membership and stability – with a view to either a workshop or a paper for the Committee.
- 2) Request that External Auditor be invited to the July meeting for the Improvement Item.
- 3) Results from staff survey be provided at the next meeting.

9. Corporate Performance Report

9.1 The Committee received the report which provided an update on the work that had been done to develop an interim Performance Management Framework, which would give increased assurance until September when the full Performance Management Framework will be recommended to the CA Board.

9.2 The Committee welcomed the report and requested that any training on key performance indicators be extended to the A&G Committee.

9.3 The Committee was advised that the presentation of information would be evolved in the light of member feedback.

9.4 RESOLVED:

- a) review and assess plans to develop and implement an interim performance management framework.
- b) support the plans as set out in this report.

9.5 ACTION:

- 1) A&G Committee to be invited to a KPI development & training session in July.
- 2) Report to come to November to review progress with the new Performance Framework.

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The Committee agreed to defer item 10 – Corporate Risk Register to the next meeting due to time constraints.

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12. Establishment of a sub-committee

12.1 The Committee received the report which requested that a sub-committee and hearings panel be formed, and the membership agreed.

12.2 RESOLVED:

- a) That an Audit & Governance Sub-committee be established to discharge any of the functions of the parent Audit & Governance committee including forming a hearings panel.
- b) That an Audit & Governance Sub-committee hearing panel be established consisting of at least four members of the Audit and Governance committee. The Panel would have representation from each political party and an independent person to act as chair.
- c) The Monitoring Officer be authorised as proper officer to accept changes to membership of the sub-committees, such change to be notified before the start of a meeting. Those Members will be appointed with effect from the date on which the Monitoring officer is advised of the names of such Members.
- d) the following members be appointed to the subcommittee:
 - Mr John Pye (Chair)
 - Cllr Andy Coles
 - Cllr Simon Smith
 - Cllr Graham Wilson

13. Internal Audit – Draft Annual Report

- 13.1 The Committee received the report from the Internal Auditors (RSM). The Committee were advised that this was a qualified opinion on the risk management, governance and internal control arrangements for 22/23.
- 13.2 The Internal Auditor advised that he recognised the work being done on the improvement items and this had been reflected in the work plan for 23/24.
- 13.3 In response to a query about whether cyber security being included within the plan; the Committee were advised that the CA had been given a £75k award from government to improve cyber security, and IT audit coverage was included in the 23/24 internal audit plan.
- 13.4 RESOLVED:

Note the draft annual report from the Internal Auditors.

14. Internal Audit – Progress Report

- 14.1 The Committee received the report from the Internal Auditors (RSM)
- 14.2 In response to a query, the Internal Auditor advised that they do random checks on actions that have been completed to ensure compliance. Management also keeps a recommendation tracker detailing progress against agreed recommendations
- 14.3 RESOLVED:

Note the progress report from the Internal Auditors.

14.4 ACTION

- 1) Management to provide the recommendation tracker to the July meeting.

15. Internal Audit – Plan 23/24

15.1 The Committee received the report from the Internal Auditors (RSM)

15.2 The following points were raised during the discussion:-

- The Auditor advised that a decent audit plan was a risk driven plan. Once in place, the Single Assurance Framework (SAF) be coordinated with the risk register to inform the plan in future.
- Legislation stated that the A&G Committee had to be consulted regarding the internal auditor's plan. However, to align with good practice in future the Mayor and the CA Board should also be consulted.
- In response to a question about timings and potential slippage, the auditor advised that this would be a challenge. The Chair recommended that a review on progress of the plan should be brought to the Committee in September

15.3 **RESOLVED**

- a) to note the Internal Audit Plan 23/24

15.4 **ACTION**

- 1) Committee to review the Internal Audit Plan in September to check progress (this progress will be included within the internal audit progress report at each meeting).
- 2) The Mayor and CA Board would be consulted on Internal Audit plans.

16. Revisions to Scheme of Delegation

16.1 The Committee received the report which provided an update to the scheme of delegation of the Combined Authority and requested that the Committee recommend it to CA Board for approval.

16.2 Members queried what the reference to 'in consultation with' meant and whether this was an auditable process. Officers agreed to tighten the language around this to make it clear what 'in consultation with' meant.

16.3 **RESOLVED:**

- a) Committee reviewed the suggested update to the Scheme of Delegation of the Combined Authority recommended that the CA Board adopt changes as revisions to the Constitution.

17. Work Programme

17.1 The Committee received the report which provide the Committee with the draft work programme for Audit and Governance Committee, for the 23/24 municipal year.

17.2 **RESOLVED:**

To note the work programme.

17.3 **ACTION:**

- 1) Private session on Cyber Security to be added to the development programme.
- 2) Risk Appetite Training provided to members in March to be circulated to new members.
- 3) Record to be kept of how many members attend the development sessions for inclusion with the annual report.
- 4) The deferred Corporate Risk Register item be added to the July meeting agenda.

18. Date of next meeting

18.1 7th July 2023 10am at Pathfinder House, Huntingdonshire DC

Meeting Closed: 12:53pm

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 9 June 2023

Minute	Report title	Lead officer	Action	Response	Status
3.7	Co-Option of Independent Member	Edwina Adefehinti	Officers to bring a report back to the July meeting with the Constitution amendments required for co-opting an Independent Member.	Added to the agenda for July's meeting	CLOSED
5.3	Minutes	Anne Gardiner	Governance team would create a means to track recommendations and record where they go to be reported back to the Committee.		OPEN
6.5	Single Assurance Framework	Jodie Townsend	SAF to be brought back to the September meeting including best practice examples from other CA's on how they report back on the operation of their SAF	Added to the work programme for September's meeting	CLOSED
11.5	Procurement review	Nick Bell	Update on the implementation of the recommendations from the procurement review to be brought to the September meeting & officers to provide the rationale for model chosen in the report brought to Committee.	Added to the work programme for September	CLOSED
7.4	Shareholder Board Update	Edwina Adefehinti	Committee requested that an annual report which would outline the activities of the shareholder board including background information of each of the Combined Authority companies be added to the agenda for March.	Added to the work programme for March	CLOSED
7.4	Shareholder Board Update	Robert Fox	Requested that the Company Secretary notify all members of A&G when the Shareholder Board meeting takes place	A&G members have been added to the distribution list for the Shareholder Board and will receive all meeting invites.	CLOSED
8.4	Improvement Plan Update	Nick Bell	An audit of the A&G Committees across the CA's to see ways in which other CA's deal with issue of membership		OPEN

			and stability – either a workshop be arranged or paper brought to Committee.		
8.4	Improvement Plan Update	Anne Gardiner	Request that External Auditor be invited to the July meeting for the Improvement Item	Invite sent to External Auditor	OPEN
8.4	Improvement Plan Update	Angela Probert	Results from staff survey be provided at the next meeting.	Included in July report	CLOSED
9.5	Corporate Performance Report	Anne Gardiner/Jules lent	A&G Committee to be invited to KPI training session in July.	Members invited to training session on the 13 th July	CLOSED
9.5	Corporate Performance Report	Jules lent	Report to come to November to review how process is going with the new Performance Framework.	Added to the work programme for November	CLOSED
14.4	Internal Audit – Progress Report	Nick Bell	Officers to provide the recommendation tracker in their next report.		OPEN
15.4	Internal Audit – Plan 23/24	RSM	Committee to review the Internal Audit 23/24 Plan in September to check progress as part of the progress report.	Added to work programme for September.	CLOSED
17.3	Work Programme	Anne Gardiner	Private session on Cyber Security to added to development programme.	Added to development programme for December	OPEN
17.3	Work Programme	Anne Gardiner	Risk Appetite Training provided to member in March to be circulated to new members.		OPEN
17.3	Work Programme	Anne Gardiner	Record to be kept on how many members attend the development sessions for inclusion with the annual report.		OPEN
17.3	Work Programme	Chris Bolton	The deferred Corporate Risk Register item be added to the July meeting agenda.	Added to agenda for July's meeting	CLOSED



Audit and Governance Committee		Agenda Item
7 July 2023		4
Title:	Improvement Framework	
Report of:	Angela Probert, Interim Director of Transformation Programme	
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 in June 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	Note the outcomes of the recent staff survey undertaken in March 2023
C	Note the confirmation of appointment of Chair, Independent Improvement Board.

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 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 in June 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.
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1.2	Provide feedback on the recent staff survey undertaken in March 2023
1.3	Finally, the report updates the Committee on the appointment of the Chair, Independent Improvement Board to replace Lord Kerslake.

2. Proposal

2.1	<p>Update on Improvement activity</p> <p>The meeting in June 2023 reviewed the reframed improvement plan, key outcomes and the key activities to be delivered.</p>
2.2	<p>The next formal update on the improvement plan will be available in mid July when the identified RAG system will be used to assess the progress against plan and key areas for focus</p>
2.3	<p>The update for the Audit and Governance Committee in June 2023 identifies the key areas of progress over the last month against the key improvement themes:</p> <p>Governance</p> <ul style="list-style-type: none"> • Induction sessions have been held for Overview and Scrutiny Committee, Audit and Governance Committee and CA Board members • The revised scrutiny function has been agreed by Overview & Scrutiny Committee • Member training is in place and underway <p>Project delivery</p> <ul style="list-style-type: none"> • DLUHC engagement has taken place to discuss the Government clearance process for the SAF • Corporate Prioritisation proposals taken to Corporate Management Team • Approval Thresholds taken to Corporate Management Team for comment <p>Procurement</p> <ul style="list-style-type: none"> • A&G Committee have received the PWC report and, subject to Board approval, a high level project plan has been developed covering: • Developing a 'hub and spoke' operating model, including two additional procurement officers • An enhanced contracts register with a dedicated Contracts Manager to implement and maintain it. • Refreshed procurement strategy, policy and Contract Procedure Rules (Elsewhere on the A&G Committee Agenda) • Training on procurement and contract management for all CPCA staff. • A detailed stage 2 action plan is being developed <p>Partnerships</p> <ul style="list-style-type: none"> • The project group has been formed and met for the first time this month. • Terms of Reference for the group and project scope have been drafted and an initial Project Plan has been developed. • A review of existing priority partnerships is due to begin w/c 3rd July, which will allow the group to further refine scope and enable more detailed analysis into the appropriateness and effectiveness of various partnerships and working relationships. <p>Culture, Confidence, Capacity</p> <ul style="list-style-type: none"> • The project group has been formed and met this month to begin to draft Terms of Reference for the group and project scope. • Project resource has been put in place. • A formal project plan has been developed with key milestones identified and progress against the plan updated. Key tasks from the plan achieved in June include (but not exclusively):

	<ul style="list-style-type: none"> • Plan is in place for the Chief Executive's first 100 days • Third staff conference has taken place, focussing on embedding values and behaviours and meeting the new CEX • Review of 3rd staff survey results, feedback at conference and analysis to inform future plans for the theme • Interim staff recruited and commenced to improve internal communications • CA Board Member induction session has taken place promoting values and working together
2.4	<p>Staff survey, March 2023</p> <p>The meeting in June received a brief update on the staff survey that took place in March 2023. Set out in paragraphs 2.7 and 2.8 are the key findings of the survey and the changes from the staff survey undertaken in January 2023.</p>
2.5	<p>The survey covered four key areas:</p> <ol style="list-style-type: none"> 1. Strategic direction and vision 2. Operational leadership 3. Governance, decision making and performance 4. Working for the Combined Authority <p>These are consistent with the staff surveys undertaken in September 2022 and January 2023.</p>
2.6	<p>The questions asked are attached in Appendix 1.</p>
2.7	<p>Staff were asked to rank their responses on a scale 1 – 5. All but one question 'Does the your job give you the flexibility to meet the needs of your personal life?' received an increase in positivity from the feedback in January 2022.</p> <p>Positive movement in responses to questions:</p> <ul style="list-style-type: none"> • Vision and direction and how staff contribute • Staff having 1-1s with managers, objectives set and development plan discussed • How it feels to work for the CA • Having clarity on role • How strategic decisions are made • Improvements can be seen since September in: <ul style="list-style-type: none"> ○ Operational leadership ○ Governance, decision making and preformance ○ How staff feel working for the CA <p>Negative movement in responses to questions:</p> <ul style="list-style-type: none"> • Flexibility to meet the needs of personal life <p>Staff were also asked to share commentary to support their responses and the key messages are set out in paragraph 2.8</p>
2.8	<p>Positive comments:</p> <ul style="list-style-type: none"> • Clearer vision and direction coming through linked to clear individual objectives and aligned to the Directorate Business plans • How far the organisation has moved forward in the last year and the start of good conversations on values and strategic direction • The integrity of the current senior leadership of the Combined Authority is recognised and a feeling of optimism about the new directors and the professional approach they have brought • Managers being more supportive in a very difficult and uncertain situation • People are starting to feel settled in their roles. The last 12 months has been really quite chaotic.

	<ul style="list-style-type: none"> The CPCA has started to take the necessary steps towards providing stability in the workforce, and to also ignite some excitement about the future of the organisation. The future for staff definitely looks brighter. <p>Areas to do more on:</p> <ul style="list-style-type: none"> The translation of vision and strategy isn't quite flowing into the projects themselves and the focus too much on strategy and vision and not enough on delivery. Many processes still missing and some basic tasks take too long, eg recruitment and procurement and sharper processes are required. Not confident that there is a clear, strategic mayoral direction being communicated yet The integrity of the current senior leadership of the Combined Authority is recognised, however there is less comfort with the integrity of the elected members who make up the second strand of leadership Staff need to be appreciated by senior leaders and more capacity is required for effective delivery, including corporate functions such as procurement, legal, finance and comms and volume of work is affecting work life balance and wellbeing Feeling quite removed from the decision making. The communication is often quite complex to follow.
2.9	<p>In June 2023 the committee was updated on the progress to appoint the Chair, Independent Improvement Board.</p> <p>The appointment of Richard Carr as Independent Improvement Board has now been formally announced. He will commence in early July and will Chair the next meeting of the Independent Improvement Board on 17 July.</p> <p>An induction is being organised and this will include meeting with the Chair, Audit and Governance.</p>

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
3.2	The staff survey outcomes set out in paragraph 2.4 – 2.8 build on the staff surveys undertaken in September 2022 and January 2023. Areas identified for action were built into improvement activity and progress fed back to staff in 'you said, we did'. The outcomes from the staff survey undertaken in March will be built into the current improvement activity and progress shared with staff.

4. Appendices

4.1	Appendix 1- Staff survey questions March 2023
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5. Implications

Financial Implications

5.1	None specifically
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Legal Implications

6.1	<p>The CPCA is required to consider the key areas of concern identified by the External Auditor in June 2022 and in the Best Value Notice received in January. The CPCA Board agreed the Improvement plan in October 2022 and the improvement plan.</p> <p>This committee has the statutory duty to review and assess the authority's risk management, internal control and corporate governance arrangements. The improvement plan deals with risk management, internal control and corporate governance arrangements of the CPCA.</p>
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

Staff survey – March 2023

Questions

Strategic direction and vision

- Do you think there is a clear direction and vision for the Combined Authority?
- Do you have clarity on how your role helps the Combined Authority deliver its own objectives?
- Are you able to share the values of the Combined Authority in your day-to-day role?

Operational leadership

- Would you say the Combined Authority is an efficient and effective organisation?
- Is a clear strategic direction communicated?
- Do senior leaders demonstrate integrity?
- When strategic decisions are made do you understand why?
- Do you feel your team has a clear direction?
- Do you feel you are able to contribute to key issues across the Combined Authority?

Governance, decision making and performance

- Do you have a regular 1-1 with your manager?
- Have you agreed objectives with your manager?
- If yes do they include a personal development plan?
- Do you feel valued by your manager?
- Do you feel valued by the organisation?
- Do you have the information, tools and resources you need to do your job well?

Working for the Combined Authority

- How does it feel right now working for the Combined Authority?
- Do you think your opinions count?
- Do you see yourself working for the Combined Authority in 12 months time?
- Would you recommend the Combined Authority as a great place to work?
- Does your job give you the flexibility to meet the needs of your personal life?



Audit & Governance Committee		Agenda Item
07 July 2023		5
Title:	Corporate Risk Register & Risk Register Improvements	
Report of:	Chris Bolton, Head of Programme Office	
Lead Member:	Chair, John Pye	
Public Report:	Yes	
Key Decision:	No	
Voting Arrangements:	To note	

Recommendations:	
A	To note the refreshed Corporate Risk register report, risk dashboard and heat map.
B	To note the procurement and implementation of corporate risk software.
C	To note that a risk appetite session has been undertaken with the CA Corporate Management Team and a risk appetite statement drafted.
D	

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 paper is to provide a progress update on the refreshed risk register, risk dashboard and heat map. (These documents are available in Appendix 1).
- To note implementation of risk software to enable easier risk reporting and monitoring.
- A risk appetite session with the CA Corporate Management Team has been undertaken, and a resulting risk appetite statement has been drafted.

2. Proposal

- 2.1 **Risk Management training for members of the A&G**
- Two risk Management sessions for members of the Audit and Governance Committee have now taken place:
- 21st November 2022.
24th March 2023
- Risk Management training for CPCA and subsidiary companies Programme / Project Managers was delivered on 24th February 2023.
- Risk Appetite training for the Corporate Management team took place on the 27th April 2023. A risk appetite statement has been drafted. It will be shared with the committee once signed off by CMT.
- Implementation of Risk Register software – 4Risk**
- In early May, risk software was procured. (4Risk supplied by RSM). The investment in new corporate, web-based risk software will allow a central and auditable platform, for all programme/project managers to register risks associated across the work programme.
- Training in the use of the new software will be undertaken across all service areas and subsidiary companies this summer.
- 2.2 Following the 23rd March, A&G session, direction with regards to how risks could be reported at the A&G Committee was given.
- Risk reporting to this committee will now concentrate on how risk is owned, controlled and what actions are required to mitigate risk.
- Additionally, risk trends can be noted, highlighting which direction the risk is moving. (increasing, staying same, or decreasing).
- Ensuring that the processes in how risks are assessed have been followed and actions are undertaken in a timely manner.
- The recording of all risks across the work programme of the CPCA and subsidiary companies will deliver greater visibility of risk for the organisation and this committee.

3. Background

- 3.1 The register has been reported to the Audit and Governance Committee in January 2023 and the Audit and Governance Committee received risk training in November 2022 and March 2023

	Training has also been provided to the Corporate Management Team at a Risk Appetite session in April 2023
3.2	The Internal Auditors RSM have been engaged throughout the process.
3.3	<p>Historically, the CPCA have used excel based spreadsheets to record risk and although used with best intentions, can be open to formatting issues and not fully auditable.</p> <p>The current register, (and directorate level risk registers), are difficult to administer and view in their totality.</p> <p>The implementation of new risk software will allow greater visibility of risk across the organisation, be easily accessible to risk owners and allow easier reporting.</p>

4. Appendices

4.1	<p>Appendix 1 - Refreshed Risk register June 2023</p> <p>Appendix 2 - CPCA Corporate Risk Dashboard June 2023</p> <p>Appendix 3 - CPCA Heat Map report June 2023</p> <p>Appendix 4 - Corporate Risk Register – June 2023</p> <p>Appendix 5 – Corporate Risk movement report – June 2023</p>
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5. Implications

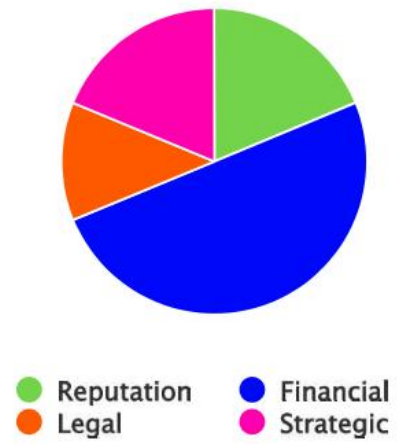
Financial Implications	
5.1	The cost of the 4Risk software is £10,000 p.a. and will be paid from the DLUHC Capacity budget. The contract is for a 3-year period.
Legal Implications	
6.1	The Cities and Local Government Devolution Act 2016 established the requirement for Combined Authorities to appoint an audit committee whose functions include reviewing and assessing the authority's risk management, internal control and corporate governance arrangements.
Public Health Implications	
7.1	None
Environmental & Climate Change Implications	
8.1	None
Other Significant Implications	
9.1	None
Background Papers	
10.1	None

Generated Date	27 Jun 2023 09:12
Risk Criteria	
Project	Corporate Risk Register

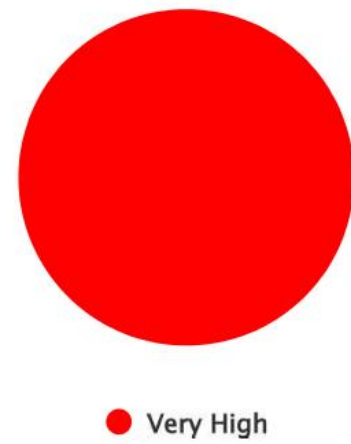
Corporate Risk Register											
Title	Risk Type	Owner	Inherent Priority	Controls Summary	Residual Priority	Residual Direction of Travel	Detail	Actions Owner	Assurance Line	Variable Target	Target Priority
Inflation	Financial	Rob Emery	Very High (4.5=23)	a) Lobby government to highlight our position and what will happen without a more sustainable funding solution	Very High (3.5=20)	=	Review of Transport programmes underway which will allow a greater understanding of spend profile and thus size of inflationary risk that individual projects are subject to. Report June 2023.	Rob Emery	2nd	30 Nov 2023	High (2.4=12)
				b) Project delivery - enter into fixed price contracts, i.e. transferring inflationary risk to contractors.			Work to identify inflationary pressures on budgets will be undertaken over summer 2023 to feed into the MTFP cycle in Oct/Nov 2023.	Rob Emery	2nd	30 Nov 2023	
				c) Project delivery delays mitigated by active project management to minimise slippage.			Work to identify inflationary pressures on budgets will be undertaken over summer 2023 to feed into the MTFP cycle in Oct/Nov 2023.				
				d) Reconsideration of the use of CA powers to use financial freedoms.							
Strategy Gap	Strategic	Kate McFarlane	Very High (5.5=25)	a) Agreement of Corporate Plan with underpinning MTFP	Very High (4.3=18)	=	Business plan agreed at June Board.	Kate McFarlane	2nd	29 Sep 2023	Low (2.1=3)
				b) Corporate Plan cascaded into Directorate Business Plans to give greater detail about priorities and resourcing			Further Business Board away day planned.	Kate McFarlane	2nd	29 Sep 2023	
				c) Revised performance management framework including KPI's			Communication strategy discussed by ET, needs to be refined and implemented.	Kate McFarlane	2nd	29 Sep 2023	
				d) Governance review - development of Single Assurance Framework enabling clear prioritisation and effective delivery of key projects			New CEX Group has had an initial meeting. CEX Group will meet monthly.	Kate McFarlane	2nd	29 Sep 2023	
				e) Planned CPIER refresh requires further board discussion is part of report to Board 26th July			Improvement Plan Workstream A Political (Strategy and Ambition) work underway.	Kate McFarlane	2nd	29 Sep 2023	
Future viability of the CA	Strategic	Rob Bridge	Very High (5.5=25)	a) Developing an improvement plan in order to build confidence with central government.	Very High (4.3=18)	↑	Under the leadership of the interim CEO an improvement plan has been developed.	Rob Bridge	3rd	29 Sep 2023	Medium (2.3=8)
				b) Actions contained within original improvement plan now complete.							
				c) Improved communications between partners							
				d) Reframed improvement plan now approved to meet issues identified in Best Value notice from DLUHC							
				e) Developed and implemented a new governance model, in effect, from 31st May, 2023							
Climate change	Strategic	Adrian Cannard	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.	Medium (2.3=8)	=	Regular progress reporting to Climate partnership and E&SC Committee	Adrian Cannard	3rd	29 Jul 2023	Low (1.3=4)
				b) Keeping Climate action plan up to date, keeping evidence base current.			Internal roll out of Climate awareness training	Adrian Cannard	3rd	31 Jul 2023	
				c) Maintaining independent climate change commission to provide advice.							
				d) Next step to embed climate considerations in our work programme as set out in departmental plans.							
				e) Maintaining effective networks and national and regional level to enable horizon scanning.							
Net Zero Hubs (2)	Reputation	Richard Hall	Very High (4.5=23)	Expedite the job gradings and approval to recruit	Very High (3.5=20)	↓	Move to recruitment now the role evaluations are complete.	Sam Hennerley	2nd	09 Jun 2023	Low (1.3=4)
							Recruitment portal launch with these roles needs to be prioritised in CPCA or an alternate route to advert found.	Sam Hennerley	2nd	09 Jun 2023	
							Appoint contingent labour if there is any delay beyond July for staff to be in post for key roles in reporting and project support.	Sam Hennerley	2nd	09 Jun 2023	
Transforming Cities Fund (TCF)	Financial	Tim Bellamy	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... Meeting with DfT and ARUP to understand what programme management measures they require to be reported on a quarterly basis to DfT to maintain...	High (3.3=13)	=	a) CCC and PCC to assess their TCF programme - complete	Tim Bellamy	3rd	31 Jul 2023	Medium (3.2=9)
							b) Identify funding gaps (complete)	Tim Bellamy	3rd	31 Jul 2023	
							c) Suggest alternative schemes for delivery - assessment required - complete	Tim Bellamy	3rd	31 Jul 2023	
							d) Paper to be written for consideration by TIC and subsequently by the Board on the requirement to approve spend by end of the financial year (including comparison with other M10 authorities) - complete	Tim Bellamy	3rd	31 Jul 2023	
							e) Outline to government the revised programme - complete	Tim Bellamy	3rd	31 Jul 2023	
							f) Respond to government's request for information and evidence to inform their "study" - ongoing - complete	Tim Bellamy	3rd	31 Jul 2023	
							g) Liaise with DfT on the additional programme management tools and associated information to maintain confidence in the deliverability of the programme	Tim Bellamy	3rd	31 Jul 2023	
Culture	Reputation	Rob Bridge	Very High (5.3=22)	a) Governance review underway as part of Improvement Plan.	Very High (4.3=18)	=	Ongoing engagement with Members and Officers to display appropriate behaviours.	Rob Bridge	3rd	29 Sep 2023	Medium (2.3=8)
				b) Funding secured from LGA to help develop constructive discussions between members.							
Financial - Underspend	Financial	Rob Emery	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...	Very High (3.4=17)	=	Development of directorate self service reports including RAG rating. This work will be supported by corporate project mgt and risk training.	Rob Emery	2nd	30 Jun 2023	High (2.4=12)
				b) Financial RAG ratings are in place so it can be seen immediately as part of the monthly performance reporting.			Reprofiling carry forward project budgets by project managers is taking place in April 2023	Rob Emery	2nd	30 Jun 2023	
				c) Active programme/project management by those responsible within the CPCA.							
EQIA	Legal	Reena Roojam	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.	High (3.3=13)	↑	EQIA legal review to be undertaken	Sam Hennerley	2nd	29 Sep 2023	Medium (2.3=8)
Cyber Security	Financial	Nick Bell	Very High (4.4=21)	a) Data recovery - cloud based organisation.	High (4.2=14)	↑	Continue to develop CPCA Cyber security position with the support of Local Digital and industry best practices from GCHQ.	Nick Bell	2nd	30 Sep 2023	Low (2.2=5)
				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.							
Future Funding	Financial	Nick Bell	Very High (4.5=23)	a) Sharing risk with partners (how will we share risk with partners)	Very High (5.3=22)	=	Engage with M10 colleagues to secure new devolution deal with sustainable funding at its core.	Nick Bell	3rd	30 Sep 2023	High (3.3=13)
				(b) Workshops with partners to work out alternative funding sources			Activities and outputs being progressed as part of Improvement plan - including development of case for 'bidding' resource				
				c). Liaison with government and M10 on potential opportunities							
				d) Consider use of existing CA powers to fund future programmes							
				e) Effective programme management to take into account funding deadlines.							
				f) Manage stakeholder expectations regarding CA resources available to deliver strategic objectives							
Subsidiary Companies	Financial	Edwina Adefehinti	Very High (4.4=21)	a) Action plan to address the internal audit recommendations has been developed. Early actions are being addressed.	High (3.3=13)	=	Shareholder Board to meet again later in year.	Edwina Adefehinti	2nd	01 May 2024	Low (2.2=5)
				b) Shareholder Board met 7th June 2023. Audit and action plans discussed and agreed.							

Title	Risk Type	Owner	Inherent Priority	Controls Summary	Residual Priority	Residual Direction of Travel Direction of Travel	Detail	Actions Owner	Assurance Line	Variable Target	Target Priority
HR Operations	Legal	Paul Lowes	Very High (4:4=21)	a) Digital review has been undertaken to identify system challenges and issues	Medium (3:2=9)	↑	Budget for business change (review all HR processes) and technology circa £30k p.a. Implementation costs circa £50k	Paul Lowes	2nd	30 Jun 2023	Low (2:1=3)
				b) Quick wins have been identified and implemented.			HR staff to be upskilled	Paul Lowes	2nd	30 Jun 2023	
				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							
Net Zero Hubs (1)	Reputation	Richard Hall	Very High (4:4=21)	a) Taking longer to produce specifications for technical delivery and for Managing Agents and Suppliers	Very High (4:4=21)	↑	Complete the Managing Agent and Turnkey Supplier Specifications	Richard Hall	2nd	15 Jun 2023	Medium (1:4=7)
				b) Further risk that suppliers may not want/be able to adapt to deliver the new scheme			Prepare the contracts that align to specifications	Richard Hall	2nd	15 Jun 2023	
				c) Reduction in achievable volume of delivery, with potential for significant delay and loss of funding.			Market engagement and testing of specifications to gauge level of interest	Richard Hall	2nd	15 Jun 2023	
Workforce/HR	Financial	Paul Lowes	Very High (3:4=17)	a) Workforce planning - redeployment of staff / temporary contracts	High (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.	Paul Lowes	2nd	31 Dec 2023	Medium (2:3=8)
				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.	Paul Lowes	2nd	31 Dec 2023	
				The HR Business Partner will hold regular meetings with Executive and Assistant Directors to monitor recruitment activity and create a pipeline of...			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.	Paul Lowes	2nd	31 Dec 2023	
							Financial implications of funding stream coming to an end, for example, exit payments	Paul Lowes	2nd	31 Dec 2023	
University of Peterborough project	Financial	Richard Kenny	Very High (3:5=20)	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...	High (4:2=14)	↓	Paper in Forward plan to Board in November 2022 and Jan 23.	Richard Kenny	2nd	31 Jul 2023	Low (2:2=5)
				A review of the future campus business case is to be undertaken.			Report on the review on the future campus business case July 2023.	Richard Kenny	2nd	31 Jul 2023	

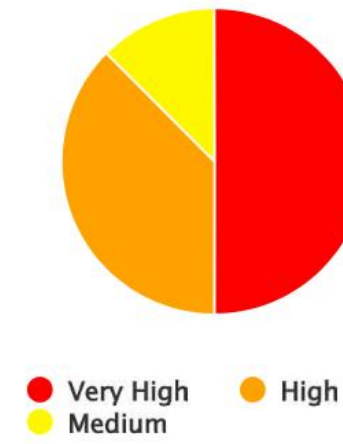
Risks by Category



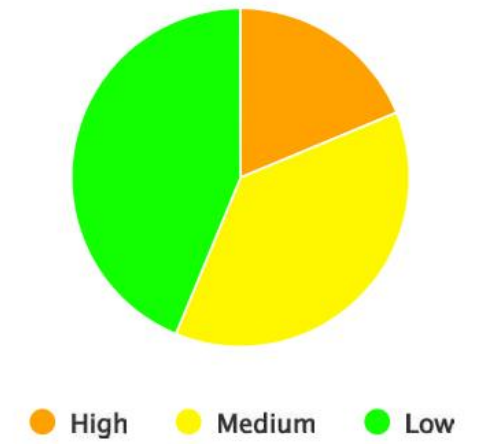
Risks by Inherent Score



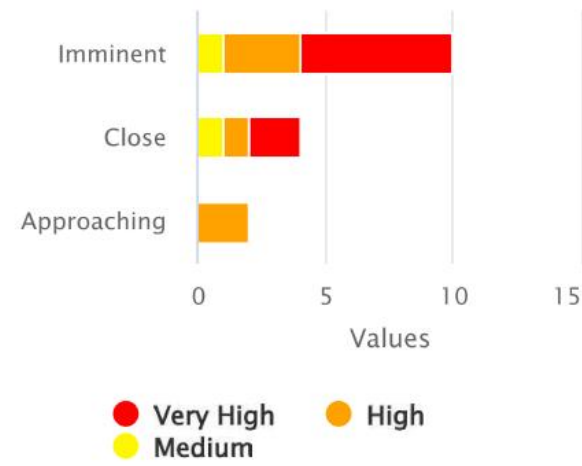
Risks by Residual



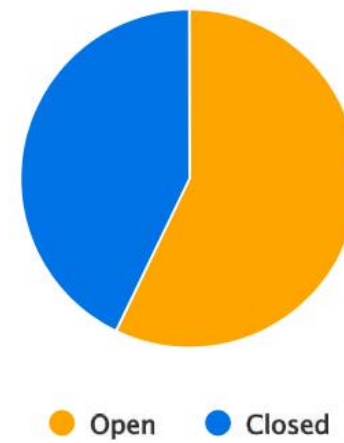
Risks by Target Score



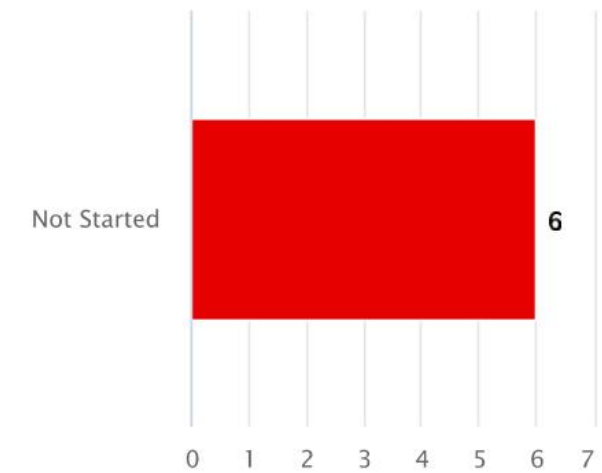
Risks by Proximity



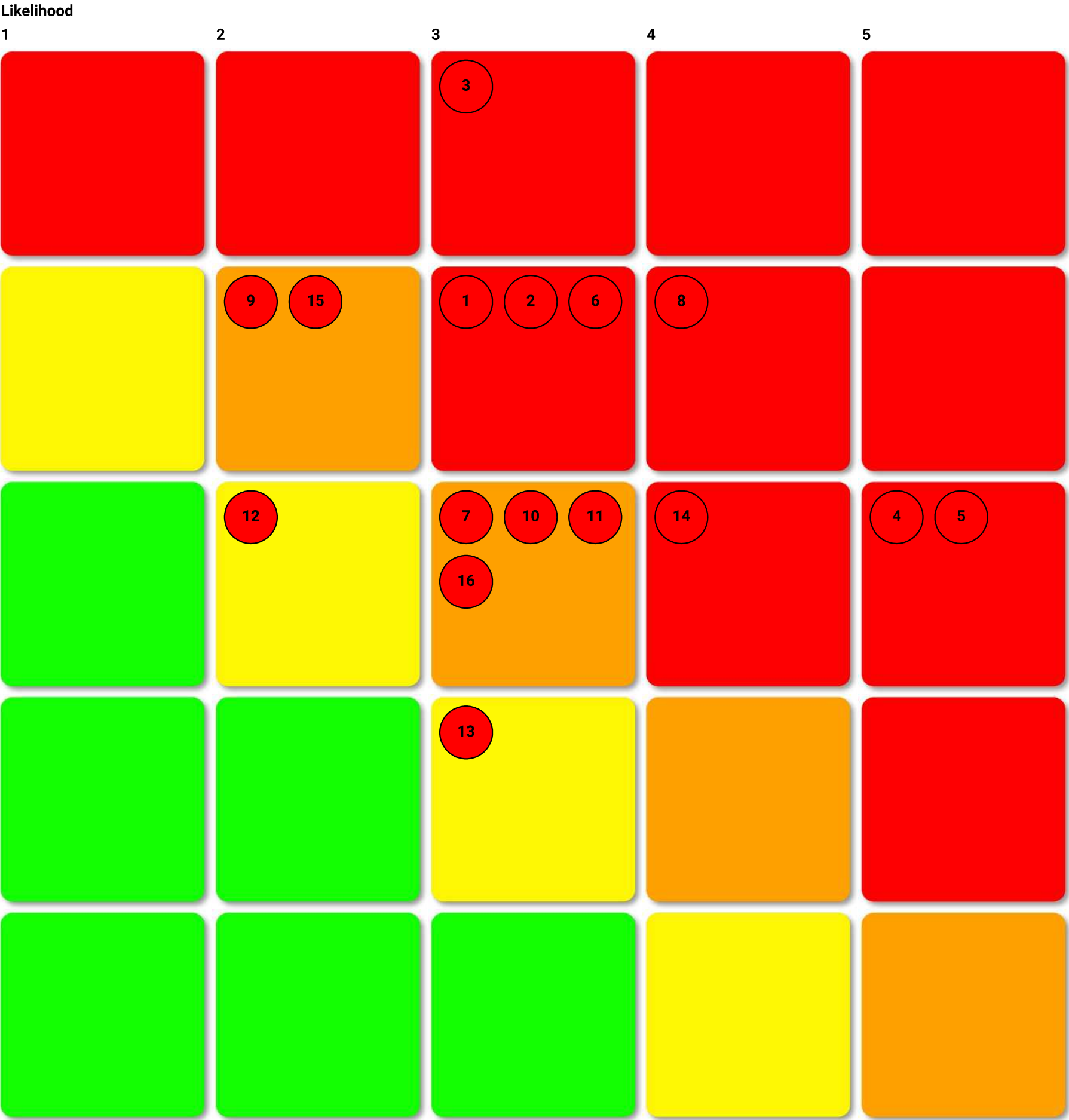
Open and Closed Risks



Overdue Actions



Impact
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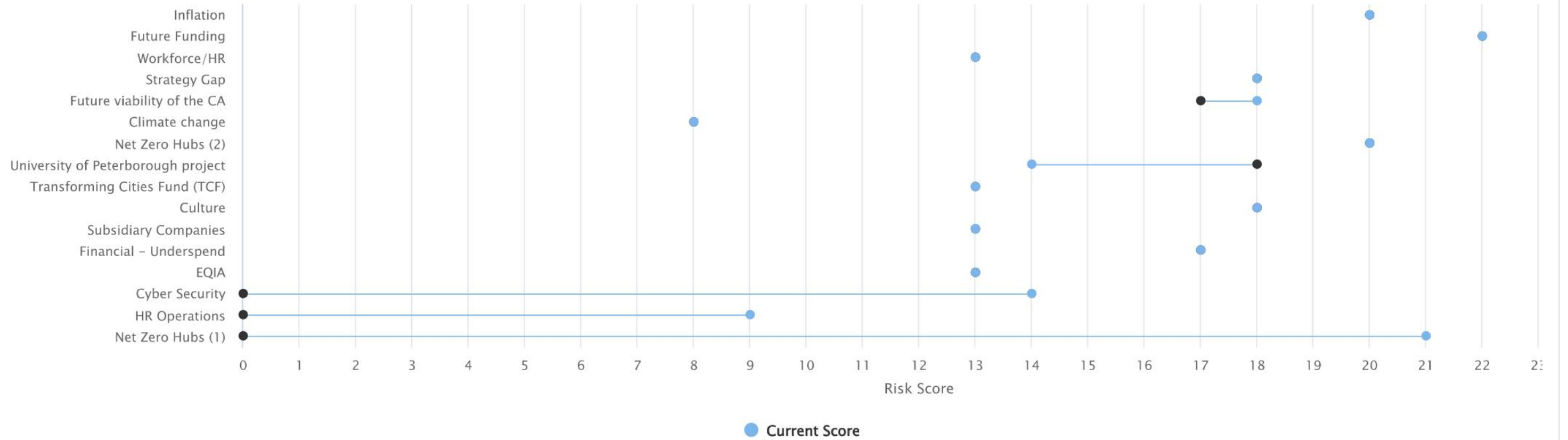


< INHERENT **RESIDUAL** TARGET >

Matrix Id	Reference	Title	Inherent	Residual	Target	
1	1047	Future viability of the CA	Very High	Very High	Medium	↗
2	1026	Strategy Gap	Very High	Very High	Low	↗
3	1007	Future Funding	Very High	Very High	High	↗
4	1001	Inflation	Very High	Very High	High	↗
5	1061	Net Zero Hubs (2)	Very High	Very High	Low	↗
6	1093	Culture	Very High	Very High	Medium	↗
7	1125	EQIA	Very High	High	Medium	↗
8	1199	Net Zero Hubs (1)	Very High	Very High	Medium	↗
9	1135	Cyber Security	Very High	High	Low	↗
10	1073	Transforming Cities Fund (TCF)	Very High	High	Medium	↗
11	1096	Subsidiary Companies	Very High	High	Low	↗
12	1136	HR Operations	Very High	Medium	Low	↗
13	1052	Climate change	Very High	Medium	Low	↗
14	1117	Financial - Underspend	Very High	Very High	High	↗
15	1068	University of Peterborough project	Very High	High	Low	↗
16	1015	Workforce/HR	Very High	High	Medium	↗

MOVEMENT BY TIME

Showing risks with a **Residual** score from **25/05/2023** to **27/06/2023**.





Audit & Governance Committee	Agenda Item
07 July 2023	6

Title:	Internal Audit Action Tracker report, June 2023
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 the progress on the Internal Audit Action Tracker, June 2023.
B	To note the procurement and implementation of corporate risk / internal audit software to track 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 | <p>The purpose of this paper is to provide a progress update on the Internal Audit Action Tracker.</p> <p>To note implementation of risk software to enable easier internal audit action reporting and monitoring.</p> |
|-----|--|

2. Proposal

- | | |
|-----|--|
| 2.1 | <p>The proposal is to inform the committee of progress in implementing internal audit actions from work carried out by RSM.</p> <p>Information regarding internal audit actions is to be included in the roll out of 4Risk software.</p> |
| 2.2 | <p>The internal audit action tracker records all actions undertaken by the CA internal audit RSM.</p> <p>Completion of actions support the overall adequacy and effectiveness of the organisation's risk management, control and governance processes.</p> |

3. Background

- | | |
|-----|--|
| 3.1 | <p>The action tracker collates the agreed actions from the various RSM audits and provides a status and progress update against each action.</p> <p>Progress on the implementation of actions is also reported at the internal officer working Performance and Risk Committee on a monthly basis.</p> <p>In total, there are 106 actions on the tracker, with 102 completed. The four remaining are overdue and are detailed below:</p> <ul style="list-style-type: none">• Subsidiary Company Guidance.
Audit action - 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
Commentary - The Business Plan completed for Growth co. PropCo1 is complete. For PropCo2 likely to be completed in July 2023.• Data Protection Deep Dive.
Audit action - The Code of Conduct for Business Board Members, Committee or Sub-Committee Members will be updated to cover Data Protection expectations. Following this, the Authority will ensure that the Code of Conduct is signed in a timely manner, with non-compliance being escalated accordingly.
Commentary - Code of Conduct forms have been updated.• Data Protection Deep Dive
Audit action – The Authority will ensure that as part of Member induction, data protection is covered. This will include gaining assurance that the Member has completed data protection training at their respective organisations.• Payroll
Audit action - Payroll Reconciliation Working Papers will be independently reviewed monthly to ensure that the exercise is being appropriately undertaken. |
|-----|--|

	<p>Furthermore, where variances are identified, these will be investigated and cleared within a timely manner.</p> <p>Commentary – Quarterly payroll checks are to be implemented by Sept 2023.</p>
3.2	<p>The following people have been engaged in the production of the proposal made within this report:</p> <p>Chris Bolton, Head of Programme Office Nathan Bunting, Programme Office, Project Manager Rob Emery, AD Resources and Performance</p>
3.3	<p>Historically, the CPCA have used excel based spreadsheets to record internal audit actions and although used with best intentions, can be open to formatting issues and not fully auditable.</p> <p>The current internal audit action tracker is difficult to administer and view in its totality.</p> <p>The implementation of new software will allow greater visibility of internal audit actions across the organisation, be easily accessible to action owners and allow easier reporting.</p>

4. Appendices

4.1	Internal Audit action tracker June 2023
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5. Implications

Financial Implications

5.1	<p>The cost of the 4Risk software is £10,000 p.a. and will be paid from the DLUHC Capacity budget.</p> <p>The contract is for a 3-year period. Internal audit functions will be included in the product.</p>
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Legal Implications

6.1	<p>The CPCA undertakes a large amount of project management and there is a necessity to ensure that there is an ongoing drive to improve standards and to strengthen areas where required. The management of projects should be as efficient as possible. This includes the project management as well as the governance, decision making and assurance. To avoid the CPCA from falling behind on any outstanding actions, the CPCA should ensure there is adequate resourcing for the PMO function and governance function.</p> <p>Whilst there is no statutory duty to report regularly to Members on the CPCA's performance, however, as a best value authority under the Local Government Act 1999, the CA has a statutory duty to secure continuous improvement in the way in which its functions are exercised having regard to a combination of economy, efficiency and effectiveness. Regular reporting of performance can assist the CPCA to demonstrate best value. Such a report can also inform Members of how the CPCA is delivering on its key objectives and hold Officers to account and steer improvement activity where necessary.</p>
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Public Health Implications

7.1	None
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Environmental & Climate Change Implications

8.1	None
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Other Significant Implications

9.1	None
Background Papers	
10.1	None

[illegible]



Audit & Governance Committee		Agenda Item
7th July 2023		7
Title:	Proposed changes to Constitution following Procurement Review	
Report of:	Chantel Allott, Procurement and Contracts Manager	
Lead Member:	Edna Murphy (Lead Member for Governance)	
Public Report:	Yes	
Key Decision:	No	
Voting Arrangements:	N/A	

Recommendations:

A	Recommend to the Combined Authority Board to approve the attached changes to the Contract procedure Rules (CPR's) in within the constitution which is to be discussed and approved at Board on 26 July 2023.
B	Recommend to the Combined Authority Board to approve the attached procurement Strategy and policy document which is to be discussed and approved at Board on 26 July 2023.

Strategic Objective(s):

The proposals within this report fit under the following strategic objective(s):	
5	Achieving Best Value and High Performance

1. Purpose

1.1	The Audit and Governance Committee is responsible for keeping under review the governance arrangements, such as policies and the constitution, of the Combined Authority and is empowered to make recommendations to the Combined Authority Board.
1.2	This report sets out proposed changes to the Combined Authority's CPR's in the constitution as well as the procurement strategy and policy document in line with the recommendations set out within the PwC report brought to A&G in June, following the procurement review. These proposed changes will be presented to Board on 26 July 2023.

2. Proposal

2.1	To implement the proposed changes to the CPR's within the constitution, which would not require any major changes once new legislation comes into effect. This would then enable the procurement service to make the necessary updates and changes without having to bring the CPR's back to the A&G committee each and every time. The updates and changes would be done within the Procurement Strategy and Policy document, as the purpose of setting up the CPR's in this manner is that we have covered our statutory requirements and are legally covered in the current legislation but also the new upcoming legislation.
2.2	The development of a procurement service fully resourced with personnel, policies etc will ensure effective delivery of services and help improve the quality of life of residents.

3. Background

3.1	The CPCA received a best value notice dated 24/01/2023 following concerns raised within the Authority in respect of procurement of services by the Authority. The CPCA commissioned PwC to undertake an external review of the procurement service. PwC were asked to comment on the Combined Authority's Procurement strategy, policies, operations and compliance and how this reflected best practice and Best Value and to provide recommendations for improvement to the Combined Authority, taking into account the likely requirements of the Procurement Bill currently passing through Parliament. This report was taken to A&G in June to recommend to the CA to approve the implementation of the high-level action plan.
3.2	TLT were commissioned to review the CPR's within the constitution to simplify this and set out our legal obligations under the current legislation as well as the impending Procurement Bill currently passing through Parliament. They were also asked to review our currently Procurement Policy for practicality and usability, as well as incorporate procurements strategic objectives following the procurement review.
3.3	<p>Alternative options considered</p> <ol style="list-style-type: none">1. Do nothing – this would not be in the best interest of the CPCA and does not foster good governance and best value.2. Attempt to action and commission this piece of work internally – the internal resource is not available to undertake this piece of work and the other requirements stemming from the PwC review, which would create a high risk that any improvements in this area would be both slow to deliver and not fully effective.

4. Appendices

4.1	<p>Appendix 1 – New version - Constitution CPR's - June 2023</p> <p>Appendix 2 – Current version - Constitution CPR's</p> <p>Appendix 3 – PwC Procurement Review report</p> <p>Appendix 4 – CPCA Procurement Strategy</p> <p>Appendix 5 - CPCA Procurement Policy</p> <p><i>Note: A tracked changed version of the CPR's has not been appended alongside the current constitution's chapter as the nature of the changes is it has been a complete rewrite.</i></p>
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5. Implications

Financial Implications

5.1	The approval of the Procurement Strategy, Procurement Policy and Contract Procedure Rules will not in itself have any direct financial implications, however the wider response to the Procurement review, considered by this committee at its meeting on 9th June, will have ongoing financial consequences which were contained within that report. It should be noted that a clear Procurement strategy, policy and Contract Procedure Rules are likely to foster improved value for money and Best Value in the Authority's procurement activities and are therefore likely to provide a positive financial benefit over the medium term.
Legal Implications	
6.1	<p>The Local Government Act 1972 requires the Combined Authority to have rules in place about "the manner in which the Combined Authority buys goods or materials, services and works" which shall include "provision for securing competition".</p> <p>As a 'Best Value' authority, the Combined Authority "must 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" (Local Government Act 1999)</p> <p>As a "Contracting Authority" for the purpose of the Public Contracts Regulations 2015 ("PCR 2015"), the Combined Authority must procure goods, works and services in compliance with those rules.</p> <p>The CPRs meet the legislative requirement under the LGA 1972 and should enable the Combined Authority to meet its best value obligations and procure lawfully.</p> <p>In parallel with this process the Legal Services Team reviews any proposed legislation which is likely to require amendments to the Constitution.</p>
Public Health Implications	
7.1	None directly
Environmental & Climate Change Implications	
8.1	None directly
Other Significant Implications	
9.1	None directly
Background Papers	
10.1	<ol style="list-style-type: none"> 1. Action Log from June's A&G committee 2. High level Action plan

CHAPTER 9: CONTRACT PROCEDURE RULES

9.1 Procurement Overview

9.1.1 Background

- 9.1.2 These rules set out how the Authority will contract their various requirements and how suppliers wishing to work for the Authority can access those opportunities.
- 9.1.3 Public Sector procurement is the process of acquiring goods, services and works for the delivery of an Authority's obligation to its residents and regional visitors.
- 9.1.4 Depending on the nature of the procurement, the value, and any specific social interests that the contract may attract, the procurement process must be designed to facilitate competition, optimise quality, and deliver value for money across the whole life cycle of the contract.
- 9.1.5 To ensure delivery of the above, all procurements must be carried out within a specific legal framework and based on principles of equal treatment, transparency, and non-discrimination.

9.2 Governing Legislation

- 9.2.1 The Local Government Act 1972 section 135 requires Public Bodies to have standing orders for how they enter into contracts. These Contract Procedure Rules ("Rules") set out how the Combined Authority will deliver against this obligation.
- 9.2.2 All Procurements for Contracts, by Combined Authority staff or members (including where managed by an external organisation or public body on the Authority's behalf), MUST comply with these Rules, the Combined Authority's Financial Regulations, **Applicable Public Procurement Legislation** and all other relevant UK Legislation; *with 'applicable' relating to the date on which the procurement is commenced/ advertised, the framework/ DPS was established or where no competitive process is required, a purchase order is raised.*
- 9.2.3 Where there is a discrepancy between these rules and any procurement legislation, the procurement legislation is the dominant authority.
- 9.2.4 Where there is a conflict between the procurement legislation and any other relevant legislation (as identified during procurement planning) the Monitoring Officer must be consulted immediately to carry out a legal, project risk assessment.
- 9.2.5 Central Government guidance (Procurement Policy Notes (PPNs)) and the National Procurement Policy Statement (NPPS) should be considered when designing a procurement for best practice guidance; however, they are generally not mandatory other than where specifically identified as such.

9.2.6 Guidance on when and how to apply current PPNs and the NPPS are set out in the **Combined Authority's Guidance document (to follow)**.

9.2.7 Non-compliance with any of these rules may constitute grounds for disciplinary action.

9.3 Application of the Rules (Regulated Procurements)

9.3.1 These rules govern:

9.3.1.1 any contract for the supply (*for pecuniary interest*), of goods, services or works, (not exempt/ excluded under 1.4 below) **regardless** of value,

9.3.1.2 using Frameworks or Dynamic Purchasing Systems,

9.3.1.3 collaborative procurements,

9.3.1.4 consultancy requirements,

9.3.1.5 equipment hires or lease through rental agreements,

9.3.1.6 disposal of assets.

9.4 Excluded/ Exempted Contracts (Not Regulated)

9.4.1 **These rules do not apply to contracts that are classified as excluded/ exempted**, as defined by the **Applicable Public Procurement Legislation**; including but not limited to:

9.4.1.1 Authority to Authority (Subsidiary) arrangements, vertical or horizontal – subject to approval by the Procurement and Contracting Manager. e.g.

9.4.1.1.1 Vertical - The Combined Authority exercises a parent or similar control or joint control with other contracting authorities on the entity as it does with its own departments, the entity carries out more than 80% of its activities for the controlling authorities and there is no private sector money in the entity.

9.4.1.1.2 Horizontal - Public body to public body co-operation – to achieve objectives which the authorities have in common, through an arrangement that is solely for the public interest, and the parties perform less than 20% of the services covered by the arrangement on the open market.

9.4.1.2 Subject matter exemptions:

9.4.1.2.1 Certain types of legal advice e.g., relating to judicial proceedings and/ or dispute resolution

9.4.1.2.2 Certain types of financial advice e.g., funding or financing arrangements, investment services

9.4.1.2.3 Employment contracts

- 9.4.1.2.4 Purchases made at public auction or of goods sold due to insolvency
- 9.4.1.2.5 Land contracts (including leases, licences, and transfers)
- 9.4.1.2.6 Grants of money, these cannot be contracts as there is no consideration and they are not services required to be delivered by the Authority
- 9.4.1.2.7 Specialist Requirements e.g., concessions, emergency, public transport as defined within the current procurement legislation.
- 9.4.1.3 Any other arrangements excluded by the procurement legislation

9.4.2 More specific detail on what may fall into the excluded/ exempted categories is detailed within the supporting **Combined Authority's Guidance document (to follow)**, in **Schedule X (to follow)**; and reliability of that exemption/ exclusion should be confirmed by the Procurement & Contracting Manager and/ or the Monitoring Officer before incurring any expenditure.

9.5 Procurement Objectives

- 9.5.1 Procurement aims and objectives cover a variety of considerations and the specific outcomes to be achieved by a specific procurement should be agreed as part of the procurement planning process.
- 9.5.2 These objectives may include, but not be limited to, all or any of the following and their inclusion should be informed by and tailored to the specific nature and technical requirements of the procurement.
 - 9.5.2.1 Fair and transparent (and effective) competition
 - 9.5.2.2 Delivering Value for Money
 - 9.5.2.3 Maximising public benefit such as delivering Social Value
 - 9.5.2.4 Accountability/ Integrity
- 9.5.3 Further Guidance on what these mean and how to include them within a procurement is available in the **Combined Authority's Guidance document (to follow)**, and through the National Procurement Policy Statement and Public Policy Notices (PPNs).

9.6 Roles & Responsibilities

- 9.6.1 **The Procurement Manager (and function)** is responsible for all procurement process and compliance, including; ownership of Project Initiation Document and approvals, ownership of Gateway Process, procurement option appraisals and process design, procurement training, procurement process management (including responsibilities for all notices up to the publication of the Contract Award Notice, ownership of e-tendering portal, ownership and provision of all procurement templates (including Authority standard form contracts)), completion/ approval of procurement template and reports, and oversight of all activities relating to waivers, contract modifications or termination.

9.6.2 **Contract Manager** is responsible for supporting the planning for and management of all contracts (regardless of how they are procured); specifically, feeding into procurement documents relating to contract management requirements, managing all applications for waivers, exemption or modification requests, owning the contract register (ensuring that information is kept up to date and that copies of contracts are attached) and forward planning for re-procurement of cyclical requirements, supporting Project Officers with contract management including financial and quality performance reporting, ensuring compliance with the Authority Governance requirements, publication of all mandatory and optional notices as required post the publication of the Contract Award Notice, ensuring all contract subject to the Gateway Process report in accordance with the stated procedures.

9.6.3 **The Project Lead/ Manager** is responsible for all pre-procurement governance and budgetary approvals, overseeing all technical document creation, organising any legal documents that are required, supporting all stages of the procurement process, co-ordinating the resourcing of tender evaluation and moderation sessions, completing any procurement related reports and any pre-contract governance requirements and working with Legal to finalise contracts all in accordance with this document, relevant procurement legislation and other associated legislation.

9.6.4 **The Monitoring Officer** is responsible for all legal decisions and activities; whether delegated to legal representatives or being actioned on behalf of the board. In the event of a disagreement within the project team relating to approach, legislation application, or any project governance, the decision will sit with the Monitoring Officer.

9.7 Separation of Duties

9.7.1 As part of the commitment to transparency, accountability, and service integrity, an individual that conducts a procurement, raises a purchase order, or requests a waiver cannot also approve one.

9.7.2 All approval and awards therefore should be raised by one individual and approved by a different individual and in accordance with the decision value and this document.

9.8 Conflicts of Interest

9.8.1 Public procurement legislation, as part of ensuring that all processes are managed fairly and with integrity, will require all individuals and suppliers involved in the procurement to both identify/ disclose and mitigate any perceived and/ or actual conflicts of interest.

9.8.2 Compliance with this requirement will include carrying out conflict of interest assessments where there is a perceived or actual conflict identified.

9.8.3 All conflict-of-interest assessments must be recorded on a conflicts of interest register and kept under review during the whole life cycle of the procurement. The assessment must also include details of any mitigations taken/ to be

undertaken to mitigate potentially unfair outcomes; e.g., use of Ethical Wall agreements, use of alternative evaluators, etc.

- 9.8.4 The Procurement & Contracts Manager will own the register and in conjunction with the Monitoring Officer, advise on appropriate mitigations and risks.

9.9 Procurement Strategy

- 9.9.1 The Authority has established a Procurement Strategy that sets out the agreed approach and standard for designing and delivering procurement procedures.

- 9.9.2 **Combined Authority's Strategy and Policy document** has been created in consideration of the **Applicable Public Procurement Legislation**, Central Government guidance (Procurement Policy Notes (PPNs), ([Procurement policy notes - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/procurement-policy-notes))), the National Procurement Policy Statement (NPPS) [National Procurement Policy Statement.pdf \(publishing.service.gov.uk\)](https://www.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/644442/npps-national-procurement-policy-statement.pdf), and best practice; It details the Authority's visions, medium term plan and the more immediate aims and objectives.

- 9.9.3 Officers are required to align their procurements to this Strategy; with guidance available from the Procurement and Legal teams.

9.10 Procurement Policy & Social Value

- 9.10.1 The Authority has created a Procurement Policy which details their commitment to delivering social value through their procurements, this being in consideration of the **Applicable Public Procurement Legislation**, the Public Sector (Social Value) Act 2012 and associated Procurement Policy Notes relating to delivering social value and the Social Value Model ([Procurement policy notes - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/procurement-policy-notes)).

- 9.10.2 The Authority's commitments relate to creating opportunities to support the local economy, local jobs, training opportunities, as well as ensuring the wellbeing of both the staff and the communities in which we work.

- 9.10.3 Where Social Value is included within a procurement, it must be tailored to the 'purpose of the contract without increasing costs. Further detail is available in the **Combined Authority's Strategy and Policy Document** and the **Procurement Guidance Document (to follow)**

9.11 Partnership Arrangements

- 9.11.1 The Authority has entered into a number of arrangements with partner authorities for the purchase of various back-office services; officers must therefore liaise with procurement before commencing a new procurement for similar/ additional requirements to ensure that those arrangements are not breached or cause relationship problems across the Authority's partners.

9.12 Corporate Contracts

- 9.12.1 The Authority has established a number of corporate contracts, including but not limited to; stationery, treasury, insurance, and ICT services. officers must

therefore liaise with procurement before carrying out a separate/ an additional procurement for such requirements.

9.13 Use of Consultants

9.13.1 Where the Combined Authority requires the technical input of industry experts/ consultants to either resource and/or manage a procurement or inform a specification, or deliver a particular process, officers are required to ensure the following is applied:

9.13.1.1 The service is for a discrete (or multiple discrete) piece of work and/or is not backfilling a Combined Authority post.

9.13.1.2 The consultants are procured in accordance with these Rules.

9.13.1.3 The consultant is experienced in and fully understands all **Applicable Public Procurement Legislations** and agrees to be bound by them.

9.13.1.4 There is a clear specification of requirements and responsibilities set out in their appointment, including adherence to these rules and relevant legislation and that this is documented in the form of contract used.

9.14 Working with SMEs

9.14.1 The Authority is committed to making contracting opportunities accessible to all interested suppliers.

9.14.2 Officers, when designing a procurement, must consider the use of Lots, encouraging consortia bids, structuring the documents to be SME friendly, and setting financial participation thresholds to the minimum needed to manage risk.

9.15 Excluding Suppliers & Subcontractors

9.15.1 The Authority may exclude a supplier where they or one of their proposed subcontractors have exhibited behaviours that are unacceptable to the Authority.

9.15.2 Details of when and for what (mandatory and discretionary grounds) a supplier may be excluded is available in the **Applicable Public Procurement Legislations**.

9.16 Identifying Opportunities

9.16.1 All advertised procurements will be advertised and managed through the Authority's e-tendering Portal. **(insert Hyperlink)(to follow)**

9.16.2 Suppliers wishing to bid for Authority contracts should register on the portal.

9.17 Contracts Register

9.17.1 All current contracts are included on the Authority Online Contract Register. This includes details of the current supplier and the current contract expiry date.

9.17.2 The register is updated with details of all new contracts, regardless of how they were procured. [\(insert Hyperlink\)\(to follow\)](#)

9.18 Procurement – Planning, Design, Timings & Documentation.

9.18.1 Overview

9.18.1.1 The activities detail in this section applies where the spend is not exempted from these rules under Section 9.4 above.

9.18.1.2 Officers, members, and others responsible for spending public funds must consider all of the following legal and best practice obligations when designing a procurement.

9.18.1.3 No procurement may proceed without an Officer having properly completed the **Procurement Instruction Document** and evidencing that they have considered all of the planning, documentation and process considerations detailed in this document) and that they have all the required approvals in place, (e.g., value, duration, lots, budget, risk, authority to procure/ award) all in accordance with the **Procurement Guidance Document (To follow)** and where there are significant risks or public interest, the **Authority Gateway Process. (To follow)**

9.19 Categories of Spend

9.19.1 All spend must be categorised before a procurement process can be designed; this is due to different categories and spend purposes having different financial thresholds and expectations. The categories and sectors for consideration include

9.19.1.1 **Goods** (supplies or products), **Services** (labour, consultants, or technical resources); or **Works** (Construction Projects);

9.19.1.2 **Utilities** (Gas, electric, Water, transport e.g. Buses on a fixed network), **Light Touch** (social Care, legal services, education), **Concession** (Supplier risk/ paid by service users), **Research** (for the benefit of the public), **Exempt/ Excluded** (Not Regulated)

9.20 Contract Durations and Duty to Consider Lots

9.20.1 Where a procurement process is required, an estimate/ maximum value must be calculated. This requires Officers to decide the contract duration (and potential extension) and any whether the requirement may be delivered by a single or multiple suppliers.

9.20.2 In determining the above, Officers must consider, the use of Lots and the potential benefit of working with (local) SMEs (and reduce overhead costs) with the opportunity to achieve economy of scale discounts, manage market uncertainty, and the benefits of a single supplier.

9.20.3 In considering and how to make opportunities accessible to SMEs, officers **MUST** ensure that they do NOT disaggregate, or sub-divide like of similar

requirements purely for the sole purpose of avoiding the rules for above threshold/ public contracts.

9.21 Estimating Contract Values

9.21.1 The estimated contract value must include ALL monies that could be paid over the maximum life span of the contract (or Framework/ DPS), to the successful tenderer(s) regardless of the source; e.g., all planned and potential costs, additional requirements, fees/ commissions, contract extensions and/ or prizes/ participation costs plus any contingencies, whether funded by the authority, other grants or paid by service users. The total must also include VAT.

9.21.2 This value must not be artificially inflated or disaggregated as it will feed into various decisions, including route to market, and assessing whether a supplier has the capacity (under a two times the annual value of the contract that a supplier may potentially be awarded)

9.21.3 The above calculated value, calculations and assumptions must be documented in the **Procurement Instruction Document** and where it exceeds the Authority threshold for a Key decision, this must be notified to legal.

9.22 Thresholds

9.22.1 Procurement Thresholds are category/ sector and value based; they determine which routes to market are available and rules must be followed.

9.22.2 The Thresholds come from the **Applicable Public Procurement Legislation** (or Policy Notes) and are based on the Government Procurement Agreement (GPA).

9.22.3 The rules and available routes to market are determined by whether the estimated contract value is deemed to be 'Above Threshold' (Covered Contracts) or 'Below Threshold'. [Current Thresholds PPN](#)

9.22.4 For Below Threshold spend, the following table sets out a number of routes to market and the estimated value (which include VAT) and category/ sector rules for when a route is available for use.

Table 1 – Below Threshold procurement processes

Category/ Sector	Level 1 - Single Quote	Level 2 - Request for Quotes	Level 3a & b Simple Tender
Goods (G)	£0 to £9,999	£10,000 to £29,999	£30,000 to Goods £GPA (3a)
Services (S)	£0 to £29,999	£30,000 to £49,999	£50,000 to Services £GPA (3a)
Consultancy Services	£0 to £49,999	£50,000 to £GPA	
Licences	£0 to £199,999		

ICT G & Services	£0 to £199,999		
Works	£0 to £99,999	£100,000 to £499,999	£500,000 to Works £GPA (3b)
Light Touch	£0 to £99,999	£100,000 to £299,999	£300,000 to Light Touch £GPA (3a)
Concession (ALL)	£0 to £99,999	£100,000 to £499,999	£500,000 to £GPA(3a)
Utilities	£0 to £99,999	£100,000 to £499,999	£500,000 to £GPA(3a)
Frameworks & DPS	In accordance with Framework Rules (direct award up to £199,999 (where permitted) with further competition above £200,000)		

9.22.5 Regardless of the minimum obligations, Officers may choose (or may be instructed by procurement to) conduct a procedure in line with a higher level, including one which is for Above Threshold/ Covered Procurement, including issuing a Tender/ Contract notice to invite interested suppliers to submit a Tender.

9.22.6 The Procurement Manager may also mandate such a process where the estimate contract value is very close to the relevant £GPA Threshold, or the contract is considered to be high profile/ of public interest, or where it is a condition of the funding that a specific process must be applied.

9.22.7 An explanation of what is required for each procurement process/ level is provided below and with further detail being available in the **Procurement Guidance Document. (To follow)**

9.23 Risk Assessments

9.23.1 Officers are required to carry out a risk assessment as part of the project initiation and planning process, and at the very least, in the following situations:

9.23.1.1 where the procurement is both a Key Decision and Above Threshold (a Covered Procurement) AND/ OR

9.23.1.2 is establish a new Framework or DPS agreement with multiple suppliers

9.23.1.3 includes a Special Purpose Vehicle,

9.23.1.4 is for a contract duration in excess of five years,

9.23.1.5 includes design liabilities and/ or collateral warranties,

9.23.1.6 involves intellectual property,

9.23.1.7 involves a significant Health & Safety consideration,

9.23.1.8 is likely to be subject to significant inflation risks, or

9.23.1.9 where the spend relates to substantial direct awards or contract extensions that carry risks under the **Applicable Public Procurement Legislation**.

9.23.2 The outcome of the risk assessment must both be:

9.23.2.1 documented in the **Procurement Instruction Document** as it will feed into the process design and Gateway Process reporting requirement and

9.23.2.2 added to the Corporate Risk Register for monthly monitoring by the PMO and Project Lead.

9.24 Preliminary Market Engagement

9.24.1 Officers are required as part of designing both the procurement and the procurement documentation to consider running a **Preliminary Market Engagement** event where a contract has been assessed as high value, high profile, complex or specialist in nature, the market is saturated, made up of SMEs, or is suitable for a consortia approach; or as otherwise directed by Procurement. This decision and reason is to be documented in the **Procurement Instruction Document** and will feed into the process design and timescales.

9.24.2 Where a **Preliminary Market Engagement** event is to be used, it must be advertised, and the Authority must take reasonable steps to ensure that participants at an event do not have an advantage in the subsequent procurement.

9.24.3 All information shared before, during or after a **Preliminary Market Engagement** event must also be included within the subsequent procurement documentation.

9.25 Routes to Market, Document Requirement & Timescales

9.25.1 Depending on the Level/ route to market identified Table 1 – Below Threshold procurement processes, Officers should use the following table to determine the stages, activities, and documents to be included in the design of the procurement.

Table 2a – Document and Process Requirement Checklist

		Below Threshold			
		Level 1	Level 2	Level 3a	Level 3b
Stages	Activities/ Documents	Single quote	Request for Quotes	Simple Tender (G&S)	Simple Tender (Works)
Process for identifying/ inviting suppliers to quote/ tender	Identify suitable supplier (s)	✓	✓	X	X
	Include at least 1 local supplier	✓	✓	X	X
	Invite all Suppliers to tender	X	X	X	X
	Advert on e-tendering Portal	X	X	✓	✓
	Advert on Contracts Finder	X	X	✓	✓
	Advert on Find a Tender Service	X	X	X	X

Communication methodology	Manage by email	✓	X	X	X
	Manage on portal	X	✓	✓	✓
Suitability assessment	Due Diligence Form - Capacity & Capability	X	✓	✓	X
	SSQ- Capacity & Capability	X	X	X	X
	SSQ- Selection Stage/ shortlisting	X	X	X	✓
Documentation to be provided	Specification	✓	✓	✓	✓
	Contract	✓	✓	✓	✓
	Tender Response Document	X	✓	✓	✓
	Form of Tender	X	X	✓	✓
	Tender Instruction inc. timescales	X	X	✓	✓
	RFQ Instructions	X	✓	X	X
Evaluation Methodology	Price Only Evaluation model	✓	✓	X	X
	Quality & Price Evaluation model	X	✓	✓	X
	Quality, Social Value & Price Evaluation model	X	X	✓	✓
Review/ negotiation opportunity	Acceptability Review	✓	X	X	X
	Opportunity to Negotiate	✓	✓	X	X
	Opportunity to refresh (ALL Suppliers)	✓	✓	X	X
process considerations	Min Number of evaluators	2	3	3	3
	Estimated timescales	2-4 weeks	4-6 weeks	6-10 weeks	12-14 weeks
Outcome notifications	Selection stage Outcome Letters	X	X	X	✓
	Award Outcome Letters to all suppliers	✓			
	Standstill	Optional			
	Award Notice - Contracts Finder (above £30k)	Over £30k incl. VAT			
	Contract Award Notice - Find a Tender Service	N/A			
	Modification Notice - Find a Tender Service	N/A			

For Procurement Above Threshold (Covered Procurements), the following table sets out the stages, activities, and documents to be included in the design of the procurement by Officers.

9.25.2 Further guidance on using both Tables 2a and 2b is available in the **Procurement Guidance Document. (To follow)**

Table 2b – Document and Process Requirements Checklist

		Above Threshold			Any Value	
		Level 4	Level 4	Level 4	Level 4	Level 4
Stages	Activities/ Documents	Open Tender	Other Processes	Direct Award	Use Existing Framework	Using Existing DPS
Process for identifying/ inviting suppliers to quote/ tender	Identify suitable supplier (s)	X	X	✓	X	X
	Include at least 1 local supplier	X	X	X	X	X
	Invite all Suppliers to tender	X	X	X	✓	✓
	Advert on e-tendering Portal	✓	✓	X	X	X

	Advert on Contracts Finder	✓	✓	X	X	X
	Advert on Find a Tender Service	✓	✓	X	X	X
Communication methodology	Manage by email	X	X	X	X	X
	Manage on portal	✓	✓	✓	✓	✓
Suitability assessment	Due Diligence Form - Capacity & Capability	X	X	X	X	X
	SSQ- Capacity & Capability	✓	✓	✓	X	X
	SSQ- Selection Stage/ shortlisting	X	✓	X	X	X
Documentation to be provided	Specification	✓	✓	✓	✓	✓
	Contract	✓	✓	✓	✓	✓
	Tender Response Document	✓	✓	✓	✓	✓
	Form of Tender	✓	✓	✓	✓	✓
	Tender Instruction inc. timescales	✓	✓	✓	✓	✓
	RFQ Instructions	X	X	X	X	X
Evaluation Methodology	Price Only Evaluation model	X	X	X	X	X
	Quality & Price Evaluation model	X	X	X	X	X
	Quality, Social Value & Price Evaluation model	✓	✓	✓	✓	✓
Review/ negotiation opportunity	Acceptability Review	X	X	✓	X	X
	Opportunity to Negotiate	X	✓	✓	X	X
	Opportunity to refresh (ALL Suppliers)	X	✓	X	X	X
process considerations	Min Number of evaluators	3	4	2	2	3
	Estimated timescales	12-14 weeks	over 26 weeks	2 weeks	4-12 weeks	4-12 weeks
Outcome notifications	Selection stage Outcome Letters	X	✓	X	N/A	
	Award Outcome Letters to all suppliers	✓	✓	X	✓	✓
	Standstill	Mandatory			Optional	
	Award Notice - Contracts Finder (above £30k)	✓	✓	✓	✓	✓
	Contract Award Notice - Find a Tender Service	✓	✓	✓	Optional	
	Modification Notice - Find a Tender Service	In Accordance with Legislation				

9.26 Legal Considerations

9.26.1 Contracts

9.26.1.1 Every Procurement must be accompanied by a Contract.

9.26.1.2 The contract may be a standard form, an amended standard form, a bespoke/ project specific contract, or a set of Heads of Terms; and these may be provided either in a finalised or draft form (depending on the route to market being used).

9.26.1.3 Legal are responsible for determining the appropriate form of contract and this must be documented in the **Procurement Instruction Document** as it will feed into various aspects of the process design.

- 9.26.1.4 The agreed form of contract must be made available to Tenderers before they are required to submit a price/ tender.

9.26.2 Bonds & Guarantees

- 9.26.2.1 All contracts over £250k will include an option for the Authority to request a Performance Bond and/ or a Parent Company Guarantee. The adoption and value of which are at the discretion of the relevant Director. The requirement is likely to be applied where the project or a contractor is deemed as a high risk for failure (likelihood and/or impacts). Advice is available from the procurement team, legal and finance.
- 9.26.2.2 Where a bond or guarantee is deemed necessary – this should be in a form acceptable to the Authority and in consideration of the form of contract being used

9.26.3 Non-Procurement Legislation

- 9.26.3.1 The design of any procurement must take into account all relevant legislation; as applies to the authority, the project, and the supply chain.
- 9.26.3.2 In the event that there is an incompatibility identified between two or more relevant pieces of legislation; this must be escalated to the Monitoring Officer for a decision.

9.27 Procurement Programme

- 9.27.1 In addition to the indicative timescales included in Tables 2a and 2b above, Officers will also need to plan for and include time allowances for complying with the Authority's approvals and reporting requirements. This being particularly significant where a procurement is classified as a Key Decision and/ or is to be monitored through the Gateway Process.
- 9.27.2 Officers should work with the Programme Management office (PMO) team and Contract Manager to create a procurement programme against which resource requirements can be managed.
- 9.27.3 Indicative timescales for different types of approvals are set out in the ***Procurement Guidance Document. (To follow)***

9.28 Procurement Documentation

9.28.1 Overview

- 9.28.1.1 The procurement document required will depend on the selected route to market, the stages, and the activities to be completed; Tables 2a & b above set out the minimum information, process and notification requirements that must be adhered to.

9.28.2 Notices

- 9.28.2.1 The publication of the various notices is a legal requirement both to create effective competition and ensure transparency in the spending of public

funds, the most commonly used notices and reasons for use are detailed below:

9.28.2.1.1A Tender/ Contract Notice – a Call for Competition / request for tenders from interested suppliers as part of ensuring effective competition

9.28.2.1.2A Contract Award Notice – Informing the market of a decision to award.

9.28.2.1.3 Contract Change Notices (Modification Notices) – Informing the market that the Authority intends to make a permitted modification to a contract.

9.28.2.2 Where the Authority is required to be published other notices to inform the market of other plans, events, decisions and/ or report information in accordance with the [Applicable Public Procurement Legislation](#), the Procurement Manager and/ or the Contract Manager will identify and publish them as required.

9.28.3 Instructions

9.28.3.1 Officers must ensure that they effectively communicate with all suppliers what the procurement process will involve (including selection and/ or negotiation stages), how long it should take and what is required from the supplier to submit a compliant quote/ tender.

9.28.3.2 In addition, it must detail how suppliers should communicate with the Authority during the procurement process and any rules for participation/ conditions of tendering.

9.28.4 Due Diligence / Standard Selection Questionnaire/ Conditions of Participation

9.28.4.1 It is essential that the Authority only appoint suppliers to deliver contracts that have the capability, capacity, and experience against the specific technical requirement and that they can achieve the project timescale and quality requirements.

(a) In addition, the Authority must ensure that all suppliers meet the legal, ethical, and social standards set out by Central Government. Further information on this is available at Gov.uk ([Standard Selection Questionnaire PPN](#))

9.28.5 Award Criteria (Evaluation Methodology)

9.28.5.1 Officers are required to design and effectively communicate the evaluation methodology that will be applied to the tender responses submitted by suppliers.

9.28.5.2 This must include detailing the split between quality, social value and prices and more specifically:

9.28.5.2.1 For quality and social value - the detailed questions and any response guidance, the scoring methodology/ matrix, and the importance weighting to be applied to each question

9.28.5.2.2 For Price – what value will be evaluated (including how it will be calculated) and the weighting allocated to the price.

9.28.5.3 One the Invitation to tender has been launched, this Award Criteria cannot be amended.

9.28.6 Form of Tender

9.28.6.1 All Suppliers will be required to sign a disclaimer when submitting their tender; specifically relating to their conduct during the procurement, there adherence to the condition of tendering, the acceptance of the contract terms and their agreement to hold their price open for a specific amount of time.

9.28.7 Document Format

9.28.7.1 All documentation and communication will be issued and returned electronically, the documents may, therefore, be issued as attachment in Microsoft or Adobe formats or built into and answered in the e-tendering portal.

9.29 Procurement Process & Contract Management

9.29.1 Procurement Launch

9.29.2 The Authority is required to publish a full set of procurement documents when they publish the contract/ tender notice. Table 2a & b above state when a notice is required and where it must be published.

9.29.3 Suppliers can access these opportunities from the following links:

9.29.3.1 [E-tendering portal hyperlink](#) (To follow)

9.29.3.2 [Contracts Finder - GOV.UK \(www.gov.uk\)](#)

9.29.3.3 [Find high value contracts in the public sector - GOV.UK \(www.gov.uk\)](#)

9.30 Process Management

9.30.1 All competitive procedures (level 2 and above) must be managed through the Authority's e-tendering Portal; including all of the following activities

9.31 Communication with Suppliers

9.31.1 All communication with suppliers should be, as far as practicable, be via electronic means; e.g., the e-tendering portal.

9.32 Clarifications

9.32.1 All clarifications (by suppliers and the Authority) must be raised and managed through the e-tendering portal.

- 9.32.2 Where a supplier asks a question, the questions and responses must be shared with all suppliers; an exception being where the supplier specifies that the question is commercially sensitive, and the Authority accepts this.
- 9.32.3 Where, as part of the evaluation process, the Authority identifies something that appears erroneous, needs to be clarified or was omitted, must also be raised through the e-tendering portal.
- 9.32.4 A record of all clarifications must be maintained.

9.33 Evaluation Process

- 9.33.1 Authority will identify a team Suitably Qualified and Experienced Persons (SQEP) to carry out individual evaluations of their allocated question in accordance with the Selection/ Award Criteria as set out in the procurement documentation. All evaluators will then be required to attend a moderation session.
- 9.33.2 At selection stage, depending on the route to market, the Authority may down select participants, depending on which/ the design of the process.
- 9.33.3 At Award Stage, the quality, social value, and price evaluation will be carried out independently and not shared with evaluators until a formal recommendation is made.
- 9.33.4 The Authority has the right (but is not obliged) to seek clarification on the submissions as part of the process. Where this prerogative is utilised, all suppliers will be treated equally.

9.34 Negotiations

- 9.34.1 Negotiations will only be permitted where this is expressly stated in the procurement documentation and will be carried out in compliance with the stated process.
- 9.34.2 If a supplier attempts to negotiate a contract post award where this is not permitted, the Authority may disregard the supplier and award to the next ranked supplier.

9.35 Preferred Supplier Identification & Assurance

- 9.35.1 Once the evaluation process is complete, a preferred supplier will be identified, and the supplier suitability previously carried out refreshed to ensure that they are still a suitable/ capable supplier.

9.36 Award Decisions and Approvals

9.36.1 Tender Report (Audit Trail)

- 9.36.1.1 Following the completion of the procurement process, the Authority will comply with its obligations to justify and document the outcome and its recommendations. This includes where a Direct Award is made.

9.36.2 Award Governance

- 9.36.2.1 Before suppliers can be notified of the recommendation, the decision to award must be approved in accordance with the Authority's scheme of delegation (and depending on value/ risk, in accordance with a Gateway process)

9.36.3 Supplier Notifications

- 9.36.3.1 Once approved, the Authority will collate and provide each supplier with an assessment summary/supplier feedback. This to include the scores and information about the Authority's assessment (reason for the scores awarded). Unsuccessful suppliers must also be provided information relating to the successful supplier

9.36.4 Standstill Period & Contract Award Notice.

- 9.36.4.1 For all Above Threshold/ covered procurements, the Authority must apply a standstill period before entering into the contract. (Excluding Utilities, Light Touch or contracts awarded under a framework, in which cases as standstill period is optional)
- 9.36.4.2 The standstill period must be applied, and a Contract Award Notice published in accordance with **Applicable Public Procurement Legislation**.

9.37 Spend Approval & Contract Execution Thresholds

- 9.37.1 All contracts must be signed or executed in accordance with the following rules:

	Works – executed as a Deed	
Monitoring Officer	All works contracts regardless of value	
	Goods & Services – signed underhand	
Responsible Officer	Up to £25k exc. VAT	Up to £30k inc. VAT
Project Finance Officer	Up to £100k exc. VAT	Up to £120k inc. VAT
Project Director	Up to £250k exc. VAT	Up to £300k inc. VAT
Monitoring Officer	Up to £500k exc. VAT	Up to £600k inc. VAT
Key Decisions Process	Over to £500k exc. VAT	Over £600k inc. VAT

- 9.37.2 A record of the contract and a copy of all executed contracts must be added to the Contract Register (with physical copies of contracts executed as a deed stored securely).

9.38 Contract Management

9.38.1 Contract Review

- 9.38.1.1 The Contract Manager will ensure that all contracts are reviewed regularly to ensure the stated deliverables are being achieved, specifically
- 9.38.1.2 Performance Management – that any included Key Performance Indicators are being satisfactorily achieved and any associated reporting is completed
- 9.38.1.3 Financial and Payment Performance (including Late Payments) – that the Authority and the Supplier are meeting their payment obligations; including making late payments were due.

9.38.2 Modifications

- 9.38.2.1 All modifications must be managed in accordance with the contract and in compliance of what is permitted under the **Applicable Public Procurement Legislation**.
- 9.38.2.2 A record of all changes must be made and reported in accordance with both the Authority's governance requirements and the **Applicable Public Procurement Legislation**.

9.38.3 Termination

- 9.38.3.1 In the event that any performance requirements are not being met, the Authority may terminate the contract in accordance with the stated contract clauses. Where required, this to be reported in accordance with the **Applicable Public Procurement Legislation**.

9.39 Other Procurement Considerations

9.39.1 Waivers & Exemption Approvals

- 9.39.1.1 Where an officer seeks to deviate from the requirements of this document a waiver must be completed and approved in accordance with the following rules:

	Activity	Approval Requirements
Exemption from obtaining quotes (level 2)	Under £25k (exc. VAT) (Goods) The responsible officer must complete and sign the template	The completed (signed) form must then be approved by both Procurement and Legal
	Over £30k up to £100k (exc. VAT) (Services) The responsible officer must complete and sign the template and also have it approved by the Project Finance Officer	
	Over £100k (exc. VAT) up to £GPA threshold (Goods & Service) The responsible officer must complete and sign the template and also have it approved by the Project Finance Officer and the Project Director	

	Over £100k up to £500k (exc. VAT) (Works, Concessions, Utilities) The responsible officer must complete and sign the template and also have it approved by the Project Finance Officer, the Project Director, and the Monitoring Officer	
Exemption from advertisement (level 3)	Under £GPA threshold (Goods & Service) The responsible officer must complete and sign the template and also have it approved by the Project Finance Officer and the Project Director	The completed (signed) form must then be approved by both Procurement and Legal and where a Key Decision, the individual(s) with delegated authority.
	Over £300k up to £500k (exc. VAT) (Light Touch) The responsible officer must complete and sign the template and also have it approved by the Project Finance Officer, the Project Director, and the Monitoring Officer	
	Over £500k (exc. VAT) up to £GPA threshold (Works, Concessions, Utilities) Spend over this value is a Key Decision and so must be taken to Board for approval by the Project Director and Monitoring Officer	
Exemption from further competition under a framework	Over £200k up to £500k (exc. VAT) (ALL) The responsible officer must complete and sign the template and also have it approved by the Project Finance Officer, the Project Director, and the Monitoring Officer	The completed (signed) form must then be approved by both Procurement and Legal

9.39.1.2 Where a contract is awarded under a waiver and is over £30k Inc. VAT, a Contract Award Notice must be published on Contracts Finder and the contract added to the Contract Register

9.39.1.3 Where an Officer deems that the proposed expenditure is exempt from these rules, the Officer must complete a procurement exemption form regardless of value and/or category/sector. This must be approved by Procurement and Legal.

9.40 Collaborative Procurements

9.40.1 Where the authority is required under its own powers or at the request of a partner authority to procure on its behalf, those procurements must comply with **Applicable Public Procurement Legislation**, and legislation more generally,

9.40.2 Each Authority must comply with their own rules with regards Financial, Procurement and delegated authority requirements; and then equally, their own scheme of delegation for contract signature.

9.41 Purchase Cards

- 9.41.1 The authority operates a purchase card facility; these are used for low value or one-off incidental spend where it is not efficient to carry out a competitive process.

9.42 Community Right of Challenge

- 9.42.1 Section 81 of the Localism Act 2011 permits relevant bodies (charities, community bodies, town and parish Authority Services and Staff) to submit Expressions of Interest to provide Authority Services. Corporate Services shall maintain and publish a timetable for the submission of interest. Any such expressions shall be forwarded to the Transformation Team.

9.43 Disposal of Goods & Assets

- 9.43.1 Where the Authority has goods or assets that are no-longer required these are to be disposed of through a closed-bid auction process. The Authority has an eBay account for this purpose and any department wishing to use it needs to do so through the Procurement team.

9.44 Grants

9.45 Application Process

- 9.45.1 The Authority is the recipient and administrator of substantial funding from central government and potentially, other funders.
- 9.45.2 Where this funding is to be granted to organisation to deliver specific aims and objectives for the Cambridgeshire and Peterborough communities, this will be administered through a formal process.
- 9.45.3** This process, in support of the Authority's commitment to transparency and equal treatment, will require organisation to submit a formal Grant Application; further details of how this works and what applicants need to do to be considered for different funding can be found in the Authorities **Grant Application Guidance Document. (To follow)**
- 9.45.4 The Authority reserves the right to apply a funding specific application process (subject to approval by the Monitoring Officer) where the Authority's standard grant application process is deemed insufficient for reasons such as the scope, the specific delivery requirements and/ or the funding and reporting obligations are complex.

9.46 Grant Agreements

- 9.46.1 Where a grant is issued, it must be awarded in accordance with the Authority's process for advertising, selecting, and awarding grants.
- 9.46.2 All grants must include:
- 9.46.2.2 Details of what the applicant has committed to provide for the funding.
- 9.46.2.3 Payment details including any payment conditions and frequency; and

9.46.2.4 Any flow-down requirements relating to obligations that apply to the Authority; including where relevant, reporting and clawback options

9.46.3 All grants which include clawback options **MUST** be executed as a Deed.

9.47 Monitoring & Reporting

9.47.1 A register of all grants issued must be maintained, this to include details of the recipient, the value, the funder, and the purpose.

9.47.2 Where the funding including reporting or other delivery/ payment obligations, this information must also be included in the register; e.g., conditions, monies paid, and delivery against the funding.

9.47.3 Where the grant includes reporting obligations, periodic meetings (as agreed as part of the grant agreement) must be held between the recipient and the Authority to ensure the recipient is both delivering as per their application and providing the required information. Notes and data from these meetings must be stored against the Grant Register.

CHAPTER 9: PROCUREMENT AND CONTRACT PROCEDURE RULES

9.1 Procurement Overview

9.1.1 Procurement Definition

- 9.1.1.1 Public Sector procurement is the process of acquiring goods, services and works for the delivery of an Authority's obligation to its residents and regional visitor. The process must be carried out within a specific legal framework and based on principles of equal treatment, transparency and non-discrimination such that for contracts over a specified value or specific social interest may be tendered for by any interested and appropriately qualified organisation. This is to ultimately achieve the optimal solution that also provides value for money across the whole-life of the process and contract.

9.1.2 Governing Legislation

- 9.1.2.1 The Local Government Act 1972 section 135 requires Public Bodies to have standing orders for how it enters into contracts. These Contract Procedure Rules ("Rules") set out how the Combined Authority will deliver against this obligation.
- 9.1.2.2 All Procurements for Contracts, by Combined Authority staff or members (including where managed by an external organisation or public body on the Authority's behalf), MUST comply with these Rules, the Combined Authority's Financial Regulations and all applicable and UK Legislation; specifically (but not limited to):
- a. The Local Government Act 1972
 - b. Public Contract Regulations 2015 (PCRs)
 - c. Concession Contracts Regulation 2016 (CCRs)
 - d. Equality Act 2010
 - e. Bribery Act 2010
 - f. Localism Act 2011
 - g. Social Value Act 2012
 - h. Modern Slavery Act 2015
 - i. General Data Protection Regulation 2016 (SI 2016\679)
 - j. Freedom of Information Act 2000
 - k. Transparency Code 2015
 - l. National Procurement Policy Statement 2021

- 9.1.2.3 Where there is a discrepancy between these rules and any procurement

- legislation, the procurement legislation is the dominant authority.
- 9.1.2.4 Where there is a conflict between the procurement legislation and any other relevant legislation as listed above (or otherwise identified during the process) the Monitoring Officer must be consulted immediately to carry out a legal, project risk assessment.
- 9.1.2.5 Central Government guidance (Procurement Policy Notes (PPNs)) should be considered for best practice but do not override these rules or legislation.
- 9.1.2.6 Government has issued a procurement policy note (05/21) requiring that contracting authorities familiarise themselves with the contents of the National Procurement Policy Statement. The Statement advises that contracting authorities should have regard to the following national priorities in their procurement where it is relevant to the subject matter of the contract, and it is proportionate to do so:
- creating new businesses, new jobs and new skills
 - tackling climate change and reducing waste, and
 - improving supplier diversity, innovation and resilience
- 9.1.2.7 The National Procurement Policy Statement affirms the requirement to comply with legal obligations including those in the UK-EU Trade and Cooperation Agreement, and these obligations include the binding commitment to fair and open competition which is assured by the Public Contracts Regulations.
- 9.1.2.8 The procurement policy note also advises that contracting authorities should consider whether they have the right policies and processes in place to manage the key stages of commercial delivery identified in this statement where they are relevant to their procurement portfolio. They should consider whether they have the right organisational capability and capacity with regard to the procurement skills and resources required to deliver value for money.
- 9.1.29 Non-compliance with any of these rules may constitute grounds for disciplinary action.

9.1.3 Application of the Rules

These rules govern

- 9.1.3.1 ALL purchases of works, goods and services (including consultancy requirements and equipment hire or lease through rental agreements) across the whole Combined Authority, regardless of value, as covered by Chapter 1 and 2 of the PCRs and not excluded by Regulation 10, PCRs.
- 9.1.3.2 The use of external frameworks and Dynamic Purchasing Systems.

- 9.1.3.3 Procurements under the Light Touch Regime Procurements, as covered by Chapter 3 of the PCRs.
- 9.1.3.4 Below threshold procurements under Chapter 8 of the PCRs.
- 9.1.3.5 The procurement of Concession contracts as set out in the CCRs.
- 9.1.3.6 ALL collaborative procurements with other public bodies.
- 9.1.3.7 The Disposal of Assets or goods by the Combined Authority.

They DO NOT apply to:

- 9.1.3.8 Supply of works, goods and services by the Authority to another authority, subject to the agreement of the Procurement and Contracting Manager.
- 9.1.3.9 Purchases through local authorities, government bodies or public agencies, (eg police, health or other similar authorities) where the procurement rules of that organisation have been approved by the Procurement and Contracting Manager as complying with these Rules, or the contract is agreed in cooperation or partnership eg section 75 agreements.
- 9.1.3.10 Public body to public body co-operation - contracts with other public bodies where the parties come together to deliver a public service, under the following conditions:

- (a) achieve objectives which are common to both parties; and
- (b) the arrangement is solely for the public interest; and
- (c) the parties perform less than 20% of the services covered by the arrangement on the open market.

- 9.1.3.11 In-house awards (this is where the Combined Authority awards a contract to an entity it controls or controls jointly with other contracting authorities) as prescribed in regulation 12 PCRs. This exemption will only apply if all of the following conditions are met:

- (a) The Combined Authority exercises a similar control or joint control with other contracting authorities on the entity as it does with its own departments;
- (b) The entity carries out more that 80% of its activities for the controlling authorities;
- (c) There is no private sector money in the entity.

- 9.1.3.12 Employment contracts.
- 9.1.3.13 Purchases made at public auction or of goods sold due to insolvency.
- 9.1.3.14 Land contracts (including leases, licences and transfers).
- 9.1.3.15 Grants of money, these cannot be contracts as there is no consideration

and they are not services required to be delivered by the Authority.

9.1.3.16 Funding or financing arrangements.

9.1.3.17 Any other arrangements excluded by the PCRs.

9.1.4 Services Excluded under Regulation 10 PCRs

9.1.4.1 The services excluded under Regulation 10 PCRs:

- (a) Legal advice that may lead to or is in preparation for Judicial Proceeding, or representation at judicial proceedings;
- (b) Arbitration or conciliation;
- (c) the purchase or sale of any interest in land, (including leasehold interests);
- (d) Financial advice for the sale, purchase or transfer of sureties;
- (e) Audio-visual/radio broadcasts;
- (f) Arbitration/legal advice for either the preparation or representation in legal proceedings that may result in a court hearing;
- (g) Loans;
- (h) Employment contracts between an individual and the Combined Authority;
- (i) Public transport by rail or metro;
- (j) Political campaigns;
- (k) Civil Defence

9.1.4.2 Where there is any doubt as to whether the procurement is covered by these rules, officers are required to seek advice from the Procurement and Contracting Manager.

9.2 Procurement Objectives

9.2.1 The Combined Authority seeks to achieve more than just the practical element of the contract from the procurement process; as such, every

contract must be let in consideration of the following objectives:

- (a) Regulatory Compliance (open markets and equal opportunity for all providers, fair & transparent process in accordance with the procurement principles in Regulation 18 PCRs);
- (b) Accountability;
- (c) Value for Money (proportionality, efficiency and economy);
- (d) Efficient Procurement Process;
- (e) Support of Horizontal Policies such as implementing social, environmental and industrial commitments, at a proportionate level, in accordance with the Combined Authority's Policies and Procurement Guidance Document.

9.2.2 Excluding item 1 – the level of priority of each of the other objectives is to be set by the Combined Authority, as detailed in this document.

9.2.3 Roles and Responsibilities

9.2.3.1 The following lists detail the various procurement activities and where the responsibilities for each sit.

Procurement and Contracting Manager (directly or through delegation)

- (a) Responsibility for the Rules, guidance documents and procurement templates.
- (b) Design, implementation and management of a Procurement Gateway Process.
- (c) Provision of Procurement Advice and assistance on all expenditure, including route to market and contract choice.
- (d) Overview and management of any frameworks and corporate contracts.
- (e) Oversee all exemptions to the PCRs and these rules.
- (f) Organising and running market engagement events.

- (g) Provision of advice on commercial structure and evaluation methodology.
- (h) Appointment of external legal support for complex procurements.
- (i) Management of the e-tendering portal.
- (j) Tender Moderation.
- (k) Signing off All Regulation 84 Tender Reports for process compliance.
- (l) All formal Procurement correspondence.
- (m) Collating/populating all Contract Documents and ensuring signature
- (n) Oversee contract monitoring and all contract variations.
- (o) Attendance at bi-annual contract management meetings.
- (p) Management and monitoring the Contract Register.
- (q) Forward Planning of cyclical requirements.

Chief Finance Officer (directly or through delegation)

- (a) Development and implementation of the Financial Regulations.
- (b) Approving budgets for procurement of contracts.
- (c) Signing of All Regulation 84 Tender Reports for budgetary compliance.

Monitoring Officer (directly or through delegation)

- (a) General advice as required.
- (b) Lawfulness and governance of complex procurement decisions taken.
- (c) Provision of any legal document requirements and support managing external legal services.
- (d) Signing of All Regulation 84 Tender Reports for governance

compliance.

- (e) Approval of all contract documents before signature.
- (f) Approval of all waivers to these rules.
- (g) Approval of any contracts awarded under Regulation 32.

Directors

- (a) Project approval and authority to proceed.
- (b) Signing of All Regulation 84 Tender Reports for Award Approval.

Contract Managers

- (a) To following the instructions of the Procurement and Contracting Manager and Monitoring Officer.
- (b) Development of Project Initiation Documents and Gateway reports.
- (c) Confirmation of Project Budget & Authorisation to Procure.
- (d) Creation of Contract Specification and Contract Management requirements.
- (e) Managing any technical enquiries during a procurement process.
- (f) Evaluation of tender returns.
- (g) Complete the tender report.
- (h) Manage the delivery of the contract in accordance with the specification, tender return and the contract management processes included in the contract.

All Officers Must:

- (a) Comply with the Combined Authority's Financial Regulations.
- (b) Declare any gifts or hospitality received either before, during or after the procurement to the Head of Procurement.
- (c) Not disclose any confidential information to unauthorised persons.

- (d) Conduct the procurement process in a fair, open and transparent manner.
- (e) Ensure the process delivers value for money.

9.2.4 Use of Consultants

9.2.4.1 Where the Combined Authority requires the technical input of industry experts/ consultants to either resource and/or manage a procurement or inform a specification, or deliver a particular process; officers are required to ensure the following is applied:

- (a) The service is for a discrete (or multiple discrete) pieces of work and/or is not backfilling a Combined Authority post.
- (b) The consultants are procured in accordance with these Rules.
- (c) The Consultant is experienced in and fully understands all Public Procurement Legislations and agrees to be bound by them.

There is a clear specification of requirements and responsibilities set out in their appointment, including adherence to these rules and that this is documented in the form of contract used.

9.2.5 Procurement Process Planning

9.2.5.1 As part of the initial procurement planning process, officers are required to consider the impact of legislation, financial and time constraints along with any of project specific requirements.

1. Category of Spend

9.2.5.2 The procurement process to be applied is firstly determined by the category of spend and then the contract value, such that before beginning the process this needs to be ascertained.

9.2.5.3 The categories of spend are

- (a) Goods (supplies or products);
- (b) Services (labour, consultants or technical resources);
- (c) Works (Construction Projects);
- (d) Light Touch Regime Services (Hospitality/ Catering, Education/

Training, Security, Legal Services);

- (e) Concession Contracts (contracts where the supplier's revenue is through the exploitation of an asset e.g. running a café owned by the authority);
- (f) Regulation 32 PCRs (Non-competitive Direct Awards);
- (g) Regulation 10 PCRs Excluded Contracts;
- (h) Regulation 14 PCRs Research & Development.

9.3 Contract Value Estimation

9.3.1 The estimated value of a contract is based on either; the money to be paid by the Authority to the successful tenderer (Regulation 6 PCRs) or the value to the market (Regulation 8 CCRs) of the contract.

9.3.2 A contract value should be calculated as follows:

- (a) A lump sum contract – this is a one-off, capital project, only used by one project/team where the contract value is the total budget available (including any contingency).
- (b) A periodic contract – this is where there is an annual, regular, potentially on-going requirement, by the authority – the contract value is the potential annual spend (across the whole Authority) multiplied by the number of years the contract is to run (including any extensions).
- (c) A concession contract – this is a term contract over a number of years whereby the revenue is paid based on usage levels, and usually by the service users, without any guarantee of full recompense or profit.

9.3.3. The value of any contract is the TOTAL maximum, potential or reasonably foreseeable spend over the whole duration of the contract (including extensions) for a given requirement.

9.3.4 The Authority MUST NOT disaggregate or sub-divide like or similar requirements for the purpose of avoiding the procurement from being regulated. (Regulation 5, PCRs or Regulation 7, CCRs). Procurements below these thresholds are still subject to delivering value for money but the nature of the procurement process may be defined by the authority and needs to be proportionate to the value, effort and market interest in consideration to the nature of the purchase.

(a) See Schedule 1 for current thresholds across all relevant legislations

9.4 Partnership Arrangements

9.4.1 The authority has entered into a number of arrangements with partner authorities for the purchase of various back office services; officers are required to liaise with procurement before commencing an external procurement to ensure that those arrangements are not breached or cause relationship problems across the authority's partners.

9.5 Procurement Gateway Process

9.5.1 The Procurement and Contracting Manager in consultation with the Monitoring Officer, shall publish and oversee a gateway process that reviews and approves the approach to procurement and ensures that these rules, legislation and best practice are adhered to along with monitoring the delivery of value for money and social obligations. This process to be monitored by an officer board based on value and/ or complexity. The details of the Procurement Gateway Process will be maintained on the Combined Authority internal website.

Pre- Procurement Contract Approvals

9.5.2 Where the procurement is not required to be monitored under the gateway process the project officer must still provide evidence to the Procurement and Contracting Manager that they have the necessary director, committee or board approvals to procure and subsequently award a contract based on specified value.

9.5.3 The Project Officer must also liaise with the Governance team to ascertain if the procurement is a Key decision and based on this, place the contract on the Forward Plan in accordance with the Authority's Constitution.

9.6 Procurement Timescales

9.6.1 Officers should allow the following minimum timescales for each of the identified routes:

- (a) Single quote - approximately two weeks
- (b) Three quotes - approximately six weeks
- (c) Below FTS threshold tender - approximately 10 weeks
- (d) Above FTS threshold tenders - OPEN procedure – approximately 14 weeks

- (e) Negotiated Procurement - at least 26 weeks

9.7 Application of Non-Procurement Legislation

- 9.7.1 Officers are required to consider whether the procurement process and decisions are affected by other relevant legislation. A list of the more obvious ones to be considered and their impact on procurement are available in the procurement guidance documents and will need to have been considered as part of the Gateway process to ensure a holistic approach is adopted and transparently procured.

9.8 Conflicts of Interest (Regulation 24 PCRs)

- 9.8.1 The Public Procurement Legislations are designed to prevent corrupt practices and the application of any preferential treatment or discrimination of any suppliers. As such the following rules apply:

All members, officers, contract managers or organisations procuring on behalf of the Combined Authority must avoid any potential conflict between their own (or family/ friends) interests and the interests of the Combined Authority as detailed in the Combined Authority's Code of Conduct.

- 9.8.2 Where an interest (financial or personal) is identified this must be reported to the Procurement & Contracting Manager such that any identified risks can be minimized. Where such a conflict is identified and cannot be suitably mitigated to the Procurement & Contracting Manager's satisfaction, that person may not participate in the procurement or evaluation process.

9.9 Separation of Duties

- 9.9.1 A procurement, contract, purchase order or waiver cannot be raised and approved by the same person.
- 9.9.2 Where a contract manager completes the practical element of a procurement process, a procurement form or makes another recommendation, the award must be agreed by a Director.

9.10 Risk Assessment

- 9.10.1 Officers are required to complete a risk assessment for approval by finance and legal on all procurements that are deemed high risk based on the following
 - (a) Is of political or public interest;
 - (b) Is over FTS threshold;

- (c) Is being awarded under Regulation 32 PCRs; or
- (d) Is being varied/extended under Regulation 72 PCRs;
- (e) Includes the setting up of a Special Purpose Vehicle;
- (f) Includes a lease arrangement, advance payment or holding funds on behalf of another entity;
- (g) Is for a duration over five years;
- (h) Includes design liability, intellectual property rights or a requirement for collateral warranties.

9.10.2 Officers should use the Combined Authority's standard templates and ensure they are added to the corporate risk register before the procurement commences and then monitored throughout the process and life of the contract.

9.11 Bonds and Parent Company Guarantees

9.11.1 The requirement for a bond or parent company guarantee (and its value) is at the discretion of the relevant Director.

9.11.2 An optional requirement for a Bond or Parent Company Guarantee should be included as part of all procurements over £250k such that it creates both; a means to assess the financial stability of a tenderer and an option to mitigate any identified performance risks of the preferred supplier. Evidence of the bond's availability (even if not required) should be obtained before award.

9.11.3 Where the project or a contractor is deemed as a high risk for failure (likelihood and/or impacts), advice should be sought from Procurement, Finance and Governance in deciding if the provision of the bond is required.

9.11.4 Where a bond or parent company guarantee is deemed necessary – this should be in a form acceptable to the Combined Authority and in consideration of the form of contract being used.

9.12 Routes to Market

9.12.1 The route to market is selected based on a number of considerations as set out below.

Where possible, **Officers are recommended to consider whether to use either an existing framework (or one procured by a partner authority) so as to minimise procurement costs and process time.**

Where the value is below FTS threshold or it has been agreed with procurement that the requirement is non-standard, or a framework may not deliver the optimal solution, be that because the supplier base is unsuitable or too limited, framework rates do not offer value for money or the requirement requires an ability to negotiate, then alternative routes should be considered in conjunction with procurement and legal or through the 'gateway' process.

These processes available are as set out below.

9.13 Process Types

9.13.1 Procurements can be split into two categories; regulated and non-regulated.

Non-Regulated (below FTS Threshold) Procurements

9.13.1.1 These can, in addition to using the regulated routes, be used based on value:

Direct Award – a single supplier quote from a local/SME supplier who is selected based on previous knowledge, a recommendation or a local supplier list (where one exists).

Quotes Process – between three and five suppliers are selected to provide a quote detailing how they will deliver a project and the costs. Suppliers to be selected based on being local/ SMEs with either previous knowledge, on a recommendation or from a local supplier list (where one exists).

Regulated (above FTS Threshold) Procurements

OPEN Tender (Regulation 27 PCRs) – DEFAULT ROUTE - single stage, advertised process. This route is for standard purchases where the requirements are clear – it does **not** include any scope for negotiation of any of the element of the tendered information. All compliant submissions must be evaluated.

RESTRICTED Process (Regulation 28 PCRs) – two stages, advertised process. This route is for standard purchases where the requirements are clear – it does **not** include any scope for negotiation of any of the element of the tendered information. Suppliers are shortlisted to tender following an initial supplier qualification process. This route is most suited to extensive markets to ensure proportionality of process and cost.

COMPETITIVE PROCESS with NEGOTIATION (Regulation 29 PCRs) – multi-stage, advertised process. Includes the ability to negotiate on predefined elements. Suppliers are shortlisted to tender following a supplier qualification process, and then following each round of negotiations based on the predefined scoring criteria. This is used where the desired outcome of the procurement is known but how

it is to be achieved is less clear.

COMPETITIVE DIALOGUE (Regulation 30 PCRs) – multi-stage, Advertised process. Includes the ability to discuss and define any unknown requirements. Suppliers are shortlisted to tender following a supplier qualification process, and then following each round of dialogue based on the predefined scoring criteria. This is used where the desired outcome of the procurement is unclear as to how it is to be achieved.

INNOVATIVE PARTNERSHIP (Regulation 31 PCRs) – multi-stage this is used where you want to purchase something that isn't already available in the market and needs to be created. The procurement process is based on a set of minimum requirements and desirable outcomes – the process can only be used with the approval of Procurement.

FRAMEWORK (Regulation 33 PCRs) – This can be procured through any of the procedures in this list and is an arrangement with one or more suppliers to provide the requirements on an as required basis with no fixed commitment. The Framework has a maximum duration of four years and subsequent awards can be made either by a direct award based on the framework prices or through further competition and evaluation – depending what has been specified in the Framework Agreement. Contracts awarded under the framework can run past the framework end date where set up to facilitate this.

DYNAMIC PURCHASING SYSTEM (DPS) (Regulation 34 PCRs) - this is an approved list, on to which suppliers can be added at pre agreed intervals. Suppliers are added based on the completion of the first stage of a RESTRICTED procedure and their demonstration of technical ability and previous experience. All subsequent awards must be through further competition and price/ quality evaluation.

FURTHER COMPETITION (from an existing framework) – this is where you are inviting the suppliers already on a compliantly procured framework or DPS to submit a qualitative proposal and price for your specific requirements. (where this is from a framework the prices/rates are capped at the framework prices).

BESPOKE COMPETITIVE PROCESS – this can only be used under the Light Touch Regime and will be defined and managed by procurement. **(Regulation 76, PCR or Regulation 36 CCR).**

DESIGN COMPETITION (Regulation 80 PCRs) - These are for the design of unique construction projects.

NEGOTIATED PROCEDURE WITHOUT ADVERTISEMENT – (Regulation 32 PCRs) – this route can only be used in exceptional circumstances and must be agreed by Procurement and the

Monitoring Officer and documented on a waiver. Potential for use include: lack of competition, urgency or exclusive rights.

9.14 Below FTS Threshold Requirements

9.14.1 The procurement process is to be selected based on its category and its value, this is to ensure that the process is proportionate, transparent and can demonstrate value for money in consideration of the project requirements and other constraints such as urgency or protected rights.

Goods and Services Contracts

- (a) Single quote up to £9,999
- (b) Three quotes between £10,000 and £49,999 (RFQ process)
- (c) Advertise on Contracts Finder between £50,000 and the FTS threshold (Tender Process)

Recruitment Consultant Appointments

- (a) Single quote up to £24,999
- (b) Three quotes between £25,000 and £99,999 (RFQ process)
- (c) Advertise on Contracts Finder between £100,000 and threshold (Tender Process)

Works and Concession Contracts

- (a) Single quote up to £49,999
- (b) Three quotes between £50,000 and £499,999 (RFQ process)
- (c) Advertise on Contracts Finder between £500,000 and above FTS threshold (Tender Process)

Light Touch Regime (including training and legal requirements)

- (a) Single quote up to £49,999
- (b) Three quotes between £50,000 and £199,999 (RFQ process)
- (c) Advertise on Contracts Finder between £200,000 and above FTS threshold (Tender Process)

Quotes Process

9.14.2 Where requests for quotations are made, these should be from local suppliers where possible and where permissible under the law, either from a known local list or identified through the e-tendering portal of registered suppliers. Where none are known, the opportunity may be advertised at the officer's discretion.

Contracts Finder (Tender Process)

9.14.3 Where an opportunity is to be advertised based on the above, or is published in any other way (eg on the e-tendering portal, through an industry magazine or some form of social media) it must also be advertised on Contracts Finder. Any advertised, below FTS threshold procurement,

must follow that of a single stage/open tender with no option for shortlisting.

Waivers

9.14.4 Where a below FTS threshold contract, based on value, requires a competitive process and there is an urgency, protected right, technical expertise or other reason that is accepted by the Monitoring Officer and Chief Finance Officer as delivering best value to the authority, a waiver may be used to enable the officer to seek a single quote and carry out a direct award to that organisation. This process is set out in the procurement guidance documents.

9.15 Above FTS Threshold Requirements

9.15.1 All Above FTS threshold procurements must be advertised (unless procured under Regulation 32 PCRs) on the e-tendering portal, Contracts Finder and Find A Tender Service (FTS).

9.15.2 The choice of which route to market should apply depends on the likely number of interested participants, the contract requirements and complexity and the need to negotiate, in accordance with Regulation 26. Further information is available in the procurement guidance documents and above at 9.13.1

9.16 Use of Frameworks

9.16.1 Where the decision is to utilise an existing Framework for the appointment of consultants or routine requirements, the choice of methodology should be based on the rules of the framework and compliance with PCRs

9.17 Advertisement (Regulations 48, 49, 52 and 106 PCRs)

9.17.1 Where a direct award/ or quotes process is not permitted by these rules or by exception under either these rules or the Regulations; and where the award is not via an approved framework, the procurement opportunity must be advertised as follow:

- (a) Contracts Finder (**Regulations 52 & 106 PCRs**) - where specified in this document or where they are regulated under any of the public procurement legislations
- (b) FTS – where they are regulated/ value exceed the values as set out in Schedule 1
- (c) Authority e-tendering portal – where an advert is placed under one of the above requirements it must also be advertised on the

e-tendering portal

- (d) Additional adverts – where the opportunity is advertised, officers may also place adverts on the Authority website, trade publications or social media.

9.18 Market Engagement (Regulation 40 PCRs)

9.18.1 Where an advertised process is to be used, and before commencing a process, it is essential to understand the market make up and possible supply options, specifically

- (a) Is the Market a Monopoly or is it saturated?
- (b) Is the requirement able to be delivered by a single supplier or does it require sub-contracting?
- (c) Can the contract requirements be met by local SMEs?
- (d) Is the contract suitable for a consortia solution?

9.18.2 All engagement must be overseen by Procurement and participants should be invited through an advertisement on the e-tendering portal and carried out in a transparent manner (eg supplier days) that treats all possible procurement participants equally and without discrimination such that the activity is artificially restricts or impairs competition.

9.19 Procurement Processes

All procurements are to be issued using either the authority's standard templates or the templates provided by the framework's owner as applicable.

Additional information on the following processes and documents is available within the procurement templates, policy documents and through the procurement guidance documents.

9.20 Direct Award

9.20.1 This option does not require officers to create a set of tender documents; instead, they should discuss their requirements with the selected organisation and these should then be written up, priced and submitted by that organisation to the authority for approval. Once agreed, they should then be attached to the authority's standard Purchase order or Service terms and conditions and awarded as set out below.

9.21 Request for Quotation (RFQ)

9.21.1 This option uses a single procurement document to set out the contract and specification requirements along with how the submission will be qualitatively and financially assessed. This to be requested from the three

selected companies. The submissions should be evaluated in accordance with this document and then a contract concluded with the successful organisation using the terms and conditions attached to the RFQ in accordance with the award process below.

9.22 Advertised Tender

9.22.1 The documents needed for an advertised procurement will depend on the contract value and the selected route to market; the tender pack will include some or all of the following:

9.23 Due Diligence Document

9.23.1 Where a tender is unregulated and thus an SSQ is not used, the due diligence (financial and company status) checks must be used to ensure that the successful tenderer is commercially capable and stable to deliver the contract.

(a) Standard Selection Questionnaire (SSQ)

9.23.2 This document is to be used for above FTS threshold tenders and has three parts; Parts 1 and 2 are set down by central government and cannot be amended. Part 3 can be populated with the qualitative requirements of the project and used as a mechanism to shortlist in a multi staged process (Regulations 57, 58 and 65 PCRs).

(b) Invitation to Tender (ITT) (or ITN or ITN Final) (Regulation 54 PCRs)

9.23.3 This document sets out the details of the procurement process and the process requirements along with the rules that interested (or shortlisted) tenderers must follow to ensure that their bid is compliant. Further guidance and adaptation of the standard template should be sought from procurement.

(c) Specification (Regulation 42 PCRs)

9.23.4 This document must clearly and concisely set out the Authority's specific contract requirements and depending on the whether these are input, output or outcome based, the details by which these may be deemed to be achieved or demonstrated.

9.23.5 When using an input specification, officers should ensure that they are suitably up to date with current technology and developments. Specifications should be based on performance or industry standards and only use a brand, model or part number where it is impossible to sufficiently define the requirement any other way. Where this is relied on the specification must state 'or equally approved'.

9.23.6 Where the technical expertise is absent or dated, an output or outcome specifications should be used to ensure that an up to date solution is achieved along with value for money.

9.23.7 Where social or other policies are to be considered, these must be clearly specified and where possible, hyperlinks to their location included in the procurement documents.

(d) Terms of Business/Contracts

9.23.8 The choice of contract shall be in a form approved by the Legal team and will be based on the nature of the spend and the project complexity along with the route to market, officers must engage with the Legal team at the concept of the procurement to enable sufficient time for consideration and drafting.

9.23.9 Where the selected procurement process does not allow for negotiations, officers are advised to ensure that the requirements identified to Legal are not prohibitive or anti-competitive such that they may limit competition and the ability to achieve a successful, value for money outcome.

(e) Tender Submission Document

9.23.10 ALL Tenders MUST be evaluated using the principle of Most Economically Advantageous Tender (MEAT).

(f) Quality Requirements – Method Statements (Regulation 67 PCRs)

9.23.11 Officers are recommended to use a split of 60% price and 40% quality. Where this is not felt to be the best means by which to select the most suitable supplier, this may be adjusted to an 80:20 split in either direction following a discussion with Procurement.

9.23.12 Method Statement Questions should be drafted to elicit responses that supplement the specification and in consideration that the responses become part of the contract and performance requirements.

9.23.13 The weighting (importance) of each method statement question must be clearly set out as must the requirements of the scoring criteria.

9.23.14 The questions, as a minimum should seek to understand the skills of the delivery team, the timescales for delivery, any quality or health and safety considerations and how the contract can be used to support the local economy, protect the environment or deliver other social benefits.

(g) Pricing Requirements

9.23.15 The tender documents must set out how the price should be calculated and evaluated. This could be a lump sum or a schedule of requirements/bill of quantities. Where a schedule is used and exact quantities are unknown the document must include details of estimated quantities (unless part of the submission is for them to quantify a resource) to ensure that the evaluation is fair and transparent. Where a schedule of pricing is used, officers may weight particular elements if they are more significant to the success and delivery of the project; where this is required officers must liaise with procurement and finance to ensure the

pricing model is fair and representative of the contract requirements.

(h) Form of Tender

9.23.16 Along with the method statement and pricing submission, tenderers are required to confirm that they have no conflicts of interest with the authority and that they have not colluded or otherwise engaged in unethical or illegal practices in order to collate their submission.

9.24 Use of/Reliance on Subcontractors (Regulations 63 and 71 PCRs)

9.24.1 The authority must allow a tenderer to rely on subcontractors for economic or technical capacity, experience or professional qualifications unless the task that they seek to subcontract is deemed a critical task; specifically where this would dilute accountability or the performance management of essential elements of the contract.

9.24.2 The authority, when setting out its procurement requirements, may stipulate that where subcontracting is relied on that the tenderers sets out the share of the contract to be subcontracted and where they are to be relied upon, may insist that all such subcontractors complete an SSQ or the authority's Due Diligence document (where applicable) to enable the authority to assess their suitability to deliver an Authority contract.

9.25 Tender Communications (Regulations 22 and 51 PCRs)

9.25 All procurement processes (except for direct awards) must be managed electronically through the authority's e-tendering portal. All notices, tender documentation and awards must be published through the portal and all communications (Q&A) must be published openly unless deemed commercially sensitive.

(i) Evaluation Process and Clarifications (Regulation 56 PCRs)

Due Diligence

9.26 These checks should be completed before the price and quality evaluation process as they assess the financial stability of a tenderer. Where a concern is identified this should be referred to finance and legal for consideration and a decision made as to whether they should be disqualified to protect the successful performance of the contract.

Standard Selection Questionnaires (Regulations 57 and 58 PCRs)

9.27 Where this is provided in a single stage process this should be assessed before the qualitative or pricing submission. Any concerns identified should be clarified with the tenderer before deciding if they should be disqualified.

9.28 Where this document is used to shortlist in a two or multi-stage process the Part 1 & 2 elements should be assessed first and any concerns identified should be clarified with the tenderer before evaluating part 3 and shortlisting

Quality Submissions

- 9.29 These must be evaluated by at least three, suitably skilled individuals using the predefined criteria and the specification.
- 9.30 Evaluators must make notes as to the rationale for each individual score and provide question specific feedback to be used in the moderation process and ultimately shared with the unsuccessful tenderer.
- 9.31 Where the information is unclear or incomplete a clarification process must be carried out.

Pricing Submissions

- 9.32 This must be carried out separately to the quality evaluation, in accordance with the process set out in the tender documentation and must be verified by the relevant member of the finance team to validate its accuracy.
- 9.33 Where the pricing is incomplete or excessively low, a clarification process must be completed with the support of procurement.

Post-tender Clarifications

- 9.34 Submitted information may be clarified or explained but not amended or supplemented.

(j) Missing Information

- 9.35 Where information is missing, this may be confirmed to the tenderer but may not be supplied by them. Where this has an impact on the total price, tenderers must either honour the total price submitted or withdraw.

(k) Price Calculation Errors

- 9.36 Where an arithmetical error is identified and can be corrected without the need to seek clarity or additional information, this should be done and advised to the tenderer for agreement. Where this has an impact of increasing the total price, tenderers must either honour the initial total price submitted or withdraw their offer.

(l) Abnormally Low Pricing (Regulation 69 PCRs)

- 9.37 Where a tenderer's price is significantly lower than anticipated by the authority or in comparison with other tenders received; the authority must seek clarity from the tenderer on how they have priced the tender at this level and demonstrate that it is commercially viable and sustainable. Where such assurances are either not provided or not plausible then the authority should disqualify the submission.

(m) Post-tender Negotiations

- 9.38 Post Tender Negotiations shall not be used to degrade the original tender requirements or price unless:

- (a) ALL the received tenders came in over budget
- (b) Other special circumstances

9.39 In these circumstances, all tenderers that have submitted a tender shall be given the opportunity to resubmit against a revised or reduced specification.

9.40 All other negotiations shall only be undertaken in accordance with Law and in agreement with Procurement and Legal.

(n) Moderation

9.41 Following the individual scoring of the quality method statement responses, the evaluation panel, overseen by procurement, must meet and agree a common score for each question along with an agreed justification for the scores and question specific feedback for the tenderer.

(o) AWARD Process

9.42 Where a formal gateway process has been used to commence and decide on the procurement process, a further review should be completed before the decision to award. In all case, the following stages must be completed.

9.43 Tender Report (Regulation 84 PCRs)

9.43.1 All advertised tenders must, before award, have a completed tender report approved by procurement, legal and finance before any notifications are sent or contracts collated.

9.44 Notifications (Regulations 55 & 86 PCRs) & Standstill (Regulation 87 PCRs)

9.44.1 All notification or outcome letters must be approved by procurement and signed by the Procurement and Contracting Manager.

9.44.2 All tenderers (successful and unsuccessful) must be notified, in writing, of the outcome of the evaluation process at the same time. Unsuccessful tenderers must be provided with feedback which details the relative advantages of the successful tenderer.

9.44.3 Where the procurement is regulated (and even on below FTS threshold processes where advised by procurement) the authority must issue and apply a standstill period with the award letters not being issued until after this period has expired.

9.45 Supplier De-briefing

9.45.1 Following the notification of the procurement outcome, unsuccessful tenderers may request feedback in addition to that provided in the letters; this must be agreed and supported by procurement to ensure that only allowed information is shared and that it is done so in a non-

discriminatory manner.

9.46 Letters of Intent

9.46.1 Letters of intent give the contractor the authority to proceed prior to the execution and dating of contract; however, they should only be used where there is a genuine need and genuine benefit to the Authority, such as to:

- (a) facilitating the ordering of goods where there are long lead times;
- (b) enable design work to commence immediately where not doing so would have an adverse effect on the overall project deadlines and planning requirements;
- (c) facilitate TUPE requirement.

9.46.2 All letters that fall under the points above must be agreed with legal and signed by the relevant Director. Where a letter of intent is required for any other reason it must be agreed by the Monitoring Officer.

9.46.3 Where a letter of intent is issued it must specify its intent and include a maximum liability, which cannot exceed £100,000 unless otherwise agreed by the Monitoring Officer.

9.47 Contract Award

9.47.1 All tender processes must be concluded by way of a duly signed or executed document.

9.47.2 Contracts MUST not be awarded until all checks have been completed and evidence of any qualifications and certificates provided.

9.47.3 The award must be as per the specification issued and the tender received (including any clarifications) and not a conditional or counteroffer.

9.48 Contract Approval

9.48.1 Contracts must be executed by signature or as a deed as follows, following consultation and approval from the Chief Finance Officer and Monitoring Officer:

Goods & Service

- (a) Up to £25k – Responsible Officer
- (b) Up to £100k – Finance
- (c) Up to £250k – Project Director
- (d) Up to £500k – Monitoring Officer, Chief Finance

Officer, Chief Executive

9.48.2 All works contract to be executed as a deed to ensure a 12-year latent defect period is applied.

9.48.3 Copies of all executed contracts must be provided to the Procurement and Contracting Manager for inclusion in the contracts register

9.49 Contract Award Notices (Regulation 50 PCRs)

9.49.1 Award Notices must be published in accordance with the following decisions.

(a) Where a new Framework or Contract is let and it is over the FTS threshold – in FTS and on Contracts Finder.

(b) Where the procurement is via a mini competition from a framework and is over £30k – on Contracts Finder

(c) Where the contract value is over £30,000 but under the FTS threshold – on Contracts Finder.

Contract Register & Transparency Code

9.49.2 All contracts over £5,000 must be published on the Authority's contract register, this to include a scanned copy of the completed contract and any waiver/ decision or process approval documentation.

9.50 Document Retention

9.50.1 All documents issued and received via the e-tendering portal will be stored indefinitely on the portal.

9.50.2 Any other information not held on the portal will be in accordance with the Authority's retention policy.

(p) Contract Management

9.51 The Authority is committed to ensuring that in addition to procuring its contracts compliantly, effectively, economically and in consideration of the community it serves; that they will be appropriately performance managed to ensure the intention and benefits promised are delivered and within the contracted value.

9.52 Contract Performance Management

- 9.52.1 The Contract owner must ensure that performance management meetings are held at appropriate intervals and that these meetings and any decisions made are properly documented and formally recorded such that they can be relied on.

9.53 Supplier Payment Generally

- 9.53.1 As a responsible authority, payments against contracts should be managed efficiently and without detriment to the suppliers and at most, within 30 days on receipt of the invoice in accordance with government guidance

(q) Construction Contracts

- 9.54** Payments on construction contracts must comply with the form of contract used and where practical, should comply with the Construction Supply Chain Partner as far as reasonable possible to do so.

(r) Late Payments

- 9.55 Where payments are late, suppliers are entitled to claim statutory late payment interest unless otherwise documented in the contract.

9.56 Contract Review

- 9.56.1 Where a formal gateway process has been used in the initial decision making and subsequent award decision, a further review should be carried out to consider contract performance against the initial advertised requirements and budget and to monitor ongoing compliance with these rules and legislation.

9.57 Performance Failures

- 9.57.1 Where a Performance failure is identified the following must be applied:

- (a) Legal are consulted as to permissible measures under the contract.
- (b) Management meetings are held more frequently with the interval being based on the severity of the failure.
- (c) A remedial plan is agreed and signed.
- (d) Revised, intermediate performance targets are set out and monitored to ensure improvement and performance failure resolution within the agreed timescales.

9.57.2 Where the above measures do not deliver the required improvements within the required timescales, legal should be consulted to escalate the remedial requirements or initiate the termination of the contract.

9.58 Contract Termination for Performance

9.58.1 Where performance failure under the contract cannot be remedied or where there has been a case of insolvency or other organisation failure, the officer should seek advice from legal and agreement by the Monitoring officer to terminate the contract.

9.59 Contract Variations/Extensions (Regulation 72 PCRs)

9.59.1 A Contract should only be extended or varied in accordance with any options specifically included in the original procurement documentation.

9.59.2 Where no such provision exists; a contract can only be extended or varied with the agreement of the Director and/or Monitoring Officer (depending on value) and documented through the approval of a waiver, as follows:

- (a) The additional requirement is still in scope of the original specification and does not equate to a new requirement or something that is materially different to that advertised such that it requires a new process.
- (b) The extension or variation does not present an unacceptable risk to the authority eg had the changes been known, others would have participated in the opportunity or a better price could have been achieved.
- (c) The additional requirement does not take it over the FTS threshold when it was procured using a below FTS process.
- (d) The additional value does not exceed more than 10% if goods & services or 15% if works of the original, advertised value (This can be approved by the Director subject to available funds).
- (e) The additional value of any extension or variation is not a material change, the need was unforeseeable, there is a proprietary right or there is urgency and the change does not exceed more than 50% of the original, advertised value (Monitoring Officer).

9.59.3 The application of any extension or variation

- (a) must be in the Authority's best interest;

- (b) must demonstrate value for money;
- (c) cannot be until after a new Due Diligence Check has been completed.

9.59.4 Once approved, Legal must be engaged to provide the necessary legal documentation to record the variation or extension and then the signed version of this and the waiver must be added to the contract register.

9.60 Lessons Learned

9.60.1 At the close of the contract, the gateway process must be concluded with a lessons learned exercise and this information should be shared to ensure ongoing process improvements and best practice.

(s) Other Procurement Considerations

9.61 Procurement on Behalf of Partner Authorities

- 9.61.1 Where the authority is required under its own powers or at the request of a partner authority to procure on its behalf, those procurements must comply with legislation, these rules and the other authority's rules.
- 9.61.2 Where there is a conflict between these rules and the other authority's rules then the following apply:
- (a) Financial, procurement or other approvals to procure or award must be the those of the authority for which the contract is let
 - (b) Contract signatory requirements to be those of the authority signing the contract
 - (c) Procurement Process to be followed will be these in compliance with the relevant legislation

9.62 Purchase Cards

- 9.62.1 The authority operates a purchase card facility; these are available, with the approval of Finance.
- 9.62.2 Purchase cards are to be used for low value or one-off incidental spend where it is not efficient to carry out a competitive process. Purchase cards MUST NOT be used to bypass corporate contracts or these rules without the express permission of Procurement and the appropriate Director.
- 9.62.3 The principle of disaggregation applies to spend on purchase cards both in relation to the individual and the Authority as a whole.

9.63 Grants (Law)

9.63.1 Where a grant is issued, it must be awarded in accordance with the authority's process for advertising, selecting, awarding and monitoring grants.

9.63.2 All grants over £25,000 MUST be executed as a Deed.

9.64 Community Right of Challenge

9.64.1 Section 81 of the Localism Act 2011 permits relevant bodies (charities, community bodies, town and parish Authority Services and Staff) to submit Expressions of Interest to provide Authority Services. Corporate Services shall maintain and publish a timetable for the submission of interest. Any such expressions shall be forwarded to the Transformation Team.

9.65 Disposal of Goods and Assets (Authority Requirement)

9.65.1 Where the Authority has goods or assets that are no-longer required these are to be disposed of through a closed-bid auction process. The Authority has an eBay account for this purpose and any department wishing to use it needs to do so through the Procurement team.

9.66 Procurement Schedules

9.66.1 Please see schedule 1 for threshold by procurement category.

9.66.2 Please see Schedule 2 for a summary table of procurement rules by category and value.

(t) Waivers

9.67 Where an officer seeks to deviate from the requirements of this document a waiver must be completed and approved in accordance with the following rules:

1. Exemptions to the Requirement to Carry-out a Quotes Process

1.1. This must be drafted by the responsible officer and agreed by procurement and legal.

2. Exemptions to the Requirement to Advertise on Contracts Finder

2.1. This must be drafted by the responsible officer and be approved by procurement, legal and Director with budget responsibility.

3. Exemptions to the Requirement to Carry-out an Advertised Process

3.1. This must be drafted by the responsible officer and be approved by procurement, the relevant Director and the Monitoring Officer.

4. Requests to Vary a Contract in Value or Time

- 4.1. This must be drafted by the responsible officer and be approved by procurement, the relevant Director, the Chief Finance Officer and the Monitoring Officer.

5. Waiver Contract Documents

- 5.1 Once a waiver has been agreed, a formal contract or variation instruction completed and signed/executed. The completed documents must be added to the contract register.

9.68 Procurement Policy

- 9.68.1 Best practice dictates that organisations should have an overarching Procurement Policy in place to offer clear guidance to officers when procuring goods and services, whilst at the same time supporting the organisations' priorities and strategic themes; otherwise there is a risk that officers do not have guidelines to follow to ensure that the Combined Authority is not open to challenge because of its procurement activities.
- 9.68.2 The Combined Authority Procurement Policy at Chapter 19: Policies and Protocols, Appendix 10 offers clear guidance to ensure that procurements comply with both statutory requirements and the Combined Authority's own constitutional requirements.
- 9.68.3 The Policy ensures the Combined Authority is better placed to reduce the likelihood of subsequent challenges to non-compliant procurements.
- 9.68.4 Responsible procurement is defined as "the process whereby organisations meet their needs for goods, services and works in a way that achieves value for money on a whole life basis and generates benefits not only to the organisation, but also to society, the economy and the environment". The Public Services (Social Value) Act 2012 provides the relevant legislative framework and requires local authorities to consider these wider benefits when procuring and entering into contracts. The Act applies to public services contracts and framework agreements to which the Public Contracts Regulations 2015 apply and aims to provide a tool to assist commissioners to get more value for money out of procurement.
- 9.68.5 Under the Public Services (Social Value) Act 2012, the CA must consider before starting the process of procurement of services how what is proposed to be procured might improve the economic, social and environmental well-being of the relevant area, and how, in conducting the process of procurement, it might act with a view to securing that improvement.
- 9.68.6 This social value duty is balanced by obligations to ensure fair and open competition as set out in the Public Contracts Regulations 2015 which

state, *inter alia*, that award criteria must be 'linked to the subject matter' of the contract in question and must be contract-specific and not aimed at assessing the business or corporate policies of the tenderer.

- 9.68.7 Contracting authorities are entitled to decide not to award a contract to the tenderer submitting the most economically advantageous tender where they have established that the tender does not comply with applicable obligations in the fields of environmental, social and labour law established by retained laws in the UK-EU Trade and Cooperation Agreement, national law, or collective agreements. The list of such obligations is prescribed and must be strictly construed. If the tenderer is not in breach of any of those obligations the contracting authority is bound to select its bid if it is the most economically advantageous tender.

Cambridgeshire & Peterborough Combined Authority

Procurement Review

May 2023



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1

Executive Summary

Executive Summary

Overview

This review has been commissioned by the Authority to review its procurement capability over 5 areas: **Governance, Operating Model, Capability and Capacity, Culture of Compliance** and **Contract Execution**.

The review focuses on 3 key areas in order to assess current capability and identify improvements:

- 1) **A procurement maturity assessment**, a self-assessment against 18 questions;
- 2) **Procurement spend analysis** through a review of spend and contracts; and
- 3) **Procurement processes** review through interviews with officers and review of documentation.

An analysis of publicly available procurement information from other Combined Authorities was conducted in order to highlight areas of good practice that could be considered by the Authority. Alongside a review of the forthcoming **Procurement Bill** to ensure the Authority is aware of the proposed provisions and what changes it needs to implement in order to be compliant with these provisions.

Highlights

Officers were very engaged in the process and were open and honest during their interviews. Many officers have good procurement and contract management experience and understand the need for effective controls and governance around grants and contracts.

All officers highlighted the high level of support, guidance, expertise, impact and value provided by the Authority's Procurement & Contracts Manager.

Executive Summary

Challenges

All officers stated that the corporate procurement function is under-resourced with limited capacity to make the improvements or provide the strategic direction that is expected from the Authority.

For many officers, the lack of centralised and standardised guidance, templates and process flows covering the full end-to-end procurement process was their biggest challenge as they felt this increased risk both to themselves and the Authority in the event that something went wrong. They indicated there was a lack of clarity around roles and responsibilities of procurement and legal colleagues, and that differing advice had been given which had led to confusion around process.

Whilst the review was focused on procurement, many of the challenges raised by officers, particularly around governance, operating model, capability and capacity, were reflective of similar concerns about the Authority in general.

Recommendations

There are 4 key areas of recommendation, with supporting activities, which will drive improvements across the 5 areas.

Executive Summary: Key Findings

Operating model is under-resourced and not fit for purpose:

- The corporate Procurement & Contracts Manager is highly regarded by officers for their impact and value.
- However, the corporate procurement function is under-resourced. Benchmarking by the Chartered Institute of Procurement & Supply (CIPS) indicates that for every £15m procurement spend there should be 1 FTE professionally managing that spend. The Authority currently has budget for a central team of 2-3 FTEs, along with a number of officers undertaking procurement activity as part of their wider role in service areas. Based on CIPS, your spend indicates needing circa 8 FTEs with procurement capability across the corporate function and service areas (this number is a guide and may flex dependent on the Operating Model you determine).
- There is a highly dispersed operating model with a high number of officers (22) involved who are not procurement experts.
- Roles & responsibilities for procurement, legal & officers is unclear leading to uncertainty about who is required to lead certain parts of the process including contract execution stage.
- There is limited technology in place to support end-to-end procurement process or provide robust data to support decision making.

Procurement is focused on tactical rather than strategic activities:

- Self-assessment against 18 questions for the Maturity Assessment shows the Authority scoring **1.82** (tactical) out of 5 (advanced).
- There is limited capacity in the corporate procurement function to build procurement capability or provide leadership and direction on complex, high value procurements.

Data is incomplete in key areas hampering effective decision making:

- Data missing in spend and contract profiles makes it difficult to map relationships and identify opportunities for savings.
- Data missing in relation to key supplier information such as address / postcode makes it difficult to identify use of local suppliers and SMEs.

Executive Summary: Key Findings

Lack of effective governance:

- Processes and procedures are inconsistent and complex to follow with no central repository to find guidance and templates.
- Lack of visibility on procurement plans across the Authority makes it difficult to assess the level of corporate procurement support required.

Lack of centralised guidance for officers:

- There is very little evidence that officers are not following correct processes & procedures or not reaching out to the corporate procurement function for advice and support when required.
- However, there is a lack of standard contract & supplier management guidance, KPIs and SLAs and Terms & Conditions which is leading to duplication across service areas.

No formal coaching or development of procurement capability:

- No procurement or contract management training available (induction or refresher) for those officers involved in the procurement process.

Uncertainty around contract execution processes:

- There is evidence of grants and contracts (across all service areas) commencing without documentation being finalised, but in all cases this was due to circumstances out of the control of officers.
- Reasons include: review of Ts & Cs; Grant Funding Agreements being amended; late allocation of grants from UKG; and time taken to get Board approval.

Recommendations

1. Redesign your Procurement Operating Model (*supporting Governance, Op Model, Capability & Capacity and Compliance*):

- **Develop a whole Authority, end-to-end procurement Operating Model** which shifts activity toward strategic procurement, underpinned by professional procurement capability and capacity and supported by procurement technology to automate the full procurement process and provide robust management information to support effective decision making.
- **Define and clarify roles and responsibilities** for procurement, legal and service area colleagues during the procurement process, contract execution phase and ongoing contract & supplier management activities to reduce confusion, increase impact and value and meet timescales.
- **Implement a scheme of “Delegated Procurement Authority”** across service areas to allow officers to approve grants and contracts (depending on value and risk) to reduce timescales for Board approval and enable teams to meet procurement requirements as a result of additional and/or unexpected grant funding from UKG departments.
- **Improve procurement scrutiny** through visibility of Business Cases and complex projects/programmes in order to provide assurance that commercial risks and issues are captured and mitigated, that optimal routes to market are considered and agreed and that effective contract management processes are implemented.
- **Implement a corporate project management tool** to capture the existing and future pipeline of procurement activity across the Authority in order to assess workload, ensure that support is available to service areas at the right time and identify opportunities to reduce duplication and increase collaboration across the Authority and its constituent councils.

2. Refresh your Contracts Register (*supporting Governance and Capability & Capacity*):

- **Review and regularly update your Contracts Register** to capture all existing contract opportunities and contract awards to increase visibility and oversight of all live tenders, active contracts, total value of contracts placed, expiry dates, potential extension periods and all suppliers delivering contracts. This will support planning, governance and assurance of procurement activity, provide full transparency of all contracts awarded by the Authority and improve reporting capability on number of local suppliers and SMEs involved in the delivery of contracts (**aligned to Procurement Bill: “Visibility & Transparency Notices” and “Fair Treatment of Suppliers”**).

Recommendation

3. Revise your Procurement Strategy, Policy & Procedures (supporting Governance, Capability & Capacity, Compliance and Contract Execution)

- **Develop an Authority wide Procurement Strategy** that includes the vision, values, and principles which underpin procurement, and develop a policy on agreed approach to prioritisation, risk, commodity categorisation and roles and responsibilities (**aligned to Procurement Bill: all provisions**).
- **Establish a 'Procurement Hub' (similar to HR Hub)** where all procurement related documentation, templates, Terms & Conditions etc for the full procurement process (from identification of need through to contract and supplier management) are centrally held (**aligned to Procurement Bill: all provisions**).
- **Revise your Procurement Policy** to make it more user friendly with supporting process flows, step-by-step procedural checklists and decision trees to enable officers to fully understand what they need to do during the procurement process and when they need to seek professional procurement advice and guidance (**aligned to Procurement Bill: all provisions**).
- **Standardise and rationalise contract management processes and procedures** including refining KPIs, SLAs and reporting templates to ensure consistency of practice and provide assurance that contract deliverables are being achieved and supplier performance is being monitored (**aligned to Procurement Bill: "Contract Management"**).
- **Enhance focus on Social Value** by ensuring that all contracts (current and new) identify, capture, monitor and report on Social Value outcomes to demonstrate the impact procurement activities have on your local area (**aligned to Procurement Bill: "Value for Money & Delivery of Strategic National Priorities"**).
- **Develop standard Grant Funding Agreements (GFA)** for different types of grant activity that require little or no change by any party to reduce delays to grants commencing.
- **Develop set of Terms & Conditions for different types of contract activity** (low value, low risk to high value, high risk) that can be selected at tender stage with little or no change required during the process to reduce delays to contracts commencing.

4. Implement procurement & contract management training (supporting Governance, Op Model, Capability & Capacity and Compliance)

- **Implement procurement and contract management training** for all officers (and potentially Elected Members) involved in procurement activities, including induction and refresher training at suitable intervals, to increase understanding and capability of officers, reduce risk to officers and the Authority and increase assurance of effective management of contracts and suppliers (**aligned to Procurement Bill: all provisions**).

2

Introduction

Background & Purpose

Background and context

In January 2023 the Department for Levelling Up, Homes and Communities (DLUHC) wrote to the interim Chief Executive of the Cambridgeshire and Peterborough Combined Authority (CPCA) to inform him that the Parliamentary Under Secretary of State had decided to issue the CPCA with a Best Value Notice.

Amongst issues cited by DLUHC in the letter as causing the issuance of the Best Value Notice was *"concerns raised within the Authority in respect of procurement of services to the Authority"*.

As part of its response to the Best Value Notice, the Authority commissioned a review of its current procurement activities to ensure that they reflected good practice and demonstrated Best Value for the Authority.

Purpose of this document

This document set out the **key findings** from the Procurement Review and presents 4 key areas of **recommendation for improvement** to enable the Authority to harness effective change in its procurement capability based on good practices.



Review Scope

The work was commissioned to review the following **5 areas** to identify good practice, issues and concerns, along with recommendations to strengthen and improve the Authority's approach to procurement so that it is able to demonstrate best value. In addition, the forthcoming **Procurement Bill** will bring changes to how procurement is conducted and this review highlights the proposed provisions and the changes the Authority will need to implement to ensure that it is compliant when the Bill comes into force (expected mid 2024).



Governance of Procurement

Governance of Procurement through the Constitution and financial regulations and whether this reflects current guidance, regulations and good practice.



Operating Model

Whether the current operating model for procurement in the Authority reflects good practice and achieves best value.



Capability & Capacity

Whether the Authority has the right capabilities, including adequacy of resourcing both within the corporate centre and service areas and adequacy of training and understanding of those involved.

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Culture of Compliance

How effective the culture of compliance is with the Authority's procurement regulations, and when instances of non-compliance occur, how effectively these are addressed and reported to the relevant Officer and Member governance structures.



Contract Execution

Whether there is an impact caused by projects/contracts commencing before the execution of the documents.

Areas covered in this review

In order to support a rapid diagnostic review of the Authority's procurement capability, work focused on the following 3 main areas over a 5 week period:



Procurement Maturity Assessment

To assess the **maturity and capability*** of current procurement capability across the procurement cycle.



Procurement Spend Insights

To **profile spend** through analysis of spend with 3rd parties to identify potential savings, highlight any key gaps in coverage and assess any risks to contract compliance.



Procurement Process Review

To assess the key processes in place to manage the **end-to-end procurement process** including strategy development, sourcing, contract management, supplier management, benefits realisation and purchase-to-pay capability.

3

Approach Taken & Methodologies Used

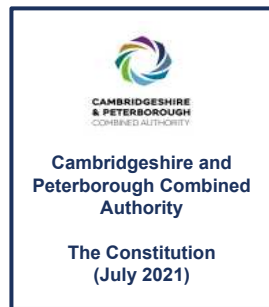
Procurement Process Review: Approach Taken

Review of Documentation

An in-depth review of the following documents was undertaken:

- Procurement and Contract Procedure Rules contained within the Authority's Constitution
- Procurement Policy
- Various procurement templates

Publically available procurement advice and guidance from other Combined Authorities was also reviewed.



Interviews

- Invites were issued to 23 officers across the Authority (Business, Skills, Transport, Corporate Services, PMO and Net Zero Hub).
- 22 officers took part in 1-1 interviews (96% engagement rate).
- Elected Members from the Authority's Board, Chairs of the Committee's, and the Audit and Governance Committee were invited to attend a meeting to discuss their concerns.
- Engaged directly with 3 Elected Members, including the Mayor.

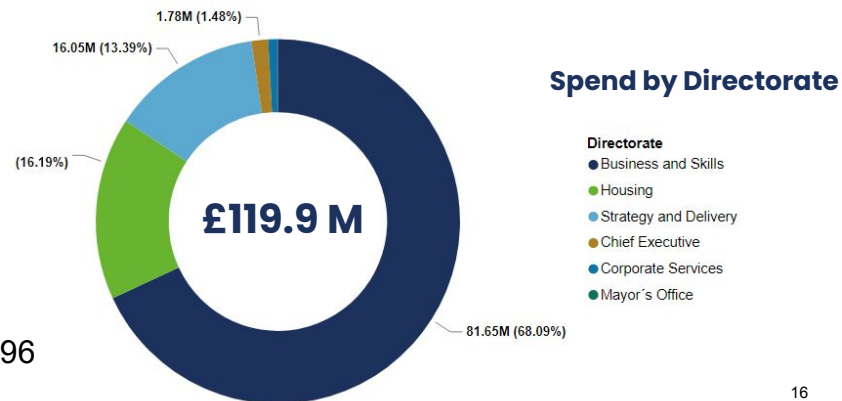
Methodologies Used

Procurement Maturity Assessment

- In addition to the interviews, all staff who had been interviewed were asked to complete an online survey to assess the maturity of the procurement capability.
- 18 questions were asked covering strategy; people & skills; process; governance; and technology.
- From the 22 surveys issued, only 6 completed surveys were returned (26% engagement rate.)
- Many newly employed officers felt unable to answer the survey as their experience of procurement within the Authority was limited.

Procurement Insights

- Accounts Payable (AP) data from April 2022 to March 2023 was analysed.
- Data was cleansed, prepared, categorised and visualised to enable enhanced analysis.
- AP data was compared against data in the Contract Register to explore whether a supplier relationship could be defined between the two datasets and identify how much spend was covered by contract.
- The completed analysis was assessed to identify potential opportunities for savings



Good Practice in Other Combined Authorities

In order to assess good practice, a review of publicly available procurement information by other Combined Authorities was undertaken with the following highlighted as options to be considered further:



Leveraging Technology:

GMCA operates a 'Flexible Procurement System' (similar to Dynamic Purchasing System) for education, work and skills to make it easier and quicker for commissioning, minimise timescales, reduce administration costs, and create opportunities for a wider range of suppliers to bid.



Delegated Authority:

TVCA states in its Constitution that all senior officers can approve regulated contracts for goods, services & supplies up to £100k and for works up to £250k with all Heads of Services able to approve regulated contracts for goods, services and supplies up to £1m and for works up to £1m.



Procurement Information:

WYCA procurement page provides details on the categories of goods and services purchased; its live business opportunities; the procurement procedures used; its Procurement Strategy; an overview of tender assessment process; a number of FAQs; its Social Value Guide; its Terms & Conditions; and a glossary of public procurement terms.

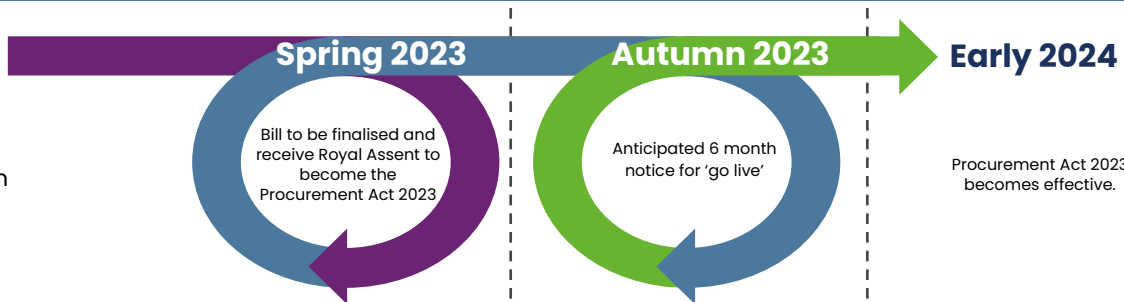
Procurement Bill Considerations

The new Procurement Bill is due to come into effect in early 2024. It proposes major reform to the public procurement regime in the UK.

CPCA Legal colleagues are aware of the Bill and the proposed changes, and are considering its scope and impact. Training will be required to all officers who engage in procurement. The corporate procurement function will need to be adequately resourced to manage the communication of changes and the delivery of training.

Key changes are as follows:

Highlighted in green are actions for the Authority



Visibility & Transparency Notices

Procurement information made publicly available to support effective competition and to ensure public insight into how money is spent. Contracts over £2m published within 90 days of commencement. Notices required for changes made during contract term. Future procurement activity will need to be made public.

Robust and up-to-date publicly available Contracts Register required and Procurement Page detailing opportunities and spend.

Greater Supplier Due Diligence

A more robust process required. Identification and management of conflicts of interest.

Clear due diligence processes in place for tenders; evidence of information and data being collected and assessed prior to contract award; and management of any conflict of interest ie. declaration forms for evaluation panel.

Fair treatment of suppliers

Aims to create a **Level Playing Field** by opening public procurement to new entrants and SMEs and encourages Authorities to have regard to barriers facing SMEs.

Publicly available pipeline of opportunities required; robust market engagement; SME strategy; full transparency of contract opportunities and contract awards; and consider ways to support SMEs to overcome barriers.

Simplified, flexible approaches

Introduces a small number of simpler rules applicable to lower value contracts. Consolidates rules across the PCR15, Utilities Contracts Regulations 2016, Concession' Regs. and the Defence and Securities Public' Regs 2011. It proposes 3 streamlined procedures: Open, Competitive Flexible, Limited Tender.

Incorporate simplified rules within Procurement Policy & Constitution.

Procurement Bill Considerations

“ The Bill will reform the UK’s public procurement regime, making it quicker, simpler, more transparent and better able to meet the UK’s needs while remaining compliant with our international obligations* ”

Key changes are as follows:

Highlighted in green are actions for the Authority

Supplier exclusion

Suppliers can be excluded for **underperformance** on previous contracts, or where there is evidence of **modern slavery**.

Robust Contract & Supplier Management processes to be developed; and KPIs and SLAs to be implemented and effectively monitored and reported.

Contract Management

The Bill sets out steps required to manage a contract, and strengthening of the rules to ensure suppliers are paid on time. New requirement for publication of KPIs and supplier performance against them (reported minimum once annually).

Development of standard KPIs and SLAs; effective monitoring and reporting mechanisms embedded; and reporting processes developed.

Procurement Review Unit

The **PRU** has the power to issue directions to authorities in the case of **systemic breaches**.

Adoption of provisions and key recommendations of the review to avoid external intervention; and capture data on current/pipeline contracts to ensure visibility and transparency.

Value for Money & Delivery of Strategic National Priorities

Most Economically Advantageous Tender (**MEAT**) becoming Most Advantageous Tender (**MAT**) by considering the non-monetary benefits of a bid ie. social value, environmental benefits.

Regard to delivering value for money, maximising public benefit, providing transparency and acting with integrity; development of selection criteria with project specific weightings for quality/price/social value; central government emphasise the importance of good management, and control of procurement activity and inclusion of national priorities within Procurement Strategy.

4

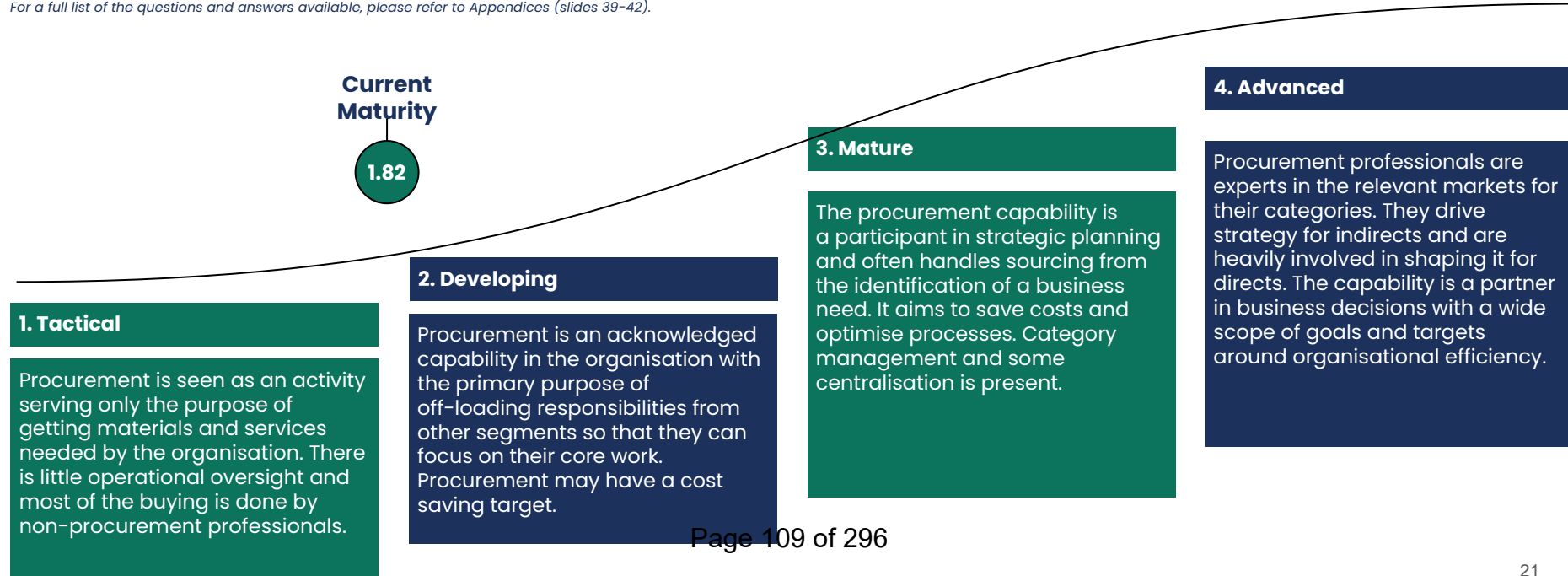
Procurement Maturity Assessment

Results from the Procurement Maturity Assessment

Officers were asked to rate the central procurement function against 18 questions from 1 (tactical) to 5 (advanced).

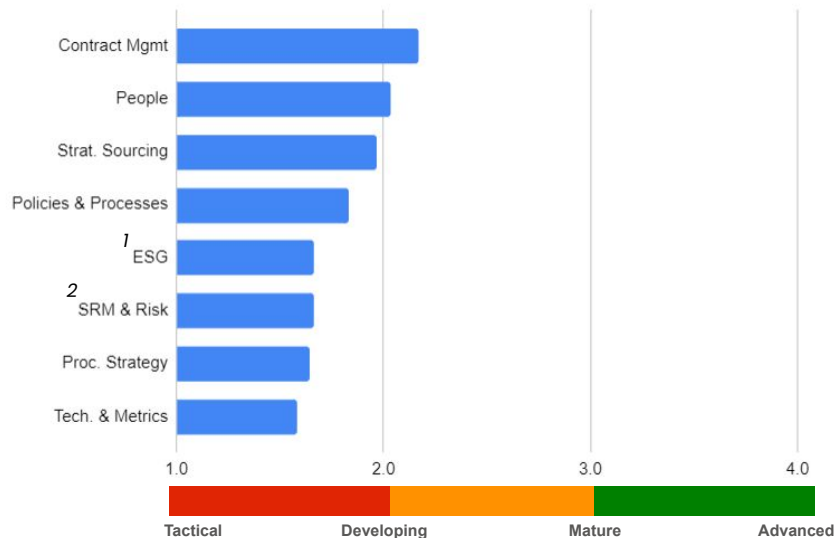
Overall, the Authority is demonstrating a **low level of maturity (1.82)** which the Review team concur with. Much of the procurement activity is focused on tactical procurement rather than strategic procurement which in large part is a consequence of the central procurement function being under-resourced, with limited capacity to build the procurement capability of the Authority or provide leadership and direction on complex, high value procurements.

For a full list of the questions and answers available, please refer to Appendices (slides 39-42).



Procurement Maturity (Self-Assessed)

The central procurement function is operating at a tactical level, providing advice & guidance as and when required rather than setting strategy and direction



- There is not a consistent view amongst officers of the strength of procurement capability.
- 'Contract Management' and 'People' received the highest rating but that is due to some teams implementing contract management processes and some officers with experience of procurement
- 'Procurement Strategy' and 'Tech & Metrics' received the lowest rating as there is no strategy in place and limited technical capability to support the procurement process or capture data.
- Only 6 officers returned a response. Other officers highlighted difficulty in completing the survey as they had only been working at the Authority for a short period of time.

n.b. ¹ Environmental, Sustainability and Governance; ² Supplier Relationship Management

Further analysis can be found in the Appendices (slide 43).

5

Procurement Spend Insights

Overview

FY2022/2023 was established as the baseline for the analysis in order to provide the most up-to-date profile of spend with the following metrics assessed: total spend, total number of suppliers, contract register value and spend per Directorate.

Spend

Addressable third party spend is c.£119.9m

This excludes grant payments for the 7 constituent councils during the Financial Year.

The top 3 spend directorates are Business & Skills, Housing and Transport Strategy & Delivery

There may be an opportunity to embed strategic procurement support to provide increased scrutiny, governance and assurance to complex and high risk contracts.

Suppliers

415 unique suppliers used

There are over 6,200 transactions to 415 different suppliers with an average spend per supplier of £288.9k.

The majority of spend is incurred with only a few of these suppliers

80% of third party spend is incurred with just 8% (33) suppliers due to limited supply market for certain categories of spend. There is a long tail of low value suppliers which could result in increased administration costs, duplication of suppliers and lack of visibility on potential contracting opportunities.

Contract Register

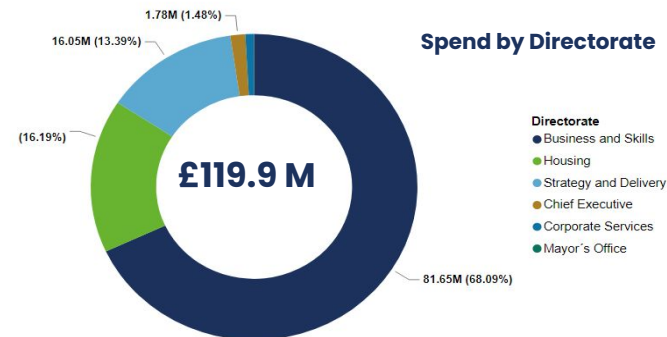
Total awarded value is £171m

Not all contracts placed by the Authority appear on the Register.

Contract coverage across suppliers is difficult to track

There is no linkage between the Contracts Register dataset and the accounts payable dataset, making it difficult to perform a full analysis of spend & contract data, limiting the ability to identify opportunities to rationalise contracts, reduce costs and make savings as well as map local suppliers and SMEs.

Spend by Directorate



- Business & Skills has the largest spend (68.09%) whilst Housing and Transport Strategy & Delivery Directorates are responsible for nearly 30% of spend.
- The Business & Skills and Transport Strategy & Delivery Directorates account for 68% of the supplier base (310 suppliers).

Further analysis for all 3 Directorates is provided in [Appendices](#) (slides 49-51)

Contracts Register

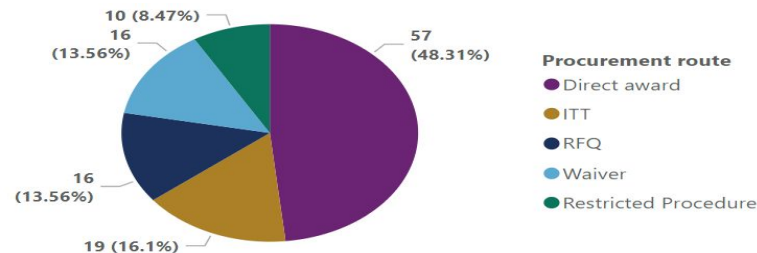
The Contracts Register was exported directly from the eTendering platform used by the Authority. It contained incomplete data (e.g. supplier name, address and value) so only a high level analysis was performed resulting in the following overview:

Recorded location of suppliers awarded contracts



£171.71m
Total value of
contracts placed
2019- 2028

Procurement Process Used



- Nearly 50% of contracts awarded have been through Direct Award. In the interest of transparency and creating a fair level playing field, Direct Awards should be used sparingly, and the forthcoming Procurement Bill will be introducing new measures when dealing with such cases. Interviewees highlighted lack of time and resource as contributing factors.
- Records show that the location of suppliers are geographically diverse, however higher spend (deeper purple on the map) are generally centered near to the Authority's region of operations.
- Not all contracts placed by the Authority are contained within the Contract Register, particularly those that have not been managed through the eTendering platform. There is an incomplete picture of contract activity and contract value.
- Not all supplier records in the Contract Register record supplier size or address, making it difficult to assess locality of suppliers or the number of SMEs providing services to demonstrate local economic impact for the Authority.

6

Procurement Process Review

Governance of Procurement

Highlights

- Officers aware of Procurement Policy and Procurement & Contract Procedure Rules in the Constitution.
- Some service areas track and monitor their own procurement activities but this is not consistent or standard across the Authority.

Challenges

- **Procurement Policy & Contract Procedure Rules:** officers indicated that both were not user friendly and complex to follow.
- **Guidance:** no central 'Procurement Hub' where officers can go to find simple, easy to follow process flows and standard documentation and templates covering the full end-to-end procurement process from identification of need through to contract exit.
- **Approval delegation:** officers highlighted they had no delegated authority, leading to disproportionate effort to provide papers to the Board for all types of procurement from low value, low risk to complex, high risk.
- **Procurement Assurance:** no procurement scrutiny of business cases and complex projects/programmes which have a commercial element which could leave the Authority at risk and exposed from an assurance perspective.
- **Contracts Register:** is incomplete leading to lack of awareness of active contracts and their expiry dates. Where the eTendering portal is being used the Register is updated but many contracts are awarded outwith the system.
- **Reporting:** limited reporting on the benefits, savings and outcomes delivered from contracts so the Authority is unable to demonstrate the impact of its procurement activities at a local level.
- **Planning:** no corporate project management tool to capture the existing or future pipeline of procurement activity so difficult to assess workload, ensure that support is available to service areas at the right time and identify opportunities to reduce duplication or increase collaboration across the Authority and its constituent council's.

Operating Model

Highlights

- The corporate Procurement & Contracts Manager provides central guidance and support to service areas working closely with legal colleagues on the development of tender & contract documentation.

Challenges

- **Control:** highly dispersed operating model across the Authority with 22 officers involved in all or part of the procurement process.
- **Procurement Expertise:** officers are experts in their service area, not procurement so there is a risk of exposure to them and the Authority if they are not following due process or correct procedures. Some officers indicated a preference for a dedicated procurement officer or business partner with expertise in their service area.
- **Duplication:** service areas are creating or duplicating processes and procedures due to lack of central, standard guidance and documentation (for example, contract management; contract pipelines; and templates).
- **Roles & Responsibilities:** there is some uncertainty around the role and responsibilities of procurement and legal colleagues in the procurement process with some officers highlighting different advice being given, causing confusion.
- **Process:** service areas have different procurement requirements (some areas place low value, low risk contracts whilst others place complex, high value, high risk contracts) with officers highlighting difficulties in understanding at what point they need to bring in procurement and legal colleagues to add most value.
- **Technology:** limited procurement technology in place to support procurement activities which means minimal data available on live procurement exercises, contract and supplier performance, benefits & savings, contract extensions and contract expiry dates.

Capability & Capacity

Highlights

- **Engagement:** officers highlighted very positive engagement with the corporate procurement function. The Procurement & Contracts Manager is well respected for their knowledge and skills, delivering high impact and trusted by their colleagues.
- **Experience:** many officers have well developed procurement knowledge & skills with many having good experience of managing procurement exercises, contracts and suppliers either in their current role or in previous roles at other organisations.
- **Assurance:** officers are providing oversight and challenge to procurement exercises led by other constituent councils under Grant Funding Agreements.
- **Procurement Bill:** Legal colleagues already discussing scope and impact of forthcoming Procurement Bill.

Challenges

- **Resource Constraints:** corporate procurement function is under-resourced. CIPS benchmark indicates that for every £15m procurement spend there should be 1 FTE. Based on CIPS, your spend indicates needing circa 8 FTEs with procurement capability across the corporate function and service areas (this number is a guide and may flex dependent on the Operating Model you determine).
- **Capacity:** all officers acknowledged that the central procurement team is “severely” under-resourced. They raised concerns regarding resilience and well-being for the Procurement & Contracts Manager as well as the risk to officers and the Authority of non-compliance due to lack of capacity and professional procurement support.
- **Training:** no procurement or contract management training offered to officers (new and existing) so requirement to seek regular support from Procurement & Contracts Manager.
- **Capability:** due to lack of professional procurement capacity, there have been limited improvements and enhancements to documentation, processes, reporting & benefits realisation. Strategic procurement outcomes such as innovation and delivery of Social Value through contracts have been put on the back burner.

Culture of Compliance

Highlights

- There is little evidence of officers and teams not following the correct procurement process. If they are unsure they contact the Procurement & Contracts Manager for guidance.
- Officers understand the importance of effective contract governance and controls. Many recognise the need for KPIs and SLAs and some highlighted they held contract meetings with their suppliers to discuss progress, performance, risks and issues.
- Officers are aware of need to use the eTendering Portal to advertise contract opportunities to ensure visibility and transparency.

Challenges

- **Direct Awards:** there is some evidence of contracts expiring without continuity arrangement in place. This has necessitated the need to place 'Direct Awards' with incumbent suppliers to ensure stability of service delivery whilst a re-tender exercise takes place.
- **Contract & Supplier Management:** there are no standardised processes or procedures in place to track supplier performance or manage contracts. As such, there is a risk that performance issues are not being addressed or that contract obligations are not being monitored.
- **KPIs and SLAs:** there are no standard metrics in place so officers have to either create new ones or adapt existing ones to meet the requirements of each contract.
- **Terms & Conditions:** there are no standard Terms & Conditions in place with legal colleagues having to review and amend each tender and contract that they are involved in (some low value tenders are being issued without legal input).
- **Due Diligence:** evidence that some contracts are commencing without the necessary due diligence checks carried out prior to award (e.g. insurance requirements).
- **Supplier Poor Performance:** evidence of a supplier awarded a contract even though performance issues during the delivery of a previous contract had been highlighted (there was uncertainty around ability to deselect the supplier from the tender exercise).

Contract Execution

Highlights

- Some service areas have embedded additional controls to ensure that work commences once grants and contracts have been signed.

Challenges

- There is some evidence of grants and contracts (across all service areas) commencing prior to the completion of documentation. This often happens for reasons outwith the control of officers, for example:
 - A review of Terms & Conditions during a live procurement exercise delayed the signature of the contract;
 - A Grant Funding Agreement going through a series of amendments by both legal parties beyond the date of the grant being awarded;
 - Additional funding provided by DLUHC and BEIS but procurement process taking longer than the funding timeframe;
 - 'Surrendered' bus contracts with only 70 days to put in place a replacement service but procurement process taking longer; and
 - Time taken to get Board approval as there are no delegation limits for officers to award contracts up to a certain value.
- In these cases, it was agreed by both parties that grants and contract would commence "at risk" whilst documentation was being finalised. Whilst this allowed services to commence or continue there is a risk to both parties that any issues remain unresolved or escalate.
- Roles & Responsibilities:** Lack of clarity on who is responsible for drafting, issuing, ensuring execution (signature) and storing contract documentation (procurement, legal or officers).

7

Recommendations for Improvement

Recommendations

1. Redesign your Procurement Operating Model (*supporting Governance, Op Model, Capability & Capacity and Compliance*):

- **Develop a whole Authority, end-to-end procurement Operating Model** which shifts activity toward strategic procurement, underpinned by professional procurement capability and capacity and supported by procurement technology to automate the full procurement process and provide robust management information to support effective decision making.
- **Define and clarify roles and responsibilities** for procurement, legal and service area colleagues during the procurement process, contract execution phase and ongoing contract & supplier management activities to reduce confusion, increase impact and value and meet timescales.
- **Implement a scheme of “Delegated Procurement Authority”** across service areas to allow officers to approve grants and contracts (depending on value and risk) to reduce timescales for Board approval and enable teams to meet procurement requirements as a result of additional and/or unexpected grant funding from UKG departments.
- **Improve procurement scrutiny** through visibility of Business Cases and complex projects/programmes in order to provide assurance that commercial risks and issues are captured and mitigated, that optimal routes to market are considered and agreed and that effective contract management processes are implemented.
- **Implement a corporate project management tool** to capture the existing and future pipeline of procurement activity across the Authority in order to assess workload, ensure that support is available to service areas at the right time and identify opportunities to reduce duplication and increase collaboration across the Authority and its constituent councils.

2. Refresh your Contracts Register (*Supporting Governance and Capability & Capacity*):

- **Review and regularly update your Contracts Register** to capture all existing contract opportunities and contract awards to increase visibility and oversight of all live tenders, active contracts, total value of contracts placed, expiry dates, potential extension periods and all suppliers delivering contracts. This will support planning, governance and assurance of procurement activity, provide full transparency of all contracts awarded by the Authority and improve reporting capability on number of local suppliers and SMEs involved in the delivery of contracts (**aligned to Procurement Bill: “Visibility & Transparency Notices” and “Fair Treatment of Suppliers”**).

Recommendations

3. Revise your Procurement Strategy, Policy & Procedures (supporting Governance, Capability & Capacity, Compliance and Contract Execution)

- **Develop an Authority wide Procurement Strategy** that includes the vision, values, and principles which underpin procurement, and develop a policy on agreed approach to prioritisation, risk, commodity categorisation and roles and responsibilities (**aligned to Procurement Bill: all provisions**).
- **Establish a 'Procurement Hub' (similar to HR Hub)** where all procurement related documentation, templates, Terms & Conditions etc for the full procurement process (from identification of need through to contract and supplier management) are centrally held (**aligned to Procurement Bill: all provisions**).
- **Revise your Procurement Policy** to make it more user friendly with supporting process flows, step-by-step procedural checklists and decision trees to enable officers to fully understand what they need to do during the procurement process and when they need to seek professional procurement advice and guidance (**aligned to Procurement Bill: all provisions**).
- **Standardise and rationalise contract management processes and procedures** including refining KPIs, SLAs and reporting templates to ensure consistency of practice and provide assurance that contract deliverables are being achieved and supplier performance is being monitored (**aligned to Procurement Bill: "Contract Management"**).
- **Enhance focus on Social Value** by ensuring that all contracts (current and new) identify, capture, monitor and report on Social Value outcomes to demonstrate the impact procurement activities have on your local area (**aligned to Procurement Bill: "Value for Money & Delivery of Strategic National Priorities"**).
- **Develop standard Grant Funding Agreements (GFA)** for different types of grant activity that require little or no change by any party to reduce delays to grants commencing.
- **Develop set of Terms & Conditions for different types of contract activity** (low value, low risk to high value, high risk) that can be selected at tender stage with little or no change required during the process to reduce delays to contracts commencing.

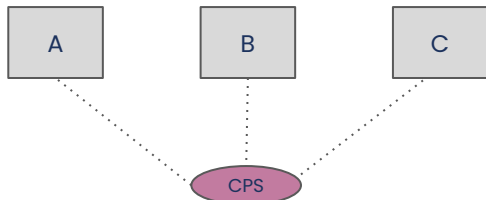
4. Implement procurement & contract management training (supporting Governance, Op Model, Capability & Capacity and Compliance)

- **Implement procurement and contract management training** for all officers (and potentially Elected Members) involved in procurement activities, including induction and refresher training at suitable intervals, to increase understanding and capability of officers, reduce risk to officers and the Authority and increase assurance of effective management of contracts and suppliers (**aligned to Procurement Bill: all provisions**).

Recommendations: Example Operating Models

The current procurement operating model for the Authority is partially devolved but there are other models to consider that may deliver procurement good practice; however, they will require a re-design of the corporate procurement service (CPS) and additional resource.

1. Devolved



CPS decentralises most operational activities to directorates with each directorate conducting their own procurement exercises with direction from CPS.

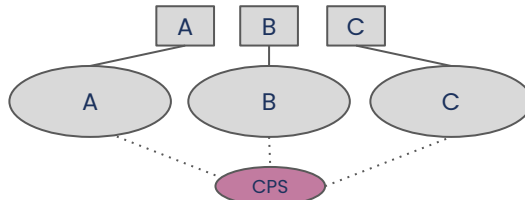
Strengths

- + Allows Directorates direct control over their sourcing decisions.
- + CPS would be elevated to strategic role.

Weaknesses

- Level of self serve far greater and therefore risk higher.
- Model does not break down silo ways of working and likely to be different approaches across the Authority.

2. Hub and Spoke



CPS aligns procurement officers per directorate to manage all procurement activities and provides strategic oversight, advice and guidance as well as day-to-day line management for the procurement officers.

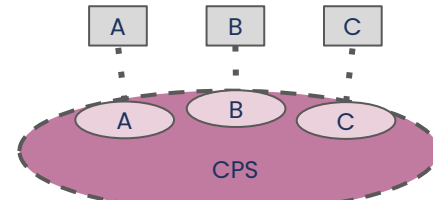
Strengths

- + Enables the organisation to set up centres of excellence.
- + Directorate 'hubs' are better aligned with services enabling closer working and therefore self servers may be more likely to seek support.

Weaknesses

- Risk of confusion around roles, responsibilities and accountability of CPS & directorate 'hubs'.
- Requires strong direction from the CPS to ensure consistency of practice across the Hubs.

3. Consolidated Matrix



CPS responsible for all strategic and operational procurement activity. Procurement officers are not assigned to specific directorates, and instead are assigned to manage a procurement as and when they are initiated.

Strengths

- + Better central visibility and control/ ability to influence spend.
- + Upskilling and ability to share good practice, tools and templates.
- + Commercial career paths to help attract /retain talent.

Weaknesses

- Significant recruitment / upskilling depending on current maturity and capability.
- Largest amount of change increasing likelihood of resistance and perceived loss of control.
- Time to implement.

Recommendations: High Level Operating Model Design

When designing the operating model for procurement the following design elements need to be included:



The vision for procurement, transformation roadmap, benefits case and design principles.



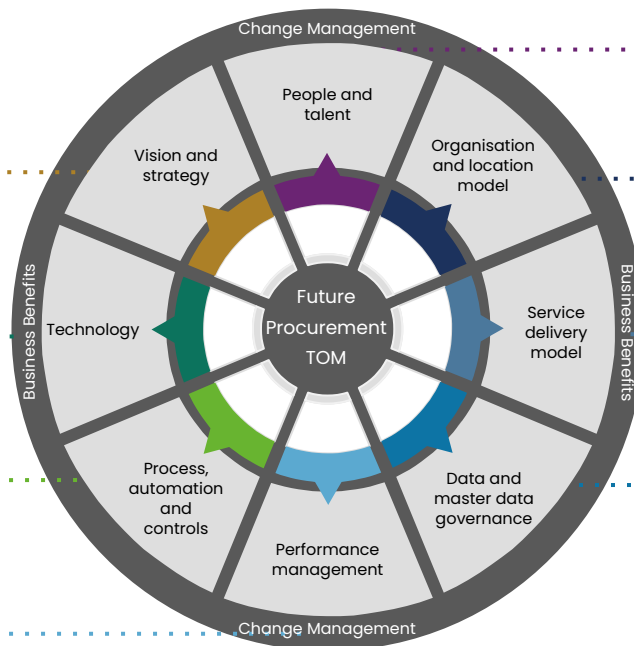
The end-state technology, cloud, integration strategy and 'fit to standard' alignment.



The process taxonomy and RACI model (level 2) with automation and controls framework.



The KPI reporting and analytics taxonomy with service delivery model to stakeholders.



The job families, competency framework, learning journey and career path framework.



The organisation structure and location model with roles and responsibilities.



Where and how activities will be delivered and the Interaction model between stakeholders and the delivery model.



The data model and master data management strategy.

8

Appendices

Procurement Maturity Assessment: Survey Structure

	How would you describe your current Procurement strategy and its alignment with your organisational strategy?	Across your third-party spend to what extent are Category Strategies in place and aligned to the requirements of the business?	How proactive is procurement in identifying future business requirements and collaboratively working with stakeholders to develop a long-term sourcing pipeline?	What visibility do you have over your third-party spend and how is this used by your organisation?	What level of risk management do you have in place across your third-party spend?
1	There is no documented Procurement Strategy.	Procurement support the organisation sporadically but often have no input on defining requirements and sourcing decisions.	There is little or no engagement of Procurement across the organisation. Clear documented process for engagement does not exist.	Invoice and payment data isn't easily available from Finance systems and where it is, lacks the required detail for procurement to perform any meaningful spend analysis.	There is no formal process for risk management. No supplier monitoring in place. Contingency plans are not in place even for critical requirements.
2	A Procurement Strategy has been developed but is largely based around cost reduction and makes no reference to supporting the broader Corporate strategy goals. Procurement are seen as a supporting capability to the organisation.	Key spend categories are identified with some initiatives defined, but Procurement is typically led by the needs of the business and unable to influence sourcing decisions.	Procurement is engaged on a reactive basis, based on where demand is and upcoming contract renewals.	Spend data is available from finance systems but is difficult to extract or process. There may also be a reliance on suppliers to provide spend data and there is no ability to separate revenue and capital expenditure.	Risk management guidelines are in place for Procurement but the approach is not consistent. Procurement are actively involved in qualification of new suppliers but there is limited evidence of proactive or regular risk assessment & monitoring of existing suppliers. Contingency plans to cover supply shortages on critical requirements are available.
3	An organisation-wide Procurement Strategy has been developed which goes beyond pure cost reduction (e.g. supply chain resilience, sustainability, strategic partnerships etc). There are references to the Corporate strategy but limited evidence that Procurement objectives align with organisational goals.	Strategies are in place for most areas of major direct and indirect spend with a focus on achieving the lowest cost. Category strategies tend to be owned and understood by the Procurement Team with little alignment to the wider-organisation.	Stakeholders collaborate with Procurement across key categories to proactively identify upcoming strategic sourcing requirements. However, there is little evidence of a fixed approach to engagement across all third-party spend.	Spend data is available from a data warehouse covering the corporate ERP systems and is easy to extract. There may be reliance on supplier data for granularity. Revenue and capital spend can be analysed with manual data manipulation. Data is manipulated to provide insights and drive decisions.	A risk management approach has been defined which lays out Procurement responsibilities. Risk monitoring & ongoing assessment in place for critical suppliers only. Contingency plans in case of supply shortage are in place for most critical requirements but not all.
4	Procurement strategy has been developed with the participation of key business stakeholders, and is fully aligned to the Corporate strategy and key objectives. Procurement is seen as a value-add capability across the organisation.	Advanced strategies are in place for all categories of spend and all sourcing factors are considered e.g. supplier base consolidation, demand aggregation, ESG. Procurement are seen as specialists and are able to challenge category stakeholders to drive innovation and change across the business	Procurement actively collaborates across all categories to proactively identify upcoming strategic sourcing requirements.	Spend data can be immediately extracted from a data warehouse providing full coverage and at a granular level for contract suppliers. Revenue and capital spend can be analysed separately. Data is manipulated to provide insights which drive decision at all levels of the business.	Detailed risk management processes have been rolled out across Procurement, supported by good practice templates, training & tools. Risk monitoring requirements are defined by category & supplier according to exposure. Complete contingency plans exist in case of supply shortage for critical requirements.

Procurement Maturity Assessment: Survey Structure (continued)

	What contract management processes and policies do you have in place?	How embedded are ESG (environmental, sustainability and governance) considerations across your S2C value chain?	Across your organisation, how well-defined and adhered to is your Procurement policy?	How well-defined and executed is your approach to managing third party supplier relationships?	To what level are digital tools and technology integrated across all core S2C activities?
1	Contracts are not consistently in place with suppliers. Where contracts do exist there are no standard terms and conditions. Supplier terms are widely accepted with minimal adaption.	ESG is a regulatory requirement and has been incorporated in corporate strategy and vision. No documents detailing the role of procurement in ESG strategy exist.	There is no policy covering procurement and as a consequence the Procurement Team has no central visibility of procurement activity taking place across the organisation.	All suppliers are treated on a purely transactional basis with no partnerships or alliances in place.	There is currently no eSourcing system in place.
2	Contracts are in place for major spend areas. Contract models vary across the business with standard terms and conditions defined but not consistently used.	There are ESG ambitions but they are not regularly actioned. ESG criteria are covered to some extent in policies and KPIs used within procurement. Adjustments have started in some procurement processes such as awarding.	Policy is in place but it is followed inconsistently, particularly in indirect category areas. There is some visibility of procurement activity happening across the business.	Strategic suppliers have been identified, though the management of supplier relationships by Procurement is on a reactive basis focusing on performance.	An eSourcing system but is used to limited effectiveness across the business or multiple categories. Team members may lack the required training to fully utilise the software.
3	Contract good practice and guidance is owned and driven by the procurement team with some standardised terms and conditions to deliver efficiency. They are stored within a central digital repository.	There is a clear procurement ESG strategy which is embedded within procurement policy. KPIs cover relevant ESG criteria and roles and responsibilities are clearly defined. ESG criteria are included across most of the procurement process.	Policies and delegations of authority are in place governing all procurement activity. There is good visibility of procurement activity with high compliance.	Across major spend categories there is a supplier management strategy in place led by procurement and business stakeholders but the approach is inconsistent.	An end to end Source to Contract system is used by all of procurement for all categories and some wider business stakeholders. Team members are fully trained on its application
4	There is a contract management framework in place with standard terms and conditions that is integrated with the wider Procurement Strategy.	ESG vision and targets are embedded in procurement strategy. Clear and documented ESG monitoring and reporting structures have been implemented with roles and responsibilities clearly defined. Procurement policy and suppliers embrace all relevant ESG criteria.	Clear policies and delegations of authority are in place governing all procurement activity with high compliance Procurement is involved in all major Source-to-Contract activities.	There is a supplier management strategy in place with executive sponsorship of strategic relationships and defined processes with Procurement as a joint owner. Individuals have dedicated time and objectives linked to management of key suppliers.	An end to end Source to Contract system allows Business Stakeholders to run their own sourcing activities using standardised templates, AI, auctions, and other tools with Procurement providing strategic support and direction

Procurement Maturity Assessment: Survey Structure (continued)

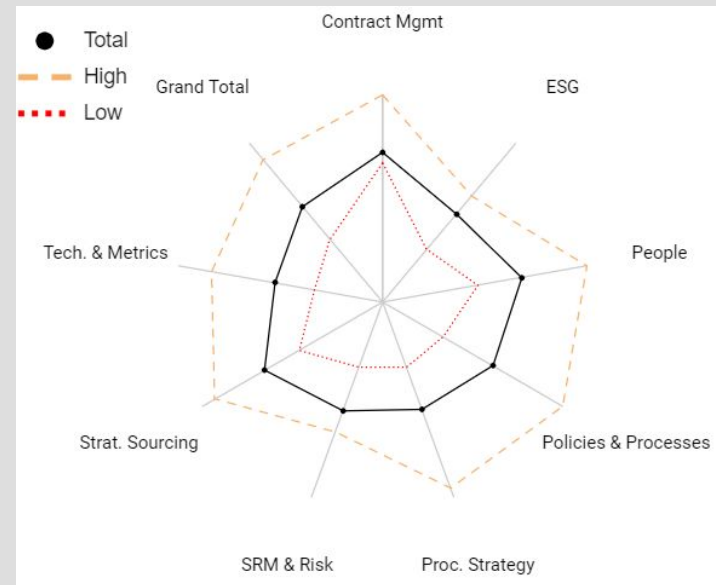
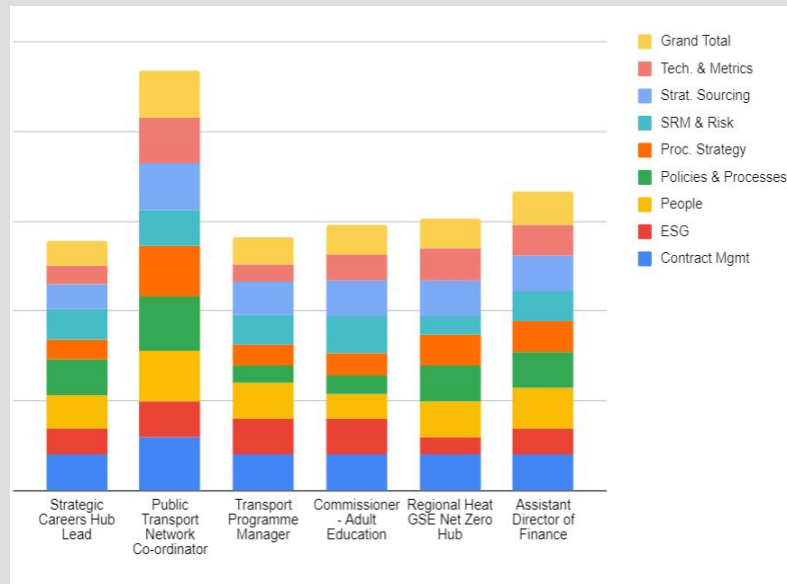
	Is the role of the Procurement capability clear?	What role does procurement play in corporate, strategic and operational planning?	To what extent does your organisation have a defined strategy and approach for managing supplier?	How is compliance to the the contract management process monitored and managed?	To what extent is training used to develop skills of employees engaged in the procurement process?
1	Procurement responsibilities are unclear	Procurement has no involvement in business planning.	All suppliers are treated on a purely transactional basis with no partnerships or alliances in place.	There is no monitoring of compliance.	No formal training or methodology. Diverse skill sets. No formal plan to build a broad capability to fulfil defined roles.
2	Responsibility and accountability defined for some areas of Procurement, with moderate adherence.	Procurement has some limited involvement in providing cost data to some business capabilities, but no involvement in decision-making.	The management of supplier relationships is inconsistent and is down to business stakeholders. Procurement's focus is on supplier performance management.	Monitoring of compliance is inconsistent with high levels of non-compliance evident. While periodic attempts to identify off-contract spend are made, there is no mandate to support effective action.	Inconsistent guidelines for training and methodologies. Skills and capabilities loosely defined. Unstructured capability model.
3	Responsibility and accountability defined for all areas of Procurement, with moderate adherence.	Procurement provides cost data to business units to support planning but is not involved in decision making.	There is a supplier management strategy in place with Procurement Team relationship leads, but business stakeholder involvement has not been formalised. There is limited business recognition of Procurement responsibilities.	Compliance is controlled through internal monitoring, however there is no recourse for non-compliance. While periodic attempts to identify off-contract spend are made there is limited evidence of successful remedy.	Group wide guidelines for training and methodologies, adjusted locally. Local definition of skills and capabilities based on group wide guidelines. Structured but immature capability model.
4	Responsibility and accountability defined for all areas of Procurement, with high levels of adherence.	Procurement works with the Leadership Teams in business units, providing cost analysis and helping to shape operational plans.	There is a supplier management strategy in place but the application of processes is inconsistent and the commitment of resources is an issue. Procurement is seen as the owner of process and is involved in the majority of key relationships.	Compliance control is exercised through internal and external controls e.g. no PO, no pay policies. Non-compliance is limited with monthly reports used to identify and remedy off-contract spend.	Consistent guidelines for training and methodologies, group wide implemented. group wide definition of skills, developed and consistent capability model.
5	All influencers of non-pay spend identified with roles, responsibilities and accountability agreed and adhered to across the organisation.	Procurement is an integral member of the Executive Management Team, and is actively involved in strategic and operational planning.	There is a supplier management strategy in place with executive sponsorship of strategic relationships and defined processes operational. Procurement is seen as an owner of the process and is fully involved in all key relationships.	Exceptional process compliance is being achieved through internal and external controls. Monthly reports are used to identify off-contract spend and the effectiveness of actions are monitored by Procurement and the business.	Rigorous training and methodology. Mature capability model with clear and structured development strategy. Training covers technical and business partnering/change management skills.

Procurement Maturity Assessment: Survey Structure (continued)

	To what level are digital tools and technology integrated across all core P2P activities?	How does the organisation measure the effectiveness of procurement?	How unified is Procurement across the organisation; what is the level of centralisation?
1	There is currently no electronic ordering system in place	The Procurement team are not tracked against any performance metrics.	Procurement is not recognised as a capability and there is no central Procurement Team. There is a lack of clear visibility of who 'does' procurement across the organisation.
2	An electronic ordering system is in place but is used to limited effectiveness across the business	A limited, static set of KPIs measuring internal performance exists, but is infrequently used or reported on and mainly tracks the delivery of savings vs. targets	Procurement Teams and resources are decentralised and fragmented across business units. Procurement resources are tactical and reactive to stakeholder needs.
3	eProcurement solution operating effectively and transacting 90% or more of the addressable transaction volume	A set of internal KPIs is regularly used and reported on, these are focused on cost reduction and spend under management and are tracked by the organisation	A centralised/centre led Procurement Team is in place for major spend categories and providing overall Procurement vision, strategy & policy for the business. Transactional Procurement may be outsourced or part of an alternative delivery model. There are some areas where Procurement has been unable to challenge established buying models.
4	Fully integrated P2P solution embedded across the organisation and used to drive all transactional procurement activity	The organisation track the delivery of spend reduction through to its bottom line. Procurement are tracked against non-cost strategic goals such as strategic supplier relationships and wider ESG metrics. Business stakeholders are also held to account for the delivery of targets.	A centralised/centre led Procurement structure is in place for all spend areas and sets the Procurement vision, strategy & policy for the business. Category teams are in place for all major spend categories. There is flexibility and ability to move resources between teams and allocate resources to support projects based on risk and value and specialisms within the process (e.g. SRM) are recognised.

Procurement Maturity Assessment: Survey Results (Self-Assessment)

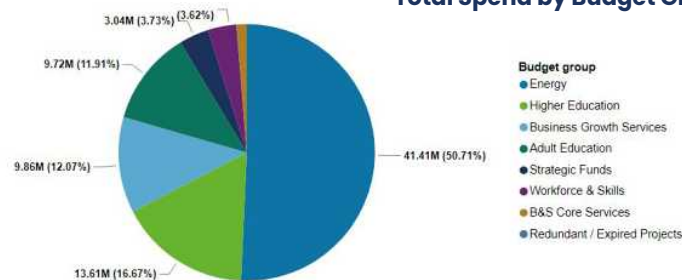
There is not a consistent view across the Authority



Procurement Insights: Business and Skills Directorate

This slide shows the spend profile for Business and Skills Directorate. If using the CIPS recommendation of 1 FTE for £15 m of spend, this Directorate would necessitate at least 6 FTE with professional procurement expertise.

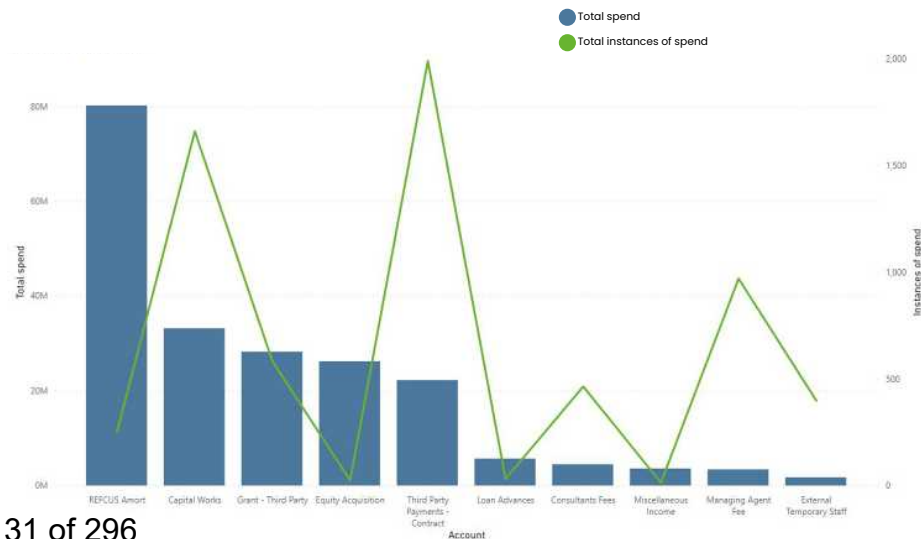
Total Spend by Budget Group



£81.65m

Total spend FY-22/23

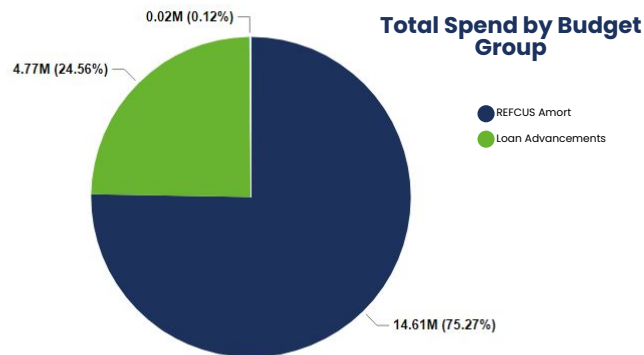
Total and instances of spend with top 10 accounts



- Energy accounts for 50% of the total spend and approx. 60% (121 suppliers) of the supplier base for the Directorate. As such, this Directorate may warrant greater scrutiny and strategic planning.
- Little funding is spent on redundant/expired projects, showing strong contract management oversight and governance.
- Comparing total spend against instances of spend tracks what is to be expected for each account regarding infrequent high value spend (REFCUS Amort, equity acquisition) and common low value spend (consultants, managing agents).
- Grant - Third Party spend is the second largest spend account, which shows Councils outside the CPCA area being paid

Procurement Insights: Housing Directorate

This slide shows the spend profile for Housing Directorate. If using CIPS as a guide on the recommended number of FTEs, this Directorate should have at least 1 FTE with professional procurement expertise.

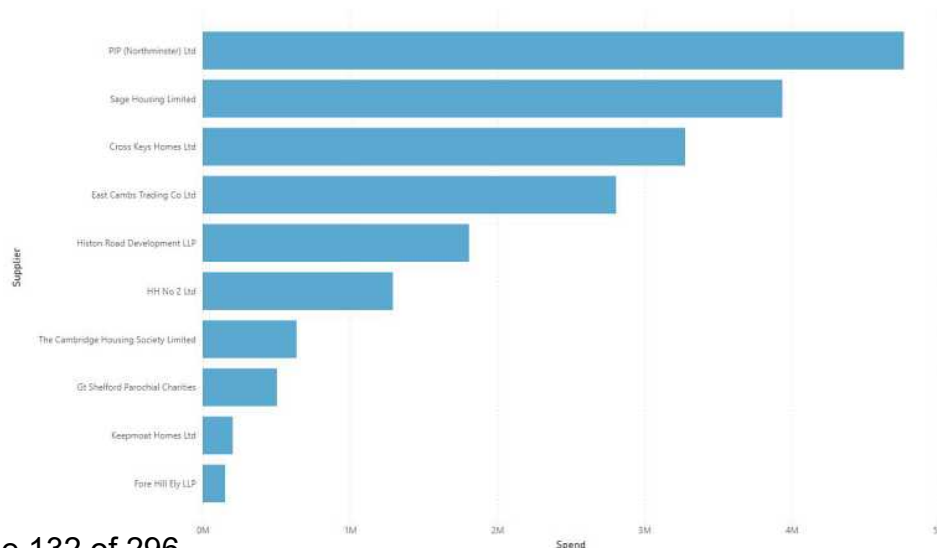


£19.41m

Total spend FY-22/23

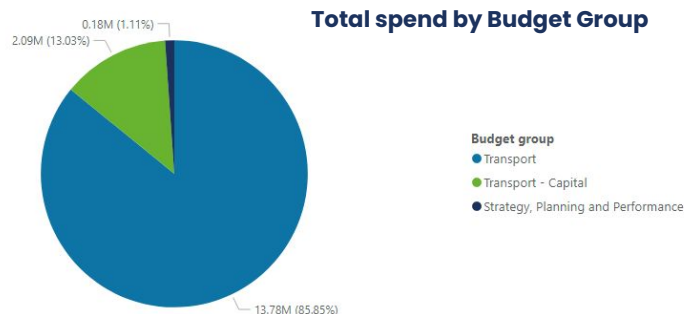
- An in-depth analysis of housing proved difficult, due to a lack of sub-categorisation.
- Over 75% of housing spend relates to the REFUS Amort account, with the remaining 25% falling under Loan Advances. There is negligible spend that falls under contractors, training, consultants, postage, salaries, subscriptions, and licenses, which implies that the Housing Directorate is performing efficiently.
- No one supplier has market dominance, with 6 suppliers all receiving at least £1m of spend in the last fiscal year. This market diversification suggests procurement performed effectively when engaging with suppliers.

Total spend per supplier



Procurement Insights: Transport Strategy & Delivery Directorate

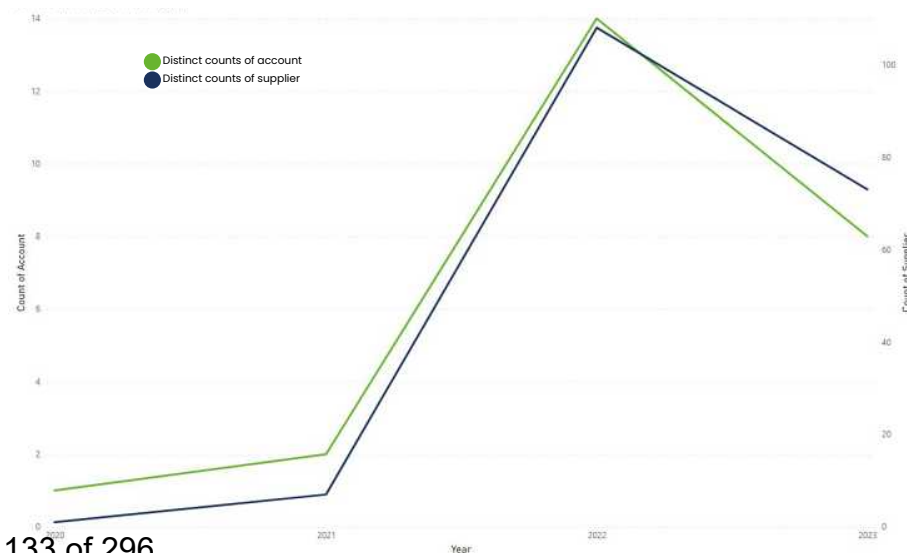
This slide shows the spend profile for Transport Strategy & Delivery Directorate. As with the Housing directorate, this Directorate should have at least 1 FTE with professional procurement expertise.



£16.05m

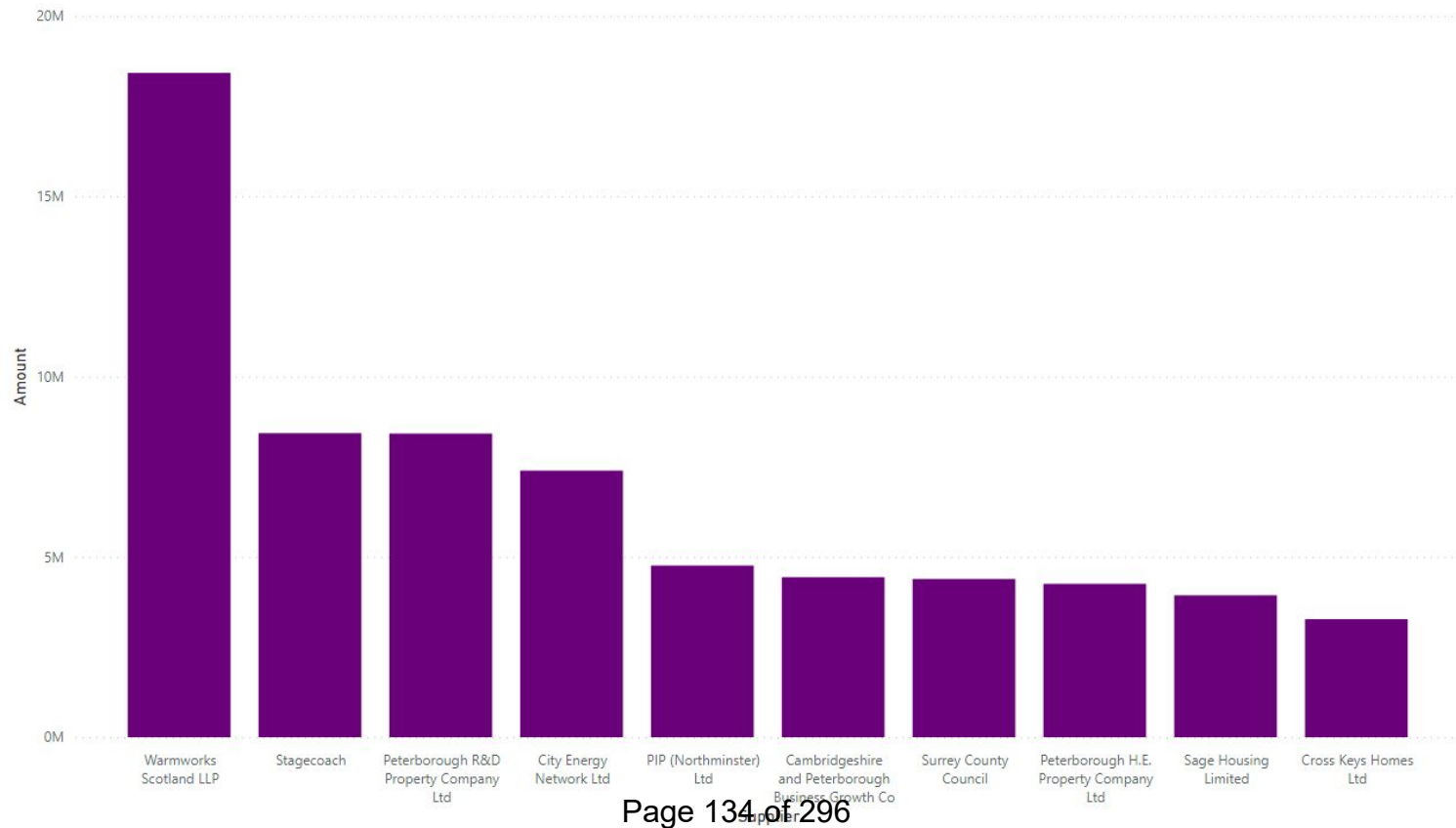
Total spend FY-22/23

Number of distinct accounts and suppliers in Strategy and Delivery directorate

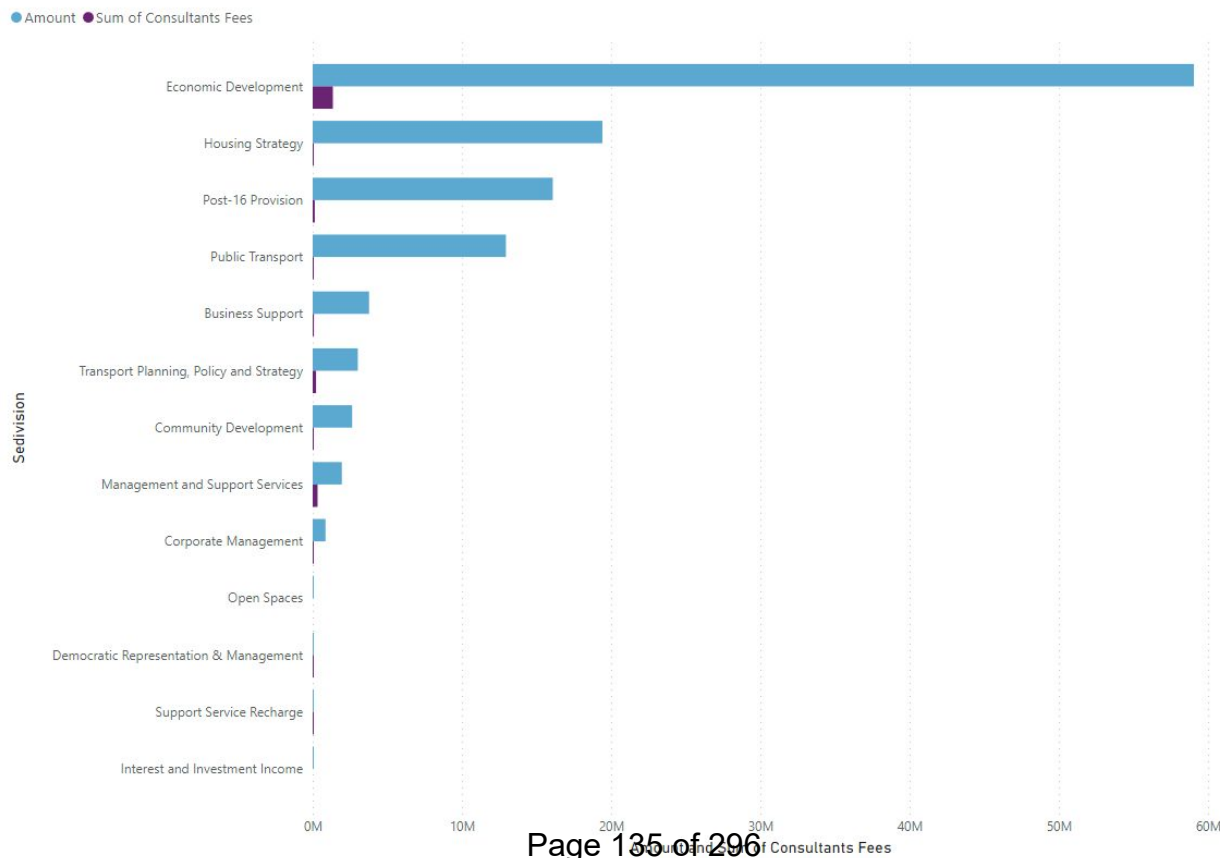


- There are a high number of suppliers covered by the Transport budget group with this budget group making up the majority of where the Directorate's spend is channelled.
- 2022 saw a rapid increase in the distinct number of suppliers with new bus operator contracts being awarded. However, during the first quarter of 2023, 4 of these contracts have been surrendered due to the financial crisis.
- There are 200 suppliers responsible for £16m spend (averaging £80k/supplier).

Top 10 Suppliers by amount spent FY 22 – 23



Spend per Division, including amount spent on consultants FY 22 – 23



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**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY

PROCUREMENT STRATEGY

1 Background

1.1 Introduction to CPCA

- 1.1.1 The Cambridgeshire and Peterborough Combined Authority is a mayoral authority and as a body governed by public law are required to carry out their procurements in accordance with the Public Contracts Regulations 2015 (as amended).
- 1.1.2 The Authority, in addition to complying with its statutory obligations, is committed to delivering against best practice, government policy guidance and in response to feedback provided by any third-party individual or organisation.

1.2 Document purpose

- 1.2.1 The Authority is updating this document to take into account the recommendations from a recent procurement review.
- 1.2.2 The document has been aligned to the National Procurement Strategy as best practice.
- 1.2.3 The document sets out the procurement function vision, aims within the broader context of the authority's corporate objectives

1.3 Document Structure

- 1.3.1 The document is split into 4 parts
 - (a) Part 1 – Background
 - (b) Part 2 – Overview of the
 - (i) vision, values, and principles
 - (ii) aims and objectives
 - (c) Part 3 – Action Plan setting out the specific areas of improvement and target outcomes for each of the next two years of the strategy.
 - (d) Part 4 – Monitoring and Reporting

2 Procurement Strategy for 2023-2025

2.1 Introduction

- 2.1.1 This Part sets out the Cambridgeshire & Peterborough Combined Authority broader considerations

2.2 Vision, Values & Principles

2.2.1 Visions

- (a) A Procurement function that delivers on compliance whilst also being efficient and effective is achieving both the contract and the Authority's broader goals

2.2.2 Values

- (a) The Authority strives to serve its community by working cooperatively with partner authorities, local businesses, local groups, and residents, whilst also leading with compassion; this to feed into the design of all procurements and through to their contract management and reporting.

2.2.3 Principles

- (a) In delivering the procurement function and strategy, the authority is committed to their processes being transparent in their requirements, creating a fair and open competition, with the goals of delivering value for money and maximising public benefit as a driving factor in defining a desirable outcome.

2.3 Specific Aims and Objectives

2.3.1 In addition to considering the behaviours listed in the National Procurement Strategy, the Authority has included their own, more specific aims and objectives which came out of the external procurement review.

2.3.2 Aims (purpose / goals/ What)

(a) An appropriately resourced procurement and contract management function delivering an efficient and effective service using a standardised set of templates with supporting guidance all managed through a clear and simple governance and approvals process.

2.3.3 Objectives/ Improvements (short term outcomes)

- (a) Increased level of appropriately skilled resource
- (b) Updated Policy and Social Value Commitments
- (c) Clearly defined Roles & Responsibilities
- (d) Updated suite of procurement and legal templates
- (e) An efficient and effective governance and approvals process
- (f) Improved Data Collection & Usage

2.3.4 Timescales

(a) This strategy is designed to be delivered over a two-year period with an annual review scheduled for the end of 2024

2.4 Strategy Goals (Against NPS)

- (a) As of the date of this document, the authority's current maturity assessment against the National Procurement Strategy was calculated to be 1.8.
- (b) As part of the authority's improvement process, a number of behavioural goals have been identified and included within an Action Plan as detailed in Part 3. These goals have been tailored to the Authority's specific aims and objectives and reflect the recommendations from the external review feedback.
- (c) The goals (where relevant) include references to the recommendations from the procurement review in brackets against the relevant area)
- (d) Over the next two years the aim is to increase the authority's maturity level to between Developing to Mature (2-3)
- (e) Progress to be assessed at the end of 2024 using the National Procurement Strategy metrics and this document refined as appropriate.

3 Action Plan

3.1 Introduction

- 3.1.1 This plan is aligned to the behaviours detailed in the National Procurement Strategy 2022; it considers each of the identified behaviours within the context of the Authority's current level of maturity.

3.2 Plan Structure

- 3.2.1 The Plan is split into, enablers, showing leadership, behaving commercially, and achieving community benefits.
- 3.2.2 Within each of those section, a number of areas for improvement have been identified, with the goals being Authority specific and details the specific improvements to be achieved (although not always quantified)

3.3 Procurement Capability & Talent			
3.3.1 Developing talent includes professionalisation of Authority procurement talent, addressing recruitment and retention of procurement talent and developing agile procurement talent that can address commercial challenges and innovation in the procurement role.			
Areas	current	Target Year 2024	Target 2025
Resourcing levels (procurement operating model)	Current team 1 No FTE Procurement & Contracts Manager 1 No FTE Procurement Officer 1 No FTE Procurement Assistant	Proposed team Addition to the team of 1 no FTE Contracts Manager An additional 2 no FTE Procurement Officer Access to external support to facilitate delivery against the 2024	Proposed team Team structure review in consideration of progress against the below action plan activities and overall strategy Identify outstanding or newly identified activities against team capacity and capability and then address the resourcing requirement in consideration of the tasks
Training	Currently team training The Procurement Manager is working towards ILM qualification	Propose Team Upskilling Carry out a team skills review/ create skills matrix and training plan Course on Contract Law Basics Training on new Procurement Bill	Skills review Update skills and training matrices, identify at least two courses for each individual to continue with upskilling commitment

3.3.2 Delivery Considerations (a) The achievement of these goals will be dependent on (i) funding and approval to recruit (ii) a budget for staff training and upskilling			
3.4 Digital Technology			
3.4.1 Why is it Important - Rapid use of data is critical for understanding how to manage procurements and contracts. Increasing data and transparency date is available, along with artificial intelligence, and making good use of this will be key to managing the pressures on Local and Combined Authorities			
Areas	current	Target Year 2024	Target 2025
Electronic Tendering	Developing Use of electronic tendering and quotations system for some tenders or quotes (either as a dedicated system or tender box rental)	Mature Use of electronic tendering and quotations system for all tenders or quotes (either as a dedicated system or tender box rental)	N/A
Contract Management	Minimum Limited procurement and contract management information available via static sources.	Developing Some procurement and contract management Information available online to all stakeholders with appropriate search and filtering.	Developing Working towards Comprehensive procurement and contract management information available online to all stakeholders with appropriate search and filtering
Spend Data	Minimum Only basic information available regarding contracts awarded and spend both on and off contract and this is controlled by finance. Available data not classified to facilitate strategic procurement planning	Developing Update technology to provide more detailed breakdown of spend both against contracts and standard reporting classifications. Usage limited to finance	Developing Technology can be used to provide spend dash boards and can be used by procurement and senior managers to aid if planning and cost management of contracts.
3.4.2 Delivery Considerations			

(a)	The achievement of these goals will be dependent on
(i)	Resourcing to enable all procurements to be managed centrally
(ii)	budget for the additional module and training in its use
	Finance systems being able to link to the procurement system and export data in a useful format and which can be manipulated to produce dashboards and other reports

3.5 Stakeholder Engagement

- 3.5.1 **What it is:** Councillors set the Authority's vision and strategic priorities and must be satisfied that the procurement and commercial arrangements for their delivery are robust. Councillors make key decisions, particularly in major projects, and maintain oversight of the performance of key contracts, agreeing corrective action where necessary. Councillor engagement needs to be supported through training, good procurement and commercial advice and reporting arrangements.
- 3.5.2 **Why it is important:** When councillors are fully engaged with procurement and commercial matters, the quality of decision-making is better, and oversight and accountability are improved. Councillor engagement leads to better project delivery and better outcomes for the local community

Areas	current	Target Year 2024	Target 2025
Engaging Councillors	Developing Councillor engagement is varied depending on the nature of the procurement, the value, and the political sensitivity	Mature Establish a set protocol for engaging with councillors with the aim of their input adding value/ improving the outcome of the procurement	Leader Increase engagement levels across all procurements based on an objective criterion and include a post award mechanism for monitoring the benefits of engagement
Engaging Senior Management	Developing Senior managers acknowledge the role of procurement but there is limited engagement throughout the process and decision making	Mature Establish a Gateway Process which is managed through a procurement committee made up of senior managers across various considerations, e.g., financial, legal	Leader Review Gateway process and introduce a lesson's learned protocol that links back to the Gateway process so as to measure the benefits of the process and allow process improvements
Process	Developing Although there is a structured approach to how procurements are managed (as set out in the Contract Procurement Rules) it	Mature Establish a clear set of guidance that includes clear roles and responsibilities of all individuals involved in a procurement and procedures to be followed in different situations and ensure they are effectively	Leader Review guidance document, including gathering feedback from across the Authority on how clear the processes are and whether the roles and

	is still not clear what the role of procurement is or exactly how all procurements are to be managed	communicated to all officers, managers and stakeholders	responsibilities as defined are delivering effective / improved outcomes
Training & Development	<p>Minimum</p> <p>Currently there is no formal training programme for officers and managers; but rather, training is delivered on an adhoc basis</p>	<p>Mature</p> <p>Establish a clear set of training requirement for officers, senior managers, and stakeholders; including, the updated CPRs, the procurement Bill, contract management, procurement templates and the Gateway Process. Create an attendance/ training register</p>	<p>Leader</p> <p>Review training matrix and current skill level inconsideration of procurement outcomes, through the use of lessons learned processes and feed this into the training programme for the year</p>
Working With Partners – Culture	<p>Minimum</p> <p>Currently there is silo working with some individuals carrying out procurements without input from procurement or considering involvement from other teams (including partner Authorities)</p>	<p>Developing</p> <p>Communicate the Authority's commitment to a shift from silo working and a culture of 'one team' both within the Authority and where appropriate, working with partner Authorities</p>	<p>Mature</p> <p>Establish a centralised 'one team' approach to procurement whereby all procurements consider the needs/ enable input from the whole Authority and are delivered in a consistent</p>
<p>3.5.3 Delivery Considerations</p> <p>(a) The achievement of these goals will be dependent on</p> <ul style="list-style-type: none"> (i) External support to aid in developing a Stakeholder Engagement Strategy (ii) A commitment from Stakeholders to work with procurement and external advisors to agree the required processes and subsequent training for relevant individuals. 			

3.6 Behaving Commercially

- 3.6.1 **What it is:** There are many ways in which commercial opportunities can be created through the strategic management of the commercial cycle and the services and assets delivered through the contracts it creates. Commercialisation is a broad and important subject to the sector. This key area is confined to how officers, working with the procurement team, should work to identify and create commercial opportunities.
- 3.6.2 **Why it is important:** As funding and revenue is reduced, organisations are required to look at other means of reducing funding deficits. Commercial opportunities can be created in many ways, including procurement design, and collaborative and innovative procurements

Areas	current	Target Year 2024	Target 2025
Forward Planning	Developing Forward planning is limited to governance/ reporting requirements rather than for strategic procurement purposes	Mature Forward planning is undertaken on all strategic and cyclical contracts to enable input from procurement/ commercial, adoption of lessons learned and opportunity to discuss any shared contracting opportunities with partner Authorities The Gateway process and lessons learned process to link into this.	Leader Forward planning for contracts has developed to form an integral part of the organisation's budget setting and expenditure forecasting process Procurement procedures, including the gateway process, are updating accordingly to reflect any practical changes to process
Option Appraisals	Developing Currently these are undertaken on high value/ high risk procurements only with the option appraisal focussing on the route to market	Mature Establish a policy/ guidance and embed this requirement within the Gateway process, a requirement for all relevant procurements to undertake an option appraisal that considers commercial, social and risk factors	Leader Review the option appraisal process and seek to extend it out to include a broader range of contracts and working collaboratively with partner authorities in conducting the options appraisal. Include reviewing the recommendation from the options appraisal in the lessons learned activities
Market & Supplier Engagement	Minimum Sometimes undertaken if time permits, the procurement is novel, or there is a political imperative	Mature Establish a policy/ guidance and embed this requirement within the earliest stage of the forward planning/ Gateway process, for all relevant procurements. This to also include guidance on how the gathered information is to be used and managing potential supplier advantage.	Leader Outcomes from market and supplier research are used to shape and determine the content and timing of the procurement process used. Outcomes are also used to contribute to the risk management process and options appraisal process. Procurement input is viewed as an integral aspect of market and supplier research and analysis

Tendering	<p>Developing</p> <p>Focus still on compliance and standard cost and quality ratios but innovation sometimes considered.</p> <p>Tenders are mainly viewed as legal documents but written in plain language.</p> <p>Procurement team is sometimes invited to contribute to the planning phase.</p>	<p>Mature</p> <p>Focus is on balancing costs, quality, social value, and innovation.</p> <p>Tenders are considered a collaborative effort by the project team, procurement and legal</p> <p>The tendering process, including the planning phase of the procurement are embedded into the procurement guidance</p>	<p>Leader</p> <p>Tendering is seen as an essential, important, and commercial process with all parties to be involved from early planning, through the conduct of a procurement up to award, and being appropriately resourced to do so.</p> <p>The strategy for tendering is reviewed and update (and potentially embedded into the Gateway process) where relevant</p>
Performance Reporting	<p>Minimum</p> <p>Performance reporting is minimal and predominately relates to grant funding conditions</p>	<p>Mature</p> <p>Performance reporting is carried out for both commercial and social value commitments and this information is collated and reported quarterly for all strategic contracts</p>	<p>Leader</p> <p>Performance reporting is seen as an integral part of the organisation's culture with reports on commercial and social benefits achieved are included in each contract's performance dashboard</p> <p>This information is used to update the authority's procurement policy and strategy</p>
Post Contract Review	<p>Minimum</p> <p>These are uncommon and tend to focus on poor contract performance</p>	<p>Developing</p> <p>Post contract reviews are to be undertaken on all high risk/ high value procurements with the aim of improving outcomes and identifying commercial opportunities</p>	<p>Mature</p> <p>Post contract reviews are undertaken as a general process on all contracts.</p> <p>Procurement is part of the team that participate in these reviews so that learning can be utilised in future procurements</p>
3.6.3 (a)	<p>Delivery Considerations</p> <p>The achievement</p> <ul style="list-style-type: none"> (i) Internal resource to manage and monitor delivery against these actions (ii) External support to aid in developing a processes and templates (iii) A commitment from stakeholders to feed into the design of these processes 		

3.7 Establishing a Procurement Hub *(Not based on the NPS behaviour/ areas)*

- 3.7.1 **What it is:** There are many ways in which commercial opportunities can be created through the strategic management of the commercial cycle and the services and assets delivered through the contracts it creates. Commercialisation is a broad and important subject to the sector. This key area is confined to how officers, working with the procurement team, should work to identify and create commercial opportunities.
- 3.7.2 **Why it is important:** As funding and revenue is reduced, organisations are required to look at other means of reducing funding deficits. Commercial opportunities can be created in many ways, including procurement design, and collaborative and innovative procurements

areas	current	Target Year 2024	Target 2025
Procurement Operating Model <i>(Including, Procurement Policy, Roles & Responsibilities, Procurement Guidance, Contract management, & Delegated Authority)</i>	This information is included in the Contract Procedure Rules and a separate procurement policy document	Create separate documents that detail <ul style="list-style-type: none"> Procurement Guidance (including roles and responsibilities, delegated authority) Procurement Policy Contract Management 	Carry out a staff survey to identify areas of improvements, relating to process and usability of the templates, and implement accordingly
Procurement Templates <i>(Improve procurement scrutiny)</i>	There is a current suite of procurement templates including instruction documents, response templates etc, held by procurement in a local drive.	Update the suite of procurement documents to work with the new strategy, in consideration of the Procurement Bill and to cover various procurement scenarios Update business case and programme templates Make the templates available centrally Provide training on usage	Carry out a staff survey to identify areas of improvements, relating to process and usability of the templates, and implement accordingly
Legal Templates <i>(contracts and Grant Agreements)</i>	Currently officers are 'recycling contracts' without input from Legal	Create an updated suite of documents that are owned and managed by legal, but which can be accessed but not issued without appropriate approvals in place.	Carry out a staff survey to identify areas of improvements relating to process and usability of the templates, and implement accordingly
Gateway Process <i>(Improve procurement scrutiny)</i>	No current process in place	Design and implement a gateway process that covers the various stages of a procurement with the application being based on value, risk, political interest, or another identified requirement.	Carry out a staff survey to identify areas of improvements relating to process and benefits/ issues identified, and implement accordingly

		Consult stakeholders and senior managers on the process Set up a Gateway approval committee	
Lessons Learned	Minimum Currently the use of a formal lessons learned process is adhoc and limited	Developing Lesson learned activities to be carried out following the award of a contract all strategic procurements; this to be embedded in the gateway process and finding used to refresh procurement documents and guidance	Mature Lesson learned activities to be extended to include other stages (gateways) for strategic procurements and training to be delivered off the back of the findings.
Staff Programme of Training			
3.7.3 Delivery Considerations (a) The achievement <ul style="list-style-type: none"> (i) Internal resource to manage and monitor delivery against these actions (ii) External support to aid in developing processes and templates (iii) A commitment from stakeholders to feed into the design of these processes 			

3.8 Managing Contracts

- 3.8.1 **What it is:** Contract and relationship management is the process by which all contracts and variations are managed effectively to control costs, secure the quality and timeliness of agreed outcomes and performance levels and minimise the occurrence of risks.
- 3.8.2 **Why it is important:** Poor contractor performance or commercial failure can increase delivery costs, seriously damage an Authority's reputation and its ability to deliver effective services and support to local communities. Lack of contract management can result in commitments made during the procurement period not being realised.

area	current	Target Year 2024	Target 2025
Information Storage and Accessibility <i>(including the contract register)</i> <i>(Implement a contract management tool)</i>	<p>Developing</p> <p>Contracts register exists via the e-tendering portal.</p> <p>Data held is generally limited to contracts awarded through the portal so many not be up to date, but efforts are being made to increase data quality and the percentage of third party spend listed on the register.</p>	<p>Mature</p> <p>Purchase of contract management module</p> <p>Contracts register is dynamic and provided through the e-tendering portal.</p> <p>Fully visible to the whole Authority with read, write, edit and search capabilities for all contract owners and managers.</p>	<p>Leader</p> <p>Contract register is fully accessible and includes all Authority spend</p> <p>Information is always up to date with comprehensive, complete, and accurate records on all contracts. Contracts register has action or renewal alerting capabilities for contract owners and managers</p>
Change Control <i>(contract management process)</i>	<p>Minimum</p> <p>No change control policy in place except for isolated contracts</p>	<p>Developing/ Mature</p> <p>A change control process/ guidance exists and is used to capturing all contract changes for all strategic contracts</p>	<p>Leader</p> <p>All contract changes and variations processed through change control stored on the contracts register. Details shared online with contract managers, owners and contractors.</p>
Supplier Financial Distress <i>(refresh legal templates)</i>	<p>Minimum/ Developing</p> <p>Recognition of a need for early engagement with suppliers and some strategic contracts do include a financial distress clause</p>	<p>Developing/ Mature</p> <p>The Authority has a structured approach, as part of the contract management process, for engaging with suppliers in financial difficulties</p> <p>All standard form contracts to include an appropriate financial distress clause</p>	<p>Leader</p> <p>Financial distress clause included in all contracts and reviewed in consideration of the contract nature and risk levels.</p>

Savings & Benefits Delivery <i>(contract management process)</i>	Minimum Savings and benefits are delivered from some contracts but not a part of any formal process.	Developing Create a formal process for capturing savings and reporting benefits committed and subsequently delivered from all strategic contracts	Mature Savings capture from contracts and benefits realisation is applied uniformly across the organisation and reported quarterly to councillors/ CA Board.
Recognition & Cultural Acceptance	Minimum There is no recognition by the organisation of contract and relationship management. Only job roles which are fully designated to managing contracts are designated as contract manager in their title	Developing There is recognition by the organisation of the importance of contract and relationship management Job roles are designated as contract manager or contain specific contract and management activity in their content description in some departments	Mature Contract and relationship management is recognised by the organisation as being essential to its overall performance. Job roles are designated as contract and relationship manager or contain contract and relationship management activity in their content description as a formal policy. Performance is reviewed with job holders in their annual appraisals
Skill & Knowledge	Minimum Staff have limited access to any contract and relationship management skills (since COVID) and knowledge programmes.	Developing Staff have access to general contract management training given as a one-off exercise rather than an ongoing skills enhancement programme	Mature Contract and relationship management is acknowledged as a core competency across the organisation. Briefings on contract and relationship management are given in all induction and management programmes. Refresher programmes are available to all staff involved in contract and relationship management
3.8.3 (a)	Delivery Considerations The achievement <ul style="list-style-type: none"> (i) Internal resource to manage and monitor delivery against these actions (ii) External support to aid in developing processes and templates (iii) A commitment from stakeholders to feed into the design of these processes 		

3.9 Managing Strategic Risk			
3.9.1	What it is: A series of actions and policies designed to reduce or even eliminate the probability of a perceived risk occurring and minimising the detrimental effects that may occur should it materialise.		
3.9.2	Why it is important: The occurrence of any risk, particularly when it could be foreseen, can have a devastating impact on the organisation's reputation and the lives of the people it serves, the quality of the services that it provides, and even its financial viability.		
area	current	Target Year 2024	Target 2025
Strategic Risk	Minimum Currently strategic risk is not the focus of procurement.	Developing To extend the procurement strategy to cover <ul style="list-style-type: none"> • Modern Slavery • Supply Chain & contractor Failure • GDPR • Fraud & Financial Loss • Externa Events At the level of developing	Developing Embed the additional strategic activities into all authority procurements at the level of Mature
This area is to be updated as part of the 2024 refresh			

3.10 Creating Social Value

- 3.10.1 **What it is:** Social value is about improving economic, social and environmental wellbeing from public sector contracts over and above the delivery of the services directly required and at no extra cost.
- 3.10.2 **Why it is important:** Experience from procurements let by councils that have fully integrated social value requirements has shown that a minimum of +5 per cent to +20 per cent social value (according to sector) can be obtained on contract value by way of direct community benefits

Consideration	current	Target Year 2024	Target 2025
Social Value Policy	<p>Minimum</p> <p>No specific corporate-wide policy in place.</p> <p>Although procurements do, on an adhoc basis, seek to achieve social value from the procurement</p>	<p>Developing</p> <p>Social value is recognised as a core principle supported by a published social value policy and implementation strategy.</p> <p>Requirements are tailored to reflect size and scope of contracts</p> <p>Training for officers on social value to be provided</p>	<p>Developing/ Mature</p> <p>Social value implementation is underpinned by an overarching social value statement which is reviewed annually.</p> <p>Process and policy are in place to identify which contracts should include social value.</p>
Measuring Social Value	<p>Minimum</p> <p>Measuring social value in a very limited way</p>	<p>Developing</p> <p>The Authority's chosen way of measuring social value has been mapped to meet their specific policies.</p> <p>Outcomes are weighted where appropriate to council and local priorities.</p>	<p>Developing/ Mature</p> <p>The 'golden thread' is maintained between the measurement standard, corporate strategy, and the Authority's social value policy</p> <p>Measurement of social value is generated across all procurements above a threshold.</p>
Procurement	<p>Minimum</p> <p>Social value is considered in contracts. Social value is included in quality assessments as part of the quality and price matrix.</p>	<p>Developing</p> <p>Social value is included in all tenders over an agreed threshold.</p> <p>The Authority's measurement standard is adopted for all relevant tenders and consideration is given to contract size and scope to determine the measures to be applied.</p>	<p>Developing/ Mature</p> <p>Social value is included within procurement policies, and these are made available to all potential suppliers.</p> <p>The Authority's relevant standards are published to allow bidders to prepare their approach to social value in advance of tenders being published</p>

Contract Management Reporting	<p>Minimum</p> <p>Contracts are not monitored in any coherent way for social value post award.</p> <p>Limited or informal social value reporting and feedback only.</p>	<p>Developing</p> <p>Specific, targeted social value is included within the procurement stage.</p> <p>These are bound into the contract and performance monitored</p>	<p>Developing / Mature</p> <p>Annual feedback to the Combined Authority Board and Overview & Scrutiny committee on social value creation. Robust reporting is in place on progress and delivery and published annually.</p> <p>Processes are in place to ensure lessons learnt and feedback is incorporated for continuous practice improvement including benchmarking.</p> <p>Meetings are regularly held with contractors to discuss delivery of social value</p>
Supporting SMEs	<p>Minimum</p> <p>Although there is a desire to support local SMEs, there is minimal commitment/ methodology to deliver this</p>	<p>Developing</p> <p>To extend the procurement strategy to cover</p> <ul style="list-style-type: none"> Policy Relationships Engagement Procurement Contract Management 	<p>Developing</p> <p>Embed the additional strategic activities into all Authority procurements at the level of Mature</p>
3.10.3	<p>Delivery Considerations</p> <p>(a) The achievement</p> <ul style="list-style-type: none"> (i) Internal resource to manage and monitor delivery against these actions (ii) External support to aid in developing processes and templates (iii) A commitment from stakeholders to feed into the design of these processes 		

4 Monitoring and Reporting

4.1 Monitoring

- 4.1.1 Monitoring against the goals within the strategy will be an annual review process.
- 4.1.2 This will include consulting with various stakeholders and an assessment against the National Procurement Strategy behaviours

4.2 Reporting

- 4.2.1 Following each review, a report on progress will be shared with the board and updates to the strategy recommended.

4.3 Updating

- 4.3.1 This document will be updated following either an annual review or if updated guidance is issued by government such that it makes any of the goals no longer appropriate.



**CAMBRIDGESHIRE
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PROCUREMENT POLICY

1 Introduction

The Cambridgeshire and Peterborough Combined Authority recognises its responsibility for procuring the delivery of its corporate objectives in an economically, environmentally, and socially responsible Manner.

The Authority's procurement approach is supported by the Public Services (Social Value) Act 2012, this both requires and enables authorities to consider the wider impacts of a contract and to the community in which serve.

This policy sets out a number of key topics across the social, economic & environmental considerations and then details how these will be considered across the whole life of a contract.

2 Policy Focus 2023/ 2024

Key topics on which our sustainable procurement approach is focused is set out below

Topic Area	Social	Economic	Environmental
Stakeholder Engagement	✓	✓	✓
Equality, Diversity & Wellbeing	✓		
Ethical Supply	✓	✓	✓
Supporting SMEs and Local Businesses	✓	✓	✓
Supporting Third Sector & Social Enterprise	✓	✓	✓
Training, education, and employment opportunities (including for individuals with protected characteristics)	✓	✓	
Commitment to pay the Living Wage	✓	✓	
Carbon Emissions & Energy Usage reductions (including Net Zero)	✓	✓	✓
Protection of Wildlife	✓		✓
Supporting Community Projects	✓	✓	✓
Waste Reduction, re-use & recycle	✓	✓	✓
Improved reporting	✓	✓	

3 Embedding Social Value into Procurement

The above topics will be addressed through the following levers

Procurement Instruction Document – asking what the social, environmental, and economic impacts of the contract are and ensuring appropriate impact assessments are carried out and a sustainable procurement strategy agreed before a procurement is launched

Selection Questionnaire – asking targeted questions which seek identify suppliers with an appropriate track record in considerations of the agreed sustainable procurement strategy

Invitation to Tender – including requirements within the method statement questions and award criteria that will ensure that the successful supplier will deliver against the agreed sustainable procurement strategy

Specification – embedding all of agreed policy topics within the specification to ensure all bidders understand the authority's and project expectations; against which tender submission can be transparently assessed.

Accessibility – taking steps to remove unnecessary barriers to supplier participation

- Removing or reducing financial turnover thresholds, where financial risk is not high, to enable small firms or start-ups are not excluded;
- Dividing larger contracts into **lots** so that small organisations with limited capacity can bid for part of the contract;
- Ensuring the procurement process is accessible to bids from **consortia** or partnerships;
- Engaging in **supplier engagement** with the market, prior to major tender exercises, to ensure local bidders understand the process.

4 Specific Policy Commitments

We will

Stakeholder Engagement

- ❖ Consult with stakeholders, partner authorities, the supply chain and service users to ensure the procurement is designed and managed to optimise delivery outcomes and facilitate efficient governance.

Equality, Diversity & Wellbeing

- ❖ Embed our commitment to equality, diversity, and wellbeing into all of our procurements and contracts
- ❖ Reward suppliers who are active in promoting inclusivity and supporting wellbeing within their own organisation's processes and throughout their supply chain

Ethical Supply

- ❖ Encourage suppliers who provide goods or services (including from overseas) to be aware of the impact of these sourcing decisions (including Modern Slavery (PPN 02/23), fairtrade or other relevant accreditations).

Supporting SMEs and Local Businesses

- ❖ Recognise the benefit of sourcing locally where possible
- ❖ Design the procurement/ contract structure to be accessible to SMEs, e.g., use of lots, reducing turnover requirements, application of PPN 11/20 reserving below threshold procurements, etc.
- ❖ Encourage tier one suppliers appointed by the authority to work with SMEs/ local suppliers where practicable to support a sustainable local economy

Supporting Third Sector & Social Enterprise

- ❖ Take steps to ensure our procurement process is as accessible as possible to third sector and social enterprise bidders, by identifying and removing barriers to their participation, and by recognising alternative bidding models, including partnership and consortium bids.
- ❖ Encourage suppliers to take steps to make supply chain opportunities accessible to relevant local third sector organisations and social enterprises.
- ❖ Provide regular engagement and information sessions to ensure local third sector organisations and social enterprises understand the procurement process, and to receive their feedback.

Training, education, and employment opportunities (including for individuals with protected characteristics)

- ❖ Encourage suppliers to support employment opportunities for people from disadvantaged categories – such as those not in education, employment or training (NEET), long term unemployed, people with physical disabilities, learning disabilities or mental health problems, ex-offenders, and ex-armed forces personnel.
- ❖ Encourage suppliers to engage with local training providers to support developing the local workforce and creating local opportunities; e.g., work experience, career events, apprenticeships, placements.

Commitment to pay the Living Wage

- ❖ Include in all in scope contracts, the requirement to pay the living wage in accordance with the Living Wage Foundation accreditation rules.

Carbon Emissions & Energy Usage reductions (including Net Zero)

- ❖ Encourage suppliers to have Carbon Reduction Plans and to commit to achieving Net Zero by 2050

Protection of Wildlife

- ❖ Encourage suppliers, as part of their environmental impact assessments for relevant projects, to demonstrate how they will seek to preserve, and potentially enhance local wildlife as part of delivering the contract.

Supporting Community Projects

- ❖ Encourage suppliers, as part of their social value considerations, to identify how they can support community projects

Waste Reduction, re-use & recycle

- ❖ Seek to reduce the impact of goods, services and works through waste minimisation - including packaging waste, construction waste, the disposal of any consumables, and the disposal of assets at end of life
- ❖ Encourage suppliers to take action to reduce waste and promote re-use, remanufacture and recycling at every level of the supply chain

Improved reporting

- ❖ Encourage suppliers to agreed and regularly report on both their organisation achievements and what they have specifically delivered for the authority against their tendered/ contracted commitments.

5 Contact Us

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Audit and Governance Committee		Agenda Item
07 July 2023		8
Title:	22/23 Treasury Management Outturn Report	
Report of:	Ian Pantling	
Public Report:	Yes	
Key Decision:	No	
Voting Arrangements:	N/A	

Recommendations:

A	Review and note the actual performance for the year to 31st March 2023 against the adopted prudential and treasury indicators.
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Strategic Objective(s):

The proposals within this report fit under the following strategic objective(s):

X	Delivering Best Value and High Performance
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Adhering to best practice guidance is a key element to demonstrate that the Combined Authority is performing well, CIPFA treasury management guidance requires that treasury management performance is regularly reported and reviewed.

1. Purpose

1.1	The purpose of the report is for the Audit and Governance Committee to review the actual performance to 31st March 2023 against the prudential indicators included within the Treasury Management and Capital Strategies.
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2. Proposal

2.1	In-line with the Audit and Governance Committee's terms of reference they are asked to review and note the performance of the Combined Authority's treasury management functions against the performance indicators set in the approved Treasury and Capital strategies
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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 2017 recommends that Members receive regular reports on the authority's treasury management policies, practices and activities, including an Annual Treasury Report, which is a review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy. This report represents the Annual Treasury Report.
3.3	Appendix 1 to the report details our performance against the indicators agreed in the 22-23 strategies with areas of exception highlighted in the body of the report.
3.4	There has been one breach of an indicator in 2022-23: the Combined Authority had £31m held with Barclays PLC over a weekend in August, breaching its £25m investment limit. This was caused by a £22m payment being received on the Friday which was not then re-invested until the Monday. This limit is in place to minimise the exposure of the Authority to an entity it holds money with becoming insolvent and therefore being unable to access, or potentially lose, the money held. As Barclays has continued to trade no loss to the Authority occurred due to this breach.
3.5	Appendix 2 presents the Combined Authority's treasury management investment position benchmarked against other Local Authorities

4. Appendices

4.1	Appendix 1 – 22/23 performance against Treasury Management and Capital Indicators and Limits
4.2	Appendix 2 - Benchmarking of the Combined Authority's treasury investment portfolio

5. Implications

Financial Implications

5.1	There are no direct financial implications
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Legal Implications

6.1	There are no direct legal implications
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Public Health Implications

7.1	There are no direct public health implications
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Environmental & Climate Change Implications

8.1	There are no direct climate change implications although the Treasury team are monitoring emerging investment opportunities with ESG credentials to see if any can be utilised within the approved treasury strategies.
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Other Significant Implications	
9.1	There are no other significant implications
Background Papers	
10.1	None

Appendix 1: 22/23 Performance against Treasury Management and Capital Indicators and Limits

Treasury Management Indicators

The Authority measures and manages its exposures to treasury management risks using the following indicators, compliance has been indicated for each:

1. **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 banks under the same ownership will be treated as a single organisation for limit purposes.

Sector	Counterparty limit	Sector limit	Maximum balance held in 2022/23 financial year per Counter Party / Sector	Complied?
The UK Government	Unlimited	n/a	£153m	Yes
Local authorities & other government entities	£25m	Unlimited	£25m/£193m	Yes
Secured investments	£25m	Unlimited	£0	Yes
Banks (unsecured) (excluding operational bank account)	£15m	Unlimited	£0	Yes
Banks (unsecured, operational account)	£25	Unlimited	£31m	No
Building societies (unsecured)	£15m	£25m	£0	Yes
Registered providers (unsecured)	£15m	£50m	£0	Yes
Money market funds	£25m	Unlimited	£10m / £30m	Yes
Strategic pooled funds	£25m	£100m	£0	Yes
Real estate investment trusts	£25m	£50m	£0	Yes
Other investments	£15m	£25m	£0	Yes

2. **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.

	Target	As at 31.3.2023	Complied?
Portfolio average credit score (lower is better)	6 (A)	4.94 (A+)	Yes

3. **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	As at 31.3.2023	Complied?
Total cash available within 3 months	£25m	£97.4m	Yes

4. **Interest Rate Exposures** This indicator is set to control the Authority's exposure to interest rate risk.

Interest rate risk indicator	Limit	As at 31.3.2023	Complied?
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£1.5m	£1.3m	Yes
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£1.5m	(£1.3m)	Yes

5. **Principal sums invested for periods longer than a year:** 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 sums invested to final maturities beyond the period end were:

Price risk indicator	2022/23	2023/24	2024/25
Limit on long-term principal invested beyond year end	£50m	£30m	£20m
Actual long-term principal invested beyond year end	£25m	£15m	£0m
Complied?	Yes	Yes	Yes

Capital Strategy Indicators

6. **Capital Expenditure in £ millions.** . The table shows the Combined Authority's capital expenditure for 2022/23, and the following three financial years based on the medium-term financial plan. Slippage requested reflects the amount of budget originally programmed for 2022/23 which has not been spent and is now anticipated in 2023/24 which would create a corresponding increase in the 2023/24 budget.

	2022/23 budget as at 31.03.23	2022/23 outturn	Slippage approved	2023/24 budget	2024/25 budget	2025/26 budget
Capital investments	£175m	£98m	£57m	£159m	£48m	£32m
TOTAL	£175m	£98m	£57m	£159m	£48m	£32m

7. **Capital Financing in £ millions.** 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 financing of the above expenditure is as follows:

	2022/23 Forecast	2022/23 outturn
Grant Funding	191.37	87.83
Usable Capital Receipts	3.19	16.70
Debt	0	0
TOTAL	194.56	104.53

8. **Gross Debt and the Capital Financing Requirement in £ millions.** 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. Projected levels of the Authority's total outstanding debt (which comprises borrowing, PFI liabilities, leases are shown below, compared with the capital financing requirement.

	31.3.2023 forecast	31.3.2023 actual
Debt (incl. PFI & leases)	0	0
Capital Financing Requirement	0	0

9. **Borrowing and the Liability Benchmark in £ millions.** To compare the Authority's actual borrowing against an alternative strategy, a liability benchmark is calculated showing the lowest risk level of borrowing. Given that there are no current plans to borrow, this benchmark was set at a level to allow a small level of borrowing to facilitate delivery should it be needed. As the Combined Authority continues to have no planned borrowing, the 2023-24 Capital strategy replaces this with an asset benchmark so that the Committee can see how closely our forecasts of it's assets match to the actuals, rather than simply being told we still don't have any borrowing.

	31.3.2023 forecast	31.3.2023 actual	31.3.2024 budget
Outstanding borrowing	0	0	0
Liability benchmark	0	0	0

10. **Authorised limit and operational boundary for external debt in £ millions.** 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.

	2022/23 limit	2022/23 actual	2023/24 limit
Authorised limit - total external debt	84.61	0	84.61

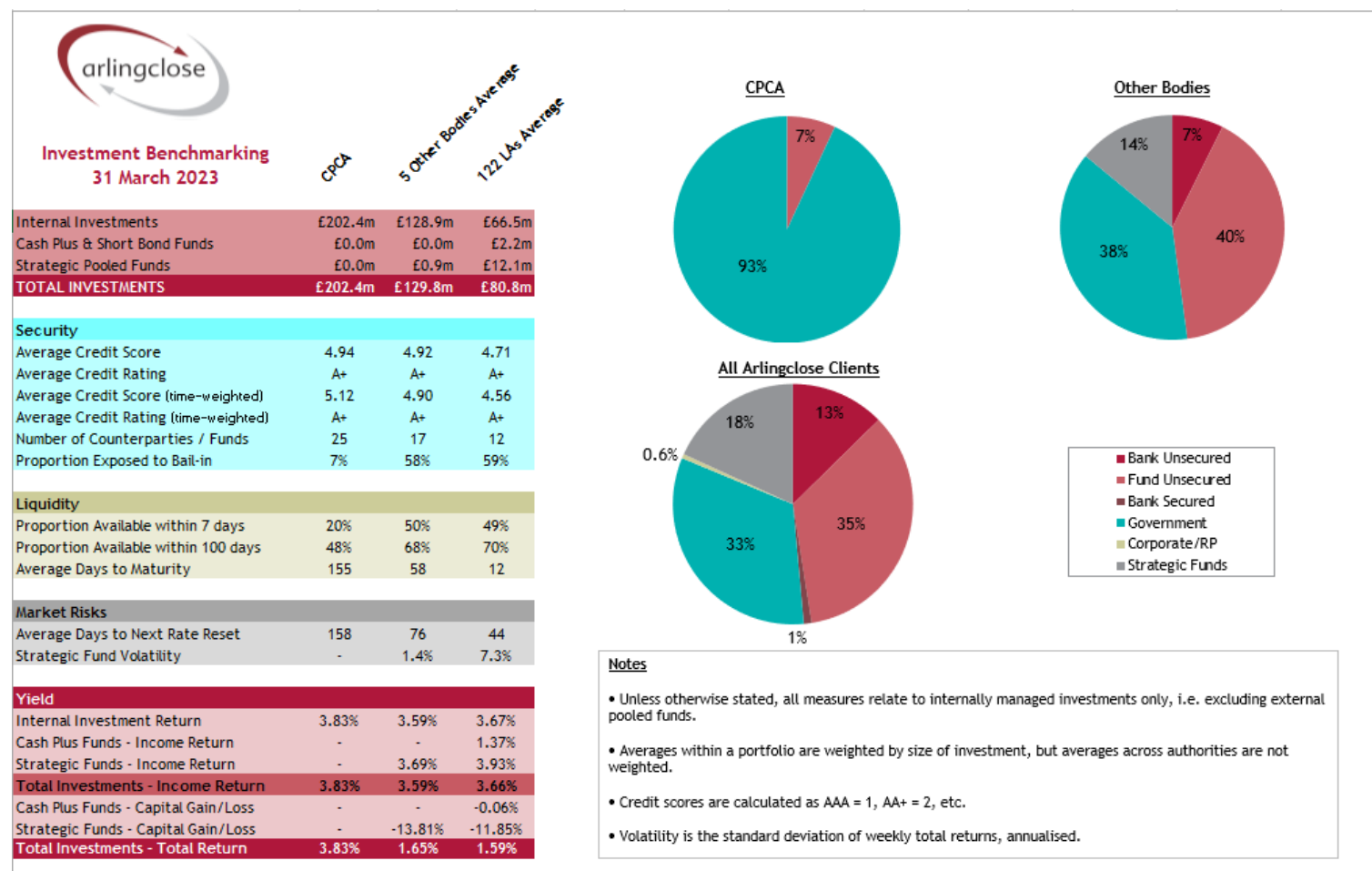
Operational boundary - total external debt	74.61	0	74.61
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11. **Proportion of financing costs to net revenue stream** Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. 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.

	2022/23 budget	2022/23 outturn	2023/24 budget
Financing costs (£m)	£0.43m	0	0
Proportion of net revenue stream	2.7%	0%	0%

Appendix 2: Benchmarking of the Combined Authority's treasury investment portfolio

Benchmarking summary as at 31st March 2023

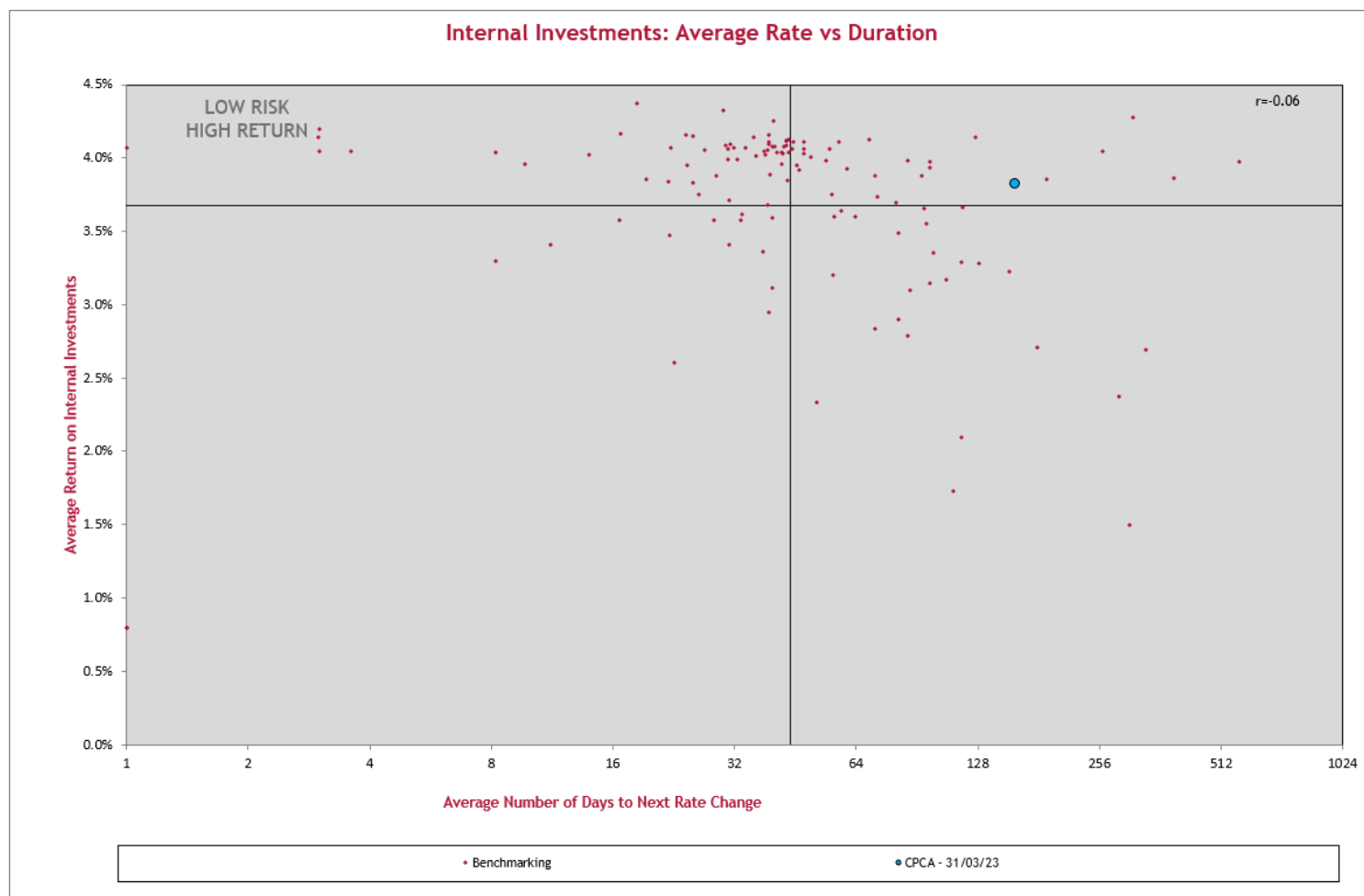


This dashboard compares the Combined Authority's treasury investment portfolio with 5 similar entities identified by our treasury advisors, Arling Close, and with 122 other Local Authorities.

While the Combined Authority has more counterparties, and less exposure to bail-in risk (both positives), it has no 'strategic funds' – these are longer term investments where capital can be at risk (as seen in the >11% losses at the bottom of the table).

Over the long-term strategic funds are expected to out-perform simple loans however taking money out at an inopportune time could lead to significant losses. As such, due to the rapidly changing nature of the Combined Authority's funding, investment in those funds has not been considered appropriate.

Average duration of investment vs rate of return



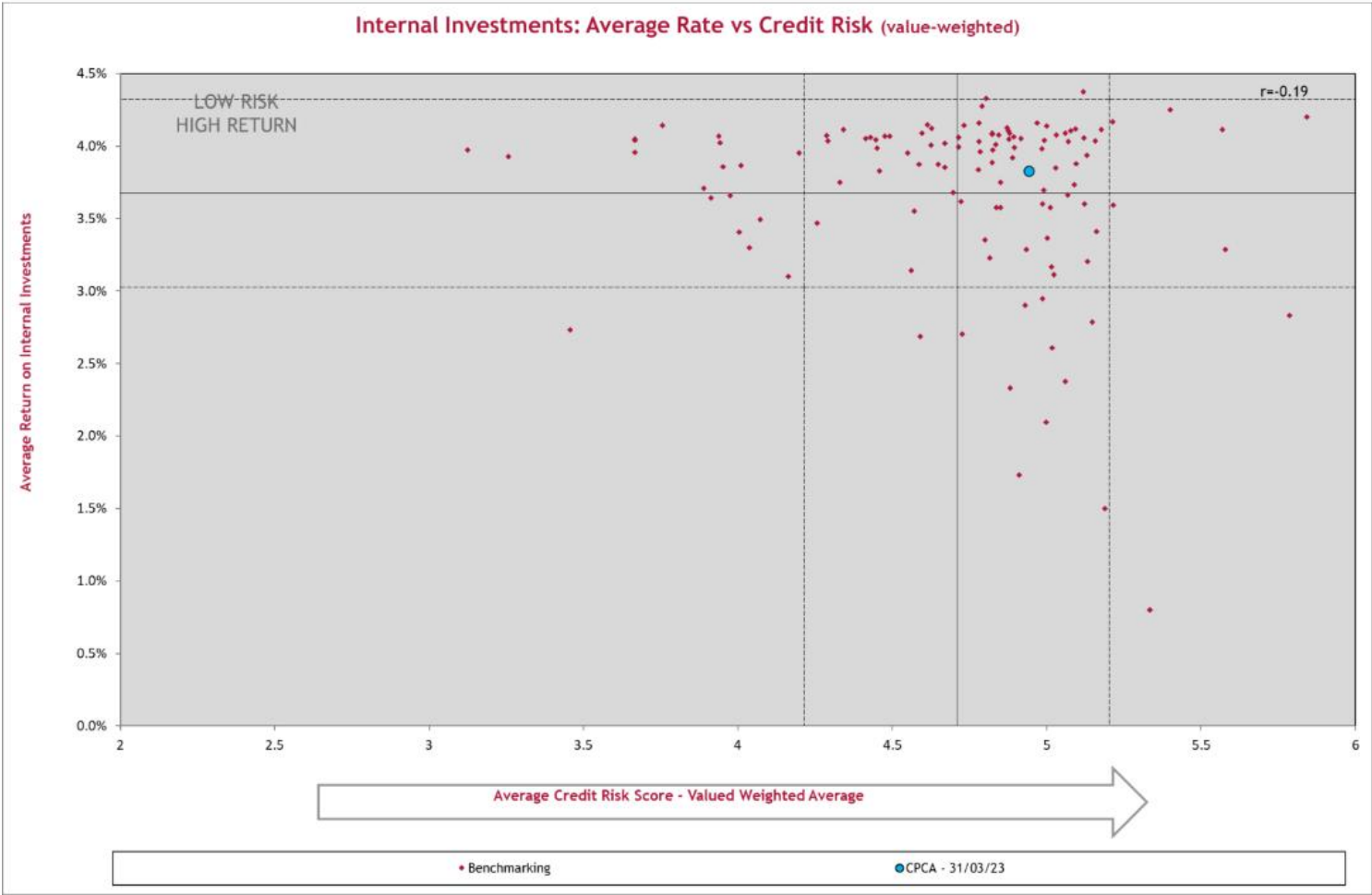
‘Normal’ behaviour in markets is that longer term investments offer higher returns, as the borrower places a premium on the certainty which would be seen in a trend with data points clustered in a rough line from bottom left of the graph to top right, and a positive r-value close to 1.

This behaviour is not seen in treasury markets at the end of March due to the current high inflation rates which, although more enduring than the market anticipated, are still forecast to drop off in the medium-term.

As such short-term rates are as good, or better, than long term rates as longer term deals (1+ years) are setting their rates on the expectation that overall interest rates will be lower.

The Combined Authority sits to the right of the majority of local authorities in this graph, showing that we have a longer average length of loan while still achieving above average returns (the horizontal line). Moving forward, as some final historic loans repay the average return on investment should increase closer to, and potentially over 4% as new loans are achieving higher rates.

Average rate vs Credit Risk



Credit risk scores are an indicator of how much trust the market has in the entity’s ability to repay those funds, with lower numbers being better. For context, the UK Government’s score is 3.7.

The risk here is the average of the entities the Combined Authority has lent to, not the Combined Authority’s rating.

While the Combined Authority’s average score is higher than most Local Authorities it is still well within the acceptable average score of 6 – which could allow capacity for the Authority to explore ESG accredited funds which may have a slightly lower rating in the future.

Audit and Governance Committee		Agenda Item
07 July 2023		9
Title:	Draft Statement of Accounts and Annual Governance Statement 2022/23	
Report of:	Nick Bell	
Public Report:	Yes	
Key Decision:	No	
Voting Arrangements:	N/A	

Recommendations:

A	Note the draft Annual Governance Statement 2022/23
B	Note the draft of the Statement of Accounts 2022/23

Strategic Objective(s):

The proposals within this report fit under the following strategic objective(s):

X	Delivering Best Value and High Performance
Delivering timely draft accounts enables the Combined Authority's stakeholders, from Members to the public to our Auditors, to hold us to account and for us to deliver on our commitment to being a transparent and accountable organisation.	

1. Purpose

1.1	The purpose of the report is for the Audit and Governance Committee to note the draft Annual Governance Statement and Statement of Accounts for the 2022/23 financial year
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2. Proposal

2.1	The Audit and Governance Committee's terms of reference include the responsibility to review the Annual Governance Statement and approve the final statement of accounts. While the Committee is not required to approve the draft statements the audit of the 2022/23 accounts will not be taking place until November at the earliest so providing them an opportunity to review the drafts allows for more timely discussion and feedback.
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3. Background

3.1	The draft Statement of Accounts, together with the draft Narrative Report and draft Annual Governance Statement are required to be signed by the Chief Finance Officer
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	and published in draft form on the Combined Authority's website together with the notice of the exercise of public rights.
3.2	The draft accounts are then subject to external audit before the Audit and Governance Committee review and sign off the final accounts following the audit.
3.3	<p>Nationally, the timeline for delivering local government audits has slipped significantly and the Combined Authority's auditors have informed us that the 2022-23 accounts will not be audited by the 30th September 2023 deadline set by the Accounts and Audits (amendment) regulations 2022.</p> <p>The delay to audits is a national issue, and central government is working with CIPFA and the audit firms to try to identify remedies. As such the Combined Authority will be one of many Local Authorities which will not have their accounts audited ahead of the end of September.</p>
3.4	Despite significant pressures on the Combined Authority's finance function arising from the need to respond to queries relating to the delayed 2021-22 audit at the same time as preparing the 2022-23 draft accounts, the 2022-23 draft accounts are being published at the start of July, a significant improvement on the 2021-22 accounts which were not published until the 30 th November 2022.
3.5	<p>2022-23 was a year of significant challenges for the Combined Authority, with a letter from its external auditors (EY) expressing that it had observed significant governance weaknesses followed by a non-statutory best value notice from the Department for Levelling Up, Homes & Communities. The Combined Authority reacted swiftly and has been addressed the identified weaknesses through its ongoing improvement plan.</p> <p>The Annual Governance Statement is there both to provide a report on the governance framework in place during the year, and also to identify areas which will be a focus of improvement work for the current and future years. As 2022-23 was a year of significant challenges for the Combined Authority, with a letter from its external auditors (EY) expressing that it had observed significant governance weaknesses followed by a non-statutory best value notice from the Department for Levelling Up, Homes & Communities, the draft 2022-23 statement reflects these events, the progress made to-date through the improvement plan, and the next steps which the Combined Authority will be taking in 23-24 to continue to deliver on those plans and address the areas highlighted in the best-value notice.</p>
3.6	The accounts included as appendix 2 to this paper do not include the group accounts, which consolidate the Combined Authority's subsidiary companies, and the investment balances have not been updated for the movements in the Combined Authority's investments in its subsidiaries which will be included in the draft accounts published on the Combined Authority's website later in July.
3.7	The reason for this is that, while the fieldwork for the valuations of the building completed by the two property development companies – those for ARU Peterborough Phase 1 and the co-located Research and Development building – have been undertaken, the reports have not yet been completed and it is expected that the value of the buildings will drop significantly meaning any included group accounts would have been materially inaccurate.

4. Appendices

4.1	Appendix 1 – Draft annual governance statement 2022-23
4.2	Appendix 2 – Draft statement of accounts 2022-23

5. Implications

Financial Implications

5.1	As the audit plan for the 22-23 audit has not yet been proposed by EY there is no forecast level of the audit fee. While the scale fee (a base price) is £50k, the low materiality threshold and additional attention required due to the Value for Money concerns raised earlier in the year, means it's very likely that the 22-23 audit costs will exceed those of the 21-22 audit which have been estimated at £118k.
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Legal Implications	
6.1	There are no direct legal implications, and there are no sanctions on local authorities for having their accounts audited late.
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.
Other Significant Implications	
9.1	There are no other significant implications
Background Papers	
10.1	The Accounts and Audit (Amendment) Regulations 2022

Draft Annual Governance Statement

For the year ended 31 March 2023

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 for 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, with a directly elected Mayor elected every 4 years. Following the making of the Order, the Authority's first directly elected Mayor was elected on 4 May 2017. The Authority's second directly elected Mayor was elected on 6 May 2021.

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

- 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 included:
 - 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

During 2022-23, the Combined Authority had 6 subsidiary companies over which it has a significant level of control, since then OneCAM Ltd was dissolved on the 4th April 2023 following the closure of the project. Material trading activity of the subsidiaries started in 2020-21 and therefore 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 published guidance on governance of Local Authority Trading Companies (LATC) and the Combined Authority has reviewed and strengthened its own governance arrangements considering this guidance, to ensure they are appropriate and effective. This has included the creation of a Shareholder Board (detailed under the new governance structures below) to improve oversight of the companies.

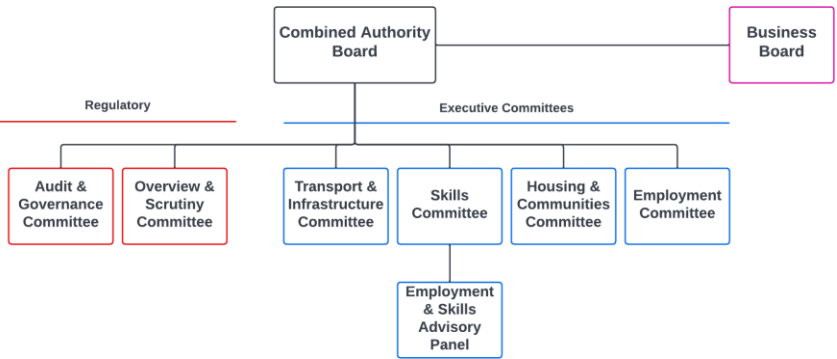
Cambridgeshire and Peterborough Combined Authority Structure

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:

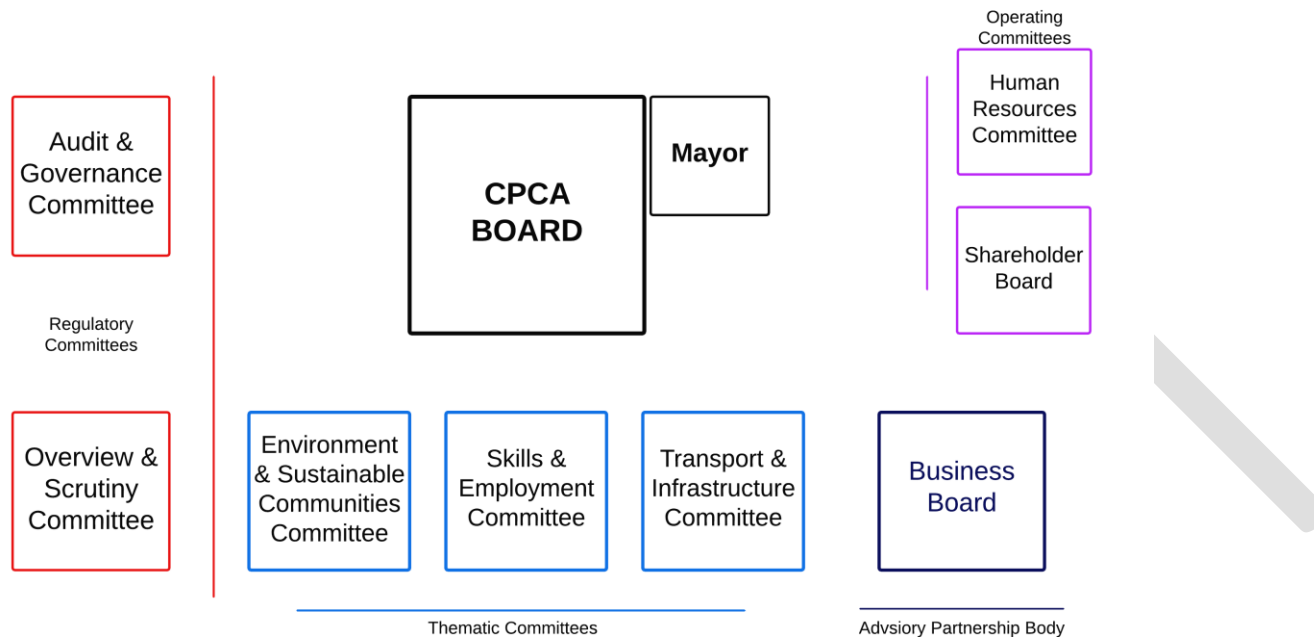
- Cambridge City Council;
- Cambridgeshire County Council;
- East Cambridgeshire District Council;
- Fenland District Council;
- Huntingdonshire District Council;
- Peterborough City Council; and
- South Cambridgeshire District Council.

In addition, the Authority co-opts the Police and Crime Commissioner, a representative of the Integrated Care Board (ICB), 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.



Following the concerns raised by the External Auditor and the Best Value Notice issued by DLUHC in January 2023 (see below for a more detailed description of these) there was a significant overhaul of the governance structure to reflect best practice and a rewrite of the Constitution to support the new structure. The new structure (shown in the diagram below) was approved by the Board in March 2023 and implemented following the Authority’s Annual General Meeting on 31st May 2023.



Within the new governance framework the roles of both Audit & Governance and Overview & Scrutiny Committees were clarified, three new Thematic Committees were created to replace the 4 previous Executive Committees, with the new Thematic Committees having more delegated responsibilities and powers from the Board, the Business Board was repositioned as an Advisory Body to the Board and two new operating committees were established – a Human Resources Committee to deal with senior management recruitment and HR issues as well as approving new and changed HR policies, and a Shareholder Board to keep clear and effective oversight of the Authority’s subsidiary companies (as noted above).

Within the Constitution is a Scheme of Delegation which 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 Integrated Commissioning Board 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 amendments 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. As noted above in March 2023 the Board approved a significant change to the governance structure of the Authority, replacing the Executive Committees with three new Thematic Committees (Transport & Infrastructure; Skills & Employment and Environment and Sustainable Communities) each with one (or more) lead Members. The new arrangements strengthened the advantages noted above and provided the Thematic Committees with greater delegated powers to help the Board maintain its strategic focus.

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.

Overview and Scrutiny have now decided to adopt a model of delivery in the future where they have increased ability to conduct pre-scrutiny of major policy decisions and deep dives into areas of interest to the Committee. To assist the Committee in its new model of delivery it will

appoint 'rapporteurs' from its membership to liaise with the thematic committees, develop informal meetings of the Committee Members with officers in advance of its formal meetings to discuss potential areas of focus and use a range of tools, including the Forward Plan and the newly developed Performance Management report.

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 May 2023. 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 the business community and plays 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.

The role and terms of reference of the Business Board will be reviewed in 2023-24, following the implementation of the new governance structure noted above, to ensure its role within the Combined Authority aligns with the national policy for LEPs set out in the Government's Levelling Up whitepaper.

Strategic Direction

The Combined Authority's Corporate Plan sets out the overarching strategic objectives for the Authority. The four key strategic objectives contained within the Plan approved by the Board in January 2023 are:

Achieving ambitious skills and employment opportunities
Achieving good growth
Increased connectivity
Enabling resilient communities

A fifth priority of achieving best value and high performance was approved by the Board in May 2023 to reflect the importance of the work being undertaken internally to create a fit for the future organisation.

The Corporate Plan is supported by Directorate Business Plans for each of the 4 areas of the Combined Authority (Transport & Connectivity, Economy & Growth, Resources & Performance, CEO's office). Each Directorate Business Plan has a set of actions linked to the delivery of the 5 strategic priorities noted above.

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 **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 Corporate Plan and the Medium-Term Financial Plan set 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 they identify 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 Corporate Plan aligns with the new Performance Management Framework that is designed to provide improved performance monitoring information to the Authority, its Members and a wider audience.

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 2022 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.

A refreshed Single Assurance Framework (SAF) is currently being developed and it is anticipated that this will be brought to the Board for approval in September 2023.

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. The Forward Plan also includes 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 its 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. A number of actions were identified in the 2021-22 Annual Governance Statement and these are being picked up as part of the Improvement framework noted elsewhere in this Annual Governance Statement.

Developing Capacity

The Combined Authority's external auditors 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 was reviewed in 2022 as part of the Combined Authority's Improvement plan to address these concerns and a revised senior management structure implemented. That senior management structure has now been implemented and recruited to.

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 in March 2022 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"*.

Best Value Notice

On 24 January 2023 the Department for Levelling Up, Homes & Communities wrote to the Combined Authority to inform them that it was placing the Authority under a Best Value Notice, formally notifying the Authority that the Department had concerns regarding the Authority and requesting that the Authority engaged with the Department to provide assurance of improvement.

The Notice was issued to the CPCA following:

- *Significant concerns highlighted by the external auditor, published on 1 June 2022, in relation to the 2021/22 audit year confirming significant weakness in the Authority's governance arrangements that they believe to be pervasive.*

- *The Department writing, on 30 June 2022, to Paul Raynes, the then Interim Chief Executive, in response to the Authority's formal approach to the Department for assistance in driving improvement. The letter further set out that, in the first instance, the Department will be taking a precautionary approach to the transfer of funding to CPCA until we have assurance that there are appropriate plans in place to reach a resolution.*
- *Significant delivery concerns in some of the programmes delivered by the Authority.*
- *Concerns around partnership working, as outlined in the Minister for Local Government's letter to the then Mayor, James Palmer, on 13 July 2020, which remains an area that requires work*
- *Concerns raised within the Authority in respect of procurement of services to the Authority.*

The latter point relating to procurement followed concerns being raised by a CPCA Board Member regarding the governance of the procurement of two transport related contracts.

In the letter it was clear that the Department expected the Authority to:

- *Fully engage with the Independent Improvement Board and its recommendations.*
- *Continue in your efforts to deliver at pace against the Improvement framework and the action plan, meeting the set milestones.*
- *Continue in its efforts to conduct investigations at pace and to implement cultural change, particularly in relation to the relationships between officers and members and with the Mayor's office.*
- *Endeavour to achieve strong partnership working, built on consensus and shared vision.*
- *Ensure a robust, open and transparent recruitment campaign to make permanent appointments to the senior team in a timely manner.*
- *Commit to regular official level engagement on progress against this Notice, on a quarterly basis initially, recognising that this may change according to need over time. We expect any requests for information to be fully and promptly met. The Department will also look to the Independent Improvement Panel for regular updates and assurance on the Authority's plan and its delivery as part of our engagement on this matter.*

The letter made it clear that the Notice would remain in place for 12 months although it could be withdrawn or escalated at any point based on the available evidence.

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.

Unfortunately, Lord Kerslake had to step down from this role in March 2023 owing to ill health. Julie Spence, the Deputy Chair of the Independent Improvement Board, took over the Chair role on an interim basis pending the appointment of a more permanent Chair. In June 2023 it was announced that Richard Carr had been appointed to the role of Chair of the Independent Improvement Board, commencing in July 2023.

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

In May 2023, given the significant progress that had been made against the six key themes noted above, approval was given by the Board to reframe the Improvement Plan against the five themes highlighted in the Best Value Notice, namely:

- Governance and decision-making;
- Procurement;
- Project delivery;
- Partnerships; and
- Culture, capability and confidence

The Improvement Plan is now being monitored and reported against these reframed themes.

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 had 6 subsidiary companies over which it has a significant level of control during 2022-23, one of which was dissolved on the 4th April 2023 and two others are in the process of winding up as they have never traded. The Combined Authority has reviewed its governance arrangements for its remaining subsidiary companies in light of recommendations from the relevant RSM internal audit review and the guidance published 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 2023, 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".

Produced below is an extract from their report:

"Factors and Findings which have informed our opinion

Risk Management

We have undertaken a Risk Management review in 2022/23 which has resulted in a Partial Assurance (negative) opinion. This follows on from a previous

negative opinion (partial assurance) in 2020/21. Our review found that the necessary updates to strengthen the risk management processes were still work in progress with areas such as the provision of training and the development of the risk appetite. The control framework still required further strengthening to ensure that all areas of risk could be consistently identified, managed, reviewed, and reported.

We noted that the updated Risk Management Strategy was yet to be approved, inconsistencies in the completeness of a sample of two Programme and two Portfolio risk registers that we reviewed including details about action owners and risk scores, improvements were required to ensure robust and regular review of Programme and Portfolio risks and identifying the absence of the use of assurances within the risk registers.

Whilst we note some improvements and progress has been made since our last review in 2020/21, it is evident that further work was still required to ensure a fully robust and effective risk management framework is in place.

We also agreed a high priority action in relation to risk management within the Net Zero Hub Governance review.

We note that the Combined Authority have requested additional support in this area, and RSM colleagues are in the process of providing some support and have delivered some risk management training.

Governance

Our governance coverage in 2022/23 was focussed on Subsidiary Companies Governance and Net Zero Hub (NZH) Governance. Our Subsidiary Companies Governance review resulted in reasonable assurance (positive opinion) (DRAFT). The NZH Governance resulted in partial assurance (negative opinion). We noted a governance structure, whilst in deliberation, had not been defined for Greater South East Net Zero Hub (GSENZH). Furthermore, we identified a number of control weaknesses, including reviewing and updating the Constitution, the Accountable Body Agreement, and the GSENZH Board Terms of Reference.

In terms of risk management, we noted the escalation process for NZH-related risks had not been defined in the Accountable Body Agreement. We also noted both the GSENZH Risk Register had 147 omitted entries and varying information headers. We further noted the 12/20 open risks had not been reviewed in the last 12 months and did not record a risk review frequency.

Please also see the section below 'Additional factors and findings informing our opinion' which documents some of the Governance challenges facing the Authority, the Best Value notice and the Authorities response and ongoing improvement plan.

Internal Control

We have undertaken six assurance assignments (four DRAFT) that resulted in opinions during the year. Of these five were negative opinions, where only Partial Assurance could be taken:

- Risk Management,
- Affordable Housing Grant Programme,
- Net Zero Hub – Governance,
- IT General Controls; and

- Core Control Framework – Treasury Management and Accounts Payable).

The key findings from those reviews are detailed below:

Affordable Housing Grant Programme (**Partial Assurance**) (DRAFT)

We found that the controls in place in relation to the receipt of formal applications, assessment of eligibility, submission of business cases, authorisation of the grants and Governance reporting of the grants were found to be well designed and complied with. However, we found control weaknesses regarding compliance with the control framework.

Specifically, these weaknesses were in regard to an absence of evidence for the recording and retention of due diligence checks on developers, conflicts of interests not being captured for all decision making staff involved in the grant process, an absence of recorded approval for claim forms and an inconsistency in the receipt of progress reports from developers as well as documentation of site visits retained.

IT General Controls (**Partial Assurance**) (DRAFT)

During our review, we noted that robust processes were in place in relation to information security training, endpoint security systems and the management of new starters. A significant issue was however noted with respect to the management of user accounts relating to movers and leavers with respect to timeliness of requests and subsequent updating/disabling of accounts, respectively. This can lead to users having unauthorised access to the organisation's systems and data, which also has GDPR implications. Several gaps were also noted with respect to web-filtering, review of firewall rules, review of user access levels, and periodic testing of backups. Further areas for improvement were identified with regards to IT related policies and job descriptions of IT staff.

Core Control Framework – Treasury Management and Accounts Payable (**Partial Assurance**) (DRAFT)

Treasury Management - Although the Authority had a Treasury Management Strategy, there were no formal policies or procedures to support or guide staff in complying with the Strategy. We identified issues with ex-employees having access to two systems (Agresso and Treasury Live), a need to ensure all required documentation is held on the Treasury Live system, completion and monitoring of cashflow forecasts, regularly and timely completion of bank account reconciliations (a reconciliation was conducted in December 2022 for the period of April to October 2022) which was had not been subject to any scrutiny or approval. In addition, the summary of the report found that £6.6million receipts were 'unmatched' within the reconciliation and the monthly bank reconciliation process had not occurred since the end of April 2022.

Accounts Payable - Goods Receipt Notices (GRNs) were not always being appropriately checked and reconciled before processing the invoice for payment. We also identified cases where the S.73 Officer and Monitoring / CEO approvals for grant funding agreements were not recorded within the grant form, or within Agresso. We were informed by the Chief Accountant that the Monitoring Officer/ CEO authorisation was not required at the time of the grant agreement, although the S.73 Officer approval was still required. Furthermore, we found issues with regards to processing supplier information changes. We also followed up action agreed in the previous accounts payable review and of the seven management actions agreed previously, we identified that two actions had been implemented, one was partly implemented and four had not been implemented.

For the other assurance review, we provided a positive opinion (Reasonable Assurance) on the **Subsidiary Companies Deep Dive** - GrowthCo and Propco2 audit.

We have also undertaken an advisory review on Data Protection - Deep Dive which identified a number of significant issues and where we agreed one high,

nine medium and two low priority management actions. The high priority action related to a recommendation that key CPCA staff undertake a session aimed at understanding potential consequences for data subjects as a result of the data breach which occurred in November 2021. This was requested by the Information Commissioner's Office and had not been implemented. Other issues identified related to Officer and Member training, inductions, accuracy of training records, raising awareness of data protection and data breach notifications.

Follow Up

The implementation of agreed management actions agreed during the course of the year are an important contributing factor when assessing the overall opinions on control. Our Follow Up review resulted in a positive outcome where we have provided an assessment that Reasonable Progress had been made in implementing the actions agreed.

Additional factors and findings informing our opinion

Whilst outside our direct internal audit coverage in 2022/23, we are aware that the Authority (CPCA) were issued a Best Value Notice on 24 January 2023 by the Department for Levelling Up, Housing and Communities.

The notice outlined that the Department expects authorities to identify and implement arrangements to secure continuous improvement and acknowledges the steps the authority had taken to identify the serious issues at CPCA and the action plan that has been put in place to address these. However, ministers remained concerned as to CPCA's capacity to comply with its Best Value Duty under the Local Government Act 1999. The Parliamentary Under Secretary of State therefore made the decision to issue CPCA with this Best Value Notice.

This Best Value Notice ("Notice") was a formal notification that the Department has concerns regarding the authority and is a request that the authority engages with the Department to provide assurance of improvement. This Notice was issued to CPCA ('the Authority') following:

- Significant concerns highlighted by the external auditor, published on 1 June 2022, in relation to the 2021/22 audit year confirming significant weakness in the Authority's governance arrangements that they believe to be pervasive.
- The Department will be taking a precautionary approach to the transfer of funding to CPCA until we have assurance that there are appropriate plans in place to reach a resolution.
- Significant delivery concerns in some of the programmes delivered by the Authority.
- Concerns around partnership working, as outlined in the Minister for Local Government's letter to the then Mayor, James Palmer, on 13 July 2020, which remains an area that requires work, and
- Concerns raised within the Authority in respect of procurement of services to the Authority.

The CPCA have put an Improvement Board in place and agreed an Improvement Plan that is regularly reported on, including to the A&GC. We have not specifically reviewed the work undertaken but note that progress is being reported. However, we recognise that further work is required to address some of the originally identified governance issues. We would be happy to assist the authority in 2023/24 as required to provide some assurance or advice in relation to the Improvement Plan and key themes."

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.

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 continued 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 been adopted by the Authority, which forms part of the Authority's Constitution.

Declaration of Interests

The Authority holds a Register of Interests for members which is reviewed annually. In the interests of transparency, the declarations are reviewed by both the Chief Executive and Monitoring Officer and published on the Authority's website.

Gifts and Hospitality

The Combined Authority has implemented a 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", and as shown by the Department of Levelling Up, Homes & Communities there remain concerns around the Authority's ability to achieve and demonstrate Best Value. 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.

DRAFT

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 reviewed by the Audit Committee on the 7th July 2023

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 and the Department of Levelling Up, Homes & Communities have issued a Best Value Notice following their concerns. The Combined Authority is taking action to address these highlighted concerns through an Improvement Framework to ensure that the Authority has the appropriate capacity, culture and processes to be able to deliver its objectives and statutory responsibilities and to achieve and demonstrate Best Value. 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:



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

Draft Statement of Accounts 2022/23



The 2022/23 Pre-Audit Statement of Accounts was certified as presenting a true and fair view of the financial position of Cambridgeshire and Peterborough Combined Authority by the Chief Financial Officer on xx July 2023.

This document is part of the Combined Authority's policy of providing full information about the Authority's affairs. In addition, interested members of the public have a statutory right to inspect the accounts before the Appointed Auditor completes the annual audit. The availability of the accounts for inspection is advertised on the Authority's web site.

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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 2023.

2. Organisational Overview and External Environment

The Combined Authority is made up of eight founding members across Cambridgeshire and Peterborough. Each of the following seven 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
Integrated Care Board

The Business Board was constituted as a non-statutory body to be the Local Enterprise Partnership (LEP) for the region. It was 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. Since the revisions to the Combined Authority's governance structure approved in March 2023 the Business Board has now moved into an advisory function on business need for the CPCA Board.

The Business Board 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 three Thematic Committees, the Transport & Infrastructure Committee, the Skills & Employment Committee and the Environment & Sustainable Communities Committee.

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

Angle Holdings limited,
Angle Developments East limited,
Cambridgeshire and Peterborough Business Growth Company limited,
Peterborough HE Property Company Ltd, and
Peterborough R&D Property Company Ltd

During the course of 2022-23 a previous subsidiary company, One CAM Limited, was wound up as it was dormant following a change of strategic focus by the Combined Authority. Angle Holdings limited and Angle Developments East limited are both scheduled to be wound up in 2023-24 for similar reasons.

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 and since then the Combined Authority has also received a devolved adult education budget of c. £12m per year.

During 2022-23 the Combined Authority refreshed its overarching strategy by the approval of a Corporate Strategy and Business Plan 2023-25 by the Board in January 2023. This plan clearly sets out the vision, strategic priorities and the overall approach of the Combined Authority to enable our ambitions to be realised, and sets four strategic priorities:

- Achieving Good Growth
- Increasing Connectivity
- Ambitious Skills and Employment Opportunities
- Enabling Resilient Communities

5. Risks and Opportunities

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 2022/23 financial year was limited, the impact of inflation will require the Board to carefully consider service delivery and funding options in going forward. To assist with mitigating this risk the Board has approved the creation of an Inflation Reserve of £2.4m from the additional income received from the Authority's Treasury Management investments in 2022/23.

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 has adopted a set of values, following consultation internally and with partner organisations, to help staff, members, partners and communities understand how the Combined Authority expects to operate. These values are:

- Collaboration
- Integrity
- Vision
- Innovation
- Leadership

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 remaining 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, as well as 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 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 – 25.1% of children in Peterborough are living in poverty, compared to 20.1% nationally.

Poor social mobility – Fenland has historically had low levels of social mobility

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. This has driven the creation of the new University of Peterborough.

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) has been drafted and it is hoped will be approved in 2023. This document is a refresh to the first Local Transport Plan for Cambridgeshire and Peterborough published in 2020. The draft LTCP describes how transport interventions can be used to address current and future challenges and opportunities for Cambridgeshire and Peterborough. It sets 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 brought 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 have committed to a continued review of the funding we receive to ensure we can meet the ambitions set out in our strategies. We will continue to lobby for funding to invest in interventions that will provide sustainable and healthy places in which to live and work. In 2022/23 we have been successful on bids from central government totalling over £200m, and in 2023 amongst other things we will continue to play a lead role in administering the UK Shared Prosperity Fund allocation and look at further opportunities to bid for Transport and other 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 2022/23

Funding

In 2022/23 we have been successful on securing funding from Government totalling over £200m, this includes £48m of Levelling Up funding for Peterborough Station Quarter, £158m of Home Upgrade Grants, £4.4m for the Local Energy Advice Demonstrator project, £3.2m of Rural England Prosperity Funding, and £5.8m of Local Electric Vehicle Infrastructure grants.

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 that this has now had £200m of funding allocated to it with a planned date for completion by 2025.

Delivery

Construction was completed 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 2022/23 town centre improvements were funded in March, Chatteris, Wisbech, Ely, Soham, Littleport, Huntingdon and St Ives.

In 2022/23 we purchased 30 Zero emission electric buses to be used in Cambridge to help us move towards net zero aspirations as well as part funding changes to the depot in South Cambridgeshire to support the roll out of electric waste collection vehicles. We also funded a range of environmental schemes to support biodiversity and encourage good environmental practices. Additionally our grant funding secured through the Greater South East Net Zero Hub saw thousands of homes across the wider South East benefit from energy efficiency measures.

In partnership with Cambridgeshire County Council, we completed King's Dyke which is a £32 million infrastructure project to place a new bridge over a railway line.

The University of Peterborough Phase 1 opened in September 2022, Phase 2 was completed by March 2023 and construction of the Phase 3 building commenced in May 2023.

During the course of 2022/23 we delivered a number of schemes – including Multiply to help numeracy skills and Skills Bootcamps to support more specific job related skills development which, along with the devolved Adult Education budget, helped thousands of local people to improve their skills.

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.

During 2022/23 the housing programme predominantly completed and will have resulted in the delivery of 1,457 additional affordable houses.

8. Outlook

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 2022/23 (the Code).

The Statement of Accounts brings together the major financial statements for the Combined Authority for the financial year 2022/23. 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 2023.
- 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
Chief Finance Officer (S73)

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

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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 15 to 69 present a true and fair view of the financial position of the Combined Authority at 31 March 2023 and its income and expenditure for the year ended 31 March 2023.

Nick Bell

**Executive Director of
Resources & Performance
and Section 73 Officer**

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 ***** 2023

John Pye

Chair of the Audit Committee:

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, this power has not been utilised in 2022-23 and will be implemented for the first time in 2023-24.

CPCA 2021/22			Comprehensive Income and Expenditure Statement	Note	CPCA 2022/23		
Expenditure £'000	Income £'000	Net Expenditure £'000			Expenditure £'000	Income £'000	Net Expenditure £'000
5,595	-	5,595	Chief Executive, Inc.Staffing		5,701	(12)	5,689
477	(1)	477	Externally Commissioned Support Services		421	(78)	344
499	-	499	Corporate Overheads		907	(13)	894
42	-	42	Governance Costs		28	-	28
402	-	402	Mayor's Office		239	-	239
186	(52)	135	Other Corporate Budgets		544	(50)	494
965	-	965	Election		-	-	-
38,786	(27,928)	10,858	Business and Skills		81,086	(72,943)	8,143
70,966	(56,879)	14,087	Strategy and Delivery		56,299	(42,267)	14,032
19,859	(2,340)	17,519	Housing		3,337	(1,738)	1,599
137,778	(87,199)	50,578	Net Cost of Services		148,563	(117,101)	31,462
		-	Other Operating Income & Expenditure				-
		2,944	Financing and Investment Income and Expenditure	8			(3,486)
		(36,131)	Taxation and Non-Specific Grant Income	9			(46,178)
		17,391	(Surplus) / Deficit on Provision of Services				(18,202)
		15	Loss from investments in equity instruments designated at FVOCI				-
		(222)	Actuarial (Gains) / Losses on Pension Assets / Liabilities	20			(7,137)
		(207)	Other Comprehensive Income and Expenditure				(7,137)
		17,184	Total Comprehensive Income and Expenditure				(25,339)

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 2021		(7,802)	(6,448)	(58,925)	(9,221)	(82,396)	(69,795)	(152,191)
Total Comprehensive Income & Expenditure		17,391	-	-	-	17,391	(207)	17,184
Adjustments between accounting basis & funding basis under regulations	14	(20,753)	-	30,460	47	9,754	(9,754)	-
Net Increase before Transfers to Earmarked Reserves		(3,362)	-	30,460	47	27,145	(9,960)	17,184
Transfers to / (from) Reserves		1,548	(1,548)	-	-	-	-	-
(Increase) / Decrease in 2021/22		(1,814)	(1,548)	30,460	47	27,145	(9,960)	17,184
Balance at 31 March 2022 Carried Forward		(9,616)	(7,996)	(28,465)	(9,174)	(55,252)	(79,756)	(135,008)
Balance at 1 April 2022		(9,616)	(7,996)	(28,465)	(9,174)	(55,252)	(79,756)	(135,008)
Total Comprehensive Income & Expenditure		(18,202)	-	-	-	(18,202)	(7,137)	(25,339)
Adjustments between accounting basis & funding basis under regulations	14	12,465	-	(19,000)	(19,560)	(26,095)	26,095	-
Net Increase before Transfers to Earmarked Reserves		(5,737)	-	(19,000)	(19,560)	(44,297)	18,958	(25,339)
Transfers to / (from) Reserves		3,439	(3,439)	-	-	-	-	-
(Increase) / Decrease in 2022/23		(2,298)	(3,439)	(19,000)	(19,560)	(44,297)	18,958	(25,339)
Balance at 31 March 2023 Carried Forward		(11,915)	(11,435)	(47,465)	(28,734)	(99,550)	(60,799)	(160,348)

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'.

CPCA 31/03/2022		CPCA 31/03/2023	
£'000	Note	£'000	
72	Property, Plant & Equipment	71	
-	Intangible Assets	131	
56,411	Long Term Investments	62,675	
3,819	Long Term Debtors	3,682	
60,301	Total Long-Term Assets	60,301	
155,115	Short Term Investments	90,854	
53,711	Short Term Debtors	16,002	
149,886	Cash and Cash Equivalents	98,254	
358,713	Current Assets	205,110	
(59,071)	Short Term Creditors	(45,303)	
(546)	Short Term Provisions	(226)	
(59,617)	Current Liabilities	(45,529)	
(4,926)	Long Term Creditors	-	
(219,463)	Capital Grants Receipts in Advance	(65,793)	
(224,389)	Long Term Liabilities	(65,793)	
135,007	Net Assets	160,346	
(55,252)	Usable Reserves	(99,549)	
(79,756)	Unusable Reserves	(60,797)	
(135,007)	Total Reserves	(160,346)	

Nick Bell
Chief Finance Officer and Section 73
Date: xx July 2023

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.

2021/22			2022/23
£'000	Cash Flow Statement	Notes	CPCA £'000
17,391	Net (Surplus) or Deficit on the Provision of Services		(18,202)
(119,962)	Adjustments to Net (Surplus) or Deficit on the provision of Services for Non-Cash Movements	30	103,677
(102,571)	Net cash flows from Operating Activities		85,475
36,381	Investing Activities	30	(33,843)
-	Financing Activities		-
(66,190)	Net (Increase) or Decrease in Cash and Cash Equivalents		(51,633)
83,697	Cash & Cash Equivalent at the beginning of the Reporting Period		149,887
66,190	Increase / (Decrease) in Cash and Cash Equivalents		(51,633)
149,887	Cash & Cash Equivalents at the end of the Reporting Period	31	98,254

The adjustment of net (surplus) deficit on the provision of Services for non-cash movements contains £154,670 for the movement in creditors which largely relates to Capital Grants Received in Advance, this was (£111,380k) in 21/22, 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 21/22 £'000	Profit / (Loss) 21/22 £'000	Net Assets 21/22 £'000	Turnover 22/23 £'000	Profit / (Loss) 22/23 £'000	Net Assets 22/23 £'000
Peterborough HE Property Company Limited		Associate	Yes - equity						
Cambridgeshire and Peterborough Business Growth Company Limited		Subsidiary	Yes – line by line						
One Cam Limited		Subsidiary	Yes – line by line						
Peterborough R&D Property Company Limited		Subsidiary	Yes – line by line						
Angle Holdings Limited		Subsidiary	Not material						
Angle Developments (East) Limited		Subsidiary	Not material						
Smart Manufacturing		Joint Venture	Not material						
Ascendal		Joint Venture	Not material						
MedTech Accelerator Ltd		Associate	Not material						

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. It was wound down during 2022-23 and was officially dissolved as of the 4th April 2023.

Peterborough R&D Property Company Limited has been set up 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 and the Company Board have resolved to wind up both companies during 2023-24 as they are no longer expected to trade.

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 fifteen 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 2022/23 financial year and its position at the year-end 31 March 2023. 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 2022/23, 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 13) 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 reporting date 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 (asset) 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 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).

Depreciation 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 2022/23.

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. The final tranche of this funding was received in 2022-23 from the Ministry of Housing, Communities and Local Government (MHCLG). As such this programme is winding down with only one loan still outstanding at the end of the 22-23 financial year and the grant programme having moved from an identification and award phase into monitoring of delivery and outputs. The costs of the programme to the end of 22-23 were funded by interest on the housing loan portfolio; as the portfolio is winding down, and the costs of supporting the programme are decreasing these costs will be met from the general fund in future years.

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 2022/23 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

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 £238.7 million at 30 June 2023 and forecast cash balances of £84.4 million at the end of June 2024, 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.
- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

The Combined Authority will not be adopting IFRS16 until 1 April 2024 and the other standards are not envisaged to have a significant effect on the Combined Authority's 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.

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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).

2021/22 £'000	Fees Payable	2022/23 £'000
118	Fees payable with regard to external audit services carried out by the appointed auditor	31
118		31

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. Following the resignation of the Chair of the Business Board during 2022-23 there was a period in which the role was vacant resulting in a lower total cost for 2022-23.

Role	Allowances		Expenses		Total	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
Mayor	80,742	85,665	567	1,121	81,309	86,786
Chair of the Business Board	24,000	19,385	-	-	24,000	19,385
Chair of Audit and Governance Committee	1,534	3,068	-	-	1,534	3,068

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

Senior employees whose salary is £50,000 or more, but less than £150,000, are required to be listed individually by way of job title. Employees whose salary is £150,000 or more must also be identified by name. 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 other

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Total Remuneration including Employer Pension Contributions £000 22/23		Pay £000	Pension £000	Exit Payments £000	3rd Party Payments £000	Total £000	Notes
Post	Name(s) of post holders						
Chief Executive	Eileen Milner	34	6	155	-	196	1
	Gordon Mitchell	-	-	-	321	321	
Director of Corporate Resources	Mark Parkinson	-	-	-	176	176	2
Monitoring Officer	Robert Parkin	44	9	51	-	104	1
	Edwina Adefehinti	-	-	-	265	265	
Chief Finance Officer	Jon Alsop	114	21	55	-	190	
Director of Business and Skills	Interim Associate Director Skills	95	17	-	-	112	2,3
	Interim Associate Director Business	96	18	-	-	114	
Director of Delivery and Strategy	Paul Raynes	64	12	70	-	147	3,4
Director of Housing	Roger Thompson	126	23	66	-	214	3
Associate Director	Steve Cox	-	-	-	130	130	
Executive Director of Resources and Performance	Nick Bell	13	2	-	-	15	2
Executive Director of Economy and Growth	Richard Kenny	12	2	-	-	15	2
Head of Policy and Executive Support	Kate McFarlane	9	2	-	-	10	2
Total remuneration in 2022/23		608	112	397	892	2,010	
2021/22							
Chief Executive	Eileen Milner	103	19	-	-	122	
Co-Chief Executive	John Hill	-	-	-	44	44	
Co-Chief Executive 1*	Kim Sawyer	44	8	-	-	52	6
Director of Corporate Resources		67	12	-	-	79	
Monitoring Officer	Robert Parkin	97	18	-	-	115	
Director of Business and Skills	John T Hill	137	-	-	-	137	
	Alan Downton	9	2	-	-	11	
Chief Finance Officer	Jon Alsop	108	20	-	-	128	
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	-	44	1,020	

1. In 22/23 this role was covered by an interim appointment following the departure of the substantive employee.
2. Following the approval of an executive restructure in the Autumn, the posts of Director of Corporate Services, Delivery and Strategy, Housing and Business and Skills were removed and replaced by the Head of Policy and Executive Support and the Executive Directors of Resources and Performance, Economy and Growth and Place and Connectivity. All but the last were appointed to and took up post towards the end of 2022-23.
3. During 2022/23 the vacant post of Director of Business and Skills was covered by two Associate Directors acting up.
4. The Director of Delivery and Strategy was appointed the interim CEO between the 1st June and the 8th July 2022, their costs are all included in this line for reporting purposes.
5. Kim Sawyer covers both the role of Director of Corporate Resources and Co-Chief Executive thus the costs are split across both budgets.

Where these posts were covered by non-employees (consultants) these costs are shown in the table as 3rd party payments

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	Number of employees
	2021/22	2022/23
£50,000-£54,999	5	8
£55,000-£59,999	5	5
£60,000-£64,999	3	4
£65,000-£69,999	0	3
£70,000-£74,999	3	2
£75,000-£79,999	2	4
£80,000-£84,999	3	1
£85,000-£89,999	3	1
£95,000-£99,999	1	3
£100,000-£104,999	1	0
£105,000-£109,999	1	0
£110,000-£114,999	1	1
£120,000-£124,999	1	0
£125,000-£129,999	0	1
£135,000-£139,999	1	0
£140,000-£144,999	2	0
Total	32	33

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.

2022/23

	Number of compulsory redundancies	Number of other departures with exit packages	Total number of exit packages	Total exit package cost where >1 in band
£0 - £19,999	-	2	2	30,223
£40,000- £59,999	1	-	1	N/A
£100,000-£150,000	1	-	1	N/A
Total	2	2	4	

2021/22

	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	
£20,000-£39,999	-	1	1	N/A
£40,000-£59,999	-	1	1	N/A
£60,000-£79,999	-	1		N/A
£150,000-£199,999	-	1	1	N/A
Total	-	4	4	-

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 2022-23 the Combined Authority's pay ratio was 3.58 (21/22 4.76), the big difference between the two year's figures is primarily due to the role of Chief Executive being filled by an interim rather than a salaried employee.

Taking the salary of the Chief Executive who took up post in early 2023-24 into account would increase the pay multiple to 4.54.

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. This was not a real cost to the General Fund and following the March 2022 funding valuation the scheme is now in a net asset position.

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.

2021/22 £'000	Comprehensive Income and Expenditure Statement	2022/23 £'000
	Cost of service	
2,235	Current service costs	1,968
-	Past service costs	-
-	(Gain) Loss from Settlements	-
	Financing and Investment Income & Expenditure	
107	Interest costs	332
(196)	Interest income on plan assets	(483)
2,324	Total Post Employment Benefit Charged to the Surplus or Deficit on the provision of Services	2,119
	Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement	
(312)	Return on Plan Assets (excluding amounts included in net interest)	632
(17)	Actuarial (Gains)/Losses Arising on Changes in Demographic Assumptions	(81)
(1,494)	Actuarial (Gains)/Losses Arising on Changes in Financial Assumptions	(8,753)
(1)	Difference between actual employers' contributions and estimate in Actuary's report	14
1,601	Other	1051
2,101	Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement	(5,018)
	Movement in Reserves Statement	
(2,101)	Reversal of net changes made to the Surplus or Deficit for the provision of Services for post-employment benefits in accordance with the Code	5,018
	Actual amount charged against the General Fund and HRA Balance for pensions in the year	
819	Employer's contributions payable to the scheme	822
(1,282)	Retirement benefits payable to pensioners	5,840

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:

2021/22 £'000	Pension Assets & Liabilities Recognised in the Balance Sheet	2022/23 £'000
(16,429)	Present value of the defined benefit obligation	(11,430)
11,503	Fair Value of Plan Assets	12,344
(4,926)	Closing fair value of scheme assets	914

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

2021/22 £'000	Reconciliation of the Movements in the Fair Value of the Scheme (plan) Assets	2022/23 £'000
4,607	Opening Fair Value of Scheme Assets	11,503
107	Interest Income	332
-	Remeasurement Gain/(Loss)	-
5,280	Other Experience	-
312	Return on Plan Assets, excluding amounts included in the net interest expense	(632)
819	Contributions from employer	822
1	Difference between actual employers' contributions and estimate in Actuary's report	(14)
380	Contributions from employees into the scheme	358
(3)	Benefits Paid	(25)
11,503	Closing fair value of scheme assets	12,344

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

2021/22 £'000	Reconciliation of Present Value of the Scheme Liabilities (defined benefit obligation)	2022/23 £'000
8,251	Opening balance	16,429
2,235	Current Service Cost	1,968
196	Interest Cost	483
380	Contributions from Scheme Participants	358
-	Remeasurement (Gains) & Losses	-
(17)	Actuarial (Gains)/Losses Arising from Changes in Demographic Assumptions	(81)
(1,494)	Actuarial (Gains)/Losses Arising from Changes in Financial Assumptions	(8,753)
6,881	Other	1051
-	Past Service Cost	-
(3)	Benefits Paid	(25)
16,429	Net Pension Liability	11,430

Local Government Pension Scheme assets comprised

Period Ended 31 March 2022				Asset Category	Period Ended 31 March 2023			
Quoted Prices in Active Markets	Quoted Prices not in Active Markets	Total	Percent of Total Assets		Quoted Prices in Active Markets	Quoted Prices not in Active Markets	Total	Percent of Total Assets
£'000	£'000	£'000	%		£'000	£'000	£'000	%
				Debt Securities				
-	565	565	5%	UK Government	-	418	418	3%
				Private Equity				
-	1228	1228	11%	All	-	1532	1532	12%
				Real Estate				
-	808	808	70%	UK Property	-	806	806	7%
-	-	-	0%	Overseas Property	-	-	-	0%
				Investment Funds & Unit Trusts				
-	6,632	6,632	58%	Equities	-	6,820	6,820	55%
-	1,223	1,223	10%	Bonds	-	1,333	1,333	11%
-	914	914	8%	Infrastructure	-	1,085	1,085	9%
-	8,769	8,769	76%	Total Investment Funds & Unit Trusts	-	9,238	9,238	75%
				Derivatives				
-	23	23	0.0%	Other	-	52	52	1%
				Cash & Cash Equivalents				
111	-	111	1%	All	298	-	298	2%
					-	-	-	
111	11,392	11,503	100%	Totals	298	12,046	12,344	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 2022.

The significant assumptions used by the actuary have been:

31-Mar-22	Basis for Estimating Assets & Liabilities	31-Mar-23
	Mortality Assumptions:	
	Longevity at 65 for current pensioners:	
22.0 years	Men	23.9 years
24.2 years	Women	n/a
	Longevity at 65 for future pensioners:	
22.9 years	Men	23.4 years
26.0 years	Women	26.0 years
	Financial Assumptions	
3.2%	Rate of inflation	3.0%
3.7%	Rate of increase in salaries	3.5%
3.2%	Rate of increase in pensions	3.0%
2.8%	Rate for discounting scheme liabilities	4.8%
25%	Take-up of option to convert annual pension into retirement lump sum for Pre-April 2008 service	51%
64%	Take-up of option to convert annual pension into retirement lump sum for Post-April 2008 service	51%

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 2023	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 2025.

The authority anticipated to pay £763k expected contributions to the scheme in 2023/24 (£819k 22/23).

8. Financing and Investment Income and Expenditure

2021/22		2022/23
£'000	Financing and Investment Income	CPCA £'000
(486)	Interest Receivable	(3,591)
89	IAS 19 - Pension Interest & Return on Assets	151
3,341	Loss in Fair Value of Investments held at Fair Value Profit and Loss	(46)
2,944	Total	(3,486)

9. Non Specific Grant Income

2021/22 £'000		2022/23 £'000
	Grants, Contributions credited to Taxation and Non Specific Grant Income	
	Non -Specific Government Grants	
(9,000)	Gain Share - Revenue	(8,000)
(13,040)	Transport Levy	(13,230)
(2,497)	Other - Non -Specific Government Grants	(1,517)

(24,536)	Total Non-Specific Grants	(22,747)
	Capital Grants & Contributions	
-	Gain Share - Capital	(12,000)
(7,300)	Getting Building Fund	-
(4,295)	DfT ZEBRA grant	-
	Other - Capital Grants & Contributions	(11,431)
(11,595)	Total Capital Grants & Contributions	(23,431)
(36,131)	Total Taxation and Non Specific Grant Income	(46,178)

10. 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;

2021/22 £'000		2022/23 £'000
(9,000)	DLUHC - revenue grants	(10,207)
(12,000)	DLUHC - capital grants	(20,300)
(30,144)	DfT - capital grants	(30,653)
(1,612)	DfT - revenue grants	(2,535)
(7,110)	BIES - revenue grants	(2,368)
(118,389)	BEIS - capital grants	(892)
(213)	DWP - revenue grants	(576)
-	DEFRA - revenue grants	(59)
(365)	DfE revenue grants	(18,801)
(178,832)	Total Income	(86,391)

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;

2021/22 £'000		2022/23 £'000
	Expenditure	
	Expenditure with councils	
9,855	Cambridgeshire City Council	83
42,581	Cambridgeshire County Council	27,846
1,529	East Cambridgeshire District Council	756
2,784	Fenland District Council	483
1,740	Huntingdonshire District Council	765
9,652	Peterborough City Council	8,322
-	South Cambridgeshire District Council	2
68,142	Total	38,258
	Creditors	
	General Creditors with councils	
-	Cambridgeshire City Council	-
(1,663)	Cambridgeshire County Council	(5,758)
(183)	East Cambridgeshire District Council	(319)
(1,557)	Fenland District Council	(3,242)
(634)	Huntingdonshire District Council	(678)
(589)	Peterborough City Council	(7,375)
(1,267)	South Cambridgeshire District Council	-
(5,893)	Total	(17,372)

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 2023.

	Due from CPCA 2022/23 £'000	Due to CPCA 2022/23 £'000
Peterborough HE Property Company Limited	(1,933)	144
Cambridgeshire and Peterborough Business Growth Company Limited	(2,522)	2,732
One Cam Limited	-	-
Peterborough R&D Property Company Limited	(25)	60
Angle Developments Limited	-	-
Angle Holdings	-	-

Members

Waiting for final info to be received

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11. Expenditure and Income Analysed by Nature

2021/22 £'000	Expenditure and Income Analysed by Nature	2022/23 £'000
	Expenditure	
8,805	Employee Expenses - Contracts held by CPCA	8,939
86,400	Capital Grants made treated as REFCUS	97,628
38	Depreciation	44
45,967	Other Service Expenses	42,058
141,210	Total Expenditure	148,669
	Income	
(1,853)	Interest & Investment Income	(4,504)
(115,313)	Government Grants & Contributions	(160,911)
(6,652)	Other Income	(1,456)
(123,819)	Total Income	(166,871)
17,391	Surplus/Deficit on the Provision of Services	(18,202)

12. 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).

2021/22			2022/23		
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
4,263	1,332	5,59	4,533	1,156	5,689
477	-	477	344	-	344
476	23	499	874	20	894
42	-	42	28	-	28
375	27	402	229	10	239
135	-	135	494	-	494
965	-	965	-	-	-
478	10,381	10,858	1,677	6,466	8,143
13,168	920	14,087	12,750	1,282	14,032
(685)	18,204	17,519	(298)	1,897	1,599
19,691	30,887	50,578	20,631	10,831	31,462
-	-	-	-	-	-
(486)	3,430	2,944	(3,622)	136	(3,486)
(22,568)	(13,564)	(36,131)	(22,747)	(23,431)	(46,178)
(3,362)	20,753	17,391	(5,737)	(12,465)	(18,202)
		(14,250)	(17,612)		
		(3,362)	(5,737)		
		(17,612)	(23,350)		
Combined Authority Staffing Costs			4,533		
Externally Commissioned Support Services			344		
Corporate Overheads			874		
Governance Costs			28		
Mayor's Office			229		
Other Corporate Budgets			494		
Election			-		
Business and Skills			1,677		
Strategy and Delivery			12,750		
Housing			(298)		
Net Cost of Services			20,631		
Other Operational Expenditure			-		
Financing & Investment Income and Expenditure			(3,622)		
Taxation and Non-Specific Grant Income			(22,747)		
(Surplus) / Deficit on Provision of Services			(5,737)		
Opening General Fund balance			(17,612)		
Less/plus (surplus) or deficit on HRA			(5,737)		
Closing General Fund			(23,350)		

Adjustments between funding and accounting basis:

2021/22			
Adjustments for Capital Purposes ¹	Net Change for Pensions Adjustments ²	Other Differences ³	Total Adjustments
£'000	£'000	£'000	£'000
-	1,376	(44)	1,332
-	-	-	-
38	-	(14)	23
-	-	-	-
-	40	(13)	27
-	-	-	-
10,395	-	(14)	10,381
1,085	-	(166)	920
18,509	-	(305)	18,204
30,027	1,416	(556)	30,887
-	-	-	-
3,341	89	-	3,430
(13,564)	-	-	(13,564)
19,804	1,505	(556)	20,753

	2021/22			
	Adjustments for Capital Purposes1	Net Change for Pensions Adjustments2	Other Differences3	Total Adjustments
	£'000	£'000	£'000	£'000
Combined Authority Staffing Costs	-	1,136	20	1,156
Externally Commissioned Support Services	-	-	-	-
Corporate Overheads	20	-	-	20
Governance Costs	-	-	-	-
Mayor’s Office	-	10	-	10
Other Corporate Budgets	-	-	-	-
Business and Skills	6,467	-	(1)	6,466
Strategy and Delivery	1,282	-	-	1,282
Housing	1,953	-	(56)	1,897
Net Cost of Services	9,722	1,146	(37)	10,831
Other Operational Expenditure	-	-	-	-
Financing & Investment Income and Expenditure	-	151	(15)	136
Taxation and Non-Specific Grant Income	(23,431)	-	-	(23,431)
Difference between general fund surplus or deficit and CIES surplus or deficit on the provision of services	(13,710)	1,297	(52)	(12,465)

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

13. 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

Usable Reserves					
2021/22 Adjustments between Accounting Basis and Funding Basis Under regulations	General Fund	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves
	£000	£000	£000	£000	£000
Depreciation & impairment of non-current assets	(44)			(44)	44
Capital grants and contributions	87,832			87,832	(87,832)
Reversal of Expected credit loss on capital loans	57			57	(57)
Revenue expenditure funded from capital under statute	(97,510)			(97,510)	97,510
Loss for Interest foregone on capital loan	-			-	-
Loss in Fair Value of capital investments	-			-	-
Adjustments involving the Capital Grants Unapplied Account (CGU)					
Capital grants & contributions unapplied from the CIES	23,431		(19,000)	4,431	(4,431)
Application of grants to capital financing transferred to the Capital Adjustment Account	-		-	-	-
Adjustments involving the Capital Receipts Reserve (CRR):					
Redemption of Financial Assets (Loans)	-	(30,942)		(14,887)	30,942
Redemption of Financial Assets (Equity Instruments)		(885)		(885)	885
Repayment of Capital Grants		(4,431)		(4,431)	4,431
Application of capital receipts to capital financing transferred to the Capital Adjustment Account	-	16,698		16,698	(16,698)
Adjustments involving the Pension Reserve					
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement	(1,297)			(1,297)	1,297
Adjustments involving the Accumulated Absences Adjustment Account					
Adjustments for Short term absences	(20)			(20)	20
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	12,465	(19,560)	19,000	(26,095)	26,095

Usable Reserves					
2021/22 Adjustments between Accounting Basis and Funding Basis Under regulations	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	67,905			67,905	(67,905)
Reversal of Expected credit loss on capital loans	485			485	(485)
Revenue expenditure funded from capital under statute	(88,702)			(88,702)	88,702
Loss for Interest foregone on capital loan	76			76	(76)
Loss in Fair Value of capital investments	(3,341)			(3,341)	3,341
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			34,755	34,755	(34,755)
Adjustments involving the Capital Receipts Reserve (CRR):					
Redemption of Financial Assets (Loans)		(14,887)		(14,887)	14,887
Application of capital receipts to capital financing transferred to the Capital Adjustment Account		14,934		14,934	(14,934)
Adjustments involving the Pension Reserve					
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement (see also note 7)	(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	(20,753)	47	30,460	9,754	(9,754)

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-21	Movement	31-Mar-22		01-Apr-22	Movement	31-Mar-23
£'000	£'000	£'000		£'000	£'000	£'000
(7,802)	(1,815)	(9,617)	General Fund Balance	(9,617)	(2,298)	(11,915)
(6,448)	(1,548)	(7,996)	Earmarked General Fund Reserves	(7,996)	(3,440)	(11,435)
(9,221)	47	(9,174)	Usable Capital Receipts Reserve	(9,174)	(19,560)	(28,734)
(58,925)	30,460	(28,465)	Capital Grants Unapplied Account	(28,465)	(19,000)	(47,465)
(82,396)	27,144	(55,252)	Total Usable Reserves	(55,252)	(44,297)	(99,549)
(73,858)	(11,188)	(85,046)	Capital Adjustment Account	(85,046)	24,794	(60,252)
29	(14)	15	Financial Instruments Adjustment Account	15	(15)	()
265	15	280	Financial Instruments Revaluation Reserve	280	-	280
125	(56)	69	Accumulated Absences Account	69	20	88
3,644	1,282	4,926	Pensions Fund Reserve	4,926	(5,840)	(914)
(69,795)	(9,961)	(79,756)	Total Unusable Reserves	(79,756)	18,959	(60,798)
(152,191)	17,183	(135,008)	Total Usable and Unusable Reserves	(135,008)	(25,339)	(160,346)

14. 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-2022	Transfer Out	Transfer In	31-Mar-2023	Movement	Purpose of the Earmarked Reserve
	£'000	£'000	£'000	£'000	£'000	
Revenue Reserve	1,000	-	815	1,815	815	This reserve provides a working balance to cover risks to the revenue budget.
Elections Costs Reserve	-	-	260	260	260	This reserve smooths the impact on the revenue budget of the Mayoral elections which take place every four years.
Inflation Reserve	-	-	2,400	2,400	2,400	This reserve has been created from the windfall in treasury management income to increase the Authority's ability to react to inflationary pressures within the supported bus network
AEB Reserve	2,607	-	686	3,293	686	This reserve holds the balance of adult education budget funding to maintain a locally determined ringfence between financial years.
Business Board Strategic Revenue Reserves	1,316		376	1,692	376	This reserve holds un-ringfenced revenue funds which are received by the Combined Authority as the Accountable Body for the Business Board.
Departmental Reserves	3,073	(2,255)	1,157	1,975	(1,098)	These represent unspent grant funding and other income which does not require repayment, but is earmarked for projects in future years.
Total Earmarked Reserves	7,996	(2,255)	5,694	11,435	3,439	

15. Capital Grants Unapplied Reserve

Capital Grants Unapplied Reserve	01-Apr-2022	Transfer Out	Transfer In	31-Mar-2023
	£'000	£'000	£'000	£'000
Gain Share - Capital	24,171	-	12,000	36,171
DfT Zebra Grant	4,295	-	-	4,295
DLUHC Capital Investment Fund s50 grant	-	-	7,000	7,000
Total Capital Grants Unapplied Reserve	28,466	-	19,000	47,466

16. Capital Adjustment Account

2021/22 £'000	Capital Adjustment Account	2022/23 £'000
(73,858)	Balance as at 1 April	(85,046)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement	
(67,905)	Capital Grants & Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to Capital Financing	(87,832)
88,702	Revenue Expenditure Funded from Capital under Statute	97,510
14,887	Redemption of financial assets (loans)	30,942
-	Redemption of Financial Assets (Equity Instruments)	885
(14,934)	transfer from usable capital receipts	(16,698)
38	charges for depreciation	44
(76)	Loss for Interest foregone on capital loan	-
3,341	Loss in Fair Value of capital investments	-
(485)	charges for expected credit loss relating to capital loans	(57)
(10,264)	Application of grants to finance capital loans from the Capital Grants Unapplied Accounts	-
(24,491)	Application of Grants to Capital Financing from the Capital Grants Unapplied Account	-
(85,046)	Balance as at 31 March	(60,252)

17. 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.

2021/22
£'000

2022/23
£'000

29	Balance as at 1 April	15
(14)	Amounts arising from timing differences associated with certain financial instruments	(15)
15	Balance as at 31 March	()

18. 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.

2021/22		2023/24
£'000		£'000
265	Balance as at 1 April	280
15	Amounts arising from timing differences associated with certain financial instruments	-
280	Balance as at 31 March	280

19. 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.

2021/22		2022/23
£'000		£'000
125	Balance as at 1 April	69
(56)	Amounts Accrued at the end of the current year	20
69	Balance as at 31 March	88

20. 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.

2021/22		2022/23
£'000		£'000
3,644	Balance as at 1 April	4,926
	Recognition of net Defined Benefit Liability on transfer in IAS19 basis	
(222)	Remeasurements of the net defined benefit liability	(7,137)
2,324	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	2,119
(820)	Employer's pensions contributions and direct payments to pensioners payable in the year	(822)
4,926	Balance as at 31 March	(914)

21. Property, Plant and Equipment

Movement in 2021/22	2021/22		2022/23	
	Vehicle, Plant, furniture & equipment	Total Property, Plant & Equipment	Vehicle, Plant, furniture & equipment	Total Property, Plant & Equipment
Cost or Valuation	£'000	£'000	£'000	£'000
At 1 April	287	648	181	181
Additions	22	22	53	53
Disposals	-	-	-	-
At 31 March	181	181	234	234
Accumulated Depreciation & Impairment				
At 1 April	(79)	(79)	(117)	(117)
Depreciation Charge	(38)	(38)	(46)	(46)
Disposals	-	-	-	-
At 31 March	(117)	(117)	(163)	(163)
Net Book Value				
At 31 March 2023	64	64	71	71
At 1 April 2022	80	80	64	64

22. 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	
88,701	Revenue Expenditure Funded from Capital Under Statute	97,510
30	Property Plant and Equipment	53
	Intangible Assets	121
18,073	Equity Instruments	800
10,265	Capital loans	6,047
	Sources of Finance	
(14,934)	Usable Capital receipts	(16,698)
(54,658)	Capital grants unapplied	-
(47,478)	Capital Grants & Contributions	(87,833)

23. Combined Authority Leasing Arrangements

Combined Authority as Lessee - Operating Leases

During the year the Combined Authority entered into a lease to rent office space within Huntingdon District Council's Pathfinder House building and co-located the Mayor's office and the Combined Authority's offices to deliver efficiencies. The lease is for a term of 8 years, with a break clause after 4 years. The future minimum lease payments due under the non-cancellable period of the lease are:

2021/22 £'000	Authority as Lessee – Operating Leases	2022/23 £'000
-	Not more than one year	124
-	Later than one year and not later than five years	321
-	Later than five years	-
-	Total future minimum lease payments	445

24. 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:

2021/22 £000		2022/23 £000
(472)	Interest Income - Treasury Management	(3,576)
(1,382)	Interest Income - Service Loans	(928)
(485)	movement in expected credit loss allowances	(57)
-	loss from changes in Fair Value (FVPL assets)	-
(2,338)	Net impact on surplus/deficit on provision of services	(4,561)
15	loss from changes in Fair Value (FVOCI assets)	15
15	Impact on Other Comprehensive income	15
(2,323)	Net (gain)/loss for the year	(4,546)

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

31-Mar-22			31-Mar-23	
Long Assets £000	Current Assets £000		Long Term Assets £000	Current Assets £000
		Assets at Amortised Cost:		
10,000	155,115	Investments - Amortised Cost	15,000	90,854
-	149,886	Cash & Cash Equivalents	-	98,254
3,819	35,974	Debtors - Service Loans	3,682	9,100
-	9,278	Debtors - Other	-	6,862

-	-	Assets at Fair Value:	-	-
46,351	-	Investments at Fair Value Profit and Loss	47,615	-
60	-	Medtech Shares - Designated FVOCI	60	-
60,229	350,254	Total Financial Assets	66,357	205,070
		Liabilities at Amortised Cost:		
-	(45,292)	Creditors	-	(33,927)
-	(45,292)	Total Financial Liabilities	-	(33,927)

25. 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 2023, 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:

Table to be completed once the valuation for the subsidiary companies assets have been completed

26. 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.

Combined Authority had a total of £202.4m deposited with the Debt Management Office (DMO), other local authorities, UK banks and MMFs at 31 March 2023. 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 2023 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 2023, 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.

27. Debtors

31-Mar-22		31-Mar-23
CPCA		CPCA
£'000	Short Term Debtors	£'000
2,187	Central government bodies	1,148
4,264	Other local authorities	2,173
35,995	Other entities and individuals	9,705
2,806	Group Companies	2,935
8,459	Prepayments	40
53,711	Total Short Term Debtors	16,002

31-Mar-22		31-Mar-23
CPCA		CPCA
£'000	Long Term Debtors	£'000
3,819	Other entities and individuals	3,682
-	Other local authorities	-
3,819	Total	3,682

28. Creditors

31-Mar-22		31-Mar-23
£'000	Short Term Creditors	CPCA £'000
	Creditors:	
(14,584)	Central government bodies	(12,050)
(7,320)	Other local authorities	(17,992)
(19,270)	Other entities and individuals	(10,780)
(17,896)	Group Companies	(4,480)
(59,071)	Total Short Term Creditors	(45,303)

29. 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 2022/23 is £74k.

30. 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-22 £'000	Capital Grants Receipts in Advance	31-Mar-23 £'000
(39,641)	Transforming Cities Fund	(26,296)
(5,849)	Local Transport Grant	(4,452)
-	DLUHC UK Shared Prosperity Fund	(75)
-	BEIS HUG2 Grant	(77)
-	Active Travel England - Active Travel Grant	(4,355)
(53,684)	Green Homes LAD 2 Energy Grant	-
(1,993)	DfT A10 Dualling and Junctions Grant	(1,993)
(118,296)	BEIS Sustainable Warmth LAD3 Grant	(28,545)
(219,463)	Total Capital Grants Received in Advance	(65,793)

31. 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

2021/22 £'000	Adjustments to Net Surplus or Deficit on the provision of services for Non-Cash Movements	2022/23 £'000
(37)	Depreciation of Non-Current Assets	(44)
-	Assets de-recognised during year	-
(7,934)	Increase/(Decrease) in debtors	(62,742)
1,201	(Increase)/Decrease in creditors	13,769
(320)	(Increase)/Decrease in provisions	320
(1,504)	Pension Fund costs adjustment	(1,297)
(111,380)	Capital Grants Received in Advance	153,670
15	Other Non-cash items	1
(119,960)	Net cash (inflow)/outflow from operating activities	103,677

Investing Activities

2021/22	Cash Flow Statement – Investing Activities	2022/23
£'000		£'000
32,367	Purchase of Short & Long-Term Investments	(58,912)
30	Purchase of Property, Plant & Equipment	174
	Cash advanced for capital loans	(6,047)
3,984	Proceeds from loan repayments	30,942
36,381	Net cash flows from investing activities	(33,843)

32. Cash Flow Statement – Cash and Cash Equivalents

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

2021/22	Cash and Cash Equivalents	2022/23
£'000		£'000
143,141	Short Term Cash Investments	97,662
6,745	Bank Accounts	592
149,886	Total Cash & Cash Equivalents	98,254

Group Accounts

To be completed once property valuations which will have a material impact on subsidiary company accounts have been received.

DRAFT

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
2023

Presented to Audit and Governance Committee as a separate document



Audit and Governance Committee	Agenda Item
7th July 2023	10

Title:	Update to the member officer protocol
Report of:	Edwina Adefehinti
Lead Member:	Edna Murphy (Lead Member for Governance)
Public Report:	Yes
Key Decision:	No
Voting Arrangements:	Simple majority

Recommendations:

A	Review the Member/Officer Protocol and comment on whether further amends are required.
B	Recommend to the Combined Authority Board to approve a yearly review of the protocol to be delegated to this committee.
C	Authorise the Monitoring Officer in consultation with the Chair to make any make any changes to the protocol arising from the review and any further changes deemed necessary.
D	Note the information regarding instances when members have had to be referred to the Protocol.

Strategic Objective(s):

The proposals within this report fit under the following strategic objective(s):

5	Achieving Best Value and High Performance
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1. Purpose

1.1	The Audit and Governance Committee has a role in overseeing standards in relation to how Members and officers interact with each other. It is therefore appropriate for the Committee to consider and review the existing protocol.
1.2	The Audit and Governance Committee requested to review the Member/Officer Relations' Protocol. This report seeks the views of the Audit and Governance Committee on the protocol

2. Proposal

2.1	To suggest any amendments if the committee deems it appropriate.
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2.2	The Committee may make any suggestions it deems appropriate for consideration by the Monitoring Officer and/or the Combined Authority Board.
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3. Background

3.1	<p>The Member / Officer Relations Protocol(Annex 3) to the Combined Authority's Constitution sets out the parameters through which Members and Officers should engage with each other through their roles.</p> <p>It deals with many issues including general conduct, decision making, use of resources and day to day contact.</p> <p>The Protocol also includes a section setting out how Members should interact with each other, and the basic standards expected.</p> <p>The Audit and Governance Committee has a role in monitoring Member standards including how Members interact with each other and with officers.</p> <p>The attached Protocol adopted on 27th July 2022 the Combined Authority Board, has not been reviewed since the last Committee considered the protocol on 30th June 2022. Consequently, this Committee is being asked to review and comment on the protocol and to authorise the Monitoring Officer in consultation with the Chair of the Committee to make any further changes to the protocol arising from the review</p>
3.2	<p>Since the adoption of the protocol, there have been three instances where the Monitoring officer has reminded members of the requirements of the protocol.</p> <p>On two other occasions, the Monitoring Officer became aware of Officers questioning whether member behaviour aligns with the protocol.</p>

4. Appendices

4.1	<i>Appendix 1- Member officer protocol-</i> CA Board Constitution March 2023 (cambridgeshirepeterborough-ca.gov.uk)
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5. Implications

Financial Implications

5.1	None
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Legal Implications

6.1	The Members/Officer protocol set out at Annex 3 of the Combined Authority's Constitution forms part of the Combined Authority's ethical framework and should be read in conjunction with the Combined Authority's Constitution, the Code of Conduct for Members, disciplinary codes which regulate the conduct of officers and other relevant codes and guidance.
6.2	The Protocol does not specify that the Audit and Governance Committee and/or the Monitoring Officer will jointly keep this Protocol under review. It is good practice to review on an annual basis and make recommendations for changes as appropriate.

6.3	The Committee should pay regard to the Combined Authority's Public Sector Equality Duty (Equality Act 2010) and its obligations to equality and diversity in facilitating and/or discharging the functions of the Combined Authority's including the extent to which have informed the protocol and any proposed revisions to it as part of the Committee's review. The Committee should consider the extent to which the Protocol supports equality of opportunity and engagement for all Members and officers including any impact on protected characteristics.
Public Health Implications	
7.1	None directly
Environmental & Climate Change Implications	
8.1	None Directly
Other Significant Implications	
9.1	None Directly
Background Papers	
10.1	None

Appendix 1: Protocol on Member/Officer Relations

1. Introduction

- 1.1 The protocol is designed to provide a guide to good working relations between Combined Authority Board Members, including the Mayor, and officers, to define their respective roles and provide some principles governing conduct. It is not intended to be prescriptive or comprehensive and seeks simply to offer guidance on some of the issues that most commonly arise.
- 1.2 The protocol seeks to reflect the principles underlying the respective Codes of Conduct that apply to Members and officers and should be read in association with those Codes. The shared objective of the Codes is to enhance and maintain the integrity of local government.
- 1.3 This protocol will also apply to co-opted members of committees/boards.
- 1.4 Members and Officers are all public servants who depend on each other in carrying out their work. Members are responsible to the people of the Combined Area who they serve for as long as their term of office lasts, while Officers are responsible to the Authority. Their job is to give impartial advice to the Cabinet and to the Authority's committees and subcommittees as well as individual Members, and to carry out the Authority's work.
- 1.5 Mutual respect between Members and Officers is essential to good local government. Mutual respect and courtesy should prevail in all meetings and contacts (both formal and informal) between Members and Officers. To be most effective Members and Officers will work closely and cohesively together. However, close personal familiarity between individual Members and Officers can damage this important relationship.
- 1.6 The relationship has to operate without any risk of compromising the ultimate responsibilities of Officers to the Authority as a whole, and with due regard to such technical, financial, professional and legal advice that Officers can legitimately provide to Members.
- 1.7 It is clearly important that there should be a close working relationship between Board members, committee chairs, and the relevant chief officers. However, such relationships should never be allowed to become so close, or appear to be so close, as to bring into question the individual's ability to deal impartially with others.

2. Members' Role and Individual Officers

- 2.1 A Board member who is also an elected member of a constituent authority may be asked for advice and support by an officer who is one of their constituents. Officers are entitled to seek such assistance in the same way as any other member of the public. However, members should be aware of the wider provisions of the constitution and be careful not to prejudice the Authority's position in relation to disciplinary procedures or employment matters in respect of an officer.
- 2.2 A member approached for help in such circumstances should first seek advice from the Monitoring Officer.

Protocol on Member/Officer Relations

- 2.3 An officer should treat a Member as they would a member of the public in relation to the limited situations where they may be in personal receipt of services provided by authority.

Roles of Members

- 2.4 Members have many different roles:

- a) Members are the policy makers and carry out a number of strategic and corporate functions collectively approving the Authority's policy framework, strategic plans and budget.
- b) Developing and reviewing policy and strategy.
- c) Monitoring and reviewing policy implementation and service quality.
- d) Members express political values and support the policies of the political party or group to which they belong (if any).
- e) Representing their communities and bringing their views into the Authority's decision-making processes, thus becoming advocates for their communities.
- f) Being involved in partnerships with other organisations as community leaders.
- g) Representing the Authority on other bodies and acting as ambassadors for the Authority.
- h) Members may have roles relating to their position as members of the Board or Overview and Scrutiny Committee or other committees and sub committees of the Authority.

Roles of Officers

- 2.5 Officers' main roles are as follows:

- a) Providing advice to the Board, to the Authority's committees and subcommittees and Members to enable them to fulfil their roles.
- b) Managing and providing services for which they are responsible.
- c) Being accountable for ensuring those services are efficient and effective.
- d) Advising the Board, the Authority's committees and subcommittees and Members in respect of those services.
- e) Initiating proposals for policy development.
- f) Implementing the Authority's policies.
- g) Ensuring the Authority acts lawfully.
- h) Representing the Authority on external organisations.

Respect and Courtesy

- 2.6 An essential ingredient to the Authority's business being conducted effectively is ensuring mutual respect, trust, courtesy and even-handedness in all meetings and contacts between Officers and Members. This plays a very important part in the Authority's reputation and how it is seen by the public and partners.

The Authority's Reputation

- 2.7 Members and Officers both have an important role in engendering a good reputation or the Authority. In particular they should:
- 1) protect and promote the legitimacy of democratic local government;
 - 2) promote a positive relationship between Members and Officers and be careful not to undermine it;
 - 3) avoid criticism of the Authority when formally representing it; and
 - 4) avoid personal criticism of other Members and Officers.

Protocol on Member/Officer Relations

Undue pressure

- 2.8 In any dealings between Members and Officers neither should try to take advantage of their position or place undue pressure on junior staff.
- 2.9 Members and Officers must always be mutually respectful, regardless of their role within the Authority. Members must not pressurise any Officer to do things s/he has no power to do, or to work outside of normal duties or hours.
- 2.10 Apart from decisions that are clearly illegal, Officers should usually carry out decisions of the Authority. However, instructions should never be given to Officers to act in a way that is unlawful. Officers have a duty to express their reservations in this sort of situation, and the Monitoring Officer or Chief Finance Officer may get involved as they have a statutory duty to intervene where illegality or maladministration is possible.
- 2.11 To assist Members in decision making they should be informed of all legal and financial considerations, and be warned of the consequences even if it is unpopular. If a Member has a concern that an Officer is not carrying out a particular Authority decision, the Member concerned should draw this to the attention of the Head of Paid Service.
- 2.12 In similar terms, Officers should not use undue influence to pressurise an individual Member to make a decision in his/her favour, nor raise personal matters to do with their job, or make claims or allegations about other Officers to Members.
- 2.13 The Authority has procedures for consultation, grievance and discipline and there is a right to report actions of concern under the Authority's Whistleblowing Policy.
- 2.14 Members should not seek to place undue pressure on junior officers through direct requests for information/advice.
- 2.15 Members should always direct requests for information/ advice through the Chief Officers. They should never go directly to Junior Officers as this can put undue pressure on individuals.
- 2.16 As mentioned above, the Authority has adopted separate Codes of Conduct for Members and Officers. The codes aim to improve and maintain the Authority's reputation as well as protect both Mayor/ Members and Officers and so they demand very high standards of conduct.

3. Personal and Business Relationships

- 3.1 Members and Officers must work together closely to effectively undertake the Authority's work. This inevitably leads to a degree of familiarity. However, close personal relationships between individual Members and Officers can be damaging to mutual respect.
- 3.2 It is important not to allow any personal or business connection or relationship with any other Member or Officer to affect the performance of official responsibilities, taking action or making decisions. It is also important in these circumstances to be wary of passing confidential information to anyone who should not have access to it.
- 3.3 Members and Officers should always consider how any relationship or connection could be interpreted by anyone outside the Authority, or by any other Member or Officer, and avoid creating any impression of unfairness or favouritism.

Protocol on Member/Officer Relations

- 3.4 Members should take account of any relationship or connection they have with any other Member or Officer when considering whether or not they need to register or declare a personal interest. It would usually be inappropriate for a Member to have special responsibilities in an area of activity in which someone with whom s/he has a close personal or business relationship is a senior officer. If this situation arises, the Member should take appropriate action to avoid a potential conflict of interest.

4. Officers' Advice to Members

- 4.1 Members are entitled to ask the Chief Officers for such advice and information as they reasonably need to help them in discharging their role as a Member of the Authority. This can range from general information about some aspect of the Authority's activities, to a request for specific information on behalf of a constituent.
- 4.2 It is important for the Chief Officers to keep Members informed both about the major issues affecting the Authority and about issues affecting the areas s/he represents. Members shall be kept informed about proposals affecting their constituent council areas and be invited to Authority initiated events within or affecting their constituent council areas.
- 4.3 Advice or information sought by Members should be given in a timely manner. It should be provided by the relevant service provided it is within the service's resources.
- 4.4 Officers serve the whole Authority and must be politically neutral in their work. In providing advice and support to the Authority and when implementing its lawful decisions, it must not be assumed that an Officer is supportive of a particular policy or view or is being other than politically neutral in implementing such decisions. Political neutrality in carrying out their work ensures that Officers are able to act impartially in the best interests of the Authority. Special legal rules exist which limit the political activities of senior Officers. All senior posts are 'politically restricted', which means that the Officers in those posts are not allowed to speak or write in such a way that could affect public support for a political party. However, they can speak or write in a way which is necessary in order to perform their duties properly.
- 4.5 If Members have any concerns that an Officer is not acting in a politically neutral manner, they should refer their concerns to the Head of Paid Service. Allegations that an Officer has not acted in a politically neutral way are serious and could be damaging to his/her reputation.
- 4.6 Officers can advise Members on matters relating to the Authority's business. When seeking advice the Members should approach the Chief Officers in the first instance. They will direct the Members to the appropriate lead officer who will normally be at Director/ Head of Service level.
- 4.7 Junior Officers should not be approached directly with requests for information or advice, in such a circumstance the Officer should inform his or her manager about the request(s) in order to enable a matter to be properly dealt with.
- 4.8 Officers can usually give information confidentially unless doing so would not be in the Authority's best interests (for example, if it went against their obligation to protect the Authority's legal or financial position). Any information a Member receives confidentially in one capacity (for example, as a Member of the Board) cannot be used when acting in a different capacity (for example, when representing his/her ward).

Protocol on Member/Officer Relations

- 4.8 Confidential information can only be given to those entitled to see it. It is best to check with the Officer giving the information whether it is appropriate to pass it on to others. Members should make sure that when they are getting help and advice from Officers they only ask for information to which they are properly entitled. There is more detail about the information to which Members are entitled in the Constitution.
- 4.9 Members' rights to inspect documents are contained partly in legislation and partly at common law.
- 4.10 Officers are required to serve the Authority as a whole. They are responsible to the Head of Paid Service, the Monitoring Officer and the Chief Finance Officer, and not to individual Members whatever office they may hold.

5. Support Services to Board Members

- 5.1 Board Members are provided with access to ICT (information and communication technology) systems and to support services (e.g. diary management, correspondence handling, typing, printing, photocopying etc.) to enable them to better perform their role as Board Members.
- 5.2 Members should not use – and officers should not provide – such access and support services in connection with party political or campaigning activity or for purposes not related to Combined Authority business, except that ICT access may be used for non-commercial purposes provided it does not cause a conflict with, or risk to, the Authority's systems, or increase the support required from officers.

6. Member/Officer Working

- 6.1 The relationship between officers and Board Members should be characterised by mutual respect and courtesy and recognition of each other's roles and responsibilities. Board Members have the right to challenge officers' reports and actions, but they should avoid personal and or/public attacks, and ensure their criticism is fair and constructive.
- 6.2 Officers should not publicly criticise Authority decisions even if they do not personally agree with those decisions.
- 6.3 Collaborative working between Members and officers is essential but close personal familiarity can lead to damaging assumptions by others. Councillors and officers should inform the Monitoring Officer of any relationship either personal or family, or business connection which might be seen as unduly influencing their work in their respective roles. The Monitoring Officer will consider what action, if any, should be taken.
- 6.4 Officers work to the instructions of their managers not individual Board Members.
- 6.5 Board Members must not require officers to change their professional advice or take any action which the officer considers unlawful or illegal or which would amount to a breach of officers roles and responsibilities, maladministration or breach of a statutory duty.
- 6.6 Board Members should not raise matters relating to the conduct or capability of an officer or of officers collectively at meetings held in public or in the press. Any concerns should be raised using the appropriate procedure.

Protocol on Member/Officer Relations

- 6.7 The advice provided and actions taken by officers should be sensitive to the political nature of the organisation, but their advice should always be independent and unbiased.
- 6.8 Board Members must consult with the Monitoring Officer and the Chief Finance Officer about legality, maladministration and financial impropriety and if they have doubts as to whether a particular decision is or is likely to be contrary to the policy framework or budget.
- 6.9 The Authority has a statutory duty to positively promote equality. Members and officers should not by their manner, speech, or in any written communication, be discriminatory with regards to a person's age, disability, gender reassignment, marriage and civil partnership, pregnancy and the protected characteristics set out in The Equality Act 2010.

7. Officers and Individual Members

- 7.1 Any Board Member may request a private and confidential briefing from an Executive Director or Director on matters of policy which have already been or may be discussed by the Authority or within its decision-making or advisory process. All requests should be made to the appropriate Executive Director or Director.
- 7.2 Briefings shall remain strictly confidential and are not to be shared with other members of the Authority unless so permitted by the relevant member.
- 7.3 Confidential information relating, for instance, to a Board member's ward/divisional cases should not normally be sought. If in exceptional circumstances members wish to discuss confidential aspects of an individual case then they shall first seek advice from the Executive Director or Director and follow appropriate guidance.
- 7.5 Finally, any official information provided to a member must only be used by the Board Member solely for the purpose for which it was provided (i.e. in connection with the proper performance of the member's duties as a member of the Council).
- 7.6 The point is emphasised in the Code of Conduct.

8. Politically Restricted Posts

- 8.1 There are a number of rules which apply to Officers who occupy politically restricted posts under the Local Government and Housing Act 1989. In summary such Officers are prevented from:
- a) being a Member of Parliament, a Member of the European Parliament or a local authority member;
 - b) acting as an election agent or sub agent for a candidate for any of those bodies;
 - c) being an officer for a political party or branch, or a committee if that role is likely to involve participation in the management of the party or branch, or to act on its behalf in dealings with other persons;
 - d) canvassing on behalf of a political party or an election candidate;
 - e) speaking in public in support of a political party; and
 - f) publishing written or artistic works affecting support for a political party.

9. Officers and Elected Representatives from other bodies

- 9.1 Officers may be requested to meet with Councillors or elected representatives from constituent Councils or partner organisations to provide briefings and/or policy advice.

Protocol on Member/Officer Relations

- 9.2 Any officer requested to attend a meeting of this nature which is not held on a cross-political party basis must obtain the prior authorisation of the Chief Executive

10. Media Relations

- 10.1 All relations with the media must be conducted in accordance with the Authority's agreed procedures and the law on Local Authority publicity. Media inquiries relating to official business should be referred to the Communication Team.
- 10.2 Officers will make every effort to keep Board Members informed of media interest in Authority activities relevant to their responsibilities especially regarding strategic or contentious matters.
- 10.3 Any officer assisting a member with media relations must act at all times in the interests of the whole Authority and in a politically impartial manner. Other than factual statements, members should not seek assistance from an officer with the preparation or issue of any media statement that will adversely affect the reputation of the Authority.

11. Member Training

- 11.1 Board Members are expected to embrace the principles of personal development and skill training and ensure they allocate time to participate in all the necessary training and personal development activities. This includes, but is not limited to, the necessary skills to take advantage of the ICT facilities made available to them.

12. Complaints/Concerns

Procedure for Members

- 12.1 If a Board Member is dissatisfied with the conduct, behaviour or performance of an officer they should raise the matter privately with the relevant Executive Director or Director. If their concerns relate to an Executive Director or Director the concern should be raised with the Chief Executive. If the concerns relates to the Chief Executive then the concern should be raised with the Monitoring Officer. Where necessary, internal HR processes will be undertaken.

Procedure for Officers

- 12.2 If an officer is unhappy with the conduct or behaviour of a Board Member they should seek to resolve the matter by appropriate discussion and involvement of their Executive Director or Director.
- 12.3 In the event that matters remain unresolved they should inform the Monitoring Officer who will consider what action should be taken.

13. Arbitration

- 13.1 When necessary, the Chief Executive will arbitrate on the interpretation of this Protocol following consultation with the Monitoring Officer, who may also involve the head of HR where s/he judges that appropriate.



Audit and Governance Committee		Agenda Item
7th July 2023		11
Title:	Co-option of independent members	
Report of:	Edwina Adefehinti	
Lead Member:	Edna Murphy (Lead Member for Governance)	
Public Report:	Yes	
Key Decision:	No	
Voting Arrangements:	Simple majority	

Recommendations:

A	Review the suggested update to the Combined Authority constitution and to provide recommendations to the Board to adopt the proposed changes as revisions to the Constitution, so that a co-opted independent member and substitute from constituent authorities can be appointed.
B	To recommend to the Combined Authority Board to delegate the recruitment, selection and appointment of an independent co-opted member(s) to the Audit and Governance Committee and that the arrangements for the selection of such members be delegated by the Audit & Governance Committee to the Chairman of the Audit and Governance Committee in consultation with the Monitoring officer.
C	Agree that the role of any independent co-opted member(s) from a constituent authority is not remunerated but note that they will receive expenses in line with the authority's current expenses policy, and note that if the Committee decides to co-opt an independent member from outside a constituent council through an open advertisement in the future then such a role would be subject to a review of potential remuneration by the Independent Remuneration Panel.
D	Approve the proposed process attached as Appendix 1

Strategic Objective(s):

The proposals within this report fit under the following strategic objective(s):

5	Achieving Best Value and High Performance
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1. Purpose

1.1	The purpose of the report is to request that the Audit and Governance Committee consider and approve the draft wording contained in Paragraph 2.2 to be inserted in the constitution and to make recommendations to the Combined Authority Board to adopt the proposed amendments to the constitution.
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2. Proposal

2.1	To include additional wording in the constitution that codifies the power of the Audit & Governance committee to co-opt independent members and to agree the process for recruiting an appointing co-optees.
2.2	<p>The addition wording is below :</p> <ul style="list-style-type: none"> • A co-opted independent member(which may include independent Councillors of constituent authorities) is a committee member who does not represent any political party or constituent authority for the purposes of the Audit and Governance committee but recruited to join the committee. • The role description of an independent member of Audit Committee is the same as for an elected member with the only substantial difference being around decision making responsibilities. An independent member cannot vote so will not be able to take part in the decision although they can actively contribute to the discussions leading up to the vote. The objective of including such members is to increase the knowledge and experience base of the committee, reinforcing its independence. • The appointed independent co-opted member will not have voting rights. Therefore, their involvement on the Committee will be in a consultative manner, with their views being taken into account by voting members of the Committee. • The Audit and Governance committee has authority to determine the process for recruiting and appointing a co-optee and substitute.

3. Background

3.1	On 9 th June, this committee resolved to co-opt an independent member (and substitute) from a Constituent Council. The co-opted member would not be given voting rights, the co-option of an independent member, authority may be delegated from the Combined Authority Board to the Committee to appoint a co-optee. The co-option would be for the municipal year 2023/24.
3.2	The co-opted independent member will be expected to provide advice and bring valuable experience and knowledge to the Committee in discharging its function

4. Appendices

4.1	Appendix 1 – Proposed Process
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5. Implications

Financial Implications

5.1	No financial implication presently but there may be financial implication on the appointment of the member(s)
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Legal Implications	
6.1	The Combined Authority is obliged to adopt and maintain a constitution and standing orders.
6.2	The purpose of this Committee is to give assurance as to the governance and sound financial management of the Council. This will likely be strengthened by including members who are independent from the Combined authority Board and scrutiny functions and who are suitably qualified with experience in the area of governance, audit, finance, regulation and compliance or risk management to provide specialist knowledge and insight.
Public Health Implications	
7.1	None directly
Environmental & Climate Change Implications	
8.1	None Directly
Other Significant Implications	
9.1	None Directly
Background Papers	
10.1	None

Proposed process

Agreed Date

Job description and person specification drafted by CFO, the Monitoring Officer and Scrutiny Officer in consultation with the chair of the Audit and Governance Committee.

Final draft proposal, job description / person specification presented to Audit and Governance Committee for review and approval.

Proposal presented to CA Board for agreement.

If CA Board agrees, expressions of interest to be requested from Councillors in Constituent Councils for co-option as a non-voting member(s) and substitute of Audit and Governance Committee.

Selection of candidates to be determined by process approved by Audit & Governance.

Interviews for shortlisted candidates.

First meeting of Audit and Risk Management Committee with co-opted independent member(s) in attendance.



Audit & Governance Committee		Agenda Item
7th July 2023		12
Title:	Audit and Governance Work Programme	
Report of:	Anne Gardiner, Governance Manager	
Lead Member:	John Pye	
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
B	To discuss and suggest possible topics for the scheduled development sessions for the year.

1. Purpose

1.1	To provide the Committee with the draft work programme for Audit and Governance Committee, for the 23/24 municipal year.
1.2	To invite suggestions from the Committee on topics for development sessions.

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.
2.2	The Committee be invited to provide some suggestions on possible areas of development required to aid them in their role on the Committee.

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.
3.3	The draft work programme also details the scheduled dates for Development Sessions throughout the year. Currently the Committee has one development session booked in for December on Cyber Security.

	The Committee has two other Development Sessions scheduled for the 9 th October and the 9 th February and the Committee are invited to offer suggestions of areas of development they feel they require to help them in their role on the Committee.
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4. Appendices

4.1	Appendix 1 – Draft Work Programme 2023/24
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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

AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME 2023/24

7th July @ Huntingdonshire District Council

Item:	Title:	Purpose:	Lead:
Standard Items:			
	<input type="checkbox"/> Minutes <input type="checkbox"/> Chair's Announcements <input type="checkbox"/> Work Programme		
Improvement Items:			
	Improvement Plan Highlight Report	Review and challenge to seek assurance of improvement progress – include results of staff survey	Angela Probert
Internal Control Items:			
	Internal Audit Action Tracker	To be brought to the Committee quarterley	Chris Bolton
	2022-23 Treasury Management Outturn Report		Ian Pantling
	Drafts Accounts 22/23		Robert Emery
	Corporate Risk register	Deferred from June meeting	Chris Bolton
Audit Items:			
	Internal Audit – Progress Report		
	AEB Audit & Assurance Update	Update on the annual findings of the AEB audit/assurance plan	Janet Warren
Standards and Conduct Items:			
	Member Officer Protocol Review		Head of Governance
Other:			
	Finance Team Resilience	ED for Performance and Resources to provide an update	Nick Bell
	Proposed changes to Constitution following Procurement Review'		
	Constitution Amendment – Co-Opted Independent Member		Edwina Adefehinti

AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME 2023/24

8th September @ Huntingdonshire District Council

Item:	Title:	Purpose:	Lead:
Standard Items:			
	<input type="checkbox"/> Minutes <input type="checkbox"/> Chair's Announcements <input type="checkbox"/> Work Programme		
Improvement Items:			
	Improvement Plan Highlight Report	Review and challenge to seek assurance of improvement progress	Angela Probert
Internal Control Items:			
	Risk Register	Review of register	
	Single Assurance Framework		
Audit Items:			
	Internal Audit – Progress Report		
	2021/22 Audit Results Report, Audit Opinion		EY – Mark Hodgson
	21-22 Annual Governance Statement		Nick Bell/Edwina Adefehinti
	Final 21-22 statement of accounts		Nick Bell/Robert Emery
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:			
	Constitution Amendment – Co-Opted Independent Member		Edwina Adefehinti
	Update Procurement Review		Nick Bell/Chantel Allott

17th November @ Huntingdonshire District Council

Item:	Title:	Purpose:	Lead:
Standard Items:			
	<input type="checkbox"/> Minutes <input type="checkbox"/> Chair's Announcements <input type="checkbox"/> Work Programme		
Improvement Items:			
Internal Control Items:			
	Internal Audit Action Tracker		Chris Bolton
	2023-24 Treasury Management mid-year update		Ian Pantling
Audit Items:			
	Internal Audit – Progress Report		Dan Harris
	Review Performance Management Framework		Jules lent
	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 Strategies		

AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME 2023/24

12th January @ Huntingdonshire District Council

Item:	Title:	Purpose:	Lead:
Standard Items:			
	<input type="checkbox"/> Minutes <input type="checkbox"/> Chair's Announcements <input type="checkbox"/> Work Programme		
Improvement Items:			
Internal Control Items:			
	Corporate Risk Register		Chris Bolton

	Draft 2024-25 Financial Strategies to the January Committee		Ian Pantling
Audit Items:			
	Internal Audit – Progress Report		
Standards and Conduct Items:			
	Code of Conduct Annual Report	Committee requested they receive an annual report on complaints received.	
Other:			
	Information Governance Update	Reported to Committee Annually	Susan Hall

AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME 2023/24

9th February @ Huntingdonshire District Council (RESERVE)

Item:	Title:	Purpose:	Lead:
Standard Items:			
	<input type="checkbox"/> Minutes <input type="checkbox"/> Chair's Announcements <input type="checkbox"/> 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:			
	<input type="checkbox"/> Minutes <input type="checkbox"/> Chair's Announcements <input type="checkbox"/> Work Programme		
Improvement Items:			
Internal Control Items:			
	Internal Audit Action Tracker		Chris Bolton
	Assurance Framework		
Audit Items:			
	Internal Audit – Progress Report		
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

AUDIT & GOVERNANCE COMMITTEE DEVELOPMENT PROGRAMME 2022/23 – 23/24

Date:	Item:	Provider:	Purpose:	Lead:
24 th March 2023	Risk Appetite Training	Internal Audit		Adam Lickorish, RSM
8 th June	A&G Committee Induction	Governance Team	Provide induction to the CA for new members	Anne Gardiner
9 th 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

13 th July	KPI Training	Policy & Executive Support Team		Jules lent
TBC	Project Management Training	Chris Bolton		Chris Bolton
9 th October	Development Session – Topic TBC			
4 th December	Development Session Topic Cyber Security			Rob Emery/Nick Bell
9 th February	Development Session – Topic TBC			
8 th September at close of meeting.	Private Meeting of Committee & Internal and External Auditors			Anne Gardiner



Audit & Governance Committee		Agenda Item
07 July 2023		14
Title:	Adult Education Budget Audit and Assurance Update	
Report of:	Janet Warren, Commissioner – Adult Education	
Lead Member:		
Public Report:	Yes	
Key Decision:	No	
Voting Arrangements:	Majority of members present	

Recommendations:

A	Note and provide comment on the update on Audit results for 2021/22
B	Note and provide comment on the update on the Audit approach for 2022/23

Strategic Objective(s):

The proposals within this report fit under the following strategic objective(s):

✓	Achieving ambitious skills and employment opportunities
✓	Achieving Best Value and High Performance

The Combined Authority seeks its own assurance as to the effectiveness of providers' eligible spend on Adult Education and Free Courses for Jobs funding which it receives from the Department of Education. It does so by placing reliance on funding assurance work, carried out by independent Audit firms.

1. Purpose

1.1	The purpose of this report is to: <ul style="list-style-type: none">- update the Audit & Governance Committee of the results of Funding Assurance Audits which have taken place in relation to funding received in the 2021/22 academic year- note and provide comment on the update
1.2	The Combined Authority has responsibility for commissioning a range of learning organisations including colleges, local authorities, and training providers to meet skills needs in the sub-region. Audit sampling using the services of external audit firms is utilised to provide assurance over use of these funds. As more funding is devolved and delegated from central government, the Combined Authority will be required to expand this assurance work.

2. Proposal

2.1	The proposal is to advise the A&G Committee of the results of the completed Funding Assurance Audits and request comments to be fed back to officers.
2.2	The report will provide an opportunity for the Committee to review the audits undertaken and assure itself that the AEB is monitoring the effectiveness of providers to ensure they align with the strategic objectives of achieving ambitious skills and employment opportunities and best value and high performance.

3. Background

3.1	<p>Under the devolution agreement of 2018, certain Adult Education functions were transferred from the Secretary of State for Education to the Combined Authority, including a recurrent annual budget of c£12m.</p> <p>The purpose of the devolved Adult Education Budget (AEB) is to fund courses that enable residents in Cambridgeshire and Peterborough to improve their employment prospects, improve in-work progression and subsequently improve health and wellbeing. Following full devolution of the budget to the Combined Authority in August 2019, priorities are now determined locally for spending the recurrent £12m annual budget in line with the Combined Authority's Employment and Skills Strategy (2022).</p> <p>Additionally from 2022, the Combined Authority has received by delegation the National Skills Fund, otherwise referred to as Free Courses for Jobs (FCFJs) funding, with a financial year budget of c£600k. This is a ringfenced grant to be spent on specific Level 3 learning aims.</p> <p>The Combined Authority works with two types of organisations: grant funded and independent training providers (ITP). Grant funded organisations are public institutions, such as Local Authorities and Further Education colleges. ITPs are private or charitable organisations that offer training on behalf of the Authority.</p> <p>The Combined Authority is required by the Department for Education to provide assurances over the use of AEB and Free Courses for Jobs (FCFJs) funding through it's provider base.</p>
3.2	<p>In respect of the 2021/22 academic year, the Combined Authority requested testing of four of its twenty-five providers, this included two FE Colleges and two Independent Training Providers. Testing was based on a standardised funding assurance approach, including sample sizes and funding streams, which included a sample for the delegated Free Courses for Jobs (FCFJs) funding. Audits were conducted in accordance with the ESFA's funding assurance methodology, designed to enable Auditors to check final funding claims (R14 ILR) against the relevant funding rules.</p> <p>The audits were planned and performed to obtain all relevant information and sufficient evidence to express an opinion over use of funds, which the provider had claimed and received from CPCA over the course of that academic year.</p> <p>As part of testing this year, the Combined Authority decided to sample check to see if learning aims are being delivered against the Ofqual recommended minimum guided learning hours (GLH). This was in response to sector intelligence, whereby concerns were raised that some providers are delivering learning aims with significantly lower guided learning hours than recommended yet are claiming the full amount of associated funding. The Combined Authority has responded to this intelligence and used the sample testing to inform a new policy approach for 2022/23, whereby providers will be expected to deliver a minimum of 70% GLH to access the full amount of funding. This rate is in line with other Mayoral Combined Authorities and will be reviewed during the coming year to ensure the Combined Authority achieves best value for money.</p>

	The ESFA continue to share financial health assessments with the CPCA in relation to any shared providers, via the data sharing agreement (DSA). However, it is worth nothing that this is only in relation to providers where they have an allocation of £100,000 or more.	
3.3	2021/22 Funding Year – Funding Assurance Review Results	
	1. Back 2 Work Complete Training	<p>Audit firm: Mazars Status: Completed Results: £1,457.00 funding errors identified Error rate: 0.85% Conclusion: Satisfactory use of funds</p> <p>Funding errors to be recovered via invoice</p>
	2. Cambridge Regional College	<p>Audit firm: RSM Status: Completed Results: £104,076 funding errors identified Error rate: 2.52% Conclusion: Satisfactory use of funds</p> <p>The total funding error was £104,076 and included an extrapolated error value. £29,894 was corrected before the R14 return with the remaining balance of £74,182 to be recovered via invoice. Further testing to be discussed to gain full assurance.</p>
	3. GNR Training	<p>Audit firm: Mazars Status: Completed Results: £xx funding errors identified Error rate: xx Conclusion: xx</p> <p>Results exempt under Schedule 12 A which allows for items to be exempted from publication if the Information relates to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime. Results have been provided separately to members via exempt report.</p>
	4. Inspire Education Group	<p>Audit firm: Mazars Status: Completed Results: £10,881 funding errors identified Error rate: 2.91% Conclusion: Satisfactory use of funds</p> <p>Funding errors to be recovered via invoice.</p>

Please note: the conclusion over use of funds is based on the sample error rate; 5% or above results in a conclusion of unsatisfactory, otherwise the result is considered satisfactory.

GLH Testing Results

Across all testing we found that across both AEB and FCFJs funding streams, learners records of attendance indicated that the commissioned learning aims were being delivered in less than 70% of the Ofqual recommended minimum. In one instance, the evidence for one learner indicated this was as low as 19%. For some learners, their records of attendance did not contain sufficient evidence to determine any actual hours of delivery. These results did not impact on funding this year as it was not a contractual requirement for the funding year, however due to the concerns and on reviewing the results, we have implemented new guidance around this which will potentially impact on funding in the next academic year unless the minimum requirements are delivered accordingly.

2022 to 2023 Funding Year – Funding Assurance Approach

The Combined Authority intends to start the 2022/23 funding audits in July 2023, and we expect to receive the final reports in November 2023. We shall create our own audit working papers by using ESFA's as a basis and updated with our own funding guidance, to allow for full compliance testing against our funding and performance management rules.

Using a risk-based approach, we will identify AEB/FCFJs providers for planned funding audits. We are required to give four weeks' notice of the audit to the providers.

The audits shall be concluded within the current academic year, so that any funding errors can be corrected in-year via the Individualised Learner Record (ILR), which is the data record for adult education and main mechanism by which funding is claimed. Clawback of funding, arising from errors identified at audit will be recovered by 'offsetting' against future payments to providers.

Next Steps

For all Audits completed for 2021/22 where funding errors have been identified, the Combined Authority is in the process of recovering funding via invoicing. One of the four Audit reports has triggered a need for further testing due to the extrapolated nature of the results, despite a satisfactory use of funds conclusion.

Taking the lessons learnt from audit findings, the following actions and controls are being implemented to improve compliance and strengthen practice going forwards, including:

- Allocating additional staffing capacity for Audit, Assurance, and Compliance functions within the Skills Department
- Strengthening and reviewing the Combined Authority's Single Assurance Framework to ensure appropriate measures are in place for devolved skills funding
- Recruitment of two additional staff for provider relationship management
- Improved monitoring of monthly data returns to identify anomalies in the submission so that these may be investigated and rectified
- Reviewing and improving Due Diligence processes for future commissioning
- Strengthening the AEB Funding Rules and publishing further guidance
- Chairing and hosting the ESFA, DfE and M10 working group on Audit, Fraud, and Investigation (AAFI Network) to share intelligence and best practice within the sector

4. Appendices

4.1 None

5. Implications

Financial Implications

5.1	<p>During this academic year the Combined Authority has continued to seek its own assurance as to the effectiveness of providers' eligible spend on Adult Education, with the addition of spend on Free Courses for Jobs. It does so by placing reliance of funding assurance work, carried out by independent Audit firms. The costs of the auditing four providers was £40,000, this includes the costs of producing our own working papers and assurance approach.</p> <p>The audit costs have been budgeted from the AEB top slice that is used to facilitate the administration costs of the programme and will therefore have no effect on the wider Combined Authority budget.</p>
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Legal Implications

6.1	<p>The Cambridgeshire and Peterborough Combined Authority (Adult Education Functions) Order 2018 conferred specified adult education functions of the Secretary of State onto the Combined Authority.</p> <p>Section 3 of the Local Government Act 1999 requires that a best value authority, which includes the CPCA, must 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.</p> <p>Schedule 12 A allows for items to be exempted from publication if the Information relates to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.</p>
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Public Health Implications

7.1	N/A
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Environmental & Climate Change Implications

8.1	N/A
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Other Significant Implications

9.1	<p>Due to the specific nature of the funding, only a small number of audit firms are technically able to conduct the required funding assurance reviews, for ESFA and all MCAs/GLA. The Combined Authority must ensure coverage with at least two of these firms, to avoid conflict of interests where the external auditor is also appointed as the providers internal auditor.</p>
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Background Papers

10.1	N/A
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