



## **AUDIT & GOVERNANCE COMMITTEE**

**Date: Monday, 16 December 2019**

**Democratic Services**  
Dermot Pearson  
Interim Monitoring Officer

**14:00 PM**

The Incubator  
Alconbury Weald  
Cambridgeshire  
PE28 4WX

**South Cambridgeshire District Council  
Council Chamber, South Cambridgeshire Hall, Cambourne  
Business Park, Cambourne, CB23 6EA**

### **AGENDA**

**Open to Public and Press**

- |          |  |                 |
|----------|--|-----------------|
| <b>1</b> | <b>Apologies for Absence</b>   |                 |
| <b>2</b> | <b>Declarations of Interest</b>  |                 |
|          | At this point 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. |                 |
| <b>3</b> | <b>A &amp; G Minutes 27 September 2019</b>   | <b>5 - 16</b>   |
| <b>4</b> | <b>Assurance Framework Report</b>  | <b>17 - 78</b>  |
| <b>5</b> | <b>Review of the Corporate Risk Management Strategy and Risk Register</b>  | <b>79 - 136</b> |

<b>6</b>	<b>Review of the Data Protection Policy</b>	<b>137 - 152</b>
<b>7</b>	<b>Combined Authority Board Summary Report</b>	<b>153 - 164</b>
<b>8</b>	<b>CPCA Internal Audit Progress Report</b>	<b>165 - 186</b>
<b>9</b>	<b>Treasury Management Strategy Update</b>	<b>187 - 212</b>
<b>10</b>	<b>Adult Education Budget Audit and Assurance Programme</b>	<b>213 - 218</b>
<b>11</b>	<b>Audit and Governance Work Programme</b>	<b>219 - 230</b>
<b>12</b>	<b>Date of next meeting:</b> 27 March 2020 at 10.00AM, Fenland District Council	

The Audit & Governance Committee comprises the following members:

John Pye

Councillor Ian Benney

Councillor David Brown

Councillor Mike Davey

Councillor Mark Goldsack

Councillor Tony Mason

Councillor Mac McGuire

Councillor Nick Sandford

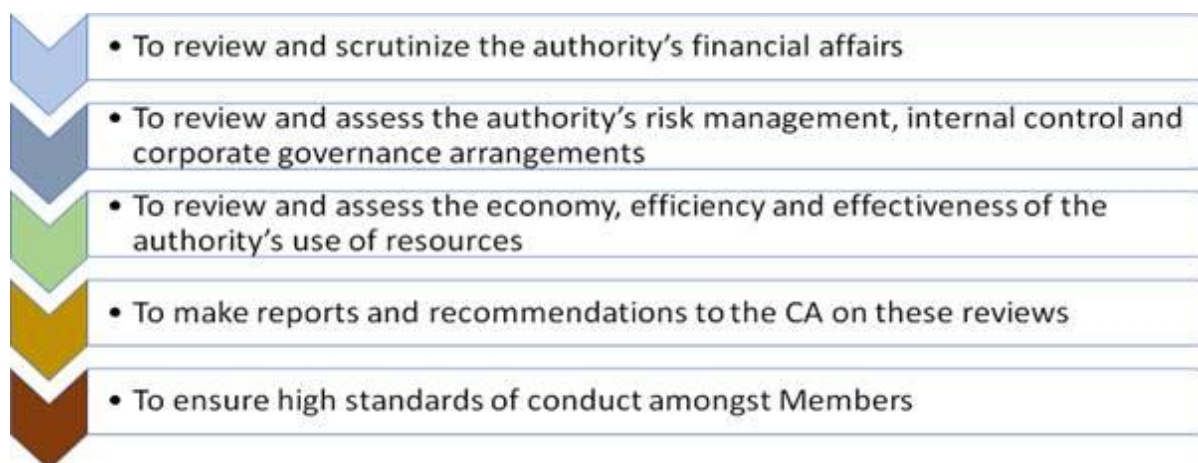
*For more information about this meeting, including access arrangements and facilities for people with disabilities, please contact*

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### **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.





Agenda Item: 3

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

**AUDIT AND GOVERNANCE COMMITTEE: MINUTES**

**Date:** 27<sup>th</sup> September 2019

**Time:** 10am

**Location:** Cambridgeshire County Council

**Present:**

Mr J Pye  
Cllr Ian Benney  
Cllr Mike Davey  
Cllr David Brown  
Cllr Goldsack  
Cllr Sandford

Chairman  
Cambridge City Council  
Cambridge City Council  
East Cambs District Council  
Cambridgeshire County Council  
Peterborough City Council

**Officers:**

Kim Sawyer  
Dermot Pearson  
Emma Powley  
Jon Alsop  
Rob Emery  
John T Hill  
Rowland Potter  
Roberta Fulton  
Steve Crabtree

Chief Executive  
Interim Monitoring Officer  
Interim Scrutiny Officer  
Chief Finance Officer (S73 Officer)  
Deputy S73 Officer  
Director of Business and Skills  
Head of Transport  
Programme Manager  
Group Internal Auditor (Peterborough City Council)  
Associate Partner (External Auditors) –  
Ernst & Young

**1. APOLOGIES AND DECLARATIONS OF INTERESTS**

1.1 Apologies were received from Councillor McGuire and Councillor Mason.

## **2. DECLARATION OF INTEREST**

- 2.1 Councillor Davey declared a non-pecuniary interest as his wife is an Assistant Director at Peterborough City Council and Cambridgeshire County Council in Housing matters.

## **3. MINUTES OF THE MEETING HELD ON THE 19<sup>th</sup> JULY 2019.**

- 3.1 The minutes of the meeting held on the 19<sup>th</sup> July 2019 were agreed and signed by the Chair.

## **4. CHAIR'S ANNOUNCEMENTS**

- 4.1 The Chair noted that there had been a change to the membership of the Audit and Governance Committee and welcomed Councillor Sandford as the Committee Member and Councillor Barkham as the substitute Member for Peterborough City Council.
- 4.2 The Chair reported that he had recently met with the Chair of the Overview and Scrutiny Committee and they discussed their respective roles and the Committee responsibilities.
- 4.3 The Chair noted that he intended to set up 1:1 meetings with Members of the Audit and Governance Committee and further urged Members who had not completed the skills set, to do so to ensure that the appropriate training and development could be arranged for Members.

## **5. AUDIT RESULTS REPORTS & STATEMENT OF ACCOUNTS 2018/19**

- 5.1 The Head of Finance elaborated on a report that recommended the Committee receive the audit results report for the year ended 31<sup>st</sup> March 2019.
- 5.2 It was noted that at the previous Committee held on the 31<sup>st</sup> July 2019, it had been explained that Ernst & Young had not been able to complete their audit work. Consequentially, the Combined Authority had been unable to publish final audited accounts by the 31<sup>st</sup> July deadline. The law requires that the authority publish, as soon as is practicable, on or after the deadline, a notice that would state that they had not been able to publish the statement of accounts and the reasons for this.
- 5.3 The External Auditor explained that the audit of the Authority's financial statements for the year ended 31 March 2019 had been completed and performed the procedures outlined in their Audit Plan. The final procedures required to complete the audit were noted as follows:
- Review of the Authority's contracts register
  - Review of the final version of the financial statements;
  - Complete a subsequent events review;
  - Review the signed management letter of representation; and
  - Present this final version of the Audit Results Report.

- 5.4 The audit report confirmed that Ernst & Young expected to issue an unqualified audit opinion on the financial statements and have no matters to report on the Combined Authority's arrangements to secure economy, efficient and effectiveness in the use of resources.
- 5.5 In response to questions raised, the Head of Finance explained that a letter had been written to the PSAA (Public Sector Audit Appointments Limited) and the response had explained that the number of delayed audit opinions in local government had risen from 13% in 2017/28 to over 40% in 2018/19.
- 5.6 The Chief Executive explained that a joint meeting was to be arranged with the PSAA and affected constituent Councils imminently and any updates would be provided to the Committee at a future date.
- 5.7 The Chair commented that auditor's opinion on Value for Money (VFM) was not an assurance that the Combined Authority were achieving VFM but that processes were in place to achieve it.
- 5.8 The Chair had received a letter from the lead partner for EY saying that: "We are confident that our ongoing focus on recruitment alongside our actions on staff retention, will enable us to deliver your 2019/20 audit in line with your expectations."

**RESOLVED:**

- 5.8 That the Committee received the audit results report for the year ended 31<sup>st</sup> March 2019.

**6. Governance Review Report (Agenda Item 10)**

- 6.1 The Chief Executive explained that the Combined Authority had set its key priorities, used its budgets to create recyclable funds, created a new staffing structure and put in place performance measures; the proposals set out in the governance review reflected the final part of the re-design of the Authority which would include the delegation of powers to the proposed Executive Committees.
- 6.2 It was noted that one of the key advantages of transitioning to the new governance arrangements would be the additional involvement of Members of constituent Councils bringing together their areas of expertise and knowledge. The Chief executive explained that the Board would retain oversight of the Forward Plan and would have the power to call-in decisions of Executive Committees in exceptional circumstances.
- 6.3 The Chief Executive explained the workings of the Transport and Infrastructure Committee and the passporting of funds from the Combined Authority and noted that discretion in the spending of those funds lay with the constituent councils. It was noted that Lead Members would be working with Lead Officers and would not have delegated authority to make decisions individually but would offer a steer and advice to each Committee.
- 6.4 In response to a question raised by the Chair about the potential impact of the changes on the work of the Audit and Governance Committee, Members agreed that it would be 'business as usual' and there was no need for the Committee to make any adjustments.

- 6.5 The Interim Monitoring Officer reported that he would bring a report to the Committee in March 2020 which would explain and highlight any issues the Combined Authority experienced following the introduction of the new governance arrangements and would allow the Committee to recommend any improvements required.
- 6.6 Additional information was also requested on political balance and it was noted by the Chair that this would be included in the update report from the Interim Monitoring Officer.

**RESOLVED:**

- 6.7 (a) that the proposed new governance arrangements for the Combined Authority had been considered
- 6.8 (b) that the Committee's Work Programme be amended to include a report to the meeting of the Committee on 27 March 2020 reviewing the effectiveness of the proposed new governance arrangements.

**7. CA BOARD SUMMARY REPORT (Agenda Item 6)**

- 7.1 The Interim Monitoring Officer elaborated on his report and explained that it provided Members with an update on the activities of the Combined Authority Board and provided the Committee with an opportunity to identify matters for further consideration.

**RESOLVED:**

- 7.2 That the report be noted.

**8. TRANSPORT ACCELERATION & RISK REPORT (Agenda Item 7)**

- 8.1 The Head of Transport elaborated on the report and noted that Members of the Committee had requested an assessment of the impact on the Combined Authority's risk management of the accelerated delivery approach set out in the July 2018 Board paper.
- 8.2 It was explained that the report contained a table of risks and projects which noted the officer assessments of the impact on individual risk profiles of work to date to accelerate delivery.
- 8.3 Members were informed that the governance arrangements had been significantly improved and additional steps introduced to improve the way risk was being managed. It was noted that there was mandatory risk reporting on each individual project and the creation of a risk register for the overall transport portfolio. Transport projects were being examined on a weekly basis and the arrangements for project reports and the guidance on project management were being kept under review and updated.
- 8.4 In response to questions asked, the Transport Manager explained that risk assessments could include environmental challenges and there was a need for



consideration about reducing congestion and air pollution in the initial stages of any transport project.

**RESOLVED:**

- 8.5 That the Committee noted the officers' assessment of the impact of the accelerated delivery strategy on project risk and the wider measures put in place by the Authority to manage project risk.

**9. BUSINESS BOARD UPDATE (Agenda Item 8)**

- 9.1 The Director of Business and Skills elaborated on his report which provided an update on the priorities and objectives of the Business Board. It was reported that the Business Board supported the Combined Authority's vision to double the size of the local economy with specific goals. This would create inclusive growth across the economy and deliver a shared growth ambition across the OxCam Arc.
- 9.2 The Director of Business and Skills outlined the key interventions and strategic approach to the achieving the growth to compete globally.
- 9.3 In response to questions asked, it was explained that the proposed growth had considered environmental sustainability and included joined up working with housing colleagues to recommend environmental designs to assist with sustainability. Members queried whether a measure of growth which included environmental factors should also be tracked alongside GVA.

**RESOLVED:**

- 9.4 That the Audit & Governance Committee noted the priorities and objectives of the Business Board.

**10. RISK REGISTER & PERFORMANCE UPDATE (Agenda Item 9)**

- 10.1 The Interim Monitoring Officer elaborated on the report which provided the Committee with an update on the performance reporting processes that were in place for the Combined Authority. It was noted that Members could request additional information on the performance or risk relating to a specific project.
- 10.2 It was reported that a number of risks with a risk rating of 'very high' had reduced from four to two since May 2019. Three additional risks had been added to the Risk Register:
- a) Failure of CPCA grant-funded organisations to deliver
  - b) Potential impact of Brexit
  - c) Achievement of First Gateway Review.
- 10.3 The Committee discussed the Risk Register and queried whether there should be a risk specifically relating to climate change and environmental issues. As part of good governance, the Committee requested to review the Corporate Risk Register at its next meeting.

**RESOLVED:**

- 10.4 That the Performance Reporting processes that are in place for the Combined Authority be noted;
- 10.5 That the Performance Reporting Dashboard that is presented to the Board on a quarterly basis and recommend any proposed changes be noted;
- 9109.6 That the Combined Authority's Corporate Risk register be reviewed
- 10.7 That the proposed changes to the Corporate Risk Register to be reported to the next Board meeting for approval be approved.

## **11. INTERNAL AUDIT: PROGRESS REPORT 2019 / 2020**

- 11.1 The Internal Auditor submitted his report and noted that since the last report, additional advice and support had been provided to the CPCA in relation to payment processes. The Audit Plan would need to be flexed to accommodate this or additional days considered. Protocols for agreeing changes to the Audit Plan and developing future plans would be included as part of the next report to Committee in December 2019.
- 11.2 It was reported that the Audit Plan included a review of the loan of £6.5m to East Cambridge Trading Company, approved at the March 2018 board meeting. This was later extended to include the loan of £24.4m, which was approved in November 2018, at the request of the Audit and Governance Committee. It was explained that the audit rating provided was reasonable assurance and noted that five recommendations have been established and agreed as a result.
- 11.3 Relating to the Human Resources (HR) functions discussions had been had earlier in the month with the HR section to understand what progress had been achieved and which procedures had been implemented. From the initial fact-finding meeting which included a walk-through of the approaches adopted, it was suggested that there had been significant progress made in putting appropriate processes in place for recruitment and selection.
- 11.4 Members of the Committee discussed the increase in the number of days of work required of the internal auditors and noted that officers would work with the auditors to address priorities and any changes to those would be done in consultation with the Chair of the Audit and Governance Committee.
- 11.5 The Chair asked that future reports indicate the timelines, progress and target date for each strand of Internal Audit work.
- 11.6 The Chair asked that any changes to the work programme be brought to the Committee for agreement. Internal Audit and Officers were also asked to consider the allocation of more resources, in preference to dropping items when new issues emerged.

### **RESOLVED:**

- 11.7 That the progress report from Internal Audit had been considered.
- 11.8 Internal Audit would provide timelines and progress indicators in future reports and seek The Committee's approval to any programme changes.

## **12. UPDATE ON FREEDOM OF INFORMATION REQUESTS, FRAUD, WHISTLEBLOWING & COMPLAINTS**

- 12.1 The interim Monitoring Officer elaborated on the report and commented that the Committee had responsibility for monitoring the Combined Authority's anti-fraud, whistleblowing policy and the complaints process and for reviewing the Authority's corporate Governance arrangements,
- 12.2 The Internal Auditor noted that they had given the governance arrangements a fair assurance. The Interim Monitoring Officer explained that there had been a very recent case of attempted fraud which were under current investigation by Internal Audit and the Chief Finance Officer. It was noted that a discussion would be had with the HR department to ensure that all new people joining the Authority would be informed of the whistleblowing and anti-fraud policy.
- 12.3 The Chair asked that the Committee be advised how the Combined Authority communicated the Whistleblowing Policy to staff and encouraged its use.

### **RESOLVED:**

- 12.4 That the report be noted.
- 12.5 That the Committee would advise how the Combined Authority communicated the Whistleblowing Policy and encouraged its use.

## **13. MEDIUM TERM FINANCIAL PLAN & BUSINESS PLAN MID-YEAR UPDATE**

- 13.1 The Chief Finance Officer explained that the proposed mid-year update to the 2019/20 Budget and the 2019-2023 Medium Term Financial Plan had been approved by Board on the 25<sup>th</sup> September 2019. It was explained that the original 2019/20 Budget and MTFP for the Adult Education Budget (AEB) funding assumed that a full years grant of £12.1 million would be received but the annual actual grant due was £589.9K lower than expected due to fluctuations in education activity between the years.
- 13.2 Members were informed that there had been a staffing restructure and there had been a 24% reduction in costs from the structure report of June 2018, and that the total staffing costs were planned to be reduced further.

### **RESOLVED:**

- 13.3 That the following be noted:
  - (a) The proposed mid-year update to the 2019/20 Budget and the 2019-2023 Medium Term Financial Plan (MTFP)
  - (b) The mid-year update on the 2019-20 Business Plan

## **14. NATIONAL AUDIT OFFICE CONSULTATION ON CHANGES TO THE CODE OF AUDIT PRACTICE**

- 14.1 The Deputy S73 Officer and Chief Accountant elaborated on his report which reported that the Code of Practice was a key document setting out the principles

governing how local auditors in England meet their responsibilities when auditing local authorities. Members were informed that the National Audit Officer (NAO) had completed phase one of the Consultation on changes to the code.

- 14.2 The External Auditor (Ernst & Young) explained that they welcomed the approach and the summary of the proposed changes were discussed by the Committee. It was further explained that the revised Code would represent a fundamental change in the approach the Authority's auditors would take, the annual reporting to the Audit and Governance Committee would now take the form of two separate reports – with a greater emphasis on Value for Money.

**RESOLVED:**

- 14.3 That the proposed changes to the Code of Audit practice and the potential impact on reporting to the Committee for local audit work be noted.

**15 WORK PROGRAMME**

- 15.1 The Committee received a report and the draft Work Programme and calendar of working programme items for the year.
- 15.2 The Committee agreed to the following additions to the Work Programme:

The Committee to receive a report on 27 March 2020 reviewing the effectiveness of the proposed new governance arrangements.

The meeting concluded at: 12.24pm

### Audit and Governance Committee Action Sheet

Date	Action	Officer	Delegated officer	Completed
27 <sup>th</sup> Sept 2019				
	Chief Finance Officer to prepare a briefing note on the combined Authority's policy documents relating to the rules and regulations adhered to in the national policies, followed also by CIPFA.	Jon Alsop		Completed
	Transport Team be invited to a future meeting of the Committee to deliver a presentation on the accelerated delivery process including information on risk management.	Chris Twigg	P Raynes & R Potter invited to attend Sept meeting (22/07/2019)	Completed
	Annual Internal Audit Report would be considered at the next meeting	Emma Powley		Completed
	Statement report on Value for Money (VfM) to be considered, including 'benefit-cost-ratio')	Jon Alsop		Completed
	It was agreed that the HR Manager would attend a future meeting to brief the Committee on the work undertaken to address the concerns identified by Internal Audit.	Martin Jaynes		Completed
	Business Board Governance Arrangements – brief presentation from the MO (at the next Committee	Dermot Pearson		Completed

	pre-meet) to elaborate on the Committee's role in reviewing the Business Board			
	Chief Officer of Business Board to provide an update on the priorities and objectives of the Business Board.	John T Hill		Completed
	Performance report be produced	Paul Raynes		Completed
	Chief Executive circulate the draft statutory notice to the members of the Audit and Governance Committee prior to publication.	John Hill		Completed
	Chief Executive liaise with all affected constituent Councils and send a letter to government expressing their dissatisfaction with the auditor's performance and the impacts this has had on each Council.	John Hill		Completed
	Chair to write to the Partner leading the Ernst and Young Government and Public Sector Assurance team expressing the Committee's concern and seeking assurance that the situation would not be repeated	Chair		Completed
	Skills Set form to be resent to Members who have not yet completed it.	Katarina O'Dell		Completed
	Report on Fols, Fraud, Whistleblowing and Complaints be produced for review.	Monitoring Officer/Emma Powley		Completed
	The Committee agreed that a discussion would be had with the HR department to ensure that all new people joining the Authority would be informed of the whistleblowing and anti-fraud policy.	Martin Jaynes/Dermot Pearson		Completed. A discussion took place, new employees being advised that the CA has such policies and where

				to find them. Information to be posted on notice board in the office. The policy itself is due to being reviewed in January 2020.
	Information clarifying the roles of each of the joint CEO's be produced and circulated to members.	John Hill (CEO)		
	Timeline of the implementation of a significant project carried out be reported back with a proposed case study and time line.	John Hill		December 2019
	Treasury Management Strategy Update	Rob Emery		December 2019
	Explore options to track a measure of growth, including environmental factors, alongside GVA.	Roberta Fulton		
	The Committee queried whether there should be a risk specifically relating to climate change and environmental issues.			December 2019
	Protocols for agreeing changes to the Audit Plan and developing future plans would be included as part of the next report to Committee in December 2019.	Steve Crabtree/Jon Alsop		December 2019
	The Committee requested a report on 27 March 2020 reviewing the effectiveness of the proposed new governance arrangements.	Dermot Pearson		March 2020







<b>AUDIT AND GOVERNANCE COMMITTEE</b>	<b>AGENDA ITEM No: 4</b>
<b>16 DECEMBER 2019</b>	<b>PUBLIC REPORT</b>

## **ASSURANCE FRAMEWORK**

### **1.0 PURPOSE**

- 1.1. At their meetings on 25 November 2019 and 27 November 2019 the Business Board and the Combined Authority Board agreed a revised single Assurance Framework. This followed discussions with the Ministry of Housing, Communities & Local Government after the adoption of the previous version of the Assurance Framework by the Business Board and Combined Authority Board in May 2019. This report draws to the Committee's attention the revised Assurance Framework and the changes made to the previous version.
- 1.2. The Committee's terms of reference include the review and assessment of the Combined Authority's internal controls and the Assurance Framework is one of the key internal controls.

<b><u>DECISION REQUIRED</u></b>
<b>Lead Officer: Dermot Pearson, Interim Legal Counsel and Monitoring Officer</b>
The Audit and Governance Committee are recommended to:  (a) Note the revised Assurance Framework

### **2.0 BACKGROUND**

- 2.1. By adopting a single Assurance Framework the Combined Authority has a robust, singular framework that brings cohesion to the work of the Combined Authority, ensuring clarity, transparency and openness for Government, partners and members of the public around governance and compliance processes, and a singular approach to the decision-making processes of both the Business Board and Combined Authority Board.
- 2.2. In January 2019 the Ministry of Housing, Communities & Local Government [MHCLG] issued revised guidance on the National Local Growth Assurance Framework. This provided guidance to Local Enterprise Partnerships [LEPs]

and Mayoral Combined Authorities on the development of their own local Assurance Frameworks. The guidance seeks to provide a common framework of understanding of the assurance required for local growth funding and to offer guidance on what should be built into local Assurance Frameworks. In particular it explains how schemes should be appraised, monitored and evaluated to achieve value for money.

- 2.3. The guidance required LEPs and Mayoral Combined Authorities to update their local Assurance Frameworks. An updated Assurance Framework covering both the Business Board and the Combined Authority was adopted by both the Business Board and the Combined Authority Board in May 2019.
- 2.4. The revised Assurance Framework was submitted to MHCLG. After consultation with the Department for Transport [DfT], MHCLG required further amendments to the Assurance Framework and the revised Assurance Framework was adopted by the Business Board and the Combined Authority Board at their meetings on 25 November 2019 and 27 November 2019. This report brings the revised Assurance Framework to the attention of the Committee because it forms a key element of the internal controls which apply to the Business Board and to the Combined Authority Board.
- 2.5 The Assurance Framework, as amended to meet the requirements of MHCLG, forms the Appendix to this report. The amendments are in bold and relate to the following issues:
  - a) Clarification that where potential changes result in significant divergence from approved local assurance frameworks, adjustments must be agreed by MHCLG as set out in the National Local Growth Assurance Framework guidance. (1.1.6)
  - b) Clarification that the Combined Authority will act in a manner that is lawful, transparent, evidence based, consistent and proportionate (3.2.1)
  - c) Inclusion of paragraph on the role of the Mayor in allocating funding, especially the additional Investment Fund allocations. (3.2.10-11)
  - d) Paragraph expanded to explicitly explain how the Combined Authority will ensure rigour and data quality and projects are identified on need/opportunity and clear application of best practice. (3.4.9)
  - e) Inclusion of additional information on achieving best practice, (5.1) and section on ensuring value for money for transport projects (5.8)
  - f) Increased flexibility on Benefit Cost Ratios for transport schemes (5.1.1)
  - g) Further detail on value for money for transport schemes (5.8.2)
  - h) Additional detail regards the monitoring and evaluation agreed at inception of projects appropriate to the value and complexity (7.3.3)

### 3.0 FINANCIAL IMPLICATIONS

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

### 4.0 LEGAL IMPLICATIONS

- 4.1. The adoption of the Assurance Framework ensures that the Business Board and Combined Authority are compliant with the requirements of Government.

### 5.0 APPENDICES

- 5.1. Appendix – Revised Assurance Framework [November 2019]

<u>Source Documents</u>	<u>Location</u>
Report to Combined Authority Board on 27 November 2019	<a href="#">CA Board Report Nov 2019</a>
Revised National Local Growth Assurance Framework - Guidelines for Mayoral Combined Authorities with a Single Pot and Local Enterprise Partnerships	<a href="#">NLGAF Jan 2019</a>





**THE BUSINESS BOARD**

# **Cambridgeshire and Peterborough Combined Authority Assurance Framework**

**November 2019**

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**Document verification:**

<b>Created:</b>	<b>Reviewed by:</b>	<b>Approved by:</b>
March 2019	Chief Executive, S73 Officer and Directors	Business Board Combined Authority Board Audit and Governance Committee
May 2019	Chief Executive, S73 Officer and Directors	Business Board Combined Authority Board

November 2019	Chief Executive, S73 Officer and Directors	Business Board Combined Authority Board

<b>Version number:</b>	<b>3</b>
<b>File location:</b>	Internal folder



# 1. Purpose of the Assurance Framework

## 1.1 Purpose

### 1.1.1. 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. This culture is developed and underpinned by processes, practices and procedures.
- (b) The respective roles and responsibilities of the Combined Authority, the Local Enterprise Partnership and the Section 73 Officer, in decision-making and ways of working is set out in the terms of reference of the Business Board and forms part of the Combined Authority and the Local Enterprise Partnership constitutions.
- (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.

### 1.1.2. The Assurance Framework sits alongside a number of other Cambridgeshire and Peterborough Combined Authority documents including:

- the Constitution of the Mayoral Combined Authority;  
<http://cambridgeshirepeterborough-ca.gov.uk/assets/Uploads/Final-Constitution-Sept18.pdf>
- the Constitution of the Business Board (Local Enterprise Partnership);  
<http://cambridgeshirepeterborough-ca.gov.uk/assets/Uploads/Business-Board-Constitution-24-09-18-final.pdf>
- Cambridgeshire and Peterborough Devolution Deal  
<http://cambridgeshirepeterborough-ca.gov.uk/home/devolution/>
- the Cambridgeshire and Peterborough Independent Economic Review (CPIER); [www.cpier.org.uk](http://www.cpier.org.uk)
- Local Industrial Strategy;  
<https://cambridgeshirepeterborough-ca.gov.uk/business-board/strategies/>
- the Mayor's growth ambition statement;  
<http://cambridgeshirepeterborough-ca.gov.uk/assets/Uploads/GROWTH-AMBITION-STATEMENT-.pdf>
- the Cambridgeshire and Peterborough Business Plan 2019-2020;

<http://cambridgeshirepeterborough-ca.gov.uk/assets/Uploads/CPCA-Business-Plan-2019-20-dps.pdf>

- the Monitoring and Evaluation Framework;  
<http://cambridgeshirepeterborough-ca.gov.uk/assets/Uploads/ME-Framework-Mar-2019.pdf>
- the Combined Authority Medium-Term Financial Plan 2019-2023.  
<http://cambridgeshirepeterborough-ca.gov.uk/assets/Uploads/2019-20-Budget-and-Medium-Term-Financial-Plan-2019-2023-FINAL.pdf>

1.1.3. All these documents can be found on the Combined Authority and Business Board websites under

<http://cambridgeshirepeterborough-ca.gov.uk/about-us>

<http://cambridgeshirepeterborough-ca.gov.uk/business-board/governance/>

1.1.4. This Assurance Framework replaces the last published Assurance Framework and takes on board the national guidance published by the Ministry of Housing, Communities and Local Government for National Local Growth Assurance Framework (January 2019).

1.1.5. The Assurance Framework covers all funds within the Cambridgeshire and Peterborough Medium Term Financial Plan, incorporating the Single Pot under the Cambridgeshire and Peterborough Devolution Deal agreed with government, and funds added to the Single Pot since the Devolution Deal, together with other sources of income such as Enterprise Zone business rates and loan repayments.

1.1.6. The Assurance Framework will be reviewed on an annual basis with any revisions in place for April of the following year. Any agreed changes that require amendments to the Combined Authority Constitution will be agreed at the Combined Authority AGM in May each year. The next annual review of this document will take place in December 2019. **Where potential changes result in significant divergence from the approved local assurance frameworks, adjustments must be agreed by Ministry of Housing, Communities and Local Government for Communities and Local Government (MHCLG) as set out in the National Local Growth Assurance Framework guidance.**

1.1.7. The review will examine whether the assurance processes are operating effectively and identify any areas of improvement. Any changes to legal, funding, or other contextual changes that might require a change of assurance process will be taken into account, along with the impact on any other Combined Authority key strategies, policies or processes.

1.1.8. The remainder of this document is structured around the following sections:

- **Section 2** describes the Cambridgeshire and Peterborough CPIER and the Mayor's growth ambition statement, our One Year Business Plan 2019-2020 and clarifies the content of Cambridgeshire and Peterborough Medium Term Financial Plan and the role of the Assurance Framework.
- **Section 3** describes the accountability and transparent decision-making processes and practices that we operate and the roles and responsibilities within it.
- **Section 4** describes the supporting policies and procedures.

- **Section 5** describes how we make robust and evidenced decisions.
- **Section 6** explains the processes once programmes and projects are in the delivery phase.
- **Section 7** explains how we will measure the success of our investments, realise the benefits of that investment and feed the evaluation outcomes back into the investment planning, and strategy and policy development processes.

## 2. Cambridgeshire and Peterborough Independent Economic Review, Mayor's Growth Ambition Statement and Business Plan 2019-2020

### 2.1 Cambridgeshire and Peterborough Growth Ambition Statement and Local Industrial Strategy

- 2.1.1 The Cambridgeshire and Peterborough Mayor's Growth Ambition Statement sets out the area's priorities for achieving ambitious levels of inclusive growth and meeting the commitments of the Devolution Deal. The Statement has been adopted by the Combined Authority Board (November 2018) and is based upon the significant work of the Cambridgeshire and Peterborough Independent Economic Review (CPIER).
- 2.1.2 The CPIER was commissioned by the Combined Authority and other local partners to provide a world-class evidence base, alongside independent and expert analysis, to inform future strategies and investment. It was also informed by two rounds of open public consultation. The CPIER is publicly available at [www.cpier.org.uk](http://www.cpier.org.uk).
- 2.1.3 The [Local Industrial Strategy](#) sets out the economic strategy for Cambridgeshire and Peterborough, taking a lead role in implementing the business growth, productivity, and skills elements of the Growth Ambition Statement as set out below:



- 2.1.4 The Local Industrial Strategy is focussed around the five foundations of productivity established in the UK Industrial Strategy 2018, namely:

- People
- Ideas
- Business Environment
- Infrastructure
- Place

- 2.1.5 It is a core principle of the Local Industrial Strategy that the fifth foundation of

place reflects the findings of the CPIER. In this area there will be economic strategies which respond to the three sub-economies identified in the region.

- Greater Cambridge
- Greater Peterborough
- The Fens

2.1.6 Investments will only be made if they can demonstrate that they will support the delivery of the Growth Ambition Statement and the Local Industrial Strategy, and the more detailed place and sector strategies (where they are in place).

## **2.2 Cambridgeshire and Peterborough Business Plan 2019-2020**

2.2.1 With the creation of the Combined Authority in 2017 and the Mayoral election in May 2017, the Devolution Deal with Government provides for the transfer of significant powers for transport, housing, skills and investment. Through the deal, the Combined Authority has the power to create investment, bringing together funding for devolved powers to be used to deliver a 30-year programme of transformational investment in the region. This includes the control of a new £20m a year funding allocation over 30 years. The initial Cambridgeshire and Peterborough Combined Authority Business Plan was agreed in March 2018 and set out the investment priorities for the period to 2020.

2.2.2 The Combined Authority has been developing its detailed strategies for key areas of activity including:

- Housing Strategy
- Local Industrial Strategy
- Local Transport Plan
- Non-statutory spatial plan

2.2.3 The Combined Authority has 12 priority programmes based upon the CPIER objectives and the strategies highlighted above. These 12 priority programmes are reflected in the Business Plan. On 30<sup>th</sup> January 2019 the Cambridgeshire and Peterborough Combined Authority Board approved a four-year Medium-Term Financial Plan that forms the investment plan for the Combined Authority. This allocates resources to deliver the next stages of these priority programmes.

2.2.4 This Business Plan and the Medium-Term Financial Plan sets out at a high level the transformational investments that the Cambridgeshire and Peterborough Combined Authority will commit resources to, subject to the detailed consideration and appraisal of project business cases. Some are project ideas at an early stage and might not be feasible, others are further advanced. 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 period, but it identifies the key activities that are transformational and 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 unlock transformational anchor projects that will have a significant impact on

growing the whole Cambridgeshire and Peterborough economy.

- 2.2.5 The Combined Authority has a Programme Management regime that reviews the status and performance of projects within the Business Plan. This is reported to the Directors once a month, and to the Cambridgeshire and Peterborough Combined Authority Board quarterly.

## **2.3 Cambridgeshire and Peterborough Financial Strategy**

- 2.3.1 As part of the devolution deal, the Combined Authority has responsibility for a 'Single Pot' of funding, including:

- Gainshare (the devolution deal £20m pa for 30 years).
- Housing Capital Grant (£170m over five years).
- Local Growth Fund (LGF).
- Transforming Cities Fund (TCF) (£94.5m over six years).
- Adult Education Budget (AEB).

- 2.3.2 However, the Combined Authority also has other sources of income, including Enterprise Zone business rates and investment income. The long-term security of the gainshare funds and other income and the devolution deal powers for the Combined Authority means that it is able to borrow against future funds, to enable us to deliver transformational activity sooner rather than delivering smaller scale and less impactful activities based on a smaller annual allocation. This area of activity is incorporated into a Treasury Management Strategy that is overseen by Audit and Governance Committee. Borrowing is not factored into the current four-year plan, but this may change as the feasibility work identified firms up project delivery programmes.

- 2.3.3 The Combined Authority does not distinguish between the different sources of funding for the purpose of investment planning, other than recognising that some sources of funding are restricted in what they can be used for. All funds are within the Cambridgeshire and Peterborough Medium Term Financial Plan not just the funds provided through the devolution deal and are covered within this Assurance Framework.

- 2.3.4 The Combined Authority recognises that the monitoring requirements for different sources of funding will differ and needs to meet the requirements of the funding body. However, the Combined Authority applies the Assurance Framework consistently across all funds within the Plan. The Assurance Framework clearly identifies the processes for securing funds for investment in Cambridgeshire and Peterborough and the requirements placed on delivery partners once their projects have been approved.

- 2.3.5 This means that any organisation seeking funding from the Combined Authority does not need to concern itself with the source of the funding and different rules and processes that will apply. These will be identified in the funding agreement/contract with the delivery partner.

## 3. Accountability and Transparent Decision Making

### 3.1 Roles and Responsibilities

- 3.1.1 Members of the Combined Authority are expected to act in the interests of the Cambridgeshire and Peterborough area, as a whole, when making investment decisions. A variety of controls are in place to ensure that decisions are appropriate and free from bias or perception of bias. Further details are provided in the following sections.

### 3.2 Cambridgeshire and Peterborough Combined Authority

- 3.2.1 The Combined Authority was established to further the sustainable and inclusive growth of the economy of Cambridgeshire and Peterborough. As a statutory local authority our governance, decision-making and financial arrangements are in line with local authority requirements and standard checks and balances. **The Combined Authority will act in a manner that is lawful, transparent, evidence based, consistent and proportionate.**
- 3.2.2 The Combined Authority was established in 2017 with the Mayoral election held in May 2017.
- 3.2.3 For the purposes of this document all references to the Combined Authority apply to the Cambridgeshire and Peterborough Local Enterprise Partnership (known as the Business Board) unless explicitly referred to separately.
- 3.2.4 The Combined Authority therefore incorporates the role and responsibilities of the Business Board and the roles defined in the devolution deal and the administration of the Adult Education Budget.
- 3.2.5 The Combined Authority is its own accountable body for funding received from Government through the devolution deal and provides the accountable body role for the Business Board and the Greater South East Local Energy Hub and employs the officers that support them.

#### Combined Authority Membership

- 3.2.6 The Combined Authority membership is as follows: Mayor (Chair) - voting
- Leaders of the seven constituent local authorities:
- Cambridge City Council - voting
  - Cambridgeshire County Council - voting
  - East Cambridgeshire District Council - voting
  - Fenland District Council - voting
  - Huntingdonshire District Council - voting
  - Peterborough City Council - voting
  - South Cambridgeshire District Council - voting
  - Local Enterprise Partnership Chair - voting
  - The Police and Crime Commissioner for Cambridgeshire - non-voting
  - Cambridgeshire and Peterborough Fire Authority representative - non-voting

- Clinical Commissioning Group representative - non-voting

### **Role of the Mayor**

- 3.2.7 The Constitution provides for a directly elected Mayor of Cambridgeshire and Peterborough, required by government as a precondition for meaningful devolution, and who is the chair of the Combined Authority. The Mayoral arrangements will only gain the confidence of the electorate if they secure support from across our diverse communities, meet the highest standards of democratic accountability and are subject to robust checks and balances.
- 3.2.8 The Mayor chairs the Combined Authority Board which is made up of the leaders of the seven constituent authorities and the Chair of the Business Board, who together form the Combined Authority's decision-making body (voting members of Board), together with other non-voting partners set out above.
- 3.2.9 The Constitution sets out arrangements to ensure the effective conduct of the Combined Authority's business in this spirit of collaboration, mutual respect and transparency. All members strive to work on the basis of consensus, taking decisions through agreement.
- 3.2.10 **The Mayor has a lead role in allocating gain share funding. Mayor's Growth Ambition Statement sets out the area's priorities for achieving ambitious levels of inclusive growth and meeting the commitments of the Devolution Deal. These priorities also form the basis of the Business Plan and the Medium Term Financial Plan. The Mayor also produces his own budget each year which ensures he has appropriate support and advice on delivering the Devolution Deal commitments.**
- 3.2.11 **The Mayor has general powers as set out in Chapter 3 of the Constitution, including the power to pay a grant to Cambridgeshire County Council and Peterborough City Council to meet expenditure incurred by them as highways authorities**
- 3.2.12 The Mayor's term of office is for four years with the next election in May 2021.

### **Role of the Local Authority Leaders**

- 3.2.13 Leadership of the Combined Authority is driven by the Mayor and the local authority leaders. The local authority leaders represent the views of their constituent authorities at the Combined Authority Board whilst putting the needs and opportunities of Cambridgeshire and Peterborough at the forefront of all decisions. In addition, they may take a portfolio lead covering the growth themes within the CPIER and the Mayor's growth ambition statement and the Cambridgeshire and Peterborough Investment Plan. These portfolio lead roles are reviewed annually and are confirmed at the Combined Authority AGM.

## **3.3 Business Board (LEP)**

- 3.3.1 Local Enterprise Partnerships (LEPs) are private sector led voluntary partnerships between local authorities and businesses set up in 2010 by the Department of Business Innovation and Skills to help determine local economic priorities and lead economic growth and job creation within the local area.
- 3.3.2 The Business Board is a non-statutory body which is the Local Enterprise Partnership for this area. It is independent of the Cambridgeshire & Peterborough



Combined Authority (CPCA) operating as a private-public sector partnership, focusing on the key business sectors to provide strategic leadership and drive growth in the Cambridgeshire and Peterborough and wider Local Enterprise area.

- 3.3.3 The Business Board is committed to transparent and accountable decision-making processes. By bringing together the Business Board and the Combined Authority we combine the best of private sector expertise and public sector knowledge, transparency and accountability.
- 3.3.4 Cambridgeshire and Peterborough has three functioning economic areas. The Business Board was established on 1<sup>st</sup> April 2018, taking over from the former Greater Cambridge Greater Peterborough Local Enterprise Partnership, to drive forward economic growth across its local area. The Business Board is now responsible for all former Local Enterprise Partnership projects and programmes. A joint statement setting out the respective roles of the Business Board and the Cambridgeshire and Peterborough Combined Authority is shown in Appendix 1.
- 3.3.5 The Business Board currently covers 15 local authorities; however, the current geographical area is under review. The Department for Business Enterprise and Industry are considering proposals for a coterminous boundary with the Cambridgeshire and Peterborough Combined Authority. The authorities that are current members are as below:

<b>District</b>	<b>Areas</b>	<b>Council</b>
Cambridgeshire		Cambridgeshire County Council
Cambridge		Cambridge City Council
East Cambridgeshire	Ely, Littleport and Soham	East Cambs District Council
Fenland	Wisbech, March, Whittlesey & Chatteris	Fenland District Council
Huntingdonshire	Huntingdon, St Ives & St Neots	Huntingdonshire District Council
South Cambridgeshire	Cambourne	South Cambs District Council
Peterborough		Peterborough City Council
North Hertfordshire	Royston	North Hertfordshire District Council
South Kesteven (Lincs)	Grantham, Stamford, Bourne and Market Deeping	South Kesteven District Council
Rutland	Oakham	Rutland County Council
West Suffolk	Bury St Edmunds, Haverhill, Newmarket and Mildenhall	West Suffolk Council
Uttlesford (Essex)	Saffron Walden, Great Dunmow, Stansted, Mountfitchet and Thaxted	Uttlesford District Council
West Norfolk & King's Lynn	King's Lynn, Downham Market and Hunstanton	BC of King's Lynn and West Norfolk

South Holland (Lincs)	Spalding, Crowland, Donington, Holbeach, Long Sutton and Sutton Bridge	South Holland District Council
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3.3.6 The Business Board's current area is set out below. The red line denotes the area covered by the Cambridgeshire and Peterborough Combined Authority:



- 3.3.7 The Business Board is the principal forum for collaboration between the public and private sectors, for improving the economy of Cambridgeshire and Peterborough. In 2014, the Government announced the first wave of Growth Deals, making investment via its Local Growth Fund. To date, the Business Board (via the former Local Enterprise Partnership) has been awarded £146m via three rounds of Growth Deal funding allocations.
- 3.3.8 In April 2016, the Government reviewed Growth Deal Assurance Frameworks in the context of new Devolution Deals and issued Single Pot Assurance Framework Guidance for devolved areas. In July 2016, Cambridgeshire and Peterborough secured a Devolution Deal and began work to set up a new Combined Authority. Therefore, this new Guidance came into effect for the Business Board area from that date. In November 2016, the Government issued revised national guidance for Local Enterprise Partnership Assurance Frameworks. The Cambridgeshire and Peterborough Combined Authority was formally established on 2 March 2017.
- 3.3.9 The Cambridgeshire and Peterborough Combined Authority acts as the Business Board's Accountable Body to undertake the public funding accountability responsibilities for administering funds and must also review and approve this Framework.
- 3.3.10 The Business Board provides leadership in the arena of economic growth across its area. Comprising business leaders from key industry sectors, it provides expert knowledge and insight into economic growth-related activities in its area and leads the development of the Industrial Strategy.

- 3.3.11 The Business Board is building on the strength of its existing partnership with neighbouring Local Enterprise Partners by collaborating on common issues and is currently leading on multi Local Enterprise Partnership programmes on Energy and Agri-Tech. It will continue to work collaboratively across the wider region and also envisages working more closely with other Local Enterprise Partners that are outside the current Local Enterprise Partnership area potentially through new collaborations and funding agreements.
- 3.3.12 The Business Board comprises a blend of industry leading experts from the private sector, alongside representatives from the public sector and education communities. It is chaired by a private sector representative and brings together some of the brightest entrepreneurial minds in our area.
- 3.3.13 The Chair and Vice Chair of the Business Board are private sector representatives. The Chair will lead on building the reputation and influence of the area at a national and international level and chairs Business Board meetings. The Chair is also a voting member of the Cambridgeshire and Peterborough Combined Authority Board. The Vice Chair will be available to deputise for the Chair as required.
- 3.3.14 The Business Board has a designated a small business (SME) representative, who will lead the engagement with small businesses across the area and represents their views at Board level. Given the makeup of the local business community, this is a vital role on the Board.
- 3.3.15 All of the Board Members operate in an open and transparent manner and conduct themselves in accordance with 'The Seven Principles of Public Life' otherwise known as the Nolan Principles, and the Business Board's Code of Conduct.
- 3.3.16 The Business Board is committed to diversity and has a Diversity Statement in place to help guide Board appointment decisions.
- 3.3.17 The Business Board's Executive Team is provided via the Cambridgeshire and Peterborough Combined Authority officer structure, who operate as a single team for the Combined Authority and the Business Board. This includes an experienced Chief Executive, S73 Officer, Monitoring Officer, Directors, Programmes Managers, Assurance Manager and others to ensure that the organisation is run in a proactive, impact driven and fully compliant manner.
- 3.3.18 The other public and private sector members of the Local Enterprise Partnership support the Combined Authority's work by:
- Supporting and offering advice to the Combined Authority on their responsibilities.
  - Championing and promoting specific initiatives from the perspective of business.
  - Influencing the development of the Combined Authority's strategies and policies, including as lead organisation for the development of the Local Industrial Strategy at the invitation of the Combined Authority.

- Representing the Cambridgeshire and Peterborough nationally and internationally.
- Ensuring a strong business influence over decision-making.
- Supporting the development and delivery of the CPIER and the Mayor's growth ambition statement.

3.3.19 Cambridgeshire and Peterborough are an active member of the national Local Enterprise Partnership Network and will continue to be so. This includes participation in both Local Enterprise Partnership Chair and officer level meetings.

3.3.20 **Enterprise Zones:** The Business Board retains strategic oversight and governance of the Enterprise Zones, and delegates programme delivery to the Alconbury Weald Enterprise Zone Programme Board and Project Boards for Cambridge Compass Enterprise Zones. These Boards will drive forward the regeneration and economic growth opportunities of Enterprise Zone sites and will be responsible for reporting to both the Business Board and Combined Authority Board as the accountable body.

3.3.20 These Enterprise Zone Boards comprise of Combined Authority officers, Local Authority representatives and key stakeholders. Each is responsible for delivering the programmes and projects associated with the regeneration and development of the Enterprise Zone site.

3.3.21 **The Eastern Agri-Tech Growth Initiative & Agri-Tech Programme Board:** The Eastern Agri-Tech Growth Initiative is overseen by the Eastern Agri-Tech Programme Board. Membership of the Programme Board includes experts with experience and knowledge of agriculture and the food industry, including research, farming and food processing.

3.3.22 The Programme Board's main task is to consider and make decisions on applications for grant support. All applications are initially appraised by external independent assessors and follow the process that was previously agreed. Copies of the Eastern Agri-Tech Growth Initiative Guidance Notes and Pre-Qualification Questionnaire (the simple eligibility form) can be found on the Combined Authority and Business Board website using the following link:

<http://cambridgeshirepeterborough-ca.gov.uk/business-board/eastern-agri-tech-growth-initiative/>

The Eastern Agri-Tech Growth Initiative has its own monitoring and evaluation arrangements but these do link to the Combined Authority monitoring and evaluation framework.

3.3.23 Agri-Tech is one of our strategic growth sectors identified by the CPIER; our ambition is to use the Local Industrial Strategy to step up our programme to ensure we are the "go to" UK centre for Agri-Tech. Agri-Tech also features within our Skills Strategy.

3.3.24 It was recommended by the Business Board and agreed by the Combined Authority Board at their respective meetings in November 2018 that the Eastern Agri-Tech Programme Board should continue to take decisions about applications for grant funding on behalf of both the Combined Authority and NALEP (both organisations are represented on the Programme Board); that the Programme

Board became a sub-Board of the Business Board and that a member of the Business Board (nominated by the Business Board) became the Chair of the Programme Board. This would strengthen existing governance arrangements and provide continuity between the two Boards. The agenda and decisions of the Programme Board would be published on the Combined Authority/Business Board web site (with names of individuals redacted) in accordance with the transparency arrangements set out in the Business Board constitution. This will ensure that the operation of the Agri-Tech programme is consistent with the Assurance Framework for the Business Board and Combined Authority. The Cambridgeshire and Peterborough Combined Authority is the Accountable Body for the Eastern Agri-Tech Growth Initiative.

The Programme Board's Secretariat is provided by the Cambridgeshire and Peterborough Combined Authority's Agri-Tech Project Officer, who is a very experienced programme manager and ensures that the Programme Board operates effectively, that its decisions are sound and that the Eastern Agri-Tech Growth Initiative is successful and delivers meaningful outcomes.

- 3.3.25 The Terms of Reference (TOR) for the Eastern Agri-Tech Programme Board have been agreed and appear on the Combined Authority/Business Board web site. The TOR can be seen CA/Business Board website using the following link:

<http://cambridgeshirepeterborough-ca.gov.uk/business-board/eastern-agri-tech-growth-initiative/>

- 3.3.26 **The Greater South East Energy Hub & Energy Hub Board:** The Energy Hub is funded by the Department for Business, Energy & Industrial Strategy (BEIS) and overseen by the Hub Board. Membership of the Hub Board includes an officer representative from each of the eleven Local Enterprise Partnerships served by the Hub.

- 3.3.27 The Hub Board is the strategic body responsible for taking decisions on Energy Hub business and programme activity. The Hub Board's main task is to approve the allocation and leverage of funds for the Local Energy Capacity Support Programme. The Hub Board are responsible for oversight of the Rural Community Energy Fund (RCEF) Funding Panel, a Hub Board subordinate body that makes decisions on grant applications. All applications are initially appraised by external independent assessors and follow the process agreed with BEIS. Copies of the RCEF guidance notes and Expression of Interest form can be found on the RCEF website using the following link:

<http://cambridgeshirepeterborough-ca.gov.uk/business-board/energy-hub/>

The Energy Hub has its own project assessment frameworks, monitoring and evaluation arrangements but these do link to the Combined Authority monitoring and evaluation framework.

- 3.3.28 Clean growth is one of the Grand Challenges in the Industrial Strategy. The transition to local low carbon energy is set out in the Local Energy East Strategy and the CPIER recognises the need for a roadmap to decentralised smart energy systems.
- 3.3.29 The Business Board and the Cambridgeshire and Peterborough Combined Authority Board have agreed that the Combined Authority would be the

Accountable Body for the Energy Hub and that the Energy Hub would assume the RCEF management role and administer the Fund. They also agreed the Hub Board terms of reference recognising it as a decision-making body for the Hub.

- 3.3.30 The agenda and decisions of the Hub Board will be published on the Combined Authority/Hub Board web site (with names of individuals redacted). This will ensure that the operation of the Energy Hub is consistent with the Assurance Framework for the Business Board and Combined Authority. The Cambridgeshire and Peterborough Combined Authority Board is the Accountable Body for the Energy Hub Initiative.
- 3.3.31 The Programme Board's Secretariat is provided by the Cambridgeshire and Peterborough Combined Authority's Regional Energy Hub Manager, who ensures that the Hub Board operates effectively, that its decisions are sound and that the Greater South East Energy Hub is successful and delivers meaningful outcomes.
- 3.3.32 The Terms of Reference (TOR) for the Hub Board have been agreed and appear on the Combined Authority/Energy Hub web site. The TOR can be seen Combined Authority/Energy Hub website using the following link:

<http://cambridgeshirepeterborough-ca.gov.uk/business-board/energy-hub/>

### **Membership of the Business Board**

- 3.3.33 The Business Board has been reviewing its membership in response to the national Local Enterprise Partnership review (Mary Ney, 2017) and government's response "Strengthened Local Enterprise Partnerships" (July 2018). The current membership (September 2018) comprises of fourteen members, which includes two public sector members and up to twelve business representatives as follows:
- The Mayor and the Portfolio for Economic Growth of the Cambridgeshire and Peterborough Combined Authority shall be non-voting members of the Business Board by virtue of their office. Thus ensuring close working relationship between the Combined Authority and the Business Board.
  - Twelve private sector members appointed from amongst the key sectors across the Cambridgeshire and Peterborough area.
  - One of the twelve private sector members is appointed specifically to represent the interests of the Small and Medium Sized Enterprises (SME) sector, one member represents the education sector and one member is appointed as an international business representative.
- 3.3.34 The Business Board membership meets the requirements for two thirds of the members to be private sector representatives and does not exceed the maximum of 20 members.<sup>1</sup>
- 3.3.35 Whilst all appointments to the Business Board have been made on merit, in accordance with Government requirements the Business Board will aim to improve the gender balance and representation of those with protected characteristics on its board with the following aims:

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<sup>1</sup> Strengthening Local Enterprise Partnerships, MHC&LG, July 2018

- That women make up at least one third of Business Board by 2020.
  - With an expectation for equal representation by 2023.
  - Ensure its Board is representative of the businesses and communities they serve.<sup>2</sup>
- 3.3.36 The Business Board will regularly review its agenda balance on the Business Board and any committees.
- 3.3.37 The Business Board Constitution sets out its role, the principles of membership and the terms of office.
- The term of office for **private sector representatives** will normally be a maximum of three years, and subject to a maximum of one consecutive term.
  - The term of office of **public sector** members appointed by the Combined Authority is at their discretion; the Mayor is a member by virtue of his office.
- 3.3.38 The Business Board may appoint **up to five** co-opted members as necessary to complement the skills and expertise on the Board or to meet gender balance and protected characteristic requirements. Membership may not exceed 20 members and up to five co-opted members.
- 3.3.39 Private sector members all have expertise and knowledge of our key sectors. These details together with their biographies are published on the Business Board website. This will include a designated SME representative.

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

- 3.3.40 The Constitution requires that the Chair and Vice-Chair must be the private sector representatives of the Board.
- 3.3.41 The terms of office of the Chair will be for two (2) years with one consecutive term permitted upon unanimous vote of the Board members present and voting.
- 3.3.42 The Chair is a voting member of the Cambridgeshire and Peterborough Combined Authority Board.
- 3.3.43 “Strengthened Local Enterprise Partnerships” stipulated a maximum membership of 20 members with 2/3<sup>rd</sup>s from the private sector and to aim to have a 50/50 gender balance by 2023. The Business Board aims to have a 50/50 gender balance by 2020 through the advertisement and appointment of new private sector members to sit on the Board and the appointment of co-opted membership. A recruitment campaign will be undertaken in 2019 for three new members to ensure gender balance and to ensure all members’ term of office does not end at the same time thus ensuring succession planning.
- 3.3.44 Following the revised Assurance Framework Guidance (January 2019), Higher Education and Further Education will represent the private sector on the Local Enterprise Partnership.
- 3.3.45 The Business Board Constitution states that private sector members including the

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<sup>2</sup> Strengthening Local Enterprise Partnerships, MHC&LG, July 2018



Chair shall be appointed following an open, transparent and non-discriminatory recruitment process which assesses each candidate on merit carried out in accordance with its diversity statement, Government Guidance and the Nolan Principles. This will include a public advertisement and an interview process conducted by the Business Board's appointments panel. The Business Board will consult widely and transparently with the business community before appointing a new Chair. When vacancies become available for private sector Local Enterprise Partnership members, they will be advertised on the Combined Authority website. In addition, social media will be used to raise awareness of the opportunities, particularly among under-represented groups. A recruitment panel (including the Cambridgeshire and Peterborough Mayor and Local Enterprise Partnership Chair) assesses applications received and makes a recommendation to the Combined Authority Board for approval of appointments.

3.3.46 All Local Enterprise Partnership members (public and private) are expected to conduct themselves in accordance with the seven principles of public life. This is set out under the Code of Conduct detailed in the Combined Authority Constitution and provided to all new Local Enterprise Partnership members in their induction information. All members sign up to the code of conduct and the Nolan principles. As stated in its constitution, all Business Board and sub-committee and sub-group members will make decisions on merit having taken into account all the relevant information available at the time.

3.3.47 New members receive an initial induction, and this is being enhanced during 2019.

### **Wider Business and Public Engagement**

3.3.48 The Combined Authority and Business Board recognise that the private sector members cannot represent the views of all business in the Cambridgeshire and Peterborough area. Therefore, a variety of engagement mechanisms are utilised to ensure that the broader business community has the ability to influence strategy and policy development, our investment priorities and to be actively engaged in the delivery of some of our activities, particularly around supporting careers development with schools. This includes, through the business networks and groupings that officers of the executive engage with, as a part of their activity, as well as specific engagement sessions – such as business roundtables to inform strategy and policy development.

3.3.49 Strategy and policy documents are developed through engagement with partners and key stakeholders and are subject to consultation. Each consultation will vary depending on the topic but will meet any statutory requirements. However, drafts are formally considered in public at the Combined Authority Board with papers published in advance of the meeting.

3.3.50 Evidence of effective public engagement includes the work on the CPIER and Local Industrial Strategy referred to in section 2. A review of engagement activity and impact will be undertaken annually as part of the annual delivery plan from 2020. The annual delivery plan will be published on the website

### **Secretariat Arrangements**

3.3.51 In accordance with Government requirement to have an independent secretariat to support the Chair and Board, the Director of Business and Skills is the chief

officer appointed to support the Business Board. The Director is supported by a S73 Chief Finance Officer and Monitoring Officer appointed separately to those officers who support the Combined Authority Board.

### **Local Area Agreement**

- 3.3.52 In accordance with Government requirements for mayoral areas there is a requirement for a Local Agreement between the Business Board and the Cambridgeshire and Peterborough Combined Authority and the Accountable Body setting out the responsibilities of the Chair, Board and Accountable Body. The Accountable Body agreement is embedded in the Business Board's terms of reference and constitution.

## **3.4 Decision Making for the Cambridgeshire and Peterborough Investment**

- 3.4.1 Cambridgeshire and Peterborough Combined Authority is its own Accountable Body for all funds received by Government and is the Accountable Body for the Business Board.
- 3.4.2 The Cambridgeshire and Peterborough Combined Authority and the Business Board Constitution sets out the basis of how decisions will be taken within our Combined Authority, in keeping with principles of democracy and transparency and with effective and efficient decision-making. The Constitution takes on board the changes relating to the Business Board, as a result of the national Local Enterprise Partnership review.
- 3.4.3 In summary, the decision-making process and governance for Cambridgeshire and Peterborough as set out in the Cambridgeshire and Peterborough Business Plan is as follows:
- 3.4.4 Investment decisions using public funds will be made with reference to statutory requirements, conditions of the funding, local transport objectives and through formal LEP involvement. The Monitoring Officer and S73 review all proposed funding decision and their comments are included in all public or delegated power reports.

### ***CPIER and the Mayor's growth ambition statementing and Investment Planning***

- 3.4.5 The Combined Authority Board provides the overall strategic direction for economic growth in Cambridgeshire and Peterborough, approving the CPIER and the Mayor's growth ambition statement and associated thematic strategies and plans.
- 3.4.6 The Combined Authority Board sets out the investment priorities for Cambridgeshire and Peterborough through the Medium-Term Financial Plan and the Business Plan. This includes named prioritised projects which are allocated against either revenue or capital funds. All projects, revenue or capital, are identified in the current year of the Business Plan and the Medium-Term Financial Plan.

### **Decision process for Business Board and Combined Authority Board projects**

- 3.4.7 For new programmes/projects, the detailed consideration of whether the programme/project represents value for money, has realistic delivery timescales and processes, will deliver the outputs and outcomes that we require etc is undertaken through the development of a Project Initiation Document and Business Case.
- 3.4.8 Work from the Department for Transport Early Assessment and Sifting Tool ('EAST') has created a benchmark and guidance that has been built into the Project initiation Document and Business Case templates, to which all projects must adhere to. This forms the evidential basis on which the need for intervention is based and will help ensure programmes and projects are identified based on need and opportunity.
- 3.4.9 A Project Initiation Document is used to identify the expected expenditure, timescales for delivery and proposed outcomes, and to enable more informed financial and output profiling in line with the Medium-Term Financial Plan. This is an internal project management document and will be prepared by the Project Manager
- 3.4.10 This document provides a first view of how, what and when the project will deliver against the Mayor's Growth Ambition Statement, the Local Industrial Strategy and the 2019/20 Business Plan. This Project Initiation Document will include detail such as:
- The identified Project Manager.
  - Project description including objectives and overview.
  - Timescales (high level).
  - Project outputs and outcomes against the CPIER and the Mayor's growth ambition statement.
  - Cost of project (high level), and initial funding required.
- 3.4.11 Project Initiation Documents are appraised and approved during the Combined Authority weekly Director meetings. Following approval, the Project Manager can then arrange for the Business Case to be developed, adapting HM Treasury's Five Case Model.
- 3.4.12 Business cases should be initially appraised and approved at the weekly Combined Authority Director Meetings. In considering the appraisal recommendations (including any conditions) on business cases the following supporting information will be provided to the Directors meeting:
- The business case.
  - The completed appraisal documents.
- 3.4.13 Once approved at the Director meetings, the Business Case will then require final approval to commence to project delivery. This may be via the monthly Combined Authority Board cycle or by Combined Authority Officers. Approval requirements are set out in the Scheme of Delegations.
- 3.4.14 In addition, projects with political sensitivities or a variation to an original Board approval are required to go to Combined Authority Board for approval, even

when the Chief Executive has delegated authority to sign off.

### **Decision process for Business Board**

- 3.4.15 The Business Board will review the Business Case for Business Board funded projects and make recommendations to the Combined Authority Board, as Accountable Body, to approve the funding.
- 3.4.16 In order to ensure that the Business Board is able to progress its business in an efficient manner, the Business Board has an urgency decision making procedure which is set out in its constitution. Decisions and actions taken will be retrospectively reported to the next meeting of the Business Board
- 3.4.17 In addition to the delegations in the Combined Authority Constitution, the Business Board and Combined Authority Board has delegated limited authority to the Director of Business and Skills to approve small grants to SMEs between £2,000 and £20,000 subject to Section 73 Officer approval, and regular reporting to the Business Board;
- 3.4.18 Business cases approved at the Business Board and Combined Authority Board are published on the Combined Authority website, as part of the monthly Board papers.
- 3.4.19 Decisions within the Scheme of Delegation and taken under delegated powers are recorded through the Officer Decision Notice process, with supporting business cases available on request. The Officer Decision Notices are published on the Combined Authority website.
- 3.4.20 All reports to the Business Board and any committees, include the application for funding, appraisal of application, legal and finance expert' view and recommendations. The S73 Officer signs off all Business Board expenditure

#### **Summary of Scheme of Delegations for Business Board**

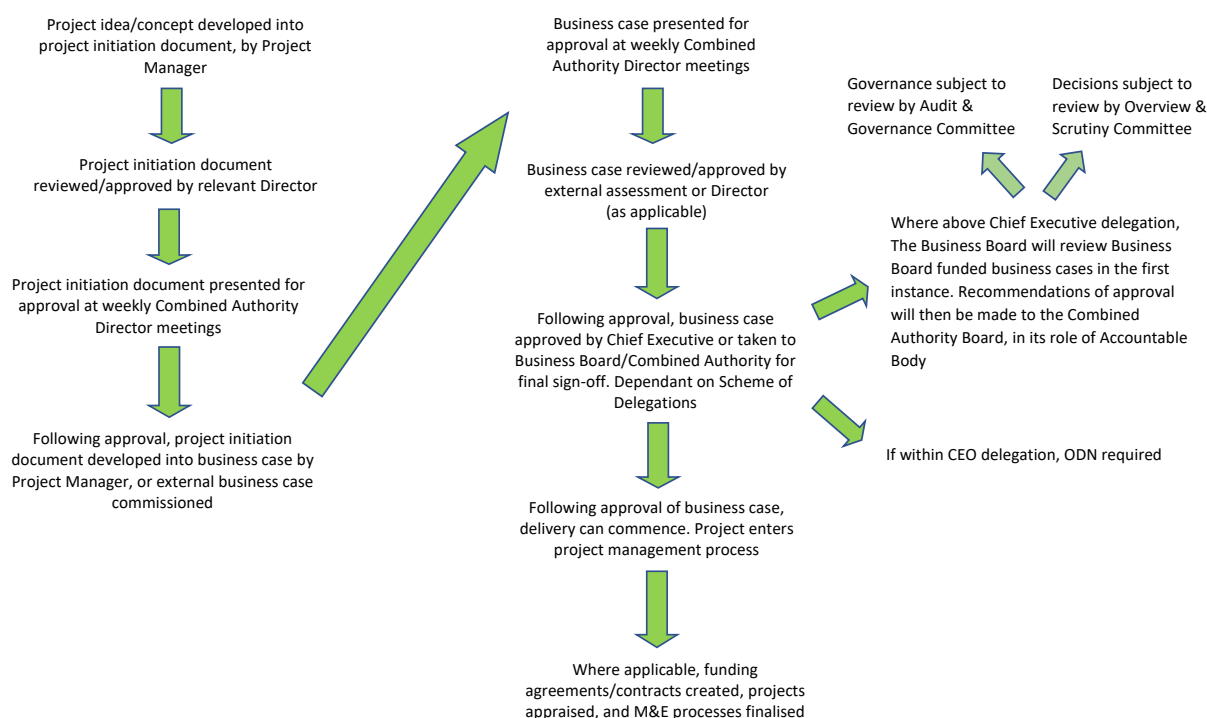
The scheme of delegation specific to local enterprise funding is set out in Part 3 and 4 of the Business Board's constitution and is summarised in Appendix 2. The Combined Authority Constitution also applies to all Business Board and officer decisions.

### **Decision process for Combined Authority Board**

- 3.4.21 The Combined Authority Board will approve the Business Cases for Combined Authority funded projects and will approve the Business Case recommended by the Business Board.
- 3.4.22 Business cases and appraisal documentation submitted to the Combined Authority Board will be published on the Combined Authority website with Board papers, subject to any exemptions applied as set out in the transparency rules within the Constitution.
- 3.4.23 Decisions within the Scheme of Delegation and taken under delegated powers are recorded through the Officer Decision Notice process, with supporting business cases available on request. The Officer Decision Notices are published on the Combined Authority website.

3.4.24 The decision-making process and governance arrangements are illustrated in the diagram below:

## Decision Making Process



### Decision process for new programmes/projects not in the Business Plan and not within a named budget allocation

- 3.4.25 New opportunities or challenges will arise and programmes/projects that are not currently in the business plan will need to be considered to address them. If these new programmes/projects cannot be accommodated within the current Medium-Term Financial Plan, they will need to be considered by the Combined Authority Board for entry to the Budget and Business Plan and reflected in the six-monthly refreshment cycle for those documents.
- 3.4.26 The Business Plan and Medium-Term Financial Plan will be reviewed every six months, together with any prioritisation of new projects.
- 3.4.27 Those that are accepted into the Business Plan would then proceed to follow the Project Initiation Document through to Business Case development and be taken to the Combined Authority Board for decision.

## **Role of the Cambridgeshire and Peterborough Management Team**

3.4.28 The Cambridgeshire and Peterborough Directors Team is made up of members of the Combined Authority's senior officers: Chief Executive and Directors. The Management Team meets weekly and has an oversight role of the work of the Combined Authority.

## **3.5 Decision Making for the Adult Education Budget**

3.5.1 Investment decisions on the use of the Adult Education Budget will be made with full consideration to the statutory entitlements:

3.5.1.1 English and Maths, up to and including level 2, for individuals aged 19 and over, who have not previously attained a GCSE grade A\* to C or grade 4, or higher, and/or.

3.5.1.2 First full qualification at Level 2 for individuals aged 19 to 23, and/or.

3.5.1.3 First full qualification at level 3 for individuals aged 19 to 23.

3.5.2 The Combined Authority submitted its Strategic Skills Plan to government in May 2018 as part of the readiness conditions requirements set by the Department for Education. Further iterations have been shared with the Department for Education and form a chapter in the new Skills Strategy 2019.

3.5.3 Local and national partners have been fully engaged throughout the development phase for the processes and priorities for the funding award and during the funding award phase. This has included providing regular communications via our website, hosting three strategic events for all local and national providers, and participating in provider network meetings that met regularly during 2018. The Provider Networks comprised local Further Education and local authority providers, the Education and Skills Funding Agency, the Association of Colleges and Independent Training Providers.

3.5.4 The Combined Authority Board is the final decision-making body for funding awards. A grant commissioning process was launched on 1st December 2018 and closed in March 2019. Appraisals were carried out on the submitted delivery plans requesting funding by the Combined Authority officers. A moderation panel of internal senior managers consider recommendations and make final recommendations for approval. The Director of Business & Skills in consultation with the Portfolio Holder for Skills to approve funding awards.

3.5.5 During the funding award process a web enabled portal has included the ability for all potential providers to submit questions. These have been developed into a Q+A section on the portal so that the same information is available to all potential providers.

## **3.6 Statutory Committees**

3.6.1 As a Mayoral Combined Authority, we are constitutionally required to have the following Committees within our Governance structures:

- **Overview & Scrutiny Committee:** Reviews decisions made, to ensure they

meet the needs of the people of the Cambridgeshire and Peterborough and are made in line with our agreed policies, making recommendations where necessary. It has the power to “call in” and delay the implementation of decisions made by Board. The membership of the Committee comprises 14 members, two nominated from each of the Constituent Authorities. Members of the Committee appointed reflect the balance of political parties for the time being prevailing among members of the Constituent Authorities collectively. It also has the power to scrutinise the Business Board.

- **Audit & Governance Committee:** Ensures we are spending public money properly and have the right systems in place to manage our finances correctly and meet our legal and regulatory responsibilities. The Committee also reviews the corporate risk register on a quarterly basis. The membership of the Committee is one member from each Constituent Authority. Members of the Committee appointed reflect the balance of political parties for the time being prevailing among members of the Constituent Authorities collectively. The Committee will also oversee the audit and governance arrangements of the Business Board.

3.6.2 The terms of reference and membership of these Committees is detailed in the Combined Authority Constitution.

### 3.7 Role of the Statutory Officers

3.7.1 The Combined Authority appoints four Statutory Officers who each have a formal role of discharging the duties and obligations on its behalf. The roles are detailed in the Combined Authority Constitution but briefly comprise:

- **Head of Paid Service:** The Chief Executive fulfils the role of the Head of Paid Service. The Head of Paid Service discharges the functions in relation to the Combined Authority as set out in section 4, Local Government and Housing Act 1989 and act as the principal advisor to the Business Board.
- **Section 73 Officer:** The Chief Finance Officer fulfils the role of Section 73 Officer in accordance with the Local Government Act 1985 to administer the financial affairs of the Combined Authority and Business Board. The Section 73 Officer is responsible for providing the final sign off for funding decisions. The Section 73 Officer will provide a letter of assurance to government by 28<sup>th</sup> February each year regarding the appropriate administration of government funds under the Cambridgeshire and Peterborough Investment.
- **Monitoring Officer:** The Monitoring Officer fulfils their role in accordance with the Local Government Act 1972 to administer the legal duties of the Combined Authority and Business Board.
- **Scrutiny Officer:** To promote the role of and provide support to the Overview and Scrutiny Committee.

3.7.2 In addition to these statutory roles the Combined Authority has nominated officers to ensure that we meet our obligations under the Data Protection Act 2018 and information governance. These are:

- **Senior Information Risk Officer (SIRO)** - The Monitoring Officer is the SIRO for Information Governance. The SIRO is responsible for the Strategy, acts as an advocate for good practice and is required to provide a statement of assurance as part of the Combined Authority's Annual Governance Statement.
- **Data Protection Officer** – Deputy Monitoring Officer is the Data Protection Officer responsible for providing advice and guidance on the Data Protection Act 2018.



## 4. Accountability and Transparent - Supporting Policies and Procedures

### 4.1 Working Arrangements, Meeting Frequency and Transparency

4.1.1 The Combined Authority is subject to a robust transparency and local engagement regime. The Combined Authority's Constitution includes how agendas, minutes and papers will be made available to the public and when.

4.1.2 The Combined Authority Board:

- Is subject to the Transparency Code applied to local authorities.
- Will ensure all meetings of the Combined Authority Board and other statutory committees are open to the public and appropriately accessible.
- Will make sure all meeting agendas, papers (when not exempt or confidential as set out in the transparency rules within the Constitution), and minutes are published on the Combined Authority website, within the minimum statutory timescales – an agenda will be published five clear working days before the meeting. A decision notice will be published no later than the third clear working day following the day of the decision was made and any key decisions are subject to call in. Draft minutes will be published within **12** clear working days of the meeting taking place and final minutes within two clear days of approval where changes are made.
- Will make clear the approach to making investment decisions in the Combined Authority Constitution.
- Will publish (online) all funding decisions, including funding levels through Business Board and Combined Authority agendas and minutes and through the mayoral and officer decision notice register where decisions are taken under delegated powers.
- Growth fund updates are submitted to the Business Board at each meeting. The Combined Authority has a performance management system which includes quarterly reports to the Combined Authority Board on delivery of key priority projects in the Business Plan by exception and monthly budget monitoring updates.
- As the accountable body for the Business Board funding the Combined Authority Board will ratify funding decisions made by the Business Board and will hold a record of all relevant documentation relating to government funding allocated to the area.

4.1.3 For ease of access the Combined Authority website has a transparency section and a separate meetings section which contain all information on the Combined Authority governance arrangements, agendas and papers and the Combined Authority Board Forward Plan.

4.1.4 The Combined Authority Board meets every month. The Combined Authority publishes a Forward Plan on the Combined Authority website, which is legally-required with a statement of all key decisions together with all non-key decisions we plan to take over the next four months. Confirmed items are published 28

days in advance of a decision being made.

- 4.1.5 In addition to the Combined Authority Board, the Business Board meets bi-monthly. The Business Board shall have at least one meeting a year that will be open to the public to ensure the communities that they represent can understand and influence the economic plans for the area.
- 4.1.6 No business may be transacted at a meeting of the Business Board unless there is a quorum. The quorum requires a majority of the total number of Members of the Board to be present which should include the majority of private sector members and at least one public sector member.
- 4.1.7 All other meetings of the Business Board shall not be open to the public unless determined otherwise by the Chair. This enables commercially confidential items to be discussed and for open and frank exchanges of information and views to be expressed that might not otherwise be expressed in an open forum. This forms an important element within the Combined Authority governance arrangements.
- 4.1.8 Agendas and reports will be published five clear days prior to the meeting and minutes of these meetings will be published on the its website within **10** clear working days of the meeting and the agreed minutes will be published within two clear working days after approval at the subsequent meeting.
- 4.1.9 Information regarding activity being undertaken by the Combined Authority is available on the website. This includes the publication of key documents such as the CPIER and the Mayor's growth ambition statement, the Cambridgeshire and Peterborough Business Plan 2019-2020, and the Combined Authority Local Assurance Framework, as well as details of a regular programme of events to provide ongoing engagement with public and private partners across the Cambridgeshire and Peterborough area. Regular news updates on activity underway are also provided through dedicated pages on social media outlets including LinkedIn, Twitter and Facebook. Additionally, when investment decisions are taken they are published through the use of press releases and social media.

## **4.2 Publication of Financial Information**

- 4.2.1 The Combined Authority is subject to the same financial arrangements as a Local Authority and is legally required to publish its annual accounts, external audit letter and annual governance statement by the end of July each year. The draft statement of accounts is signed by the S73 Officer and published (on the Cambridgeshire and Peterborough Combined Authority website) by 31st May. The final set of financial statements are signed by the S73 Officer and the Chair of the Audit and Governance Committee and published by the 31st July.
- 4.2.2 The Annual Governance Statement will be published in draft by 31st May, and the final version to be signed by the Mayor, the Business Board Chair and the Chief Executive and published by 31st July. The Audit and Governance Committee approves the statement of accounts and reviews the Annual Governance Statement prior to approval, in accordance with their terms of reference.
- 4.2.3 It is also used as part of the Annual Conversation each year, to supplement the information provided and discussed on governance arrangements.
- 4.2.4 All payments made on behalf of the Business Board are published in the monthly

transparency report by Cambridgeshire and Peterborough Combined Authority.

- 4.2.5 All approvals for new funding are now published and monitored. The quarterly return to BEIS on Growth Fund projects, spend and performance is reported to Business Board and published in the reports, as part of the Business Board agenda. These have now also been uploaded on the Business Board section of the website and will continue to be published going forward to increase transparency.

## 4.3 Remuneration and Expenses

- 4.3.1 Allowances or expenses may be payable to the Mayor and any of the Business Board members, in accordance with a scheme approved from time to time by the Cambridgeshire and Peterborough Combined Authority Board upon the recommendations of an Independent Remuneration Panel.
- 4.3.2 The Combined Authority publishes the following information on its website: [Transparency](#)
- Confirmation of the allowance payable to the Mayor and Business Board members.
  - Confirmation of any allowances and expenses paid to the Mayor, Business Board Members and independent Chairs of Committees or Panels (published annually).
  - Salaries of senior officers earning more than £50,000 (published annually); together with the numbers of staff who earn over £50,000, in bands.
- 4.3.3 Any scheme of allowances approved for Business Board members and payments made will also be published.

## 4.4 Freedom of Information

- 4.4.1 The Combined Authority is subject to the Freedom of Information Act 2000 and the Environmental Impact Regulations 2004. As Accountable Body for the Local Enterprise Partnership the Combined Authority will also fulfil these functions on behalf of the Business Board. The Combined Authority will hold records and will be the focal point for statutory information requests. Applicants are made aware of their right to access information through the Combined Authority, which will deal with the request in accordance with the relevant legislation. As set out in this section, the Combined Authority aims to publish as much information as possible so that Freedom of Information requests are less necessary. A publication scheme is on the website and answers to previous requests are published on the website. [CPCA Freedom of Information Policy](#)

## 4.5 Conflicts of Interest

- 4.5.1 The Combined Authority has a Code of Conduct which applies to all members of the Combined Authority, the Business Board, all committee members and the officers who form part of any decision-making body eg the Chief Executive. The Code of Conduct requires all those identified to avoid any conflicts of interest.
- 4.5.2 Each member of the Combined Authority is also required to complete a written declaration of interest for the purposes of their organisations and their individual personal interests covering a broad range of activities/ownership. Individual

declarations of interest forms are completed annually following members' appointment at the Combined Authority annual meeting. Declarations of interest are requested at the start of each meeting and declared and recorded within the minutes. The registers of interests are updated, as appropriate, following each Combined Authority meeting.

[Combined Authority Board Membership](#)

[Business Board Membership](#)

## 4.6 Gifts and Hospitality

- 4.6.1 Any gifts and hospitality received by members and officers will be declared under the relevant members name and any declarations declared by members will be published on the website, For example [Mayor Palmer: Declared Gifts and Hospitality](#). The [register of gifts and hospitality](#) declared by Business Board members is published under the governance page of the Business Board section of the website. All offers of gifts and hospitality of £50.00 or more in value, including any offers of sponsorship for training or development, whether or not they are accepted, must be recorded promptly (and by no later than 28 days from the date of the offer) in a register held by the Combined Authority. A six monthly reminder will be send to all members and officers.

## 4.7 Complaints and Whistleblowing

- 4.7.1 If it is alleged that the Combined Authority is (a) acting in breach of the law, (b) failing to adhere to its framework, or (c) failing to safeguard public funds, complaints (from stakeholders, members of the public or internal whistleblowers) are to be directed to the Combined Authority's Chief Executive or Internal Auditor.
- 4.7.2 The Business Board and the Combined Authority have adopted a confidential complaints procedure and whistleblowing procedure, which are both published on its website Any complaints will be dealt with in accordance with its approved complaints process.
- 4.7.3 Where the Combined Authority cannot resolve the issue locally to the complainant's satisfaction, and the matter relates to the Cambridgeshire and Peterborough's Single Pot funding, the issue may be passed to the Ministry of Housing, Communities and Local Government for Communities and Local Government (MHCLG) or other relevant departments, such as the Department for Transport (DfT), as appropriate to the complaint in question. If the complainant is not satisfied with the response, they can raise it with the Local Government Ombudsman.

The above complaints and whistleblowing procedures are set out in detail at:

[CPCA Complaints Policy](#)

[CPCA Whistleblowing Policy](#)

[CPCA Business Board Complaints Procedure](#)

[CPCA Business Board Whistleblowing Procedure](#)

## **4.8 Diversity Statement**

- 4.8.1 As detailed previously the Combined Authority is fully committed to diversity and equality. The Business Board has a published Diversity Statement which explains how it looks to ensure diverse representation at Board.

[CPCA Business Board Diversity Statement](#)

## **4.9 Government Branding**

- 4.9.1 The Combined Authority is committed to meeting Government branding guidelines for projects in its Local Assurance Framework. This includes the branding guidance issued to LEPs for the Local Growth Fund. The correct branding and wording is used on the Business Board and subsidiary websites. Guidance will be produced for signage, social media, press notices and other marketing materials for every Government funded project.
- 4.9.2 **A summary of the Governance framework and checklist is set out in Appendix 3.**

## 5. Robust Decision Making

### 5.1 Principles

5.1.1 This section details the processes and procedures that are in place to ensure we make robust investment decisions. These are in addition to those identified within the Accountability, Openness and Transparency sections above. **The processes and procedures will:**

- **Achieve best value in spending public money through the following -**
  - **proposed investments will offer as a minimum ‘high’ value for money (VfM);**
  - **“high” VfM can be defined as a Benefit Cost Ratio (BCR) that is at least 2.0 for transport schemes (and accounting for significant non-monetised impacts and key uncertainties), schemes with lower VfM however can be considered under circumstances where there is evidenced:**
    - **strategic value of national or regional significance by unlocking a strategic route network bottleneck within the region (for example a strategic road or rail network with significant constraints but unable a BCR due to lower flow increases against disproportionate cost due to historical enhancement under investment (both of which have regional or national growth significance which is challenging to model and are unable to be claimed in TAG terms; or**
    - **allowing greater through flow of strategic passenger or freight traffic, or where there is evidenced strategic value associated with achieving the Devolution Deal ambitions of GVA or housing growth (for example providing main line rail access to support the growth of left behind areas); or**
    - **by unlocking this growth in addition to committed local plan growth, and where this evidence increases this to at least medium value VfM (BCR of at least 1.5 and accounting for significant non-monetised impacts and key uncertainties)**
  - **for non-transport schemes, the appropriate public sector cost per job / Gross Value Added will be reviewed, and in all schemes the benefits will exceed the cost of intervention over the projected timeframe;**
  - **in exceptional circumstances, where the strategic value directly contributes to the ambition of the Devolution Deal ambition as set out in para 6.2.5 of this document; and**
  - **whereby sensitivity testing is undertaken in addition to Transport Analysis Guidance (TAG) standard procedures, schemes do not need to offer ‘high’ value for money as a minimum, if as**

described above there is evidence that the strategic value of significant regional or national importance of unlocking strategic passenger or freight movement through the region or there is evidenced strategic value associated with achieving the Devolution Deal ambitions of GVA or housing growth, by unlocking the growth in addition to committed local growth and where this evidence increases the BCR to 1.5 to 2.

- **Ensure an appropriate separation between project development and project appraisal, with Independent Value for Money (VfM) Assessment and Business Case Assurance, for all Growth Deal funded schemes and Single Pot Transport projects with a project value greater than £5m by our contracted business case assurance contractor. Transport schemes below £5m will be assessed and signed off independently of the scheme promoter by the Chief Finance Officer with support from an experienced transport modeller, where schemes are below £5m at Full Business Case (FBC) are of significant complexity or importance and not expected to achieve high VfM based on initial multi-criteria analysis an independent assessment may be requested by the Chief Finance Officer from our contracted independent assessment supplier prior to sign off as previously stated**
- Appraise projects in a way which is consistent with the Green Book 'five cases' model and proportionate to the funding ask in terms of processes required.
- Ensure that the money spent results in delivery of outputs and outcomes in a timely fashion, and in accordance with the conditions placed on each investment, and by actively managing the investment to respond to changing circumstances (for example, scheme slippage, scheme alteration, cost increases etc).
- Implement effective evaluation to demonstrate where programmes and projects have achieved their stated aims and using feedback appropriately to refine the priorities and the decision-making process.
- Ensure that the use of resources is subject to the usual local authority checks and balances as well as normal local government audit accounting and scrutiny requirements.

## **5.2 Separation of Development and Appraisal Functions**

- 5.2.1 The Combined Authority ensure all funding decisions are based on impartial advice. Project Initiation Documents and Business Cases created by project managers require approval from Combined Authority Board and Directors before commencing to project delivery.

## **5.3 Expressions of Interest/Open Calls**

- 5.3.1 In relation to the Local Growth Fund, expressions of interest are received for potential funding under the Growth Prospectus, which is published on the Combined Authority website. The first call has now closed and the potential projects are going through the Business Board and Combined Authority Board cycle. A new call for funding will be issued in 2019/20, following the publication of the Local Industrial Strategy. The **initial** appraisals **from** these funding calls will

be appraised by an internal panel, that evaluates expressions of interest, with inputs from the appropriate policy lead, legal, procurement and financial officers. When **full** applications are received, external appraisers will carry out detailed appraisals.

## 5.4 Project Initiation Documents

- 5.4.1 Project Initiation Documents are required for all new programmes and projects and are used to identify the expected expenditure, outputs and outcomes of project delivery.
- 5.4.2 Once approved during the weekly Director meetings, the Project Manager is required to develop the Project Initiation Document into the business case.

## 5.5 Business Cases

- 5.5.1 All programmes and projects with approved allocations within the Business Plan and that have been approved through the Project Initiation Document process are required to complete a detailed Business Case.
- 5.4.3 Business case templates are a continuation of the Project Initiation Documents, but require more detail evidenced on the delivery and outcomes of the project, along with value for money information, project risks and governance arrangements.
- 5.4.4 Business cases would normally use the Combined Authority's template; however, some categories of projects may have specific business case templates (**such as Transport schemes using Transport Analysis Guidance (TAG): <https://www.gov.uk/guidance/transport-analysis-guidance-webtag>**). These should still comply with the Combined Authority requirements.
- 5.4.5 The Combined Authority has adopted HM Treasury's Five Case Model, and business cases need to be prepared according to the following elements:

Five Cases	Detail
Strategic Case	The strategic case sets out the rationale for the proposal; it makes the case for change at a strategic level. It should set out the background to the proposal and explain the objective that is to be achieved.
Economic Case	The economic case is the essential core of the business case and should be prepared according to Treasury's Green Book guidance. This section of the business case assesses the economic costs and benefits of the proposal to society as a whole, and spans the entire period covered by the proposal.
Commercial Case	The commercial case is concerned with issues of commercial feasibility and sets out to answer the question "can the proposed solution be effectively delivered through a workable commercial deal or deals?" The first question, therefore, is what procurement does the proposal require, is it crucial to delivery and what is the procurement strategy?
Financial Case	The financial case is concerned with issues of affordability, and sources of budget funding. It covers the lifespan of the scheme and all attributable costs. The case needs to demonstrate that funding has been secured and that it falls within appropriate spending and settlement limits.



Management Case	The management case is concerned with the deliverability of the proposal and is sometimes referred to as programme management or project management case. The management case must clearly set out management responsibilities, governance and reporting arrangements, if it does not then the business case is not yet complete. The Senior Responsible Owner should be identified.
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- 5.4.6 Reputational due diligence assessment will also be carried out to enable the combine authority to gain a comprehensive assessment of possible reputational risk attached to business partner.
- 5.4.7 External business cases are submitted to the Combined Authority, who review the funding source and provide an initial check as to which element of funding within the single pot would be most appropriate. The purpose of this is to ensure that the funding requirements of the component elements of the Single Pot are being met, and to enable the effects and outcomes of the component elements of funding within the Single Pot to be tracked.
- 5.4.8 Appraisals will be proportionate to either the estimated scale of budget and/or the level of innovation/risk associated with the programme and in line with established guidance, where appropriate, as set out by HM Government, including:
- HM Treasury Green Book.
  - MHCLG Appraisal Guide.
  - HM Treasury Magenta Book.
- 5.4.9 Where a conflict of interest exists, full independent due diligence will be sought. Additionally, the Combined Authority will appoint an independent organisation, through appropriate procurement, to undertake external due diligence when required. The independent organisation works directly with the project applicant to undertake due diligence which then follows the decision-making process.
- 5.4.10 In cases where the investment is to match central government funding, and that government department has undertaken due diligence, the Combined Authority would not need to undertake its own due diligence.
- 5.4.11 The Combined Authority will include reputational checks on organisations (and their group structure including parent organisations), when considering making loans and grants.
- 5.4.12 The 10-point guide on Project Management (**Appendix 4**) provides detail on this decision-making process.

## 5.6 Relationship with Project Managers – Development to Decision

- 5.6.1 Throughout the development of Project Initiation Documents and Business Cases through the appraisal process, the Combined Authority will keep in regular contact with external project managers.
- 5.6.2 An internally named project manager will be assigned to each programme/project where the Combined Authority are not the delivery body. The internal project manager will establish close working relationships with external contacts.

## 5.7 Ensuring Value for Money

- 5.7.1 As an investor of public funds, the Combined Authority has a responsibility to ensure that its decisions deliver best value for the tax payer, and therefore all investment opportunities and business cases must include an assessment of their Value for Money. The Assurance Framework has been developed in line with HM Treasury Green and Magenta Book Guidelines, which require project managers to build in Value for Money processes throughout the approval stages. In addition, the Combined Authority requires all business cases be developed in line with HM Treasury's Five Case Model.
- 5.7.2 The delivery, and costs, of outputs must be quantified within all applications for funding. Where there are clear guidelines set out by Government for assessing Value for Money these will be taken into account; for example, for all Transport and Infrastructure schemes, the use of the benefit cost ratio (BRC) indicator is implemented in line with DfT guidance.
- 5.7.3 The Director responsible for project delivery should document they are satisfied with Value for Money requirements.
- 5.7.4 The key objective of the Assurance Framework is to support the Combined Authority to make judgements about the value for money of potential investments and to accept or reject investments accordingly. However, it is just one of a range of complementary strategic guidance documents developed by the Combined Authority to inform decision making. The following table sets out the relevant assessments for all complementary strategic guidance:

Document Name	Function	Date Published
CPIER and the Mayor's growth ambition statement 2016-2026. The Industrial Strategy for Cambridgeshire and Peterborough	<ul style="list-style-type: none"><li>• Key strategy document for the region.</li><li>• Sets high level targets (jobs and GVA) for the Combined Authority and develops the rationale for intervention across the region (six themes and seven priority sectors)</li></ul>	November 2018
Local Industrial Strategy	<ul style="list-style-type: none"><li>• With a particular focus on productivity the Local Industrial Strategy articulates how the region and its priority industries will contribute to the successful delivery of the UK Industrial Strategy and the key interventions necessary to enable productivity growth in Cambridgeshire and Peterborough.</li></ul>	May 2019 (pending)
Business Plan	<ul style="list-style-type: none"><li>• Sets output targets both in terms of spend</li></ul>	January 2019
Monitoring and Evaluation Plan	<ul style="list-style-type: none"><li>• Provides for each theme a capital and revenue logic model including key market failures to be addressed, and a range of indicative activities, outputs, outcomes and impacts, tied back to the achievement of the key performance indicators specified in the SEP.</li></ul>	March 2019 (updated annually)

## 5.8 Value for Money for Transport Schemes

- 5.8.1 For transport infrastructure schemes, the Cambridgeshire & Peterborough Combined Authority will ensure that modelling and appraisal is sufficiently robust and fit for purpose for the scheme under consideration, and that modelling, and appraisal meets the guidance set out in TAG.

5.8.2 Furthermore, the Cambridgeshire & Peterborough Combined Authority will ensure value for money and transparency of transport scheme through the following:

- Transport Projects Business case assessments [Strategic Outline Business Cases (SOBC), Outline Business Cases (OBC) and Full Business Cases (FBC)] will be based on forecasts which are consistent with the definitive version of NTEM (DfT's planning dataset). We will also consider alternative planning assumptions, **in line with our devolution ambition in addition to committed local plan developments**, as sensitivity tests in coming to a decision about whether to approve a scheme.
- The appraisal and modelling will **initially** be scrutinised by our external Highways Authority delivery partner planning lead to ensure it has been developed in accordance with the TAG. Independent Value for Money (VfM) Assessment and Business Case Assurance, for all Growth Deal funded schemes and Single Pot Transport projects with a project value greater than £5m will be carried out by our contracted business case assurance contractor. **Single Pot funded transport projects with a value below £5m will be considered on a case by case basis and in cases of strategic impact or project complexity, an independent value for money statement will be undertaken on a proportionate and appropriate basis.**
- **The Combined Authority will make proportionate and appropriate assessments of all business cases to ensure that any scheme below High VfM (BCR below 2, and accounting for significant non-monetised and key uncertainties), has evidenced strategic value, either to the benefit of achieving advancement of the devolution ambition, economically or housing, or national or wider regional importance for unlocking strategic passenger or freight movement through the combined authority region.**
- **The Combined Authority's Chief Finance Officer will assess and either approve or reject all Value for Money statements undertaken whether in the form of a business case or an independent assessment. Decisions will be taken appropriate to scheme phase and greater scrutiny and emphasis on High VfM will be undertaken as schemes progress through the SOBC, OBC and FBC process, with greater scrutiny of FBC VfM.**
- Business case publication is notified up to 3 months in advance within the Forward Plan, published on the Combined Authority website and then published as part of submission for decision approval at the Business Board and subsequent Combined Authority Board, before a decision to approve funding is made so that external comment is possible. Opinions expressed by the public and stakeholders are made available to relevant members or boards of either Business or Combined Authority Boards when decisions are being taken. The Forward Plan is formally approved at each monthly meeting of the Combined Authority Board and Business Board.

## 5.9 Project Approval – Funding Agreement

5.9.1 For projects being delivered by an external organisation, funding agreements or

formal legal contracts will need to be put in place before delivery commences. These are important in setting out project monitoring and evaluation requirements, claims/invoice profile and key conditions of the funding. Agreements/contracts also set out the clawback arrangements in the event of underperformance. Any variations to these funding agreements/contracts must be signed off and approved by the Combined Authority.

- 5.9.2 All Growth Fund schemes will have a funding agreement that sets out the outputs that are required and the schedule of payments that are to be paid. These are examined at each point in the claim.
- 5.9.3 Following approval of a Business Case it may be necessary to complete a range of statutory processes to ensure the project is ready to start. For example, planning permission or a Compulsory Purchase Orders. It may also be necessary to satisfy a number of conditions agreed as part of the Business Case. Due diligence of such processes/conditions will then be carried out as required prior to the Combined Authority issuing a formal legal contract.

## 6. DELIVERY PHASE

### 6.1 Release of Funding, Cost Control and Contract Management

- 6.1.1 Once a formal funding agreement/contract is in place the programme/project enters the delivery phase.
- 6.1.2 The Combined Authority's Section 73 Officer must certify that funding can be released under the appropriate conditions.
- 6.1.3 Funding claims submitted to the Combined Authority are checked against the approved project baseline information, which is included within the original funding agreement/contract. Payments will be released quarterly in arrears unless otherwise agreed.
- 6.1.4 A mechanism for 'claw-back' provision is to be included within the funding agreements/contract to ensure funding is only to be spent on the specified scheme and linked to delivery of outputs and outcomes. Payment milestones are agreed between the project manager and the Combined Authority based upon the complexity, cost and timescales of the scheme. This forms part of the programme management role of the Combined Authority.

### 6.2 Performance Reporting

- 6.2.1 Projects funded by the Combined Authority (regardless of size) will incorporate the Monitoring and Evaluation Framework and will have a basic monitoring plan in place as part of the business case. Further information on this can be found in the 10-point guide on Project Management. (**Appendix 4**)
- 6.2.2 A monthly highlight report cycle has been created and embedded across the organisation. Projects which fall under the Business Board and Combined Authority Board are required to have monthly reports completed, updating on budget spend and performance against key milestones and outputs/outcomes.
- 6.2.3 Highlight reports also contain risk registers for each project, where project managers track and monitor key risks (and assign a named individual of appropriate seniority against each).
- 6.2.4 Using information from these monthly highlight reports, a monthly dashboard report is created, pulling together the key information from all projects across the Combined Authority Directorates. This is scrutinised on a monthly basis by the Directors and the PMO team.
- 6.2.5 Once a quarter, an exception report is created and includes information on the amber and red rated projects. This report is shared with Combined Authority Board Members, along with a Quarterly Performance Update on how the Combined Authority is performing against the following key metrics and targets:
  - Doubling GVA over the next 25 years
  - 72,000 homes to be built by 2032
  - 2,500 affordable homes to be built
  - Jobs growth
  - Apprenticeships

- Good job within 30minute commute of home
  - RAG status of key projects
- 6.2.6 Growth fund and investment update reports are also submitted to every meeting of the Business Board and will be published on the Business Board section of the website.
- 6.2.7 Aligning with the quarterly updates to Combined Authority Board, 'Critical Friend' clinic sessions are arranged by the PMO team, where project managers and Directors are invited along to review the status and performance of projects.
- 6.2.8 All funding agreements/contracts with external bodies will include reporting guidelines as specified in the Monitoring and Evaluation Framework.

## 6.3 Risk Management

- 6.3.1 The Combined Authority has developed a risk management approach to corporate and project in our strategy, with risk identification, mitigation, escalation and reporting templates guidance.
- 6.3.2 It is important that the level of risk taken on any project and programme is understood from an early stage alongside the associated cost implications. Project managers are required to include risk as part of funding requests
- 6.3.3 The corporate risk register which incorporates the risks will be reviewed monthly by the Combined Authority Director team and will be considered by the Audit and Governance Committee quarterly. We corporate risk register and a project register, and a risk strategy
- 6.3.4 Senior Officers of the Combined Authority (Chief Executive and S73 Officer) are responsible for the identification and management of risk. The Combined Authority has an Assurance Manager, to support this activity.
- 6.3.5 At the project level, all projects are expected to outline, in detail, any identified risks during the business case development and due diligence processes. Once in delivery, ongoing risk registers are maintained and incorporated into the monthly highlight reports.

## 6.4 Change requests

- 6.4.1 All project change requests must be clearly documented, with evidence of approvals and notifications saved where applicable and recorded within the performance highlight reports.
- 6.4.2 Project change request forms should be used when approval is higher than that of a Director and for changes which include the following:
- Changes to timescales (ie delay to completion date)
  - Amendments to budget
  - Variations to outputs delivered
  - Withdrawal of project
  - Agreed mitigation/action arising from RAG
- 6.4.3 Directors are responsible for agreeing change requests within delegation and promoting change requests outside their delegation. Where there is a project board on which the Director sits, the Project Board also agree change requests

within delegations.

- 6.4.4 Clawback and recovery processes for projects need are addressed in the funding agreement/contract. Agreements are being reviewed to make it clearer what the recovery action will be.
- 6.4.5 The Business Board's role in recovering funding where there has been non-compliance, misrepresentation or underperformance is being developed.

## 7. Measuring Success – Realising the Benefits

### 7.1 The Importance of Monitoring and Evaluation

- 7.1.1 The Combined Authority and the Business Board (LEP) is committed to implementing effective monitoring and evaluation so that it is able to:
- **Provide local accountability to the public** by demonstrating the impact of locally devolved funding and the associated benefits being achieved.
  - **Comply with external scrutiny requirements** ie to satisfy conditions of the Devolution Deal. Specifically, the Monitoring and Evaluation Framework will be used to demonstrate local progress and delivery to senior government officials and Ministers who are ultimately accountable to parliament for devolved funds.
  - **Understand the effectiveness of policies or investments** and to justify reinvestment or modify or seek alternative policy. The Monitoring and Evaluation Framework provides a feedback loop for the Authority and relevant stakeholders.
  - **Develop an evidence base for input into future business cases** and for developing future funding submissions. The Monitoring and Evaluation Framework will collect, collate and analyse data which can be utilised for future work.
- 7.1.2 The Combined Authority Monitoring and Evaluation Framework was initially prepared in relation to the Combined Authority's devolution deal monitoring and evaluation requirements. However, the approach set out in the Framework will be utilised for all sources of funding within the Cambridgeshire and Peterborough Business Plan, accepting that some government departments will have slightly different requirements which will be met. The Framework builds on the National Evaluation Framework for devolution funds, prepared by SQW and agreed with devolution areas and government.
- 7.1.3 The Business Board will be asked to co-adopt this Monitoring and Evaluation framework, as the Governments published guidance requires the Business Board to reference their monitoring and evaluation arrangements as well.
- 7.1.4 The overall responsibility for monitoring and evaluation (the Monitoring and Evaluation framework) and execution of the activity associated with it is held at director level at the Combined Authority, within the post of Strategy & Assurance Director. The Combined Authority has agreed a contract with Cambridgeshire County Council (part of the wider Cambridgeshire Insight partnership) to provide an appropriate level of officer support on Monitoring and Evaluation, including local knowledge, expertise and supporting capacity.
- 7.1.5 The Combined Authority's approach uses the Magenta Book definition of monitoring and evaluation and makes use of the wider guidance within this document as complementary guidance to the HM Treasury Green Book.
- 7.1.6 The Combined Authority major projects will have logic models.
- 7.1.7 Lessons learnt from evaluations will be reported to the Business Board and Combined Authority Board as appropriate.



## 7.2 Programme and Project Monitoring

- 7.2.1 Funding agreement/contracts set out the programme or project spend and output profile together with the monitoring arrangements (financial, benefits and risk).
- 7.2.2 Monthly highlight reports are completed by project managers on all live projects and provide updates on the performance of projects. These reports are reviewed by directors at their monthly Director meetings and quarterly, during the 'Critical Friend' clinic sessions.
- 7.2.3 Any changes or variances to the spend profiles or key milestones will need to be reported by the Project Manager and approved by the Combined Authority. On approval a variation letter to the Funding Agreement/contract will be issued.

## 7.3 Project Evaluation

- 7.3.1 The business case clearly defines those outputs which may be captured through routine monitoring.
- 7.3.2 The Monitoring and Evaluation framework sets out when and how programmes and projects are reported.
- 7.3.3 Evaluation forms are a requirement of the project closure process, and project managers are responsible for identifying **at the inception stage** what their project **is to deliver**. Detailed evaluation requirements are also a requirement of the project closure form.
- 7.3.4 Evaluation plans will be proportionate and in line with the latest government department guidance where relevant. For example, all transport schemes (over £5m) will follow Monitoring and Evaluation Guidance for Local Authority Major Schemes.
- 7.3.5 All monitoring and evaluation arrangements (which will form part of the final business case) and interim and final monitoring and evolution reports, will be published on the CP Combined Authority website.
- 7.3.6 The Combined Authority will identify the projects that will be subject to a more detailed evaluation. The level of evaluation will depend on the following:
  - Project funded through *growth funding* (in the Combined Authority's case the core agreement with central government to devolve £20m per year over 30 years). Therefore, subject to the agreed national evaluation framework, independent evaluation led by SQW Ltd.
  - Projects funded through other streams and identified as being '*major*' in terms of the relative size of the funding and/or the expected benefits to be achieved. Therefore, subject to full independent evaluation commissioned by the Combined Authority (an example would be evaluating the effectiveness of projects commissioned under the £100m affordable housing fund).
  - Project identified locally as one where *significant learning* could be available that would help to inform future policy making either locally or nationally. This will include projects that are innovative or considered 'pilots'. Evaluation work in this case would be either be commissioned independently or carried out locally by the Research Team for Cambridgeshire County Council.

- 7.3.7 Other projects not included above subject to proportionate '*self-evaluation*' based on submitted business cases.

## **7.4 Adult Education Budget Monitoring and Evaluation**

- 7.4.1 The Adult Education Budget reporting will be included within the Combined Authority monitoring and evaluation submissions as required under the devolution agreement. The Combined Authority has already submitted our policies for adult education as part of the readiness conditions and they were published as part of the commissioning process. They will continue to be updated and will be published more broadly during the academic year 2019/20.
- 7.4.2 The Combined Authority's Monitoring and Evaluation Framework (detailed above) will be used for the Adult Education Budget activity including the use of logic models. The first formal annual evaluation will be undertaken after year 1 academic year 2019/20 delivery and completed by December 2020. It will meet the national requirements as set out in the National Assurance Framework, together with locally determined requirements so that it can be used to inform and shape the criteria for future funding awards.
- 7.4.3 The Combined Authority has agreed with the Education & Skills Funding Agency a formalised approach for Audit, Assurance, Fraud and Investigations for 2019/20. This agreement provides support for both parties in ensuring AEB service provision post devolution.

## 8. Appendix 1 - Cambridgeshire and Peterborough Combined Authority and Business Board Joint Statement

### **Advisory and challenge function:**

The Business Board is a non-statutory body which is the Local Enterprise Partnership for this area. It is independent of the Cambridgeshire & Peterborough Combined Authority (CPCA) operating as a private-public sector partnership, focusing on the key business sectors to provide strategic leadership and drive growth in the Cambridgeshire and Peterborough and wider Local Enterprise area.

The Business Board comprises a blend of industry leading experts from the private sector, alongside representatives from the public sector and education communities. It is chaired by a private sector representative and brings together some of the brightest entrepreneurial minds in our area.

The Chair is a voting member of the Cambridgeshire and Peterborough Combined Authority Board ensuring that the business view is at the centre of regional decision making.

The role of the Business Board as stated within its terms of reference is:

### **Strategy:**

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

### **Allocation of funds**

- (c) Identify and develop investment opportunities; prioritising the award of local growth funding; and monitoring and evaluating the impacts of its activities to improve productivity across the local economy.
- (d) ensure that bids for public funding made available by government for LEPs support economic growth.
- (e) ensure any decisions which are made in contravention of the process will be invalid.

## Co-ordination

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

## Advocacy

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

### **(Business Board constitution)**

By bringing together the Business Board and the Combined Authority we combine the best of private sector expertise and public sector knowledge, transparency and accountability.

### **Alignment of decision-making across a clear geography:**

The Mayoral Cambridgeshire and Peterborough Combined Authority was formally established on 2 March 2017 (with Mayoral election held in May 2017) to further the sustainable and inclusive growth of the economy of Cambridgeshire and Peterborough. Its geographical boundary covers seven constituent local authorities in the Cambridgeshire and Peterborough area.

The Business Board was established on 1<sup>st</sup> April 2018, taking over from the former Greater Cambridge Greater Peterborough Local Enterprise Partnership, to drive forward economic growth across its local area. The Business Board is now responsible for all former Local Enterprise Partnership projects and programmes. The Business Board currently covers 15 local authorities;

As part of a full regional governance review, the Department for Business Enterprise and Industry are considering proposals to align the Business Board boundaries with the Cambridgeshire and Peterborough Combined Authority to ensure close working and delivery of economic growth projects across Cambridgeshire and Peterborough.

The integrated officer structure ensures that the relationship between the Combined Authority and Business Board is strong and effective. All governance policies and procedures are aligned ensuring transparency and open and accountable decision making.

**Accountability:**

The accountable body for all Local Enterprise Partnership funding is the Cambridgeshire and Peterborough Combined Authority. It provides the accountable body role for the both Business Board, the multi LEP Agri-Tech programme and the Greater South East Local Energy Hub and employs the officers that support them. The Combined Authority will ensure the effective use of public money and have responsibility for the proper administration of funding received and its expenditure, and must also review and approve the financial framework.

The Combined Authority Board approves funding decisions upon the recommendation of the Business Board except where delegations have been approved. The S73 Officer signs off all funding decisions.

**Efficiency and corporate identity:**

The Combined Authority and Business Board operate under a single officer team. In order to ensure the independence of each Board, the senior management team has separate duties assigned to officers within that team. The senior management team is headed up by the joint Chief Executives.

The Combined Authority Board and Business Board are supported by a Chief Officer who is the Director for Business & Skills, and further supported by key statutory officers within the single team and through a dedicated S151 Officer and Monitoring Officer to provide an independent secretariat to each Board.

In addition to the above, the Boards also benefit from specialist support within the wider structure. This includes experienced Directors, Programmes Managers, Assurance Manager and others to ensure that the organisation is run in a proactive, impact driven and fully compliant manner.

The Combined Authority and the Business Board have their own branding and identity recognising that some work of the Business Board is separate from and extends beyond the Combined Authority.

**Overview and Scrutiny:**

The role of the Cambridgeshire and Peterborough Combined Authority's Overview and Scrutiny Committee is primarily to scrutinise the work and decisions made by the Cambridgeshire and Peterborough Combined Authority. In so far as the business of the Business Board, the Overview and Scrutiny Committee may review or scrutinise any Combined Authority decision in its role as accountable body for the Business Board. The Combined Authority's Scrutiny Officer shall ensure this includes appropriate scrutiny of the Business Board decision making and achievements. Any Business Board member may be asked to attend, or otherwise contribute to a meeting of the Combined Authority's Overview and Scrutiny Committee.

The Cambridgeshire and Peterborough Combined Authority's Audit and Governance Committee shall also oversee the audit and governance arrangements of the Business Board.

## 9. Appendix 2 – Summary of Scheme of Delegation for Business Board funding

The schemes of delegations are set out in the Business Board and Combined Authority Constitutions and summarised below

Function	Approved by	Recommendation by	Supported by
<b>Strategy</b>			
CPIER and the Mayor's growth ambition statement and associated thematic strategies	Combined Authority Board		Chief Executive, Monitoring Officer and S73 Officer
Business Plan and the Medium-Term Financial Plan	Combined Authority Board	Overseen by Audit and Governance Committee	Chief Executive, Monitoring Officer and S73 Officer
Business Board to lead on development and deliver an evidence-based Local Industrial Strategy	Combined Authority Board	Business Board	Chief Executive, Director of Business and Skills, Monitoring Officer and S73 Officer
Digital Sector Strategy	Combined Authority Board	Business Board	Chief Executive, Directors, Monitoring Officer and S73 Officer
OxCam Arc	Combined Authority Board	Business Board	Director of Business and Skills Monitoring Officer and S73 Officer
Influencing the development of the other Combined Authority's strategies and policies	Combined Authority Board	Business Board	Chief Executive, Monitoring Officer and S73 Officer
<b>Allocation of LEP funding</b>			
Budget approval	Combined Authority Board		Chief Executive, Monitoring Officer and S73 Officer
Sign off all funding decisions relating to funding allocated to the Business Board and sub-committee expenditure	S73 Officer		
Business Board funded project approvals	Combined Authority Board as accountable	Business Board review the Business Case	S73 Officer signs off all Business Board expenditure

Function	Approved by	Recommendation by	Supported by
	body	for Business Board funded projects and make recommendations to the Combined Authority Board	
Allocation of Small Grants between £2,000 and £20,000	Director of Business & Skill		Delegation subject to Section 73 Officer approval and report all approvals to the next schedule meeting of the Business Board. Decision recorded through the Officer Decision Notice process
Wisbech Access Strategy at key gateway stages to deliver the agreed Wisbech Access Strategy Package works	Head of Transport in consultation with the Chair of the Transport Committee  Section 73 Officer		Decision recorded through the Officer Decision Notice process
Eastern Agri-Tech Programme (Multi-LEP Programme) to make decisions about applications for grant funding on behalf of both the CA/BB and NALEP (New Anglia Local Enterprise Partnership).	Eastern Agri-Tech Programme Board		Agri-Tech Project Officer, Director of Business and Skills, Monitoring Officer and S73 Officer
Energy Hub funding (Multi-LEP Programme) (a) to assume the Rural Community Energy Fund management role  (b) oversight of the Rural Community Energy Fund (RCEF) Funding Panel	Greater South East Energy Hub		Regional Energy Hub Manager, Director of Business and Skills, Monitoring Officer and S73 Officer
Makes decisions on Energy Hub grant	Community Energy Fund		Regional Energy Hub Manager, Director of

Function	Approved by	Recommendation by	Supported by
applications.	(RCEF) Funding Panel		Business and Skills, Monitoring Officer and S73 Officer
Strategic oversight and governance of the Enterprise Zones	Business Board		Director of Business and Skills, Monitoring Officer and S73 Officer
Programme delivery of Enterprise Zone projects	Enterprise Zone Alconbury Weald Programme Board and Cambridge Compass Enterprise Zone Project Boards  S73 Officer  Chief Executive	Director of Business and Skills	Individual Enterprise Zone Project Boards for each site, set-up at officer level and responsible for delivering the programmes and projects associated with the regeneration and development of each Enterprise Zone site.
<b>Governance</b>			
Accountable Body Business Board and the Greater South East Local Energy Hub	Combined Authority Board  S73 Officer	Director of Business and Skills	
Assurance Framework	Joint approval by Combined Authority Board and Business Board	Monitoring Officer and S73 Officer	Director of Business and Skills responsible for the delivery of Business Board functions within the assurance framework
Submission of Growth Deal monitoring report to Government	Combined Authority Board	Business Board	Director of Business and Skills S73 Officer
Annual Delivery Plan	Business Board		Director of Business and Skills responsible for the delivery of annual delivery plan within agreed budgets
Business Board Constitution and delegations to other bodies or Officers	Combined Authority Board	Business Board	Director of Business and Skills. Monitoring Officer and S73 Officer
Membership of the Business Board – Private Sector members	Board's appointments panel		Director of Business and Skills
Diversity Statement	Business Board		Director of



<b>Function</b>	<b>Approved by</b>	<b>Recommendation by</b>	<b>Supported by</b>
			Business and Skills
Contract Standing orders and financial regulations	Combined Authority Board		Monitoring Officer and S73 Officer
Urgent Decisions	Business Board urgency procedure and reported to next Meeting of Business Board		Director of Business and Skills Monitoring Officer and S73 Officer
Risk Management for Business Board Projects	Business Board		Director of Business and Skills Senior Information Risk Officer (SIRO) - The Monitoring Officer is the SIRO for Information Governance
Final accounts	S73 Officer and Audit and Governance Committee		
Annual Governance Statement	Mayor, the Business Board Chair and the Chief Executive	Audit and Governance Committee	
Growth Company	Combined Authority Board	Business Board	Director of Business and Skills. Monitoring Officer and S73 Officer

## 10. Appendix 3 – Governance Framework and Publication Checklist

	Chapter	Link to scheme	Documents that must be published under National Framework
<b>1</b>	<b>Assurance framework</b>		
		<a href="#">National Assurance Framework</a>	✓
		<a href="#">Cambridgeshire and Peterborough Assurance Framework</a>	✓
<b>2</b>	<b>Strategic Documents</b>		
		<a href="#">Cambridgeshire and Peterborough Devolution Deal</a>	✓
		<a href="#">Cambridgeshire and Peterborough Independent Economic Review</a>	✓
		<a href="#">Local Industrial Strategy</a>	✓
2.1		<a href="#">Mayor's growth ambition statement</a>	✓
2.2		<a href="#">Cambridgeshire and Peterborough Business Plan 2019-2020</a>	✓
2.3		<a href="#">Combined Authority Medium-Term Financial Plan 2019-2023</a>	✓
<b>3</b>	<b>Accountability and Transparent Decision making</b>		
3.2	Combined Authority	<a href="#">Constitution of the Mayoral Combined Authority</a>	✓
		<a href="#">Combined Authority Members</a>	✓
3.3	Business Board	<a href="#">Constitution of the Business Board</a>	✓
		<a href="#">Business Board Members</a>	✓
		Cambridgeshire and Peterborough Combined Authority and Business Board Joint Statement ( <b>See Appendix 1</b> )	✓
		<a href="#">Eastern Agri-Tech Growth Initiative &amp; Agri-Tech Programme Board</a>	✓
		<a href="#">Eastern Agri-Tech Growth Initiative Guidance Notes and</a>	✓

		<a href="#">Pre-Qualification Questionnaire</a>	
		<a href="#">Enterprise Zones</a> <a href="#">Alconbury Weald</a> and <a href="#">Cambridge Compass Enterprise Zones</a>	✓
		<a href="#">Greater South East Energy Hub &amp; Energy Hub Board</a>	✓
		RCEF guidance notes and Expression of Interest form (to be published)	✓
3.4			
		<a href="#">Officer Decision Notices</a>	
3.6	Statutory Committees		
	Overview & Scrutiny Committee	<a href="#">Terms of reference (Constitution)</a>	
	Audit & Governance Committee	<a href="#">Terms of reference (Constitution)</a>	
		Audit Reports 2019 - <a href="#">Business Board</a> - <a href="#">Internal Audit annual internal</a> Audit letter	✓
3.7	Data Protection	<a href="#">Data Protection Policy</a>	✓
<b>4</b>	<b>Accountability and Transparency – Supporting Policies and Procedures</b>		
		<a href="#">Combined Authority Agendas and minutes</a>	✓
		<a href="#">Business Board Agendas and minutes</a>	✓
		<a href="#">Annual report and delivery plan</a>	✓
4.2	Financial information	<a href="#">Annual accounts, external audit letter and annual governance statement 2017/18</a>	✓
		<a href="#">Quarterly return to BEIS on Growth Fund projects, spend and performance</a>	✓
		<a href="#">Funding programme with description of the scheme, promoter and funding award</a>	✓
4.3	Remuneration and Expenses	<a href="#">Interim Business Board Expenses Scheme</a>	✓
		<a href="#">Allowances and Expenses paid 2018/19</a>	✓
		Salaries of senior officers earning more than £50,000 (published annually); together with the numbers of staff who earn over £50,000, in bands	
4.4	Freedom of Information	<a href="#">CACP Freedom of Information Policy, publication scheme and published FOI requests and responses</a>	✓
4.5	Conflicts of Interest	<a href="#">Code of Conduct for Business Board Members</a>	✓
		<a href="#">Code of Conduct for staff</a>	✓

		Declarations of Interest forms	✓
		<a href="#">Register of interest for Chief Executives</a>	✓
4.6	Gifts and Hospitality	The <a href="#">register of gifts and hospitality</a> declared by Business Board	✓
4.7	Complaints and Whistleblowing	<a href="#">CACP Complaints Policy</a>	✓
		<a href="#">CACP Whistleblowing Policy</a>	✓
		<a href="#">CA Business Board Complaints Policy</a>	✓
		<a href="#">CA Business Board Whistleblowing Policy</a>	✓
		<a href="#">CA Business Board Confidential reporting of complaints</a>	✓
		<a href="#">Making a complaint</a>	✓
		<a href="#">Fraud and Corruption Policy</a>	
4.8	Diversity Statement	<a href="#">CA Business Board Diversity Statement</a>	✓
4.9	Government Branding	Guidance for signage, social media, press notices and other marketing materials for every Government funded project (to be published)	
<b>5</b>	<b>Robust Decision making</b>		
5.3	Expressions of Interest/Open Calls	Local Growth Fund, expressions of interest under the Growth Prospectus	✓
5.5	Business Cases	10-point guide on Project Management – See Appendix 3	✓
5.7	Ensuring Value for Money	<a href="#">Monitoring and Evaluation Framework</a>	
<b>6</b>	<b>Delivery Phase</b>		
		Growth fund and investment update reports	✓
		Risk Management	

## 11. Appendix 4 - 10 Point Guide to Project Management





<b>AUDIT AND GOVERNANCE COMMITTEE</b>	<b>AGENDA ITEM No: 5</b>
<b>16 DECEMBER 2019</b>	<b>PUBLIC REPORT</b>

## **REVIEW OF THE CORPORATE RISK MANAGEMENT STRATEGY AND RISK REGISTER**

### **1.0 PURPOSE**

- 1.1 The Audit and Governance Committee's terms of reference include monitoring the Combined Authority's risk management arrangements.
- 1.2 This report provides the Committee with a proposed revised Corporate Risk Management Strategy and an update on the Corporate Risk Register.
- 1.4 In the interests of good governance, the Committee is requested to review the proposed revised Corporate Risk Management Strategy and Corporate Risk Register and suggest any changes they would like to put forward as a recommendation to the Combined Authority Board.

<b><u>RECOMMENDATIONS</u></b>
<b>Lead Officer: Dermot Pearson, Interim Legal Counsel and Monitoring Officer</b>
<p>The Audit and Governance Committee are recommended to:</p> <p>(a) Recommend to the Combined Authority the adoption of the proposed revised Risk Management Strategy [Appendix 2]; and</p> <p>(b) Recommend any proposed changes to the Corporate Risk Register to be reported to the next Combined Authority Board meeting for approval. [Appendix 3]</p>

### **2.0 BACKGROUND**

#### **Corporate Risk Management Strategy**

- 2.1. The current Risk Management Strategy was adopted in February 2018 by the Combined Authority and forms Appendix 1 to this report, it is due for review to ensure it reflects current best practice.

2.2. The proposed revised Corporate Risk Management Strategy forms Appendix 2 to this report and differs from the current Risk Management Strategy in that:

- Adopts a clearer hierarchy in dealing with Project, Programme, Portfolio and Corporate Risks with defined risk promotion and risk escalation processes.
- Provides greater and improved clarity on the aims and objective of the Strategy and its implementation within the Combined Authority.
- Clearly defines the roles and responsibilities of individuals, committees and the Combined Authority Board in their importance in managing and mitigating risk.
- Confirms how risks are to be managed, within appropriate measures and controls and how issues are to be mitigated when they do arise with clear processes to be followed.
- Addresses how risks can also be positive and create opportunities.
- Sets out the expectations of officers in relation to the understanding and management of risk.
- Aligns with the Assurance Framework and Constitution and relates to British Standard principles and guidelines.
- Provides an opportunity register and issue register to ensure all aspects of the management of risk is captured throughout the Project, Programme and Portfolio lifecycle.

2.3. The proposed revised Corporate Risk Management Strategy is recommended to the Committee as a more effective approach to the management and mitigation of risk across the Combined Authority's activities. The recommendation is that Committee recommend the proposed revised Corporate Risk Management Strategy for adoption by the Combined Authority Board.

### **Corporate Risk Register**

- 2.4. Corporate Risk Register is populated by reference to individual project risk assessments and over-arching corporate risks. The Corporate Risk Register is reviewed monthly by Directors, any risks which arise, or which become more significant between the monthly meeting are escalated to the next Director's meeting.
- 2.5. The same risk register template and terminology are used by all Project Managers during the reporting process for each project. Any risks that score over the agreed threshold on an individual project register will then also appear on the main risk register so that it can be monitored accordingly.
- 2.6. The Corporate Risk Register was last presented to Committee at its meeting in September 2019. At that time the Committee discussed whether the risks associated with climate change should be a separate entry on the Corporate Risk Register. At present risks associated with climate change are considered at the level of individual projects and programmes rather than at a Corporate level. The Assurance Framework requires there to be risk registers for each



project. At its meeting on 29 November 2019 the Combined Authority Board approved the establishment of an Independent Commission on Climate Change. The terms of reference for the Commission include providing independent advice on preparing for climate change. This will assist the Combined Authority and other bodies the approach they take to the management and mitigation of risks associated with climate change.

### **3.0 FINANCIAL IMPLICATIONS**

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

### **4.0 LEGAL IMPLICATIONS**

- 4.1 The keeping of an up to date Risk Management Strategy and Corporate Risk Register is part of the process of appropriately identifying and managing risk within the Combined Authority. The keeping of a Corporate Risk Register is a requirement of the Assurance Framework.

### **5.0 APPENDICES**

- 5.1. Appendix 1 – The Risk Strategy adopted in February 2018.  
 Appendix 2 - The Proposed Revised Corporate Risk Management Strategy.  
 Appendix 3 – The Corporate Risk Register.

<b><u>Background Documents</u></b>	<b><u>Location</u></b>
1. Cambridgeshire & Peterborough Combined Authority (CPCA) Constitution, 2019. 2. Cambridgeshire & Peterborough Combined Authority (CPCA) Assurance Framework, 2019.	1. <a href="https://cambridgeshirepeterborough.gov.uk/assets/Uploads/Constitution-2019-10-24.pdf">https://cambridgeshirepeterborough.gov.uk/assets/Uploads/Constitution-2019-10-24.pdf</a> 2. <a href="https://cambridgeshirepeterborough.gov.uk/assets/Assurance-Framework-Publication-Nov-2019.pdf">https://cambridgeshirepeterborough.gov.uk/assets/Assurance-Framework-Publication-Nov-2019.pdf</a>





# Risk Management Strategy

Cambridgeshire and Peterborough Combined  
Authority (CPCA)





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## 1. Introduction

This Risk Management Strategy outlines the approach taken by Cambridgeshire and Peterborough Combined Authority (CPCA). This guide describes the specific management activities that will be undertaken for the organisation and the individual portfolios within CPCA.

Risk management is the effective way to manage risk before it becomes an issue. It also implements processes to deal with risk escalation, promotion and issue management.

A risk can be either a threat (i.e. uncertain event that could have a negative impact on objectives or benefits) or an opportunity (i.e. an uncertain event that could have a favourable impact on objectives or benefits)

The benefits gained from effectively managing risk include:

- Encouraged proactive management – strategic, operational and financial;
- Increased likelihood to deliver against objectives and targets;
- Improved identification of opportunities and threats;
- Improved operational effectiveness and efficiency;
- Improved CPCA learning;
- Improved CPCA resilience.

Issues are risk events that have happened. These were not planned and require immediate management actions. Risks when they occur become issues or as otherwise known “become realised”.

The Risk Management Strategy implements section 6.3 of the Assurance Framework. “It is important that the level of risk taken on any project and programme is understood from an early stage alongside the associated cost implications. Project managers are required to include risk as part of funding requests”.

## 2. Risk Policy

CPCA recognises the need for risk management to feature in our strategic, operational planning and decision-making governances. CPCA is committed to managing and minimising risk by identifying, analysing, evaluating and treating risks that may impact the future success of the organisation. The approach has the following aims:

- All staff obtain a sound understanding of the principles of risk management;
- Issues are avoided or if realised they have a reduced financial impact by an increased understanding of risk and quickly identifying mitigation responses;
- Risk management is embedded in decision making by providing visibility of risks.

The approach is based on: thinking logically; identifying key risks and what to do about each risk; deciding who is responsible and accountable for the risk; recording the risks and changes in risk exposure; monitoring the risks and learning from events.

CPCA is a complex organisation with different portfolios, these include:

- Business & Skills.

- Corporate Services.
- Housing.
- Transport & Strategy.

When dealing with particular projects within these portfolios, guidance is used through Supplementary Green Book Guidance for Optimism Bias.

### 3. Risk Management Aims and Objectives

The aim of risk management is to ensure that CPCA has an effective process to support better decision making through good understanding of risks and the likely impact these risks may have. In general terms, “risk management” refers to the architecture (principles, framework and process) for managing risks effectively, while “managing risk” refers to applying that architecture to particular risks.

In order for CPCA’s Risk Management Strategy to be effective, all employees at CPCA should understand risk management. The core principles of the Risk Management Strategy are:

- Integral part of all CPCA processes.
- Part of decision making.
- Explicitly addresses uncertainty.
- Based on the best available information.
- Tailored approach.
- Takes human and cultural factors into account.
- Transparent and inclusive.
- Dynamic, iterative and responsive to change.
- Facilitates continual improvement of CPCA.

These principles will be achieved by:

- Establishing clear roles, responsibilities and reporting lines within CPCA for risk management;
- Following the Risk Management Methodology (Appendix 1);
- Effective communication with all CPCA employees;
- Monitoring progress in implementing the strategy and reviewing the risk management arrangements on an on-going basis.

As stated within the Assurance Framework, “at project level, all projects are expected to outline, in detail, any identified risks during the business case development and due diligence processes. Once in delivery, ongoing risk registers are maintained and incorporated into the monthly highlight report”.

Within CPCA, we have defined risk into four groups. This is to effectively implement the risk management strategy. The four risk groups are:

- Project
- Programme
- Portfolio
- Corporate



## 4. Roles and Responsibilities

The table below outlines the key roles within the Risk Management Strategy: -

Table 1: Roles and Responsibilities – Project Level

Role	Responsibility / Action
<b>Corporate Risk Owner / Chief Executive</b>	<ul style="list-style-type: none"> <li>• Authorises the risk and issue management strategy and its adjustment, improvement and enforcement</li> <li>• Ownership of strategic / corporate risks and issues, ensuring mitigation actions are dealt with at the appropriate senior level.</li> <li>• In charge of monitoring the strategy / corporate risk register.</li> <li>• Define clear rules for escalation and promotion.</li> <li>• Deploys a consistent language of risk management across the corporate, portfolio, programme and its projects.</li> </ul>
<b>Portfolio Director</b>	<ul style="list-style-type: none"> <li>• Ownership of portfolio-level risk and issues.</li> <li>• Assures portfolio adherence to the risk management principles</li> <li>• Define clear rules for escalation and promotion.</li> <li>• Deploys a consistent language of risk management across the portfolio, programme and its projects.</li> <li>• Escalates items across the programme boundaries to Corporate Risk Owner for resolution where necessary.</li> <li>• Communicates the progress of the resolution of issues in a clear and timely fashion across the portfolio.</li> <li>• Coordinates risk and issue management interfaces with programmes.</li> <li>• Provides support and advice on risks and issues to programmes.</li> <li>• Allocates risk and issues as appropriate.</li> </ul>
<b>Programme Risk Owner</b>	<ul style="list-style-type: none"> <li>• Ownership of programme-level risk and issues.</li> <li>• Assures programme adherence to the risk management principles.</li> <li>• Deploys a consistent language of risk management across the programme and its projects.</li> <li>• Escalates items across the programme boundaries to Portfolio Director for resolution where necessary.</li> <li>• Communicates the progress of the resolution of issues in a clear and timely fashion across the programme.</li> <li>• Coordinates risk and issue management interfaces with projects.</li> <li>• Provides support and advice on risks and issues to projects.</li> <li>• Allocates risk and issues as appropriate.</li> </ul>
<b>Project Risk Owner</b>	<ul style="list-style-type: none"> <li>• Ownership of project-level risk and issues.</li> <li>• Assures the project adherence to the risk management principles.</li> <li>• Deploys a consistent language of risk management across the projects.</li> </ul>

	<ul style="list-style-type: none"> <li>• Escalates items across the programme boundaries to Programme Risk Owner for resolution where necessary.</li> <li>• Communicates the progress of the resolution of issues in a clear and timely fashion across the project.</li> <li>• Allocates risk and issues as appropriate.</li> </ul>
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Table 2: Roles and Responsibilities – Governance Level

Role	Responsibility / Action
<b>Combined Authority Board</b>	<ul style="list-style-type: none"> <li>• Adopt and review the Risk Management Strategy.</li> <li>• Receive recommendations from the Audit and Governance Committee as to the Authority's arrangements for the management of risk and on the any concerns that risks are being accepted which the Authority may find unacceptable.</li> </ul>
<b>Business Board</b>	<ul style="list-style-type: none"> <li>• Review and challenge mitigation and exploitations at the appropriate level (in relation to matters directly controlled or indirectly accessible by the Business Board).</li> </ul>
<b>Audit and Governance Committee</b>	<ul style="list-style-type: none"> <li>• Initiates assurance reviews of risk and issue management effectiveness.</li> <li>• The Authority's Audit and Governance Committee is responsible for overseeing the Authority's risk management strategy and corporate risk register. They will approve the Risk Strategy on an annual basis.</li> <li>• Monitor the Authority's risk and performance management arrangements including reviewing the risk register, progress with mitigating actions and assurances.</li> <li>• The 2009 Act requires the Audit Committee to review and scrutinise the Authority's financial affairs and to review and assess its risk management, internal control and corporate governance arrangements.</li> </ul>
<b>Internal Audit</b>	<ul style="list-style-type: none"> <li>• Responsibility to undertake sufficient work to establish whether the CA has "adequate and effective" risk management, control and governance processes.</li> <li>• The Chief Internal Auditor provides an annual opinion on the overall systems of internal control and their effectiveness.</li> </ul>
<b>Monitoring Officer</b>	<ul style="list-style-type: none"> <li>• Manages and coordinates the resolution of risks relating to operational performance and benefits achievement.</li> <li>• Ensures that risk management cycle includes operational risks.</li> <li>• Manages risks that impact on business performance and transition.</li> <li>• Identifies operational issues and ensures that they are managed by the programme.</li> <li>• Identifies opportunities from the business operations and raises them for inclusion in the programme.</li> <li>• Contributes to impact assessments and change control.</li> <li>• Monitors and reports on business performance issues that may require the attention of the programme during transition.</li> </ul>

<b>Section 73 Officer</b>	<ul style="list-style-type: none"> <li>• The Chief Finance Officer is appointed under Section 73 Officer of the Local Government Act 1985 to ensure that proper administration of the financial affairs of the Combined Authority and Business Board. The Section 73 Officer is responsible for providing the final sign off for funding decisions. The Section 73 Officer will provide a letter of assurance to government by 28th February each year regarding the appropriate administration of government funds under the Cambridgeshire and Peterborough Investment.</li> <li>• The S73 office is also required to report to, and provide assurances to, the Audit and Governance Committee in relation to the Combined Authority's risk management and assurance mapping arrangements and has overall responsibility for maintaining adequate and effective internal control arrangements.</li> </ul>
<b>Project Management Office (PMO)</b>	<ul style="list-style-type: none"> <li>• Manages and coordinates the information and support systems to enable efficient handling of the programmes risk and issues.</li> <li>• Maintains the risk register for each programme.</li> <li>• Maintains the issue register for each programme.</li> <li>• Establishes, facilitates and maintains the risk management cycle.</li> <li>• Establishes, facilitates and maintains the issue management cycle.</li> <li>• Maintains the configuration management system (document control).</li> <li>• Facilitates the change control steps.</li> </ul>

The Assurance Framework states that "Senior Officers of the Combined Authority (Chief Executive and S73 Officer) are responsible for the identification and management of risk. The Combined Authority has an Assurance Manager, to support this activity".

## 5. Arrangements for Managing Risk

The Risk Management Methodology to be employed at CPCA is outlined in Appendix 1, with a copy of the Issue Management Strategy within Appendix 2. The project risk and opportunity templates and guidance notes can also be found in Appendix 3 and Appendix 4. Dealing with risk events that have become issues are documented in Issue Log Appendix 5.

## 6. Monitoring Arrangements

To ensure that informed decisions are made, it is essential to identify key strategic risks. Strategic risks will be reviewed monthly by the Combined Authority Management Team, as per the Assurance framework and will be documented in the Corporate Risk Register.

Progress in managing strategic risks will be monitored and reported on to ensure that identified actions are delivered and risks managed.

The Audit & Governance Committee ensures that CPCA is spending public money correctly and have the right systems in place to manage finances appropriately and meet legal and regulatory responsibilities. The Corporate Risk Register will be reviewed by the Audit & Governance Committee on a quarterly basis as per the Assurance Framework.

Internal Audit will carry out a periodic review of the CPCA's risk management arrangements to provide independent assurance as to their effectiveness.

In carrying out audits throughout the year, Internal Audit will also:

- Identify and report weaknesses in the controls established by management to manage/monitor risks;
- Provide advice on the design/operation of the controls established by management to manage/monitor risk.

In order to ensure risk management is effective, CPCA will:

- Measure risk management performance against indicators, which are periodically reviewed for appropriateness.
- Periodically measure progress against, and deviation from the risk management plan.
- Periodically review whether the Risk Management Methodology, policy and plan are still appropriate given CPCA internal and external context.
- Report on risk, progress with the risk management plan and how well the risk management policy is being followed.
- Review effectiveness of Risk Management Methodology.

## 7. Training and Communication Arrangements to Support Implementation of the Strategy

Training of the Risk Management Methodology (Appendix 1) will be provided to those employees with direct responsibility for involvement in the risk management process:

- Corporate Risk Owner;
- Portfolio Director;
- Programme Risk Owner;
- Project Risk Owner;
- PMO;
- Board;
- Audit and Governance Committee;
- Internal Auditor;
- Monitoring Officer;
- Section 73 Officer;
- All employees.

## 8. Review of the Risk Management Strategy

This strategy will be reviewed every three years.

## 9. Appendices:

Appendix 1: Risk Management Methodology

Appendix 2: Issue Management Strategy

Appendix 3: Risk Register and Guidance Notes

Appendix 4: Opportunity Register and Guidance Notes

Appendix 5: Issue Log and Guidance Notes

## 10. Version Control

Any amendments to the Risk Management Strategy should all be logged in the box below:

Version	Date	Comments
1.0	07/11/2019	First draft of Risk Management Strategy
2.0	05/12/2019	Finalised for inclusion to Audit and Governance Committee for 16 <sup>th</sup> December 2019

## 11. References

1. Association for Project Management (APM) Book of Knowledge, 2014.
2. Managing Successful Programmes (MSP) Best Practice Management, 2011.
3. Cambridgeshire & Peterborough Combined Authority (CPCA) Risk Management Strategy, 2018.
4. British Standard – Risk Management – Principles and guidelines, BS ISO 31000:2009.
5. Supplementary Green Book Guidance, Optimism Bias, HM Treasury.
6. Cambridgeshire & Peterborough Combined Authority (CPCA) Constitution, 2019.
7. Cambridgeshire & Peterborough Combined Authority (CPCA) Assurance Framework, 2019.

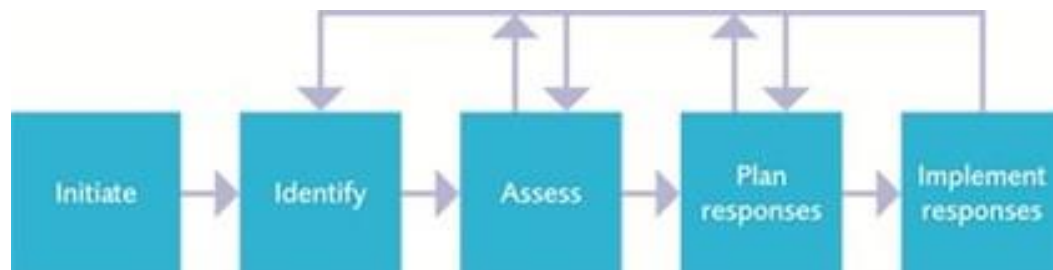


## Appendix 1. Risk Management Methodology

### 1. The Risk Management Cycle

There are 5 key stages in the risk management cycle, Initiate, Identify, Assess, Plan and Implement (IIAPI) as illustrated in the diagram below:

Diagram 1: Risk Management Cycle (IIAPI)



The 5 stages of risk management are part of a cycle. Risk management is dynamic and so the identification phase needs to be carried out continuously. As the process is repeated throughout the project/programme/portfolio lifecycle, the assessment or response planning can lead to the identification of further risks and planning and implementing responses can trigger a need for further analysis and so on.

A key output from the initiation step is the risk management plan, which details how risk will be managed throughout the life cycle.

An individual risk is defined as “either a threat (i.e. uncertain event that could have a negative impact on objectives or benefits) or an opportunity (i.e. an uncertain event that could have a favourable impact on objectives or benefits)”

### 2. Initiate

The main output for the initiation phase is the Risk Management Plan or Risk Management Strategy which is available on the Combined Authority website.

This describes the key elements on how risk management will be implemented:

1. Scope;
2. Objectives;
3. Roles and Responsibilities;
4. Process;
5. Tools.

### 3. Risk Identification (what can happen and how can it happen?)

Risk identification starts with uncertain events being articulated as threats and opportunities. To help identify whether an uncertain event is a project, programme, portfolio or corporate risk, definition for these risk groups can be found below:

**Project** – has a specific impact on a single project only.

**Programme** – has common attributes across multiple projects (within an interdependent group of projects) and may affect the delivery of those associated projects.

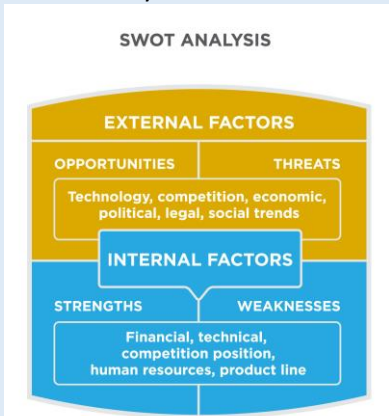
**Portfolio** – distinct directorial area, made up of a collection of individual projects and programmes that are not necessarily interdependent of each other e.g. Business & Skills, Housing, Transport & Strategy.

**Corporate** – refers to the liabilities and opportunities that positively or negatively impact CPCA as an organisation.

Identification techniques draw on various sources of information. Identification of risks from previous projects, programmes and portfolios involves looking at lessons learned reports and risk registers.

The aim of the risk identification process is to generate a comprehensive list of risks, with relevant and up to date information important in identifying these risks. A variety of risk identification processes may be used as exemplified in the table below.

Table 1: Risk Identification Techniques

Risk Identification Techniques	
Technique	Description
<b>Risk Gap Analysis</b>	Using a list of common risks as a discussion point in risk reviews.
<b>Workshops &amp; Brainstorming</b>	Collection and sharing of ideas that could impact the objectives of the project / objective.
<b>Audits and Inspections</b>	Physical inspections of premises and activities and audits of compliance with established systems and procedures. Flowcharts and dependency analysis of the processes and operations within the organisation to identify critical components that are the key to success.
<b>SWOT analysis</b>	<p>Considering a project/programme/organisation's Strengths Weaknesses Opportunities Threats (SWOT) – opportunities and threats are usually external risks, while strengths and weakness are normally internal risks.</p>  <p>The diagram is titled 'SWOT ANALYSIS'. It is a vertical structure with a yellow top section and a blue bottom section. The yellow section is labeled 'EXTERNAL FACTORS' and contains two boxes: 'OPPORTUNITIES' on the left and 'THREATS' on the right. Below these is a larger box containing the text 'Technology, competition, economic, political, legal, social trends'. The blue section is labeled 'INTERNAL FACTORS' and contains two boxes: 'STRENGTHS' on the left and 'WEAKNESSES' on the right. Below these is a larger box containing the text 'Financial, technical, competition position, human resources, product line'.</p>



## PESTLE analysis

Considering potential sources of risk arising from six possible elements: Political, Economic, Social, Technological, Legal & Environment (PESTLE)



## 4. Risk Assessments (Determine the likelihood and impact)

The assessment of risk can be broken down into how likely it is that a risk might become an issue, and what impact that issue would have. These are defined as likelihood and impact:

- The probability of an event occurring and when they might happen – **likelihood**.
- The potential severity of the consequences (positive and negative) should such an event occur – **impact**.

The following table below provides likelihood and impact descriptors to assist with this process:

Table 2: Likelihood vs Impact definitions

Likelihood	
1	Rare – This event may occur but only in exceptional circumstances (0-5%)
2	Unlikely – Not likely to not occur under normal circumstances (6-20%)
3	Moderate - Given time likely to occur (21-50%)
4	Likely – The event will probably occur in most circumstances (51-80%)
5	Almost Certain – This event is expected to occur soon (81-99%)

Impact	
1	Negligible – Risks may have minimal damage / gain or long-term effect
2	Marginal – Risks may have minor loss / gain but little overall effect
3	Significant – Risks may have considerable loss / gain.
4	Major – Risks may have significant loss / gain.
5	Monumental – Risks may have extensive loss / gain and long-term effect.

When discussing the impact of risks, it is important that we are not just focusing on the impact to the individual project/programme and that we also consider the impact that can affect the strategic objectives of CPCA. It should be noted that, while the likelihood assessment should not change, the

impact assessment may change when risks are escalated from project to programme to portfolio to corporate risks: this reflects that a risk may be critical to a project's outcomes, but that project may not be critical to the CPCA's outcomes as a whole.

When discussing the impact (positive or negative) a risk can have on a project, programme, portfolio or corporate, it is important to remember to use the following criteria. These are:

- Cost
- Time
- Quality
- Safety
- Operational Impact
- Reputation

Once every risk has been given a score for its likelihood x Impact, it is given an overall score and corresponding RAG status (Red Amber Green Rating).

Table 3: Overall RAG Status

Overall RAG Status		Impact				
		1	2	3	4	5
Likelihood		Negligible	Marginal	Significant	Major	Monumental
5	Almost Certain	5	10	15	20	25
4	Likely	4	8	12	16	20
3	Moderate	3	6	9	12	15
2	Unlikely	2	4	6	8	10
1	Rare	1	2	3	4	5

The RAG rating is an indicator to determine the severity of a risk.

Priority will be given according to the RAG Status:

- Red – Require immediate action plans
- Amber – Require action plans and / or to be closely monitored as appropriate.
- Green – Can be “Accepted” and may not require action plans.

This determines the Risk Tolerance. Risk Tolerance is the measure of the degree of uncertainty that a stakeholder/organisation accepts in respect of the project/programme/portfolio risk assessment.

However, these risks will need to be monitored to ensure that controls remain operational in order to manage them. Just because a risk is deemed as “Accepted” does not mean that this risk is forgotten about. For example, risks are to be monitored and reviewed to ensure that a green risk does not escalate to an amber risk and therefore would require more action. Similarly, it is also important to ensure that amber risk does not escalate to a red risk.

Just as risks can increase in RAG status, they can also decrease with the right mitigation or change in circumstance. A risk that was deemed as red at the beginning of the project can be moved down to green throughout the project lifecycle. The current RAG rating is called the Project/Programme/Portfolio/Corporate Risk Status.

Risks are recorded on the Risk and Opportunity Register for that project, programme or portfolio. Templates and guidance for this is found in Appendix 3 and 4. Corporate Risks are stored on the Corporate Risk Register (Appendix 6).

## 5. Mitigation and Risk Control

Having prioritised the risk, it is now necessary to determine a potential response for the higher risk events. There are two things to do here:

1. Determine what can be done to reduce the probability of the risk occurring (therefore, reducing its likelihood).
2. Determine a plan and set aside contingencies to deal with if it does become realised. (therefore, reducing its impact)

This process is called mitigation. An example of risk events and planned responses are shown below:

Table 4: Risk Events and Responses

Risk Event	Consequences	Mitigation action to reduce probability	Contingency actions to deal with the event if it occurs
<b>Bad weather happens on a key date</b>	There may be delays in replacing the roof, thereby causing delays and potential overspend	Do roofing work during drier months	Erect protective sheeting above roof while work takes place.  Stop work and move workers inside during bad weather
<b>The new server does not arrive in time</b>	The software testing cannot take place	Make sure it is purchased from a reputable supplier	Provide a delay between planned delivery and testing starting  Purchase two as a spare
<b>The staff do not accept the new working practices</b>	Poor customer service and morale	Make sure staff are communicated with early in the process	Have a long transition phase  Hire temporary staff while changes and alterations are made

Risk Control is the process of acting to minimise the likelihood of the risk event occurring and/or reducing the severity of the consequences should it occur. This will be applied on risk and opportunities. There are 8 main options to consider, 4 for risk and 4 for opportunities.

### Risk

1. **Accept** – Here we accept the risk and take no proactive action other than putting monitoring processes in place to make sure that the potential for damage does not change. Once the risk is accepted it is generally necessary to provide for some form of contingency to provide funds / time to accommodate the risk should it happen (despite its lower likelihood / impact)

2. **Avoid** – The only real way to avoid a risk is to change the project scope or approach – what we do or the way we do it.
3. **Transfer** – We seek to move the risk from our risk register onto someone else’s risk register. We seek to transfer the potential for harm to another. Usually through an insurance policy or a contract.
4. **Reduce** – either the likelihood or impact.

### **Opportunity**

1. **Reject** – Choose not to take the advantage of the opportunity, possibly because it is worth too little or requires too much work to capitalise on.
2. **Enhance** – Take proactive steps to try and enhance the probability of the opportunity being able to be exploited.
3. **Exploit** – This involves changing the scope of the project /programme to encompass some aspect that wasn’t previously discussed that will achieve some extra benefit.
4. **Share** – Seek partners with whom can actively capitalise on the circumstances such as a Joint Venture.

Care is needed when arriving at any response to risk because regardless of what action is taken, it has the potential to generate other risks.

When a risk can no longer be mitigated and the risk becomes realised, it is then called an “Issue”. This requires a different management strategy, and this can be found in Issue Management Strategy (Appendix 5).

## 6. Implement Risk Responses

The primary goal of the implement element is to ensure that the planned risk management (mitigation and control) actions are monitored as to their effectiveness and corrective action is taken where responses do not match expectation.

An important part of this is to understand the roles and responsibilities outlined in Table 1 of the Risk Management Strategy. This ensures that at least one individual is always clearly identified as the risk owner, and another individual is identified as the risk actioner. The key roles are:

- **Risk Owner** – Responsible for the management and control of all aspects of risk assigned to them, including managing, tracking and reporting the implementation of the selected actions to address the threats or to maximise the opportunities.
- **Risk Actioner** – Responsible for the implementation of risk response actions. They support and take direction from the risk owner.

Anyone can raise a risk. Just because an employee and or stakeholder raises a risk, this does not necessarily make them the Risk Owner. A Risk Register can have many risk owners.

## 7. Risk Promotion from Project to Corporate

Risk Promotion is the term used when a project risk is deemed to be a programme/portfolio or even a corporate risk. The decision to promote a project risk to a programme risk is taken by the

Programme Risk Owner. A risk should be promoted from a project to a programme risk when the project risk is deemed to have an impact on a programme.

For example, if a project needs to deliver a particular output in order for another project within that programme to be completed. This also works the same for when a programme risk has impact on a portfolio. The risk will then be promoted by the Portfolio Risk Owner. Another example is that at project level, a small risk can have limited effect, but when a project risk is combined with other risks in adjacent projects, it can produce a significant impact on a programme or portfolio.

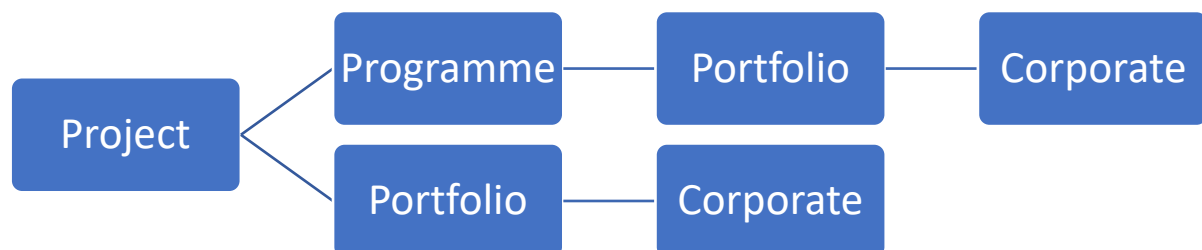
Therefore project, programme, portfolio and corporate risks can:

- Accumulate to critical loss and or damages
- Grow (where the sum of the risks is bigger than individual parts)
- Reduce (where the sum of the risks is smaller than individual parts)

As project risks can move up the promotion process to programme then to portfolio and then to corporate risk, there is also opportunity for a project risk to go direct to portfolio level. As previously defined the difference between a programme and a portfolio is that a programme is a collection of projects which have an interdependent link; while a portfolio is a collection of individual projects and programmes not necessarily having that interdependent link. Therefore, a project risk can have significance on that individual project but also have the opportunity to affect the delivery of the portfolio.

Below is a diagram showing this Risk Promotion process.

Diagram 2: Risk Promotion Process



It is the decision of the relevant Risk Owner (as per the Roles and Responsibility table within the Risk Management Strategy) to decide to promote the risk. A risk can be deemed to have project, programme, portfolio and corporate significance and therefore might stay on all three risk registers with different levels of action / mitigation and different risk owners.

It is important to remember that no matter which level the risk sits, that the risk is managed effectively and review on a regular basis to ensure no escalation.

## 8. Review Monitoring and Review

Risk is managed as a cycle as it's a continual process. It should involve regular checking or surveillance, and this will be done periodically (via meeting such as Risk Reviews, Programme Reviews etc) or ad hoc. A combination of both ensures that risks are reviewed regularly, and the mitigation and action plan are up to date.

Monitoring and review ensures that we continually learn from experience. The objectives of our monitoring and review process are as follows:

- Ensuring the controls are effective in both design and operation;
- Obtaining further information to improve risk assessment;
- Analysing and learning lessons from previous event;
- Detecting changes in the external and internal context;
- Identifying emerging risks.

Open culture tool for improvement – good mission statement.

## Appendix 2: Issue Management Strategy

### 1. Introduction

An issue is a relevant event that has happened, was not planned and requires management actions. The action may be to fix the problem that has caused the event to happen in the first place, or to change the boundary of the project/programme.

Issue management is the process of identifying and resolving issues. Problems with staff or suppliers, technical failures, material shortages for example all have a negative impact on your project. If the issue goes unresolved, you risk creating unnecessary conflicts, delays, or even failure to produce project objectives.

Issues and risks are not quite the same thing, however the exact nature of both is largely unknown at the start of a project. The Risk Management Methodology (Appendix 1) highlights how to identify and assess all potential risks. Issues, however, have to deal with as they happen. Issue management is therefore a planned process for dealing with an unexpected issue – whatever that issue may be – if and when one arises.

Issues can typically be classified into one of the following three types:

1. A previously identified risk that has now materialised and requires appropriate issue management action.
2. A request for change to some aspect of the programme, an operation or a project
3. A problem affected all or part of the programme/project in some way.

### 2. Issue Register

Issues are recorded in the Issue Register (Appendix 5). The Issue Register is similar to the Risk Register and is a repository that focuses on all identified issues that have occurred. It includes former risks if they have materialised from previous projects / programmes / programmes to ensure a Lessons Learned approach. On the Project Risk Register template (Appendix 3), under column “Risk Status” it allows the risk status to be updated to “realised”. Once the risk becomes realised, these are then migrated to the Issue Register (Appendix 5).

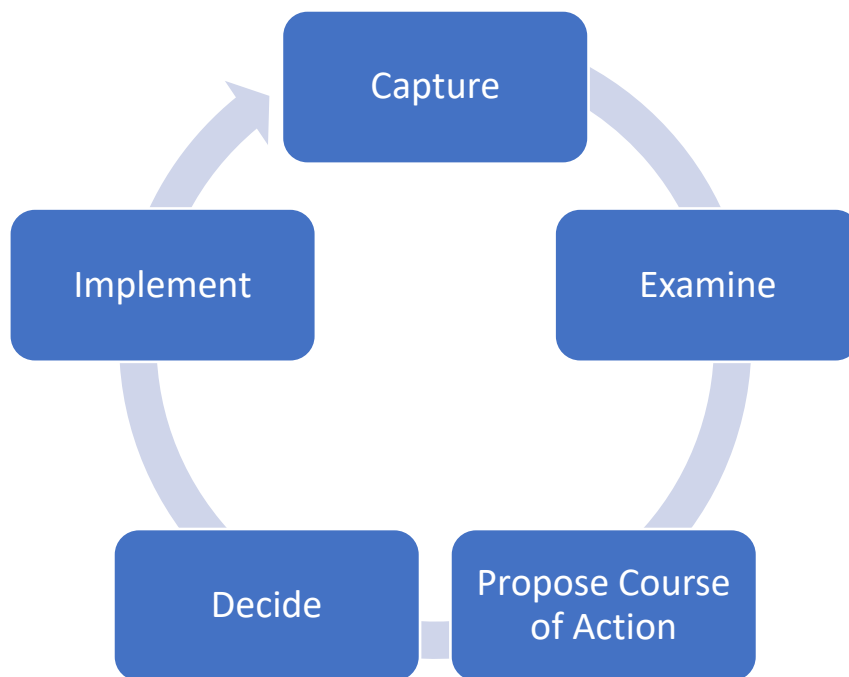
Having an Issue Register allows CPCA to:

- Have a safe and reliable method for the team to raise issues.
- Track and assign responsibility to specific people for each issue.
- Analyse and prioritize issues more easily.
- Record issue resolution for future reference and project learning.

### 3. Issue Management Methodology

Like the Risk Management Methodology (Appendix 1) the Issue Management Methodology is a cycle with 5 steps, shown below:

Diagram 1: Issue Management Cycle



Within these 5 steps there are two ongoing activities. These are:

1. **Monitor and Control** ensures that the decision can be achieved within the estimates of time and cost and that the impact of the overall risk profile is not greater than anticipated.
2. **Embed and Review** ensures that issue management is being appropriately and successfully handled within each programme and ultimately across the organisation. It looks at each individual step of the cycle to determine its contribution to the overall quality of issue management.

## 1. Capture

The first step is to undertake an initial analysis to determine the type of issue that has been raised. When capturing the issue, it should be assessed by its severity and impact on the portfolio/programme/project and also allocated to an individual or group of people for examination.

When allocating an issue, the initial decision might be to direct the issue to where it can most appropriately be managed. Some issues will be managed by the Programme, and major issues might need to be managed at Portfolio level when outside the authority of the programme. Smaller issues might need to be managed at project level.

## 2. Examine

The next step is to examine the issue by undertaking impact analysis. The analysis should consider the impact that the issue, and the options for its resolution, will have on:

- The portfolio/programmes performance, especially how benefits are realisation will be affected.
- The portfolio/programmes/projects business case.



- The portfolio/programme risk profile – the impact on the overall risk exposure.
- The operational performance of the organisation and existing plans.
- Supplier contact or service level agreements.

Impact analysis must include a broader view, the portfolio, the programme, its projects, operations and strategic objectives. As a minimum, an issue should always be assessed against the impact on the projects/programmes objects and benefits.

### 3. Propose Course of Action

Alternative options should be considered before proposing a course of action to take. The action chosen should maintain an acceptable balance between the advantage to be gained (benefits) and the impact on cost, time and risk. When the concurrent change initiatives affect the same operational areas, this acceptable balance may require an assessment across these other portfolio, programme and projects.

Some changes may be mandatory, for example to comply with new legislation. Therefore, the action might be to then achieve compliance with minimum impact. However, in such cases the analysis work should explore where the mandatory change opens up other opportunities to improve the portfolio/programmes/projects performance and benefits.

### 4. Decide

As per the Risk Management Strategy Section 4, the roles and responsibilities in terms of Risk and Issues have been defined. A table below demonstrates these roles and responsibilities set out relating to Issue Management:

Table 1: Roles and Responsibilities

Role	Responsibility / Action
<b>Corporate Risk Owner</b>	<ul style="list-style-type: none"> <li>• Authorises the risk and issue management strategy and its adjustment, improvement and enforcement</li> <li>• Ownership of strategic / corporate risks and issues, ensuring mitigation actions are dealt with at the appropriate senior level.</li> <li>• In charge of monitoring the strategy / corporate risk register.</li> <li>• Define clear rules for escalation and promotion.</li> <li>• Deploys a consistent language of risk management across the corporate, portfolio, programme and its projects.</li> </ul>
<b>Portfolio Director</b>	<ul style="list-style-type: none"> <li>• Ownership of portfolio-level risk and issues.</li> <li>• Assures portfolio adherence to the risk management principles</li> <li>• Define clear rules for escalation and promotion.</li> <li>• Deploys a consistent language of risk management across the portfolio, programme and its projects.</li> <li>• Escalates items across the programme boundaries to Corporate Risk Owner for resolution where necessary.</li> <li>• Communicates the progress of the resolution of issues in a clear and timely fashion across the portfolio.</li> </ul>

	<ul style="list-style-type: none"> <li>• Coordinates risk and issue management interfaces with programmes.</li> <li>• Provides support and advice on risks and issues to programmes.</li> <li>• Allocates risk and issues as appropriate.</li> </ul>
<b>Programme Risk Owner</b>	<ul style="list-style-type: none"> <li>• Ownership of programme-level risk and issues.</li> <li>• Assures programme adherence to the risk management principles.</li> <li>• Deploys a consistent language of risk management across the programme and its projects.</li> <li>• Escalates items across the programme boundaries to Portfolio Director for resolution where necessary.</li> <li>• Communicates the progress of the resolution of issues in a clear and timely fashion across the programme.</li> <li>• Coordinates risk and issue management interfaces with projects.</li> <li>• Provides support and advice on risks and issues to projects.</li> <li>• Allocates risk and issues as appropriate.</li> </ul>
<b>Project Risk Owner</b>	<ul style="list-style-type: none"> <li>• Ownership of project-level risk and issues.</li> <li>• Assures the project adherence to the risk management principles.</li> <li>• Deploys a consistent language of risk management across the projects.</li> <li>• Escalates items across the programme boundaries to Programme Risk Owner for resolution where necessary.</li> <li>• Communicates the progress of the resolution of issues in a clear and timely fashion across the project.</li> <li>• Allocates risk and issues as appropriate.</li> </ul>

The Programme / Project Risk Owner may be able to resolve or delegate minor issues without reference to any other role for a decision. Some issues however, may need to be referred to the Corporate Risk Owner or Portfolio Director or the proposal may need to be referred to a specialist role (monitoring officer or Section 73) when it involves business change.

If a decision for change is made, then this change should be planned with appropriate recognition of the need for contingency, additional resources and a fall-back plan should the change cause unexpected problems.

When a decision is made there will also need to be an issue owner, issue actioner and a response action plan identified. The Issue Register should also be updated.

## 5. Implement

The decision and response action plan will be communicated to the appropriate stakeholder for several reasons:

- So that personnel, especially each issue actioner, are aware of changes to their work schedules and can undertake their assigned tasks to fix the problems and implement the changes.

- To inform those who raised the issue and what course of action is being perused.
- To inform stakeholders who may be affected by the change (suppliers, contractors etc)
- To demonstrate effective management of the project/programme/portfolio.

The issue register is updated, and all other documents are revised whether the decision affects the content. In majority of cases the programme plan will need to be updated as well.

The change is then applied, and the impact of the change monitored, and lessons learned from its introduction. The impact of these should be used for the assessment of future changes/issue management.

As stated previously this a continual cycle and should be monitored and reviewed regularly to ensure compliance.



## **Appendix 1**



**CAMBRIDGESHIRE  
& PETERBOROUGH**  
COMBINED AUTHORITY

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## **CAMBRIDGE & PETERBOROUGH COMBINED AUTHORITY**

## **CORPORATE RISK MANAGEMENT STRATEGY**

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**2. RISK POLICY - The Authority's Approach to Risk Management**

**3. RISK MANAGEMENT AIMS AND OBJECTIVES**

**4. ROLES AND RESPONSIBILITIES**

**5. ARRANGEMENTS FOR MANAGING RISKS**

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## CAMBRIDGE AND PETERBOROUGH COMBINED AUTHORITY RISK MANAGEMENT STRATEGY

### 1. INTRODUCTION

#### What is Risk Management?

1.1 Risk can be defined as uncertainty of outcome. Risk is ever present and a certain amount of risk-taking is inevitable if the CPCA is to achieve its objectives. Risk management implies adopting a planned and systematic approach to the identification, evaluation and control of the risks facing the Authority and is a means of minimising the costs and disruption caused by undesired events.

1.2 Risk management covers the whole spectrum of risks and not just those associated with finance, health and safety and insurance. It also includes risks associated with public image (reputation), the environment, technology, contracts/partnerships, projects etc.

1.3 The Authority also has a statutory responsibility to have in place arrangements for managing risks, as stated in the Accounts & Audit Regulations 2015:- *“A relevant body must ensure that it has a sound system of internal control which: (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives; (b) ensures that the financial and operational management of the authority is effective; and (c) includes effective arrangements for the management of risk.”*

1.4 The benefits gained from effectively managing risk include:

#### Improved strategic management

- Greater ability to deliver against objectives and targets;
- Improved decision making

#### Improved operational management

- Reduction in managerial time spent dealing with the consequences of a risk event; having occurred;
- Improved service delivery

#### Improved financial management

- Better informed financial decision-making;
- Greater financial control;
- Minimising waste and poor value for money;
- Reduction in costly claims against the Authority

### **Improved customer service**

- Minimal service disruption to customers and a positive external image as a result

## **2. RISK POLICY**

### **2.1 The Authority's Approach to Risk Management**

The Authority recognises the need for risk management to feature as a consideration in our strategic and operational planning and decision making. The Authority is committed to managing and minimising risk by identifying, analysing, evaluating and treating risks that may impact the future success of the organisation. The approach is designed to ensuring that risk management is fit for purpose by applying the following:

- All staff obtain a sound understanding of the principles of risk management.
- Avoid surprises and reduce financial impact by generating an increased understanding of risk and quickly identifying mitigation response plans.
- Embed risk management as part of decision making by providing visibility of risks.
- Have plans in place on how to respond to an emergency or crisis, to carry on with business and recover from a disaster.

The approach is based on: thinking logically; identifying key risks and what to do about each risk; deciding who is responsible for the risk; recording the risks and changes in risk exposure; and monitoring the risks and learning from events.

## **3. RISK MANAGEMENT AIMS AND OBJECTIVES**

3.1 The aim of risk management is to ensure that the Authority has an effective process to support better decision making through good understanding of risks and their likely impact.

3.2 The objectives of the Authority's risk management strategy are to:-

- Raise awareness of the need for risk management;
- Minimise loss, disruption, damage and injury and reduce the cost of risk, thereby maximising resources;
- Inform policy and decision making by identifying risks and their likely impact.

3.3 These objectives will be achieved by:-

- Establishing clear roles, responsibilities and reporting lines within the Authority for risk management;



- Effective communication with, and the active involvement of, Service Managers and Directors;
- Monitoring progress in delivering the strategy and reviewing the risk management arrangements on an on-going basis.

#### 4. ROLES AND RESPONSIBILITIES

4.1 The table below outlines the key roles within the risk management strategy: -

Table 1: Roles and Responsibilities

<b>Chief Executive and Board</b>	<ul style="list-style-type: none"> <li>➤ To approve the Risk Management Policy and Strategy (including the Authority's risk appetite)</li> <li>➤ To approve the Corporate Risk Register</li> <li>➤ To monitor progress in the management of Strategic Risk</li> <li>➤ Understand the most significant risks</li> <li>➤ Manage the organisation in a crisis</li> </ul>
<b>Audit &amp; Governance Committee</b>	<ul style="list-style-type: none"> <li>➤ To ensure that the Authority has an effective risk management process in place</li> <li>➤ To monitor progress on the management of Strategic Risks</li> </ul>
<b>Head of Risk and Compliance</b>	<ul style="list-style-type: none"> <li>➤ To develop and review the risk management strategy and process in accordance with best practice</li> <li>➤ Build awareness culture</li> <li>➤ To provide advice and support to Management Team and Service Managers on the identification, analysis and prioritisation of risks</li> <li>➤ To report on the identification and progress of strategic risks to the Audit &amp; Governance Committee</li> <li>➤ To provide risk management training as</li> </ul>

	<p>required to officers and Members</p> <ul style="list-style-type: none"> <li>➤ Identify and report changes in the risk exposure to the organisation.</li> <li>➤ Develop the risk management policy and keep it updated.</li> <li>➤ Co-ordinate the risk control activities.</li> <li>➤ Develop specialist contingency and recovery plans</li> <li>➤ Support investigations of incidents and near misses</li> <li>➤ Provide assurance on the management of risk</li> </ul>
<b>Management Team</b>	<ul style="list-style-type: none"> <li>➤ To determine the Authority's risk appetite</li> <li>➤ To identify strategic risks</li> <li>➤ To determine actions to manage strategic risks</li> <li>➤ To monitor progress in managing strategic risks</li> <li>➤ Ensure implementation of risk improvement recommendations</li> <li>➤ Build awareness of risks within functions</li> <li>➤ Evaluation of reports from employees on identified risks</li> <li>➤ Identify and report on risk changes.</li> </ul>
<b>Service Managers</b>	<ul style="list-style-type: none"> <li>➤ To support the Management Team in the identification and management of Strategic Risks</li> <li>➤ To manage operational risks effectively in their particular service areas</li> <li>➤ To monitor and review risks at appropriate intervals</li> </ul>

Employees	<ul style="list-style-type: none"> <li>➤ To identify risks</li> <li>➤ To implement actions as instructed</li> <li>➤ Report inefficient, unnecessary or unworkable controls</li> <li>➤ Report loss events and near miss incidents</li> <li>➤ Co-operate with others in the investigation of risk incidents</li> <li>➤ Ensure that visitors and contractors comply with procedures</li> </ul>
Monitoring Officer	<ul style="list-style-type: none"> <li>➤ To ensure that the Authority has an effective risk management framework</li> </ul>
Internal Audit	<ul style="list-style-type: none"> <li>➤ Provide advice and guidance on the management of risk relating to the design, implementation and operation of systems of internal control.</li> </ul>

## 5. ARRANGEMENTS FOR MANAGING RISKS

5.1 The risk management methodology to be employed at the Authority is outlined in Appendix 1.

## 6. MONITORING ARRANGEMENTS

6.1 To ensure that informed decisions are made, it is essential to identify key strategic risks. Strategic risks will be identified at Management Team level as part of the Corporate Planning process and will be documented in the Corporate Risk Register which will be maintained by the Risk & Compliance Manager on behalf of the Monitoring Officer and the Management Team.

6.2 Progress in managing strategic risks will be monitored and reported on to ensure that intended actions are delivered and risks managed.

6.3 The Corporate Risk Register will form the basis of half yearly risk management reports to Board and the Audit & Governance Committee.

6.4 Internal Audit will carry out a periodic review of the Authority's risk management arrangements to provide independent assurance as to their effectiveness.

6.5 Internal Audit will also during the course of audits throughout the year:

- Identify and report weaknesses in the controls established by management to manage/monitor risks;
- Provide advice on the design/operation of the controls established by management to manage/monitor risk.

6.6 The Chief Internal Auditor will review the strategic risk register on an annual basis and incorporate strategic risk areas into the Internal Audit planning process as appropriate.

6.7 Service Managers should maintain a record of key operational risks within their service area relating to service change, projects and significant procurement. Progress in managing these risks should be monitored on a regular basis.

## **7. TRAINING & COMMUNICATION ARRANGEMENTS TO SUPPORT IMPLEMENTATION OF THE STRATEGY**

7.1 Training in the risk management methodology will be provided to those officers with direct responsibility for / involvement in the risk management process.

7.2 Training in the risk management methodology will be provided to:

- Board
- the Audit & Governance Committee;
- Management Team;
- Service Managers; and
- Other employees as appropriate.

## **8. REVIEW OF RISK MANAGEMENT STRATEGY**

8.1 This strategy will be reviewed every three years.

**APPENDICES:**

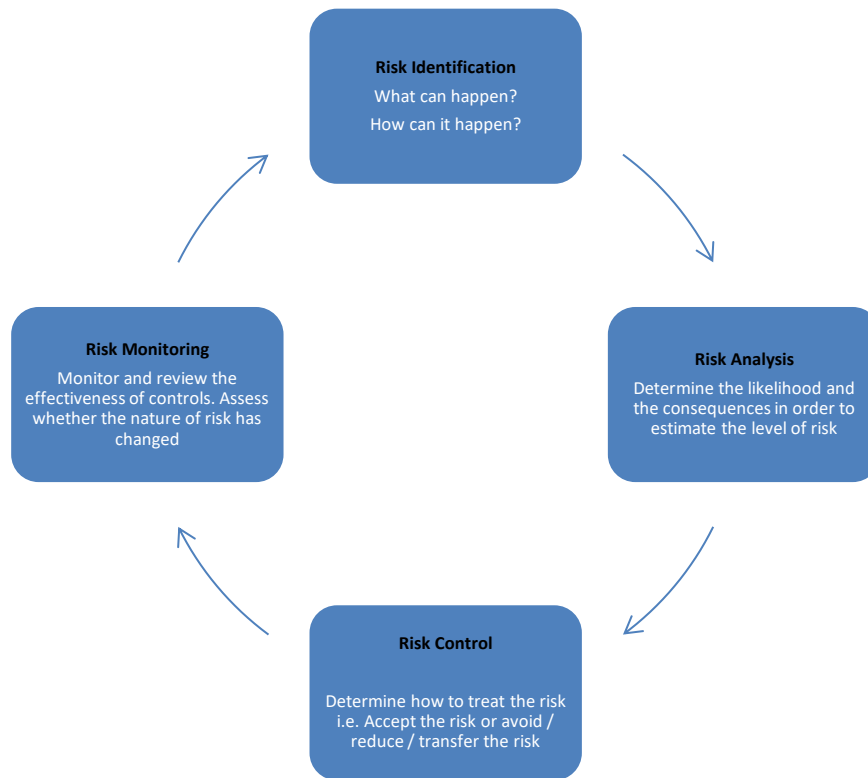
**Appendix 1: Risk Management Methodology**

**Appendix 2: Corporate Risk Register and Project Risk Registers**

## APPENDIX 1: RISK MANAGEMENT METHODOLOGY

### 1. The Risk Management Cycle

There are 4 key stages in the risk management cycle, as illustrated in the diagram below:-



The 4 stages of risk management are part of a cycle. Risk management is dynamic and so the identification phase needs to be carried out continuously.

### 2. Risk Identification

2.1 Risk assessment is the overall process of risk identification, risk analysis and risk evaluation.

**Table 3** below lists the main techniques being used and a brief description of each of these techniques. When completing risk assessments for General Data Protection Regulation (GDPR) purposes consideration should be given to whether a Data Protection Risk Assessment (DPIA) is needed

**Table 3 Risk Assessment Techniques**

Risk Assessment Techniques	
Technique	Description
Questionnaires and checklists	Use of structured questionnaires and checklists to collect information that will assist with the recognition of the significant risks.
Workshops and brainstorming	Collection and sharing of ideas at workshops to discuss the events that could impact the objectives, core processes or key dependencies.
Inspections and Audits	Physical inspections of premises and activities and audits of compliance with established systems and procedures.
Flowcharts and dependency analysis	Analysis of the processes and operations within the organisation to identify critical components that are the key to success.

The aim of the risk identification process is to generate a comprehensive list of risks be faced. Relevant and up to date information is important to identifying these risks and equally important is ensuring that our people with the appropriate knowledge are involved in our identification process. A variety of Risk Identification processes may be used as exemplified in the table below.

**Table 4: Risk Identification Techniques**

Risk Identification Techniques	
Technique	Description
Risk gap analysis	A list of common risks and uses these as a discussion point in risk reviews to facilitate risk thinking and identification
Workshops & brainstorming	Collection and sharing of ideas that could impact the objectives of the project/objective.
Audits and Inspections	Physical inspection of premises and audits of compliance with established systems and procedures
SWOT analysis	Strengths weaknesses opportunities Threats (SWOT)
PESTLE analysis	Political, Economic, Social, Technological, Legal & Environment

### 3. Risk Analysis and Scoring

**3.1** Risk analysis involves completing a full investigation of the risk to develop an understanding of the likelihood and impact on the organisation. This analysis forms part of the risk evaluation process and helps to understand how the risks should be treated.

3.2 At this part of this risk analysis, risks are classified using the classification table below and recorded on the risk register which is stored in SharePoint. Once risks have been identified they need to be assessed. This process requires risk owners to assess the level of risk by considering:-

- The probability of an event occurring - “likelihood”; and
- The potential severity of the consequences should such an event occur – “impact”.

3.3 Not all factors are equally important and higher scores should be given to those risks considered to impact most on the achievement of objectives. The impact scores have therefore been weighted to reflect that more significance should be given to those risks with a medium or high impact than those with a medium or high likelihood.

3.4 The following table provides **Likelihood** and **Impact** descriptors to assist with this process:-

#### LIKELIHOOD

Score	Description	Indicative Guidelines
<b>4</b>	<b>Very Likely</b>	<ul style="list-style-type: none"> <li>▪ There is a high exposure to the risk</li> <li>▪ Event expected to occur</li> <li>▪ Has occurred and will continue to do so without action being taken</li> <li>▪ Indication of imminent occurrence</li> <li>▪ There are external influences which are likely to make our controls ineffective</li> </ul>
<b>3</b>	<b>Probable</b>	<ul style="list-style-type: none"> <li>▪ There is a moderate exposure to risk</li> <li>▪ Reasonable to expect event to occur</li> <li>▪ Has occurred in the past</li> <li>▪ Is likely to occur in the Authority’s planning cycle</li> <li>▪ There are external influences which may</li> </ul>



		reduce effectiveness of controls
<b>2</b>	<b>Possible</b>	<ul style="list-style-type: none"> <li>There is low exposure to risk</li> <li>Little likelihood of the event occurring</li> <li>There is a potential for external influences which may reduce the effectiveness of controls</li> </ul>
<b>1</b>	<b>Unlikely</b>	<ul style="list-style-type: none"> <li>Extremely remote</li> <li>Not expected to occur but may do so in exceptional circumstances</li> <li>There are few or no external influences which may reduce effectiveness of controls</li> </ul>
<b>IMPACT</b>		
<b>Score</b>	<b>Description</b>	<b>Indicative Guidelines</b>
<b>5</b>	<b>Major/ Serious Consequences</b>	<p>The consequence is so bad that urgent action must be taken to improve the situation or prevent it worsening. External support from the Government or other agencies is likely to be needed:</p> <ul style="list-style-type: none"> <li>Major loss, delay or interruption to services</li> <li>One off event which would de-stabilise the Authority</li> <li>Financial loss, additional costs or loss of assets which would need an Authority decision as the scale of the loss would be outside the Authority's budget &amp; policy framework</li> <li>The risk will cause the objective not to be reached, causing damage to the organisation's reputation.</li> <li>Will attract medium to long-term attention of legislative or regulatory bodies</li> <li>Major complaints</li> <li>Significant adverse media interest</li> <li>Death or life-threatening injury</li> </ul>

<b>3</b>	<b>Moderate/Disruptive</b>	<p>The consequence is sufficiently serious to require attention by Management Team and / or the Board:</p> <ul style="list-style-type: none"> <li>• Significant loss, delay or interruption to services</li> <li>• Medium term impact on operational efficiency or performance</li> <li>• Financial loss, additional costs or loss of assets that is within the Authority's budget and policy framework but needs a Statutory Officer decision, Management Team decision, or to be drawn to the attention of the Board.</li> <li>• The risk will cause some elements of the objective to be delayed or not achieved, causing potential damage to the organisation's reputation.</li> <li>• May attract medium to short term attention of legislative or regulatory bodies</li> <li>• Significant complaints</li> <li>• Serious accident / injury (but not life threatening)</li> </ul>
<b>1</b>	<b>Minor/Non Disruptive</b>	<p>The consequences can be dealt with as part of the normal day-to-day business by the Service Manager and the Director:</p> <ul style="list-style-type: none"> <li>• Minor loss, delay or interruption to services</li> <li>• Short term impact on operational efficiency or performance</li> <li>• Negligible financial loss</li> <li>• The risk will not substantively impede the achievement of the objective, causing minimal damage to the organisation's reputation</li> <li>• No or minimal external interest</li> <li>• Isolated complaints</li> <li>• Minor accident / injury</li> </ul>

3.5 Both gross and residual scores should be identified to effectively review and monitor the effectiveness of the controls in place.

- **Gross Score**-The level of risk faced before internal controls/mitigating actions have been applied / implemented.
- **Residual Score**-The level of risk faced after any internal controls/mitigating actions have been applied/considered.

3.6 Internal controls are the Authority's policies, procedures and processes or any additional controls or mitigating actions taken to deal with a risk. Judgement must be made by the risk owner/facilitator as to the numerical reduction to the gross risk score to produce the residual risk score. The residual scores are then plotted onto the risk matrix, see below, which will determine the risk priority.

RISK		IMPACT		
L I K E L I H O O D		Minor/Non-Disruptive(1)	Moderate/Disruptive (3)	Major/Serious Consequences(5)
	Very Likely (4)	4	12	20
	Probable (3)	3	9	15
	Possible (2)	2	6	10
	Unlikely (1)	1	3	5

#### 4. Risk Control

4.1 Having identified and analysed the risks, it is necessary to decide what to do and who will do it. Priority will be given to the High (red) risks which will require immediate action plans.

4.2 Medium (Amber) risks will require actions plans and / or to be closely monitored as appropriate.

4.3 Low-scoring (Green) risks can be “accepted” and will not require actions plans. However, these risks will need to be monitored to ensure that controls remain operational to manage them and that such risks do not run out of control and become Medium (Amber) or High (Red) risks.

4.4 Where it is not deemed appropriate to accept the risk, the risk will need to be controlled. Risk control is the process of taking action to minimise the likelihood of the risk event occurring and/or reducing the severity of the consequences should it occur. There are 3 main options for controlling risk; avoidance, reduction and risk transfer.

4.5 **Risk avoidance** involves the Authority opting not to undertake a current or proposed activity because it is considered to be too risky.

4.6 **Risk reduction** is dependent on implementing actions which will minimise the likelihood of an event occurring or limit the severity of the consequences should it occur.

4.7 **Risk transfer** involves transferring liability for the consequences of an event to another body. This may be done in two ways: -

- Cost, delivery or legal liability may be transferred to an alternative provider under contractual/partnership arrangements for service delivery; however, it should be remembered that some responsibility may be retained for ensuring that the risk is managed e.g. Health & Safety.
- The costs associated with a damaging event may be reduced by transferring some or all of the financial risk to external insurance companies however; it should be remembered that many risks are uninsurable.

## 5. Risk Treatment

5.1 Risk treatment is the activity of selecting and implementing appropriate control measures to modify the risk. The Authority’s system of risk treatment provides the development of efficient and

effective internal controls. Effectiveness of internal control is the degree to which the risk will either be eliminated or reduced by the proposed control measures.

5.2 The cost effectiveness of internal control relates to the cost of implementing the control compared to the risk reduction benefits achieved.

5.3 Controls are defined as actions that are taken to reduce the likelihood and/or magnitude of a risk. Controls can be preventive, corrective, directive or detective as set out in the table below.

**Table 1: Types of Control**

Types of Control	
Control Type	Description
Preventive	Designed to limit the risk from occurring
Corrective	Designed to limit the scope for loss
Directive	Type of control based on giving instruction
Detective	Designed to identify a risk that has occurred to minimise the loss

## 6. Risk Response

6.1 The risk management responses used can be a mix of five main actions; transfer, tolerate, treat, terminate or take the opportunity.

- **Transfer;** for some risks, the best response may be to transfer them. This might be achieved by conventional insurance or by supporting a third party to take the risk in another way.
- **Tolerate;** the ability for us to do anything about some risks may be limited, or the cost of taking any action may be disproportionate to the potential benefit gained. This course of action will commonly be used for large external risks.
- **Treat;** by far the greater number of our risks will belong to this category. The purpose of treating a risk is to reduce the chance of the risk occurring and is not necessarily to obviate the risk, but to contain it to an acceptable level.
- **Terminate** the risk by doing things differently thus removing the risk where it is feasible to do so.

## **7. Risk Mitigation and Management**

7.1 The mitigating actions are the key to successful risk management. These focus on the risk and are actions which make it less likely that the risk will occur, or which will reduce its impact, probability or both. They are designed to be as Specific Measurable Achievable Realistic, and Time bound (SMART) as possible. Any mitigating actions which stay the same over a long period are reviewed as they may not be effective, although they might still be necessary.

7.2 Most risks can be managed – either by minimising the likelihood of the risk occurring and / or reducing the severity of the consequences should the risk occur. Relatively few risks have to be avoided or transferred. Managers must judge which courses of control action are the most appropriate to address each of the risks they have identified, taking advice from the Risk & Compliance Manager and other support services where appropriate.

7.4 The cost/benefit of each control act is assessed. The benefits will not always be solely financial. Managers need to use their own professional knowledge and experience to judge whether the financial cost of risk control is justified in terms of non-financial benefit to the Authority. On occasions, managers may conclude that the cost of the control action may outweigh the benefits which will accrue to the Authority as a result of the action being taken. In such instances, all or an element of the risk is retained. However, no statute should be breached when making this decision.

7.5 For each risk actions should be identified, the officer responsible and timescales. Responsibility for drawing up the action plans lies with the Management Team (for strategic risks) and with service managers for service / operational risks

## **8. Risk Monitoring**

8.1 To complete the risk management cycle, there must be monitoring and review of:-

- The implementation of the agreed risk control action plan;
- The effectiveness of the action in controlling the risk; and
- How the risk has changed over time.

Monitoring and review ensures that we continually learn from experience. The objectives of our monitoring and review process are as follows:

- Ensuring the controls are effective in both design and operation
- Obtaining further information to improve risk assessment
- Analysing and learning lessons from previous event
- Detecting changes in the external and internal context
- Identifying emerging risks

## **9. Risk assurance**

Successful management of risk depends on four important risk based outputs which have been identified as follows:

Mandatory as required by laws, customers/clients and standards

- Assurance for our Management Team and other stakeholders
- Decision making based on the best information available

Effective and efficient core processes through our organisation.

## **10. Communication and Consultation**

Communication and consultation with external and internal stakeholders takes place during all stages of risk management. In addition, as part of the communication process, the reporting of risks to management and the Board is most important. The reporting pattern is shown in the diagram below.

**Figure 1 Risk Reporting Structure**



## 11. Adding value

Risk management provides extra value to the Authority. In particular it is important to emphasize that employees will

- only take risks where there are likely to be benefits from doing so; and
- focus on risks where benefits could be enhanced, or the likelihood of success could be improved, or the likelihood of negative impact reduced.

It is important to ensure that risk management is having an impact – and change it if it is not doing so. It is also necessary to be proportionate paying more attention may be appropriate for larger interventions.

## 12. Revision History

A record should be maintained of all revisions to the Corporate Risk Strategy as shown below.

Version	Date	Summary	Name



## Appendix 2: Corporate Risk Register and Project Risk Registers

### Format of Risk Registers

Risk registers are commonly prepared either as tables in Word format or in Excel spreadsheet format. The Word format generally includes more narrative descriptions and response actions to provide a one-stop approach to the document whereas the Excel format often provides a tabular listing with reference to other documentation outlining further details of the issues.

### Project Risk Register Templates

Risk management register templates are readily adaptable to include the corporate risk strategy risks and the project risks in the respective portfolios. There are clear advantages of using this approach principally because of the interactive facility, common approach and accessibility through Share point.

The complete **Corporate Risk Register** and the **project risks** identified in the Transportation and **Housing portfolios** are shown in Appendix 2 and have been transferred to the risk issue template can be viewed through the following link:

<https://cambridgeshirepeterborough.sharepoint.com/:x:/s/CPCATeamSite/ERL7V3hljeJNn6zjBg9wMR4BpYQhx34-30Ls0mfYGMtxzQ?e=0FdOg3>



## Appendix 3: Risk Register and Guidance Notes

Table 1: Risk Register Template

Project Name or Programme or Portfolio																				
Risk ID	Date Identified	Cause(s)	Risk Event	Effect(s)	Risk Type	Risk Status	Proximity	Date Last Review	Mitigation Plan	Action Owner	Date Mitigation Due	Date Action Closed	Likelihood (1-5)	Impact (1-5)	RAG score	Approx. Financial Impact (£k)	Comments/Notes /Assumptions	Risk Owner	Escalation Required?	Date Closed
Totals																£0.00				
1															0					
2															0					
3															0					
4															0					
5															0					

Table 2: Guidance Notes to Complete Risk Register

[Project Name]																				
Risk ID	Date Identified	Cause(s)	Risk (Event)	Effect(s)	Risk Type	Risk Status	Proximity	Date Last Review	Mitigation Plan In Place and Active	Action Owner	Date Mitigation Due	Date Action Closed	Likelihood (1-5)	Impact (1-5)	RAG score	Approx Financial Impact (£k)	Comments / Notes / Assumptions	Risk Owner	Escalation Required	Date Risk Closed
Unique ID number per risk	Date the risk was placed on the register	<b>The risk is caused by:</b> Provide a list of causes of the risk.	<b>Bold headline title of the risk:</b> description	<b>If the risk occurred the effects would be:</b> State clearly the effects if the risk occurs.	<b>Risk Types</b> External Internal Financial Strategic Political, Legal, Supplier	<input type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Realised	<input type="checkbox"/> Imminent <input type="checkbox"/> Close <input type="checkbox"/> Approaching <input type="checkbox"/> Distant	Mitigating actions/controls should be identified that address the causes. The mitigating actions should have the ability to reduce the impact, the probability or both. Ideally they should be SMART: Specific, Measurable, Achievable, Realistic & Time bound. There can be multiple mitigating actions, each with different action owners if that is appropriate.  For ease of identification, each action should have its own number and be identified with the specific risk i.e.  <b>1</b> (First action) – <b>001</b> (related to risk ID)  <b>2</b> (Second action) – <b>001</b> (still related to risk ID)  1-001: Control Measure / Action  2-001: Control Measure / Action  3-001: -Control Measure / Action	Action Owner	Date Mitigation Due	Date Action Closed	Likelihood (1-5)	Impact (1-5)	RAG score	Approx Financial Impact (£k)	Comments / Notes / Assumptions  This section allows you to keep a 'commentary' regarding the ongoing management of the risk. It helps to keep others informed of past & current progress in your absence & can act as an audit trail.  E.g. Update 12/06/2010: Reviewed the risk with Owner & it has been raised from a Amber to Red  E.g. Update 18/03/2010: Met with owner of action 1.001. Action still progressing. Due date agreed to be delayed by 1month. Now due 01/01/2011	Risk Owner	Escalation Required  Yes or No (and at what level escalation is required - Programme, Portfolio or Corporate)	Date Risk Closed	
																				Date action completed
					<b>Proximity</b> is when the risk is likely to occur: <b>Imminent</b> = risk can occur within 1 month <b>Close</b> = Risk is 2-4 months away from occurring <b>Approaching</b> = Risk is 5-11 months away from occurring <b>Distant</b> = Risk is 12 months or more away from occurring					Use the 'Drop down boxes' in Likelihood & Impact fields to select the level of Likelihood & Impact probability (1 - 5). View metrics table to assess.					The Score & RAG score will then be automatically populate.					
The risk owner is the person accountable if the risk materialises. They should also ensure mitigating actions are completed & that the risk is effectively managed. There should be one owner per risk																				

## Appendix 4: Opportunity Register and Guidance Notes

Table 1: Opportunity Register Template

Project Name or Programme or Portfolio																				
Opp ID	Date Identified	Opportunity	Trigger(s)	Effect(s)	Opportunity Type	Project Phase	Opportunity Status	Proximity	Date Last Review	Action Plan	Action Owner	Date Due	Date Action Closed	Impact (1-5)	Probability (1-5)	RAG score	Approx. Financial Impact (£k)	Comments/Notes /Assumptions	Opportunity Owner	Date Closed
Totals																	£0.00			
1																0				
2																0				
3																0				
4																0				
5																0				

Table 2: Guidance Notes to Complete Opportunity Register

Project Name or Programme or Portfolio																				
Opp ID	Date Identified	Opportunity	Trigger(s)	Effect(s)	Opportunity Type	Project Phase	Opportunity Status	Priority	Date Last Review	Action Plan	Action Owner	Date Due	Date Action Closed	Impact (£-£k)	Probability (%)	RAG score	Approx. Financial Impact (£k)	Comments/Notes/Assumptions	Opportunity Owner	Date Closed
Totals																				
1	Date Identified	Title of the Opportunity description "there is an opportunity to..."	What event triggers the opportunity "e.g. setting up site".	Commentary on what will be the impact of the opportunity	Type of opportunity	Is the opportunity live, closed, realised				Key actions to realising the opportunity	These are the owners of the actions		Date actions need to be closed							
2																			Owner of Opportunity	
3																				
4																				
5																				
6																				
7																				

Appendix 5: Issue Log and Guidance Notes

Table 1: Issue Log

Issue ID	Project ID and Project Name (if applicable)	Programme Directorate	Issue Logged	Status	Severity	Priority	Dated Reported	Issue Owner	Issue Actioner	Response Action Plan	Last Updated
1											
2											
3											
4											
5											
6											
7											
8											

Table 2: Issue Log Guidance Notes

Issue ID	Project ID and Project Name (if applicable)	Programme Directorate	Issue Logged	Status	Severity	Priority	Dated Reported	Issue Owner	Issue Actioner	Response Action Plan	Last Updated
1											
2											
3						Drop Down - Urgent, High, Medium and Low					
4											
5											
6											
7											
8											
9											

If issue is related to a specific project - insert Project ID and Project Name

Add programme directorate affected from drop down list

Add information regarding the issue:  
- How it happened  
- What it affects  
Any information that might be relevant when selecting the appropriate action plan

Select Issue status from drop down:  
Open  
Closed  
On Hold  
Work In Progress

Date the Issue was logged on the register

Person / Persons responsible for the action plan to resolve or mitigate the issue that has been raised

Person responsible to action the response plan and to ensure its progress

Action plan decided to move forward with dealing with the Issue that had been raised. Full details required

Last date when the Issue was looked at. If closed issue - needs to be the closed issue date





<b>AUDIT AND GOVERNANCE COMMITTEE</b>	<b>AGENDA ITEM No: 6</b>
<b>16 DECEMBER 2019</b>	<b>PUBLIC REPORT</b>

## **REVIEW OF THE DATA PROTECTION POLICY**

### **1.0 PURPOSE**

- 1.1 At its meeting on 18 December 2017 the Audit and Governance Committee reviewed the Combined Authority's Data Protection Policy which was then adopted by the Combined Authority Board at its meeting on 31 January 2018. As set out in more detail in the report, the Data Protection Act 1998 requires the Data Protection Policy to be reviewed and, if appropriate updated, from time to time. This report invites the Committee to review a proposed revised Data Protection Policy and to recommend its adoption to the Combined Authority Board.

<b><u>RECOMMENDATIONS</u></b>
<b>Lead Officer: Dermot Pearson, Interim Legal Counsel and Monitoring Officer</b>
<p>The Audit and Governance Committee are recommended to:</p> <p>(a) Review the proposed revised Data Protection Policy and recommend to the Combined Authority Board that the revised Data Protection Policy be adopted. [The revised Data Protection Policy forms Appendix 2 to this report].</p>

### **2.0 BACKGROUND**

- 2.1. The current Data Protection Policy forms Appendix 1 to this report and was reviewed by the Committee at its meeting on 18 December 2017 before being adopted by the Combined Authority Board at its meeting on 31 January 2018.
- 2.2. The Data Protection Act 1998 [the Act] requires the Combined Authority to have an "appropriate policy document in place" when certain types of processing of personal data are carried out. The document must:

- 2.2.1 Explain the Authority's procedures for securing compliance with the principles in the General Data Protection Regulation relating to the processing of personal data in reliance on specified conditions; and
  - 2.2.2 Explain the Authority's policies as regards the retention and erasure of personal data processed in reliance on the conditions, giving an indication of how long such personal data is likely to be retained.
- 2.3. The specified conditions which can only be relied upon when there is an appropriate policy document in place include:
- 2.3.1 Where the processing is necessary for the purposes of performing or exercising obligations or rights which are imposed or conferred by law on the controller or the data subject in connection with employment, social security or social protection;
  - 2.3.2 Where the processing is for the purpose of the exercise of a function conferred on a person by an enactment or rule of law;
  - 2.3.3 Where the processing is necessary for the administration of justice;
  - 2.3.4 Where the processing is of personal data revealing racial or ethnic origin, revealing religious or philosophical beliefs, concerning health or an individual's sexual orientation;
  - 2.3.5 Where the processing is necessary for the purposes of the prevention or detection of an unlawful act;
  - 2.3.6 Where the processing is necessary for the purposes of protecting the public against dishonesty;
  - 2.3.7 Where the processing is necessary for the purposes of preventing fraud; and
  - 2.3.8 Where the processing is necessary for the purposes of is necessary for the purpose of, or in connection with, any legal proceedings (including prospective legal proceedings);
- 2.4. The Act also requires the document to be retained for the period of 6 months after the Authority ceased to carry out the processing, to be reviewed and (if appropriate) updated from time to time and made available to the Information Commissioner, on request, without charge. The purpose of this report is to review and update the Data Protection Policy.
- 2.5. Officers have reviewed the policies of other combined authorities to help identify best practice on data protection policies. The policy of the West Midlands Combined Authority has been identified as a good example and, with their consent, has been adapted for use by the Combined Authority. The proposed revised Data Protection Policy forms Appendix 2 to this report.

- 2.6. The proposed revised Data Protection Policy addresses the principles relating to processing of personal data set out in the General Data Protection Regulation and clearly sets out the rights of data subjects.

### **3.0 FINANCIAL IMPLICATIONS**

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

### **4.0 LEGAL IMPLICATIONS**

- 4.1 As set out in the body of the report, if the Combined Authority is to rely on conditions for processing set out in the Data Protection Act 1998, it must have an appropriate policy document in place and that document must be kept under review. The proposed revised Data Protection Policy is intended to be that policy.

### **5.0 APPENDICES**

- 5.1. Appendix 1 – Data Protection Policy adopted in January 2018.  
Appendix 2 - The Proposed Revised Data Protection Policy.

<b><u>Background Documents</u></b>	<b><u>Location</u></b>
West Midlands Combined Authority Privacy Policy	<a href="https://www.wmca.org.uk/policies">https://www.wmca.org.uk/policies</a>





## **DATA PROTECTION POLICY**

1. Cambridgeshire and Peterborough Combined Authority ("CPCA") shall take all necessary steps to ensure that the personal data it holds about its customers, suppliers, employees and all other individuals is processed fairly and lawfully.

2. CPCA shall ensure that all relevant statutory requirements are complied with and that its internal data protection procedures are monitored regularly.

3. CPCA shall implement and comply with the eight Data Protection Principles contained in the Data Protection Act 1998 ("the Act") which promotes good conduct in relation to processing personal information.

4. These Principles are:

(1) Personal data shall be processed fairly and lawfully. Individuals will not be misled as to the uses to which CPCA will put the information given.

(2) Personal data shall be obtained only for one or more specified and lawful purposes and shall not be further processed in any manner incompatible with that purpose or those purposes. CPCA ensures that individuals whose data is processed will be informed as fully as possible about the purposes for which the information is being processed.

(3) Personal data shall be adequate, relevant and not excessive in relation to the purpose or purposes for which it is processed. The information obtained by CPCA will be sufficient to ensure accurate processing.

(4) Personal data shall be accurate and where necessary, kept up to date. Errors will be corrected as soon as discovered or notified.

(5) Personal data processed for any purpose or purposes shall not be kept for longer than is necessary for that purpose or those purposes. Data which is no longer required will be securely destroyed.

(6) Personal data shall be processed in accordance with the rights of data subjects outlined in the Act. CPCA will attempt to reply to subject access requests as quickly as possible and in all cases within the 40 day timeframe allowed by the Act.

(7) Appropriate technical and organisational measures shall be taken against unauthorised or unlawful processing of personal data and against accidental loss, destruction or damage. In particular, unauthorised staff and other individuals will be prevented from gaining access to personal information. Appropriate physical security will be in place with visitors being received and supervised at all times within CPCA's premises where information about individuals is stored.

(8) Personal data shall not be transferred to a country or territory outside the European Economic Area unless that country or territory ensures an adequate level of protection for the rights and freedoms of data subjects in relation to the processing of personal data.

5. CPCA shall ensure that the Information Commissioner's Office is informed of all its uses of personal information and will review and update those entries from time to time.

6. CPCA shall take such measures as may be necessary to ensure the proper training, supervision and instruction of all relevant employees in matters concerning data protection and to provide any necessary information.

7. CPCA shall consult with its employees periodically to ascertain what measures should be taken to increase awareness of data protection issues and to ensure that all necessary measures are in place to make this Policy effective.

8. Where reasonable and practicable personal data shared with any partner, associate or other organisation shall be the subject either of a protocol or confidentiality agreement which will define the context and limits of the data exchange.

9. CPCA's Legal Counsel & Monitoring Officer shall have overall responsibility for data protection issues within the organisation.

10. CPCA will keep this Policy under review taking account of changes in legislation, advice from the Information Commissioner's Office, decisions of the Courts, changes in technology, experience in practice and relevant guidance from other representatives.

November 2017



# Data Protection Policy

(December 2019)

The Cambridgeshire and Peterborough Combined Authority is a controller for the purposes of the Data Protection Act 2018. We collect, process and store a wide range of information, including personal information to deliver our services efficiently.

We are responsible for managing the information that we hold and we recognise that this information is important to you. We take our responsibilities seriously and use personal information fairly, correctly and safely in line with the UK's data protection laws.

Anyone who receives information from us is also under a legal obligation to do the same and will have a set of data protection clauses included in any contract with us.

Where we need to share sensitive or confidential information, we will do so only with your consent, or where we are legally able to do so.

## **Why we need to collect information about you**

We collect and process various categories of personal information at the start of, and for the duration of your relationship with us. We will limit the collection and processing of information to what is necessary to achieve one or more legitimate purposes as identified in this notice.

We will use your personal information for a limited number of purposes and always in line with our responsibilities, and where reasonable your wishes, where there is a legal basis to use your personal information and in relation to your rights.

We process personal information:

- For the purpose for which you provided the information, for example services we have provided in relation to transport, public service reform, business & skills and housing.
- To enable us to communicate with you and for the provision of services to you.
- To monitor our performance in providing services to you, to gather statistical information to allow us to plan future provision of services to and to obtain your opinion about our services.
- To meet various legal requirements.
- For the prevention and/or detection of crime.



- To process financial transactions including grants and payments directly involving us or where we are acting on behalf of other government bodies.
- For general processing where you have given your consent for us to do so.
- Where it is permitted under the Data Protection Act, for example, to comply with legal obligations, or for us to seek legal advice or undertake legal proceedings.
- For marketing purposes to keep you updated on the latest news and services.

We may not be able to provide you with a service if we do not have enough information and, in some instances, your consent to use that information.

We aim to keep your information accurate and up to date. You can help us to do this by letting us know if any of the information you have given us, such as your address changes. Our contact details can be found later in this document.

Schedule A, below explains the lawful basis we process your information.

## **Ways in which we collect your information**

### Face to Face

We may keep a record of your visit to us to assist us in the delivery and improvement of the services that we provide to you and to others. Any such records that include personal information will be kept securely.

### Telephone calls

Ordinarily we will inform you if we record or monitor any telephone calls you make to us. We may do this to increase your security; so that we have a record of a call taking place and/or for training and quality purposes.

### Emails

If you email us, we may keep your email as record that you have made contact. This includes your email address. We will not include any personal or otherwise confidential information in any email we send to you unless it is sent securely or you have agreed to us contacting you with this information. We would also recommend that you keep the amount of personal or confidential information you send to us via email to a minimum.

### Online

- Other websites – On our website you may find links to other external websites which we have provided for your information and convenience. This data protection policy applies solely to Cambridgeshire and Peterborough Combined Authority. We are not responsible for the content of those sites. When you visit other websites, we recommend that you take time to read their own privacy notices.





## **What we will do with your information**

When deciding what personal information to collect, use and hold, we are committed to making sure that we:

- Only collect, hold and use personal information where it is necessary and fair to do so.
- Keep your personal information secure and safe.
- Securely dispose of any personal information when it is no longer needed.
- Be open with you about how we use your information and who we share it with.
- Adopt and maintain high standards in handling any personal information.

We may disclose personal information to a third party, but only where it is required by law, where that third party needs that information to provide you with a service on our behalf or where it is otherwise allowed under the Data Protection Act. We will strive to make sure that the third party has sufficiently robust system and procedures in place to protect your personal information.

## **How long we will hold your information**

By providing you with a service, we create records that contain information. We manage our records to help us provide a service to you. The retention periods we will hold records are determined based on the type of record, the nature of the activity, product or service. We will not retain records for any longer than necessary, or as required by law.

When we dispose of personal information, we will do so in a secure way.

## **Who we may share your information with**

We will not share your information with anyone outside of the Cambridgeshire and Peterborough Combined Authority except:

- a. Where we have your permission.
- b. Where required for the service we are providing you.
- c. Where we are required by law and by law enforcement agencies, judicial bodies, government, tax authorities or other regulatory bodies.
- d. With third parties, external partners, and agencies assisting us in delivering our service to you.
- e. With external partners to improve, and advance, the service we provide to you.



Information will only be shared where it is necessary, and permitted under the Data Protection Act. Any information shared will be proportionate and limited only to what is necessary.

The Cambridgeshire and Peterborough Combined Authority will ensure that the third party, external partner, or agency have sufficient systems and procedures in place to prevent the loss or misuse of personal information. Sharing will only take place under strict contractual agreements and/or sharing agreements.

### **Transferring information overseas**

If you're personal information is transferred outside the European Economic Area (EEA) for processing or storage purposes the Cambridgeshire and Peterborough Combined Authority will ensure that safeguards are in place to protect it to the same standard we apply. We will ensure that any transfer only takes place if:

- a. The European Commission has decided that the country or the organisation we are sharing your information with will protect your information adequately.
- b. The transfer has been authorised by the relevant data protection authority, and/or
- c. We have entered into a contract with the organisation with which we are sharing (on terms approved by the European Commission), to ensure your information is adequately protected.

### **Communications about our service**

We will contact you with information relevant to the service we are providing you. By a variety of means including via email, text message, post and/or telephone.

We may monitor or record calls, emails, text messages, or other communications in accordance with applicable laws.

### **Your rights**

Under the Data Protection Act, you as the Data Subject, have the following rights. Each request will be reviewed and actioned wherever possible. However, you should be aware that, due to the reasons that the Cambridgeshire and Peterborough Combined Authority may be processing your information we may not be able to comply with some requests due to legal obligations. You have the right to:

<b>Rights</b>	<b>Description</b>
<b>Access</b> – You have a right to get access to the personal information we hold about you	If you would like a copy of the personal information we hold about you please contact us at: <ul style="list-style-type: none"><li>Email: <a href="mailto:contactus@cambridgeshirepeterborough-ca.gov.uk">contactus@cambridgeshirepeterborough-ca.gov.uk</a></li></ul>



	<ul style="list-style-type: none"><li>• Telephone: 01480 277180</li><li>• Address: Data Protection Officer, Cambridgeshire and Peterborough Combined Authority, Incubator 2, The Boulevard, Enterprise Campus, Alconbury Weald, Huntingdon. PE28 4XA</li></ul>
<b>Rectification</b> – You have a right to rectification of inaccurate personal information and to update incomplete personal information	<p>If you believe that any of the information that we hold about you is inaccurate, you have a right to request that we restrict the processing of that information and to rectify the inaccurate personal information.</p> <p>Please note that if you request us to restrict processing your information, we may have to suspend the services we provide to you</p>
<b>Erasure</b> – You have a right to request that we delete your personal information.	<p>You may request that we delete your personal information if you believe that:</p> <ul style="list-style-type: none"><li>• we no longer need to process your information for the purposes for which it was provided;</li><li>• we have requested your permission to process your personal information and you wish to withdraw your consent; or</li><li>• we are not using your information in a lawful manner.</li><li>• Please note that if you request us to restrict processing your information, we may have to suspend the services we provide to you</li></ul>
<b>Restriction</b> – You have a right to request us to restrict the processing of your personal information	<p>You may request us to restrict processing your personal information if you believe that:</p> <ul style="list-style-type: none"><li>• any of the information that we hold about you is inaccurate;</li><li>• we no longer need to process your information for the purposes for which it was provided, but you require the information to establish, exercise or defend legal claims; or</li><li>• we are not using your information in a lawful manner.</li></ul>



	Please note that if you request us to restrict processing your information, we may have to suspend the services we provide to you.
<b>Portability</b> – You have a right to data portability	Where we have requested your permission to process your personal information or you have provided us with information for the purposes of entering into a contract with us, you have a right to receive the personal information you provided to us in a portable format.
<b>Objection</b>  You have a right to object to the processing of your personal information.	<p>You have a right to object to us processing your personal information (and to request us to restrict processing) unless we can demonstrate compelling and legitimate grounds for the processing, which may override your own interests, or where we need to process your information to investigate and protect us or others from legal claims.</p> <p>Please note that if you request us to restrict processing your information, we may have to suspend the services we provide to you.</p>
<b>Withdraw consent</b>  You have a right to withdraw your consent	<p>Where we rely on your permission to process your personal information, you have a right to withdraw your consent at any time.</p> <p>We will always make it clear where we need your permission to undertake specific processing activities.</p>
<b>Lodge complaints</b>  You have a right to lodge a complaint with the regulator.	<p>If you wish to raise a complaint on how we have handled your personal information, you can contact our Data Protection Officer who will investigate the matter.</p> <p>We hope that we can address any concerns you may have, but if you remain unhappy you can contact the Information Commissioner's Office (ICO). For more information, visit: <a href="https://ico.org.uk">ico.org.uk</a></p>

### Using personal information for marketing

We will only send you information about our services if you have asked us to do so or, based on the information we hold, and those services are considered of benefit to you. Your information may also be shared with other service providers who may



contact you if they provide services to help you. You can opt out of this at any time by letting us know.

### **Prevention and detection of fraud**

The Cambridgeshire and Peterborough Combined Authority is required by law to protect the public funds it administers. Therefore, we may use any of the information you provide to us for the prevention and detection of fraud, or to comply with the law.

As well as conducting our own 'data matching' exercise, we may also share your information with other public bodies. These include (but are not limited to):

- The Audit Commission
- Other Local Authorities
- Her Majesty's Revenue & Customs
- The Police
- Other bodies responsible for auditing or administration of public funds.

We may also share information with service providers or contractors and partner organisations, where the sharing of information is necessary, proportionate and lawful.

### **How to contact us**

For more information about either requesting access, to stop processing of your personal information or to raise a concern please contact us at:

- Email: [contactus@cambridgeshirepeterborough-ca.gov.uk](mailto:contactus@cambridgeshirepeterborough-ca.gov.uk)
- Telephone: 01480 277180
- Address: Data Protection Officer, Cambridgeshire and Peterborough Combined Authority, Incubator 2, The Boulevard, Enterprise Campus, Alconbury Weald, Huntingdon. PE28 4XA

### **Complaints**

If you wish to raise a complaint on how we have handled your personal information, you can contact our Data Protection Officer who will investigate the matter. Contact details are provided above.

We hope that we can address any concerns you may have, but if you remain unhappy you can contact the Information Commissioner's Office (ICO). For more information, visit: [ico.org.uk](https://ico.org.uk)

### **Equalities Information**



We may use information such as your ethnic background, first language, gender, sexual orientation and age gap to gather statistics about the population of the area and the take up of our services. This is to help comply with our legal obligations and to plan the provision of services in the future.

Such analysis will not identify individuals or have impact on entitlement to services and facilities.

### **Changes to the way we use information**

If we change the way we use your information, and we believe you may not reasonably expect such a change we will notify you and will allow a period of time to raise any objections before the change is made. However, please note that in some cases, if you do not agree to such changes it may not be possible for us to continue to operate your account and/or provide our service to you.

### **Changes to this Data Protection Policy**

We keep our Data Protection Policy under regular review.

## **Schedule A – Schedule of Purposes of Processing**

We will only use and share your information where it is necessary for us to carry out our lawful activities. We want to ensure that you fully understand how your information may be used. We have described the legal purposes for which your information may be used in detail below:

### **A. Contractual necessity**

We may process your information where it is necessary to enter into a contract with you for the provision of a services or to perform our obligations under that contract. This may include processing to:

- a. Assess and process applications for products or services.
- b. Provide and administer those products and services throughout your relationship with us, including opening, setting up, updating, or closing the service or product; collecting and issuing all necessary documentation; executing your instructions; processing transactions, resolving any queries or discrepancies and administering any changes.

Calls to the Cambridgeshire and Peterborough Combined Authority may be recorded and monitored for these purposes;

- a. Manage and maintain our relationship with you and for ongoing customer service. This may involve sharing your information with our partner organisations to improve the availability of our services.



- b. Communicate with you about the service or the products and services you receive from us.
- c. Undertake any processing necessary to provide, deliver, or improve the service to you.

**B. Legal obligation**

When we provide a product or service (and throughout your relationship with us), we are required by law to collect and process certain personal information about you.

Please note that if you do not agree to provide us with the requested information, it may not be possible for us to continue to provide products and services to you.

**C. Legitimate interests of Cambridgeshire and Peterborough Combined Authority**

We may process your information where it is in our legitimate interests do so as an organisation, and without prejudicing your interests or fundamental rights and freedoms.

We may process your information in the day-to-day running of Cambridgeshire and Peterborough Combined Authority, to manage our services and financial affairs and to protect our customers, employees and property. It is in our interests to ensure that our processes and systems operate effectively and that we can continue operating. This may include processing your information to:

- i. monitor, maintain and improve internal processes, information and data, technology and communications solutions and services;
- ii. ensure business continuity and disaster recovery and responding to information technology and business incidents and emergencies;
- iii. ensure network and information security, including monitoring authorised users' access to our information technology for the purpose of preventing cyber-attacks, unauthorised use of our telecommunications systems and websites, prevention or detection of crime and protection of your personal data;
- iv. provide assurance on our material risks and reporting to internal management and supervisory authorities on whether we are managing them effectively;
- v. perform general, financial and regulatory accounting and reporting;
- vi. protect our legal rights and interests;
- vii. enable a sale, reorganisation, transfer or other transaction relating to Cambridgeshire and Peterborough Combined Authority.





**D. Processing is necessary for the performance of a task carried out in the public interest or in the exercise of official authority vested in Cambridgeshire and Peterborough Combined Authority;**

We may process your information where:

- a. we are exercising an official authority set out in law
- b. to perform a specific task the public interest that is set out in law

**E. Consent**

For some work, we undertake we may only process your information with your consent. If we are processing information with consent, we will ensure you are clearly informed of this, and you have the opportunity to provide clear unambiguous consent.





<b>AUDIT AND GOVERNANCE COMMITTEE</b>	<b>AGENDA ITEM: 7</b>
<b>16 DECEMBER 2019</b>	<b>PUBLIC REPORT</b>

## **CA BOARD SUMMARY**

### **1.0 PURPOSE**

- 1.1 To provide the Committee with the decision summary of the Combined Authority Board meetings held on 30 October 2019 and 27 November 2019.

<b><u>DECISION REQUIRED</u></b>
<b>Lead Officer: Dermot Pearson – Interim Monitoring Officer</b>
That the Committee:  a) Notes the decision summary from the Combined Authority Board meetings held on 30 October 2019 and 27 November 2019.

### **2.0 BACKGROUND**

- 2.1 The Combined Authority Board has since the last Audit and Governance Committee meeting met on 30 October 2019 and 27 November 2019. Decision summaries are produced and circulated to the relevant Constituent Councils to update them on the progress and decisions made by the Board at each meeting.
- 2.2 In order to update the Audit and Governance Committee, decision summaries from the Board on above dates have been appended to the report for noting.

### **3.0 FINANCIAL IMPLICATIONS**

- 3.1 There are no financial implications

### **4.0 LEGAL IMPLICATION**

- 4.1 There are no legal implications

### **5.0 EQUALITIES IMPLICATION**

- 5.1 None

## 6.0 APPENDICES

- 6.1 Appendix 1- Decision Summary from the Combined Authority Board (31<sup>st</sup> July 2019)

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



**CAMBRIDGESHIRE  
& PETERBOROUGH**  
COMBINED AUTHORITY

# **CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY**

## **Decision Statement**

**Meeting: Wednesday 30 October 2019**

**Published: Monday 4 November 2019**

**Decision review deadline: Monday 14 November 2019**

Each decision set out below will come into force, and may then be implemented at 5.00pm on the fifth full working day after the publication date, unless it is subject of a decision review. [see note on call in below].

<b>Item</b>	<b>Topic</b>	<b>Decision</b>
<b>Part 1 – Governance Items</b>		
1.1	Announcements, Apologies and Declarations of Interest	<b>Apologies were received from Councillor G Bull (substituted by Councillor R Fuller) and Councillor L Herbert.</b>  <b>No declarations of interest were made.</b>
1.2	Minutes – 25 September 2019	<b>The minutes of the meeting on 25 September 2019 were confirmed as an accurate record and signed by the Mayor.</b>
1.3	Petitions	None received.

1.4	Public Questions	None received.
1.5	Forward Plan – September 2019	<b>It was resolved to note and approve the Forward Plan.</b>
1.6	Designation of Scrutiny Officer	It was resolved to:  Designate Katarina O'Dell as the Combined Authority's Interim Scrutiny Officer for the remainder of the maternity leave of the Scrutiny Officer.
1.7	Appointments to Executive Committees and Appointment of Chairs and Lead Members	It was resolved to:  a) Note and agree the nominations for membership of the Executive Committees, Chairs and Lead Members for the remainder of the 2019/20 municipal year, as set out in Appendix 1.  b) Approve the Monitoring Officer to accept any consequential changes to membership and confirm that on receipt such changes would be immediately in effect.
<b>Part 2 – Finance</b>		
2.1	Budget Monitor Update	It was resolved to:  Note the updated financial position of the Combined Authority for the year.
<b>Part 3 - Combined Authority Matters</b>		
3.1	£100k Homes and Community Land Trusts	It was resolved to:  a) Delegate to the Chief Executive, in consultation with the Chair of the Housing and Communities Committee, authority to draw down the £250,000 allocated from the non-transport feasibility budget for the creation of community land trusts and for the operational costs of delivering the £100k Housing project, subject to the phasing set out in the Medium Term Financial Plan (MTFP); and

		<p>b) Confirm that the monitoring of spend on the development of the business cases for Community Land Trusts and £100k Homes will be reported to the Housing &amp; Communities Committee; and</p> <p>c) Confirm that the business cases for Community Land Trusts and £100k Homes will be reported to the Combined Authority Board for approval in due course, subject to consultation with the Housing &amp; Communities Committee.</p>
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**Notes:**

- (a) Statements in bold type indicate additional resolutions made at the meeting.
- (b) Five Members of the Overview and Scrutiny Committee may call-in a key decision of the Mayor, the Combined Authority Board or an Officer for scrutiny by notifying the Monitoring Officer.

For more information contact: Richenda Greenhill at [Richenda.Greenhill@cambridgeshire.gov.uk](mailto:Richenda.Greenhill@cambridgeshire.gov.uk) or on 01223 699171.





# **CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY**

## **Decision Statement**

**Meeting: Wednesday 27 November 2019**

**Published: Monday 2 December 2019**

**Decision review deadline: Monday 9 December 2019**

Each decision set out below will come into force, and may then be implemented at 5.00pm on the fifth full working day after the publication date, unless it is subject of a decision review. [see note on call in below].

<b>Item</b>	<b>Topic</b>	<b>Decision</b>
<b>Part 1 – Governance Items</b>		
1.1	Announcements, Apologies and Declarations of Interest	<b>Apologies were received from Councillor G Bull (substituted by Councillor R Fuller)</b>  <b>No declarations of interest were made.</b>
1.2	Minutes – 30 October 2019	<b>The minutes of the meeting on 30 October 2019 were confirmed as an accurate record and signed by the Mayor.</b>
1.3	Petitions	None received.

1.4	Public Questions	None received.
1.5	Forward Plan	<b>It was resolved to approve the Forward Plan.</b>
1.6	Performance Report	It was resolved to:  Note and approve proposed changes to the Performance Reporting process.
1.7	Assurance Framework	It was resolved to:  a) Agree the adoption of the single Assurance Framework as amended to meet the requirements of the Ministry of Housing, Communities & Local Government (the amended Assurance Framework forms the Appendix to this report - amendments are highlighted in bold) <b>with an additional amendment to paragraph 3.3.33 of the Assurance Framework to replace the word “nine” with the word “fourteen” and the word “seven” with the word “twelve” and to delegate authority to the Monitoring Officer to amend the Constitution accordingly.</b>
<b>Part 2 – Finance</b>		
2.1	Draft Budget 2020-21 and Medium Term Financial Plan 2020-2024	It was resolved to:  a) Approve the Draft Budget for 2020/21 and the Medium Term Financial Plan 2020/21 to 2023/24 for consultation purposes.  b) Approve the timetable for consultation and those to be consulted.
<b>Part 3 - Combined Authority Decisions</b>		
3.1	£100m Affordable Housing Programmes Scheme Approvals (Non-Grant) November 2019 – Linton Road, Great Abington	It was resolved to:  a) Approve the provision of a loan facility of £5.78m to Linton Road (Great Abington) LLP for a scheme of no less than 13 units based on the heads of terms detailed in



		<p>the exempt Appendix 1.</p> <p>b) Authorise the Director of Housing and Development, in consultation with the Interim Legal Counsel and the Lead Member for Investment and Finance, to conclude any necessary legal documentation to secure the loan, to include taking a charge upon the land</p>
3.2	Appointment of the Chair of Angle Holdings Ltd and Angle Developments (East) Ltd	<p>It was resolved to:</p> <p>Approve the appointment of <b>Brian Stewart OBE</b> as the Chairman of both Angle Holdings Limited and Angle Developments (East) Limited.</p>
3.3	Climate Change	<p>It was resolved to:</p> <p>a) Approve the establishment of an Independent Commission on Climate Change with a mandate to report within the next 12 months;</p> <p>b) Agree the proposed terms of reference of the Commission set out in the Annex to this paper;</p> <p>c) Authorise the chief executive, in consultation with the Mayor, to appoint a chairman and members of the Commission; and</p> <p>d) Approve a revenue budget of £125,000 to support the commission's work</p>
<p>By Recommendation to the Combined Authority</p> <p><b>Part 4 – Business Board recommendations to the Combined Authority</b></p>		
4.1	For approval as Accountable Body – Local Growth Fund Project Proposals November 2019	<p>It was resolved to:</p> <p>a) Approve projects number 3 and 6 in the table at paragraph 2.8;</p> <p>b) Approve funding for the projects numbered 5, 7 and 8 in the table at paragraph 2.8;</p> <p><b>c) Agree that the Director of Business and Skills be granted delegation to approve the application numbered 1 in the table at paragraph 2.8 in the report</b></p>

		<b>subject to legal advice to confirm that approval would be lawful in the context of the Bus Review</b>
4.2	For approval as Accountable Body – Local Growth Fund Update November 2019	<p>It was resolved to:</p> <ul style="list-style-type: none"> <li>a) Delegate authority to the Director of Business and Skills, in consultation with the Chair of Business Board, to approve grants to SMEs under the Small Business Capital Grant Programme.</li> <li>b) Approve the allocation of £100,000 from the Small Business Capital Growth Grant Programme to a new Entrepreneurs' Accelerator Fund to be ring-fenced for Thomas Cook employees or affected supply chain companies' employees who have been made redundant and are exploring starting up a business.</li> <li>c) Approve delegated authority to the Director of Business and Skills, in consultation with the Chair of the Business Board, to adopt appropriate application evaluation criteria and award processes for the Entrepreneurs' Accelerator Fund.</li> </ul>
4.3	Local Industrial Strategy Delivery Plan – Business Growth Service Outline Business Case	<p>It was resolved to:</p> <ul style="list-style-type: none"> <li>a) Endorse the Outline Business Case and agree to establish a Growth Service Management Company initially to be a wholly owned subsidiary of Angle Holdings Limited as set out in Section 4 below.</li> <li>b) Approve the making of a bid for Local Growth Fund monies as set out in paragraph 4.3 below:</li> <li>c) Approve the making of a bid for European Regional Development Fund (ERDF) and European Social Fund (ESF) monies as set out in paragraph 4.4 below:</li> <li>d) On condition that recommendation (a) above is accepted and the bids referred to at recommendations (b) and (c) above are successful, agree to allocate £2.185m funding from a combination of Enterprise Zone receipts and funding within the Medium Term Financial Plan and from Enterprise Zone receipts, as set out in paragraph 4.5 of the report, to the Growth Service Management Company to part fund the procurement of the Business Growth Service.</li> </ul>

		<p>e) Note that the Skills Committee has resolved, subject to all the remaining public funding set out at paragraph 4.5 below being secured, to approve the allocation of £50,000 per annum for three years starting in 2020/21 from the £150,000 per annum Skills Strategy Implementation Budget set out in the Combined Authority's Medium Term Financial Plan, for the part funding of the Skills Brokerage element of the proposed new Business Growth Service</p> <p>f) Subject to all the remaining public funding set out at paragraph [4.5] being secured, to delegate to the Director for Business and Skills authority to manage the procurement process, to bring forward a Full Business Case in March 2020 and to contract with the successful bidder(s), subject to confirmation of award of the funding components from the Local Growth Fund, European Regional Development Fund and European Social Fund</p> <p>g) Delegate to the Director of Business and Skills authority to task the Business Growth Service with the administration of the Small Business Capital Growth Investment Fund, as set out at paragraph 5.4 below.</p>
4.4	Enterprise Zones	<p>It was resolved to:</p> <p>a) Note the progress being made with delivery on each of the area's Enterprise Zone sites, and the associated Enterprise Zone National Non-Domestic Rates income profile for the Combined Authority as per table 1.</p> <p>b) Note the existing financial commitments and allocations from the Combined Authority share of Enterprise Zone National Non-Domestic Rates income in supporting core Local Enterprise Partnership services as set out in table 2.</p>
<b>Part 5 – Transport and Infrastructure Committee recommendations to the Combined Authority</b>		
5.1	A605 Alwalton to Lynchwood	<p>It was resolved to:</p> <p>Approve the additional £795,000 of funding required to progress with construction</p>

**Notes:**

- (a) Statements in bold type indicate additional resolutions made at the meeting.
- (b) Five Members of the Overview and Scrutiny Committee may call-in a key decision of the Mayor, the Combined Authority Board or an Officer for scrutiny by notifying the Monitoring Officer.

For more information contact: Richenda Greenhill at [Richenda.Greenhill@cambridgeshire.gov.uk](mailto:Richenda.Greenhill@cambridgeshire.gov.uk) or on 01223 699171.



<b>AUDIT AND GOVERNANCE COMMITTEE</b>	<b>AGENDA ITEM No: 8</b>
<b>16 DECEMBER 2019</b>	<b>PUBLIC REPORT</b>

## **INTERNAL AUDIT: PROGRESS REPORT 2019 / 2020**

### **1.0 PURPOSE**

- 1.1. Internal Audit provide assurance to the Audit and Governance Committee that activities undertaken across the Combined Authority are appropriately managed, monitored and delivered in accordance with set governance, controls and risk management frameworks. This report provides details of the progress made in delivering the approved Audit Plan for 2019 / 2020, together with details of those audits from the previous years which were being finalised at the time of the last Audit and Governance Committee.

<b><u>DECISION REQUIRED</u></b>	
<b>Lead Officer:</b>	<b>Steve Crabtree, Peterborough City Council</b>
The Audit and Governance Committee is recommended that the progress report from Internal Audit is considered.  The Audit and Governance Committee is recommended to consider and challenge the emerging themes identified to date for audit coverage	

### **2.0 BACKGROUND**

- 2.1. In March 2019 Audit and Governance Committee discussed and agreed the Internal Audit Plan for 2019 / 2020. This covered works for 150 days.
- 2.2. In accordance with the agreed work programme for Internal Audit, the reports provide an independent and objective opinion on the Combined Authority's effectiveness in managing risk management, governance and the control environment.
- 2.3. All reports will also feed into the Internal Audit annual report that will be prepared at the end of the financial year. The Annual Report will provide an overall audit opinion on the adequacy and effectiveness of the governance, risk management and internal control processes, based upon the outcome of the reviews completed during the year. This opinion can then be used to feed into the

Combined Authority's Annual Governance Statement that accompanies the Annual Statement of Accounts.

- 2.4. **Appendix 1** provides commentary of progress made against the plan together with emerging themes for future audit activity. Key information for Members is the marked improvement in the delivery of effective recruitment and selection. The previous corporate governance review in 2018 / 2019 identified this as an area where No Assurance could be established. Following up on this area as a matter of urgency the controls and processes in place have been reassessed as Reasonable Assurance.
- 2.5. Audit activity is scheduled throughout the remainder of the financial year and details of timelines are provided for information.
- 2.6. At the last meeting, discussions were held in relation to protocols for agreeing Audit Plans; making amendments or seeking additional resources. The audit provision is provided by Peterborough City Council via a service level agreement and in line with best practice guidelines our audit approaches are set out in an Audit Charter. This is provided for Members information in **Appendix 2**.

### **3.0 FINANCIAL IMPLICATIONS**

- 3.1. The cost of undertaking Internal Audit activities is contained within the Combined Authority's budget and are set out in a Service Level Agreement. Any increase in the required audit coverage will need to be agreed with Peterborough City Council (as the current audit provider) on an ongoing basis.

### **4.0 LEGAL IMPLICATIONS**

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

### **5.0 SIGNIFICANT IMPLICATIONS**

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

### **6.0 APPENDICES**

- 6.1. Appendix 1: Internal Audit Progress Report
- 6.2. Appendix 2: Internal Audit Charter (Peterborough City Council: March 2019)

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





## APPENDIX 2

## 1. INTRODUCTION

- 1.1 Organisations in the UK public sector have historically been governed by an array of differing internal audit standards. The Public Sector Internal Audit Standards (the PSIAS), which took effect from the 1 April 2013 and was revised in 2017, is based on the mandatory elements of the Institute of Internal Auditors (IIA) and International Professional Practices Framework (IPPF). It now provides a consolidated approach to promoting further improvement in the professionalism, quality, consistency, transparency and effectiveness of Internal Audit across the whole of the public sector.
- 1.2 The PSIAS require that all aspects of Internal Audit operations are acknowledged within an Audit Charter that defines the purpose, mission, authority and responsibilities of the service provision. The Charter therefore establishes the position of the service within Peterborough City Council (PCC); its authority to access records, personnel and physical properties relevant to the performance of engagements; in addition to defining the scope of Internal Audit activities. There is also an obligation under the PSIAS for the Charter to be periodically reviewed and presented to the Audit Committee, the Section 151 Officer and senior management. This Charter will therefore be revisited annually to confirm its ongoing validity and completeness, and be circulated in accordance with the requirements specified above.

## 2. PURPOSE

- 2.1 In accordance with the PSIAS, Internal Auditing is defined as:
- "An independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."*
- 2.2 However, it should be appreciated that the existence of Internal Audit does not diminish the responsibility of senior management to establish appropriate and adequate systems of internal control and risk management. Internal Audit is not a substitute for the functions of senior management, who should ensure that Council activities are conducted in a secure, efficient and well-ordered manner with arrangements sufficient to address the risks which might adversely impact on the delivery of corporate priorities and objectives.

## 3. MISSION AND AIM

- 3.1 ***"To provide an independent risk based and objective assurance service which is responsive to the needs of Councillors and management, ensuring assurance, advice and insight enhances the values / vision of Peterborough City Council."***
- 3.2 The aim of the internal audit service is to demonstrate effective adherence and operation of the Core Principles for the Professional Practice of Internal Auditing. This encompasses demonstrating integrity; competence and due professional care; being objective and free from undue influence; aligning with the strategic objectives and risks of the organisation; being appropriately positioned and resourced; quality and continuous improvement; effective communication; provides risk based assurance; is insightful, proactive and future focussed and promotes organisational improvement.

## 4. AUTHORISATION

- 4.1 The requirement for an Internal Audit Service is outlined within the Accounts and Audit Regulations 2015, which state that *"a relevant authority must undertake an adequate and effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance"*,
- 4.2 This statutory requirement for continuous Internal Audit has been formally recognised and endorsed within PCC's Constitution, making Internal Audit primarily responsible for carrying out an examination of the accounting, financial and other operations of the Council, under the independent control and

direction of the Section 151 Officer. The role of Section 151 Officer at PCC is fulfilled by the Acting Corporate Director of Resources.

- 4.3 Further, there are other requirements placed upon the Chief Audit Executive (see Section 4: Organisation and Relationships), to fulfil all aspects of CIPFA's Statement on the Role of the Head of Internal Audit in Public Sector Organisations.
- 4.4 The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorised to have full, free, and unrestricted access to any and all of the organisation's:
- Records, documents and correspondence (manual and electronic) relating to any financial and other transactions;
  - Physical properties, i.e. premises and land, plus cash, stores or any other Council property; and
  - Personnel – requiring and receiving such explanations as are necessary concerning any matter under examination and generally assisting the Internal Audit activity in fulfilling its roles and responsibilities.

The above rights also include access to organisations and partners where PCC data is processed as part of contractual protocols where an open book/audit access arrangement is in place. An example of this is the ICT and Transactional Services provision provided by SERCO.

- 4.5 Such access shall be granted on demand and shall not be subject to prior notice, although in principle, the provision of prior notice will be given wherever possible and appropriate, unless circumstances dictate otherwise.

## 5. ORGANISATION AND RELATIONSHIPS

- 5.1 Within the PSIAS, the terms 'Chief Audit Executive,' 'Board' and 'Senior Management' are used to describe key elements of the organisation's governance, and the ways in which they interact with Internal Audit. The PSIAS require that the terms are defined in the context of the governance arrangements in each public sector organisation, in order to safeguard the independence and objectivity of Internal Audit. At PCC, the following interpretations are applied, so as to ensure the continuation of the current relationships between Internal Audit and other key bodies at the Council. The following terms are explained:

- Chief Audit Executive
- Board
- Senior Management
- External Audit
- Other Internal Audit Service Providers
- Other External Review and Inspection Bodies

### 5.2 Chief Audit Executive

At PCC, the Chief Audit Executive is the Chief Internal Auditor (CIA). The CIA has a direct line of reporting to the Acting Corporate Director of Resources who would approve all decisions regarding performance evaluation, appointment or removal of the CIA in consultation with senior management. In response to requirements laid down within the PSIAS, it is further confirmed that the CIA has a direct reporting line and free and unfettered access to the Section 151 Officer, Chief Executive and Monitoring Officer should it be required.

### 5.3 Board

5.3.1 In the context of overseeing the work of Internal Audit, the 'Board' will be the Audit Committee of the Council, which has been established as part of the corporate governance arrangements at the Council. The Committee is responsible for the following with reference to Internal Audit:

- Internal Audit Plans;
- Progress and performance against approved plans;
- Annual Audit Opinion; and
- Compliance with standards.

5.3.2 Internal Audit will work closely with the committee to facilitate and support its activities. Moreover, the CIA also has a direct reporting line, and free and unfettered access to the Chair should it be needed.

### 5.4 Senior Management

In the context of ensuring effective liaison between Internal Audit and senior officers, Internal Audit has regular access to Directors and Heads of Service. 'Senior Management' for the purposes of this Charter are the Corporate Management Team of which the Section 151 Officer is a key member.

### 5.5 External Audit

Internal Audit interact with the Council's External Auditors – Ernst and Young – in order to minimise any potential duplication of work and determine the assurance that can be placed on the respective work of the two parties.

### 5.6 Other Internal Audit Service Providers

Internal Audit will also liaise with other Council's Internal Audit Service providers, where shared service arrangements exist. In such cases, a dialogue will be opened with the other Council's equivalent Chief Audit Executive to agree a way forward regarding the future auditing of 'shared' services, which will be both efficient and cost effective for all parties involved, and cause least disruption to the area(s) being audited. Where assurance is being provided to the authority from another internal audit provider, this will be included within reports to the Audit Committee where it is utilised in providing assurance as part of the annual audit opinion.

### 5.7 Other External Review and Inspection Bodies

The Internal Audit Section confirms it will likewise co-operate with all external review and inspection bodies that are authorised to assess and evaluate the activities of the Council, to determine compliance with regulations, standards or targets. Internal Audit will, wherever possible, utilise third party assurances arising from this work.

## 6. **OBJECTIVES AND SCOPE**

6.1 The provision of assurance services is the primary role of Internal Audit and there is a duty of care on the Chief Audit Executive to give an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. This responsibility to evaluate the governance framework far exceeds examination of controls applying to the Council's core financial systems. Instead, Internal Audit is required to scrutinise the whole system of risk management, internal control and governance processes established by management.

6.2 Internal Audit also has a secondary role, whereby it will provide consultancy services which are advisory in nature and generally performed at the request of the Council to facilitate improved governance, risk management and control, and potentially contribute to the annual audit opinion. This may include participation within working parties such as information governance and risk management.

6.3 A risk based Audit Plan will be developed each year to determine an appropriate level of audit coverage to generate an annual audit opinion, which can then be used to assist with the formulation of the PCC's Annual Governance Statement. Moreover, audit work performed will seek to enhance the Council's overall internal control environment. In the event of deficiencies in arrangements being identified during audit assignments, Internal Audit will put forward recommendations aimed at improving existing arrangements and restoring systems of internal control to a satisfactory level, where relevant.

- 6.4 In accordance with the PSIAS, the Internal Audit Service will evaluate and contribute to the improvement of:
- The design, implementation and effectiveness of the organisation's ethics related objectives, programmes and activities.
  - The effectiveness of the Council's processes for performance management and accountability.
  - The Council's IT governance provisions in supporting the organisation's corporate priorities, objectives and strategies.
  - The Council's risk management processes in terms of significant risks being identified and assessed; appropriate risk responses being made that align with the organisation's risk appetite, the capturing and communicating of risk information in a timely manner, and its use by staff, senior management and members to carry out their responsibilities and inform decision making generally.
  - The provisions developed to support achievement of the organisation's strategic objectives and goals.
  - The systems formulated to secure an effective internal control environment.
  - The completeness, reliability, integrity and timeliness of management and financial information.
  - The systems established to ensure compliance with legislation, regulations, policies, plans, procedures and contracts, encompassing those set by the Council and those determined externally.
  - The systems designed to safeguard Council assets and employees.
  - The economy, efficiency and effectiveness with which resources are used in operations and programmes at the Council.
- 6.5 In addition to the areas recorded above, where Internal Audit will give input to their continuing enhancement; the Service will also provide support to the Director in the discharge of their duties as the Section 151 Officer with responsibility for the probity and effectiveness of the Authority's financial arrangements and internal control systems.
- 6.6 **Managing the risk of fraud and corruption is the responsibility of management.** However, as part of the scope of Internal Audit, it will be alert in all its work to the risks and exposures that could allow fraud or corruption to occur and will monitor the extent and adequacy of risk controls built into systems by management, sharing this information with External Audit and other corporate investigators.
- 6.7 In the course of delivering services encompassing all the elements stated above, should any significant risk exposures and control issues subsequently be identified, Internal Audit will report these matters to senior management, propose action to resolve or mitigate these, and appraise the Audit Committee of such situations.
- 6.8 PCC's Anti-Fraud and Corruption arrangements are managed by the CIA, who is responsible for the associated corporate policies. The Anti-Fraud and Corruption Policy and the Whistleblowing Policy both make reference to the requirement to notify the CIA of all suspected or detected fraud, corruption or impropriety.
- 6.9 The CIA will produce an annual investigations report for the Audit Committee which encompasses the work undertaken during the year by the investigations team including any joint reviews with the internal audit team.

## 7. INDEPENDENCE

- 7.1 The Internal Audit Section operates within an organisational framework that preserves the independence and objectivity of the assurance function, and ensures that Internal Audit activity is free from interference in determining the scope of internal auditing, performing work and communicating results. The framework allows the CIA direct access to and the freedom to report unedited, as deemed appropriate, to the Audit Committee, the Chief Executive, Section 151 Officer, Monitoring Officer, External Audit and the Corporate Management Team.

- 7.2 The CIA has line management responsibility for the Insurance function, Corporate Investigations team and stage 2 corporate complaints. The CIA is also an authoriser for payments from the Councils (and Combined Authority's) bank accounts. Other officers within Financial Services also have this responsibility, and the CIA is used as the approver of last resort if others are absent etc. Prior to undertaking any additional management responsibility the CIA will consider and discuss with senior management any potential conflicts that may be evident and the appropriateness of undertaking the additional roles. Any reviews within these activity areas will be kept separate and reviewed independently of the CIA. In such circumstances the Group Auditor will report directly to the Service Director Financial Services.
- 7.3 The remaining Internal Auditors have no operational responsibilities or authority over any of the activities that they are required to review. As a consequence, they do not develop procedures, install systems, prepare records, or engage in any other activity, which would impair their judgement. In addition, Internal Auditors will not assess specific operations for which they were previously responsible, and objectivity is presumed to be impaired if an Internal Auditor provides assurance services for an activity for which they had responsibility within the previous 12 months. Internal Auditors may however provide consulting services relating to operations over which they had previous responsibility.
- 7.4 The CIA will confirm to the Audit Committee, at least annually, the organisational independence of the Internal Audit activity. The Internal Audit Team complete an annual declaration of interests that highlights any potential conflicts which may affect the ability to undertake an individual assignment. Additionally, the internal audit brief requires a declaration to be made prior to the start of an assignment. Where this is evident an alternative team member will be assigned the audit review.
- 7.5 Where internal audit services are provided to external organisations, the nature of the work undertaken and resultant outputs will not be shared with PCC. Service Level Agreements are presently in place for Vivacity Leisure Trust and the Cambridgeshire and Peterborough Combined Authority where internal audit services are delivered by PCC.

## 8. **PROFESSIONAL STANDARDS**

- 8.1 PCC's Internal Auditors operate and comply in accordance with the revised PSIAS, 2017.
- 8.2 The Internal Auditors are also governed by the policies, procedures, rules and regulations established by PCC. These include, but are not limited to Financial Regulations and Contract Standing Orders, Data Protection Policy, the Anti-Fraud and Corruption Policy and the Code of Conduct. Similarly, the Council's Internal Auditors will be aware of external bodies' requirements (e.g. as identified by CIPFA) and all legislation affecting the Council's activities.
- 8.3 The Council's Internal Auditors will additionally adhere to the Code of Ethics as contained within the PSIAS. Internal Auditors will also demonstrate due professional care in the course of their work and consider the use of technology-based audit and other data analysis techniques, wherever feasible and considered beneficial to the Council. They will similarly not be unduly influenced by their own interests or by others in informing judgements. All working arrangements and methodologies followed by PCC's Internal Auditors are set out in the Audit Manual.

## 9. **AUDIT RESOURCES**

- 9.1 The CIA will be professionally qualified (CMIIA, CCAB or equivalent) and have wide internal audit management experience, to enable them to deliver the responsibilities of the role.
- 9.2 The CIA will ensure that there are appropriate resources to deliver an annual evidenced-based audit opinion. As stated in the CIPFA Application Note, "No formula exists that can be applied to determine internal audit coverage needs. However, as a guide, the minimum level of coverage is that required to give an annual evidence-based opinion. Local factors within each organisation will determine this minimum level of coverage."
- 9.3 The Internal Audit Service has access to staff that have a suitable range of knowledge, skills, qualifications and experience to deliver requisite audit assignments. The type of reviews that will be provided in year include risk based and systems reviews, contract audits, grant certification work, consultancy input to new / modified systems, compliance and special / fraud investigations. In the

event of special investigations being required, there is limited contingency in the Audit Plan to absorb this work and this will be pursued in conjunction with the Corporate Investigations team if considered appropriate.

- 9.4 If it is identified that there is a shortfall in a particular or specialist/technical skill the CIA will not agree to undertake the audit assignment which could impact on effectiveness or quality of output. In such circumstances external resources may be procured as appropriate until the in-house team gains the required skills.
- 9.5 As previously determined Internal Audit may undertake consultancy activity (additional activity requested by management) where it has the necessary skills and resources to do this. This will be determined by the CIA on an assignment basis in conjunction with the Acting Corporate Director of Resources where there is likely to be an impact on the delivery of the audit plan.

## 10. AUDIT PLANNING

- 10.1 The CIA will develop an annual audit strategy, together with annual audit plans and a summary of annual audit coverage using a risk based methodology and an assessment tool. The key factors used in the assessment are:
- Materiality: The size of a system or process in terms of financial value or numbers of transactions or number of people affected.
  - Corporate Importance: The extent to which the Council depends on the system to meet statutory or regulatory requirements or corporate priorities.
  - Stability: The degree of change within the process.
  - Vulnerability: Extent to which the system is liable to breakdown, loss, error or fraud.
  - Specific concerns: Arising from management's assessment of risk as well as audit intelligence.

It will also take into account documented corporate and operational risks, as well as any risks or concerns subsequently notified to Internal Audit by senior management. This will be submitted to Senior Management for their approval prior to being taken forward to the Audit Committee for final endorsement, in advance of the new financial year to which they relate.

- 10.2 Resources and required skills are identified as part of the annual planning process. As identified in 9.4 any shortfall in technical skills and/or differences in the resources available to meet the requirements of the audit plan will be highlighted to management and the Audit Committee as part of the planning methodology within the audit strategy along with the continuous review of the Internal Audit Training Strategy. It will outline the assignments to be carried out and the broad resources and skills required to deliver the plan. It will provide sufficient information for the Council to understand the areas to be covered and for it to be satisfied that sufficient resources and skills are available to deliver the plan. Areas included in the audit plan are highlighted in **Table 1**.

<b>Table 1: Audit Activities</b>	
Core systems assurance work	Compliance activity e.g. schools
Governance, Risk Management and Assurance Framework	Grant claim certification work
ICT governance and risk	Fraud and irregularities
Corporate / Cross Cutting audits (including vfm reviews)	Follow up activity
Contracts and projects	Internal consultancy / advice on risks
Departmental specific reviews	Member Support

- 10.3 The audit plan will be kept under review to identify any amendment needed to reflect changing priorities and emerging risks based on planning assessment methodology. It will be flexible, but will only contain a small element of contingency to accommodate fraud assignments which could not have been readily foreseen. However, in accordance with the internal audit assessment process, specific audit requests may take precedence over the original audit plan. If a request for additional work arises where the assessment criteria does not identify the review as high priority, Internal Audit will reserve the right to make a charge for any additional work that is still deemed required by the business. This will be done in consultation with the Acting Corporate Director of Resources and reported to the Audit Committee as appropriate. Resources, such as specialist or additional auditors may be required to supplement this.

## 11. REPORTING

- 11.1 The process followed for completing each audit is set out in **Table 2**. Upon completion of each audit assignment, an Internal Audit report will be prepared that:
- Provides an opinion on the risks and controls of the area reviewed, and this will contribute to the annual opinion on the internal control environment, which, in turn, informs the Annual Governance Statement; and
  - Provides a formal record of points arising from the audit and management responses to issues raised, to include agreed actions with implementation timescales;
  - Prompts management to implement agreed actions within targeted dates; and
  - Is quality checked by senior officers within Internal Audit prior to circulation.
- 11.2 Exit meetings are accommodated enabling management to discuss issued Draft Audit Reports. Accountability for responses to Internal Audit recommendations lies with the Chief Executive, Directors, and / or Heads of Service, as appropriate, who can either, accept and implement guidance given or formally reject it. However, if audit proposals to strengthen the internal control environment are disregarded and there are no compensating controls justifying this course of action, an audit comment will be made in the Final Audit Report, reiterating the nature of the risk that remains and recognising that management has chosen to accept this risk. Similarly if following exit meeting discussions findings, recommendations or audit conclusions are disputed by the client every effort will be made to resolve any situations arising with the relevant directorate. In both instances, depending on the severity of the situation and risk, the matter may be escalated upwards to the Chief Executive and drawn to the attention of the Audit Committee.

<b>Table 2: Working Arrangements During Audits</b>	
Audit Brief	Where possible 10 days' notice will be given prior to the commencement of a review although audits can commence earlier subject to mutual agreement. A brief is produced and agreed with/by manager(s) prior to the commencement of the review.
Fieldwork	Assignment undertaking including interviews, testing etc.
Exit Meeting	Held at conclusion of fieldwork, or once draft report has been produced (see below), to discuss issues found (if not already provided during course of fieldwork).
Draft report	A draft report will be produced within 3 weeks of audit field work completion. A draft report meeting will be arranged with the Head of Service / Line Manager within 10 days of the report issue to discuss and formally obtain management responses. This will incorporate acceptance (or not) of actions together with timescale proposals to implement.
Final Report	Internal Audit incorporates all management comments within the report along with agreed timescales to implement any agreed actions. The report will be re-issued as a final within 5 days of receiving the response. The report will be distributed in accordance with agreed protocols (see Table 4).

Non response	If management do not respond to the draft report or a meeting request, a reminder will be sent to the original recipients requesting a response within 10 working days. If a response is not received this will be escalated to the next management level after a further 5 days (day 15). After that time, if a response is not received within a further 5 days a notice will be sent to the original recipients and the relevant Director to state that the report will be finalised.
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- 11.3 Recommendations are rated and an overall opinion given on the service area reviewed (see **Table 3**). Final Audit Reports will be issued in line with agreed working protocols to the relevant nominated officers and subject to follow up work as necessary. Where there are no responses received from managers despite formally chasing, a report will be deemed as final and issued.

<b>Table 3: Assurance</b>	
SUBSTANTIAL	The internal control system is well designed to meet objectives and address relevant risks, and key controls are consistently applied. There is some scope to improve the design of, or compliance with, the control framework in order to increase efficiency and effectiveness.
REASONABLE	The internal control system is generally sound but there are some weaknesses in the design of controls and / or the inconsistent application of controls. Opportunities exist to strengthen the control framework and mitigate further against potential risks.
LIMITED	The internal control system is poorly designed and / or there is significant non-compliance with controls, which can put the system objectives at risk. Therefore, there is a need to introduce additional controls and improve compliance with existing ones to reduce the risk exposure for the Authority.
NO	There are significant weaknesses in the design of the internal control system, and there is consistent non-compliance with those controls that exist. Failure to improve controls will expose the Authority to significant risk, which could lead to major financial loss, embarrassment or failure to achieve key service objectives.
<b>Recommendation Grades</b>	
Critical	Fundamental control weakness that jeopardises the complete operation of the service. <b>TO BE IMPLEMENTED IMMEDIATELY.</b>
High	Major control weakness which significantly increases the risk / scope for error, fraud, or loss of efficiency. <b>To be implemented as a matter of priority.</b>
Medium	Moderate control weakness which reduces the effectiveness of procedures designed to protect assets and revenue of the Authority. <b>To be implemented at the first opportunity.</b>
Low	Minor control weakness, which, if corrected, will enhance control procedures that are already relatively robust. <b>To be implemented as soon as reasonably practical.</b>

- 11.4 Following the end of the year, an annual report will be produced setting out Internal Audit's opinion on the state of the internal controls and governance across the Council. This will comment upon:

- The scope including the time period to which the opinions pertains;
- Any scope limitations;
- Consideration of all related projects including the reliance on other assurance providers;



- The risk or control framework or other criteria used as a basis for the overall opinion;
- The overall opinion, providing reasons where an unfavourable overall opinion is given; and
- A statement on conformance (or non-conformance) with the PSIAS and the results of the quality assurance and improvement programme.

11.5 Significant issues identified will be referred through to senior management for inclusion in the Annual Governance Statement.

11.6 All reports produced are set out in **Table 4**.

<b>Table 4: Planning and Reporting Frequency</b>			
<b>Report Produced</b>	<b>For</b>	<b>Reason</b>	<b>Content</b>
Audit Report	Service Manager / Headteacher Director / Chair of Governors Chief Executive s.151 officer Monitoring Officer Leader of the Council Cabinet Member for Resources Chair of Audit Committee	The end of each audit assignment as the main recipient and those charged with implementing the issues identified	Executive Summary Audit Opinion Detailed risk issues Agreed improvement plan
Progress Reports (based around the committee cycle)	Audit Committee	To provide the Council with progress at delivering the audit service and any key governance issues arising.	Progress against annual plan Any amendments to current annual plan Details of significant risk issues Details of non-responses or non-implementation of actions
Annual Opinion and Performance Report	Audit Committee External Audit S151 officer Monitoring Officer	The end of each year in accordance with PSIAS. An evaluation of the works undertaken and the level of assurance established.	Annual assurance report giving CIA's opinion on the control environment Achievement of the annual plan and performance data. Effectiveness of Internal Audit
Annual Audit Plan	Audit Committee S.151 Officer External Audit	Beginning of year. Details of the service delivered and the future plans to provide assurance across the Council in accordance with PSIAS.	Audit Plan and days to be delivered Audit Charter Code of Ethics Performance indicators to monitor service delivery and quality

## **12. INTERNAL AUDIT SERVICES PROVIDED TO EXTERNAL CUSTOMERS**

- 12.1 Audit activities undertaken on behalf of other organisations follow similar protocols to that of PCC in terms of compliance with PSIAS. Internal audit plans are developed on a risk based methodology in providing assurance and delivering an evidence based Annual Head of Internal Audit Opinion. Reporting and progress monitoring is produced in accordance with the respective audit committee and senior management team and terms of reference detailed within service level agreements.

## **13. QUALITY ASSURANCE AND IMPROVEMENT**

- 13.1 The PSIAS require that the Internal Audit develops and maintains a quality assurance and improvement service development programme that covers all aspects of the Internal Audit activity, and includes both internal and external assessments. For the forthcoming year this will comprise the implementation of the external review action plan and realising continued improvements in the use of the audit system Pentana as the team migrate to a new consolidated system with MK insights in 2020. The results of the quality and assurance programme together with progress made against the improvement plan will be reported to senior management and the Audit Committee.
- 13.2 Internal Assessments
- 13.2.1 Internal Assessments must include on-going monitoring of the performance of the internal audit activity. The Service operates in accordance with a number of key performance indicators.
- 13.2.2 Internal arrangements also include an annual survey and post audit feedback from auditees. Should criticism be received, this will immediately be investigated and steps taken to resolve matters raised.
- 13.2.3 The PSIAS additionally require periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of Internal Audit practices. This obligation is satisfied by the CIA performing an annual self-assessment of the effectiveness of Internal Audit, before the results are submitted to the Audit Committee. Presenting this information to the Audit Committee enables members to be assured that the Internal Audit Service is operating in a satisfactory manner such that reliance can be placed on the subsequent annual audit opinion provided by the CIA.
- 13.3 External Assessments
- 13.3.1 External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. External assessments can be in the form of a full external assessment, or a self-assessment with independent external verification. PCC was subject to an external review in 2018 and was found to be fully compliant.

**APPENDIX 1**



## **INTERNAL AUDIT PLAN 2019 / 2020 PROGRESS REPORT**

1. Introduction
2. Audit Protocols
3. Progress on Audit Reviews
4. Emerging Issues / Future Plans

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

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

## 1 **INTRODUCTION**

- 1.1 The purpose of this report is to bring the Audit and Governance Committee up to date with the progress made against the delivery of the 2019 / 2020 Internal Audit Plan. The Audit Plan was agreed by this committee in March 2019.
- 1.2 The Committee has a responsibility to review the effectiveness of the system of internal controls and to monitor arrangements in place relating to corporate governance and risk management arrangements. Internal Audit is an assurance function which provides an independent and objective opinion to the organisation on the control environment, comprising risk management, control and governance. This work update provides the Committee with information on recent audit work that has been carried out to assist them in discharging their responsibility by giving the necessary assurances on the system of internal control.
- 1.3 The information included in this progress report will feed into, and inform our overall opinion in our Internal Audit Annual Report issued at the year end. Where appropriate each report we issue during the year is given an overall opinion based on the following criteria:

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

## 2. **AUDIT PROTOCOLS**

- 2.1 The original Internal Audit Plan for 2019 / 2020 was agreed by the Committee in March 2019.
- 2.2 The Audit Plan can be re-profiled throughout the year when the risks profile of the Combined Authority changes and to react to emerging issues, management requests or Audit and Governance Committee requests. Internal Audit operate in line with defined best practice as outlined within the Public Sector Internal Audit Standards. As part of these standards, our working arrangements and protocols are set out within an Internal Audit Charter which is reviewed annually (by Peterborough City Councils Audit Committee as our employing organisation) in conjunction with approving the following years Audit Plan. Separate reference is laid out within the Audit Charter in relation to us providing services to external customers. For information we have attached the latest approved Audit Charter (**Appendix 2**).
- 2.3 The Audit Charter includes details in relation to:
- Risk assessing the organisation and the initial build of the audit plan;
  - Agreement of the initial plans and approval by Committee;
  - Ongoing review of the plan and any agreement to change. This could be new risk areas seen as a high priority requiring immediate coverage; deleting or deferring audits from the plan to cover those new areas; or requesting additional resources to cover any extra days). At the last Audit and Governance Committee it was confirmed that any changes would be agreed with the Head of Finance and Committee chair and then referenced to Audit and Governance Committee for information for expediency; and
  - How audit assignments are agreed and delivered.
- 2.4 There have been no changes requested for approval at this time.

### 3. **PROGRESS OF AUDIT REVIEWS**

3.1 Progress against the works to date are set out in the following tables:

<b>AUDIT PLAN PROGRESS (2018 / 2019 WORKS CARRIED OVER)</b>		
<b>AUDITED AREAS COMPLETED</b>	<b>OPINION</b>	<b>DAYS</b>
<p><b>PROJECTS: EAST CAMBRIDGE TRADING COMPANY LOAN</b></p> <p>The Audit Plan included a review of the loan of £6.5m to ECTC, approved at the March 2018 board meeting. This was later extended to include the loan of £24.4m, which was approved in November 2018, at the request of the Audit and Governance Committee. Both loans are for housing projects (at Haddenham and Ministry of Defence land at Ely) falling under the Affordable Homes Programme. The purpose of the audit was to evaluate the processes that ensure:</p> <ul style="list-style-type: none"> <li>• monies have been awarded in line with the aims of the Affordable Homes Programme, Housing Strategy and any central funding requirements</li> <li>• the governance outlined in the Assurance Framework has been applied (in terms of awarding, monitoring and evaluating the outcomes of the funding)</li> <li>• Appropriate financial / legal due diligence, risk assessment and business case appraisal has been undertaken, including compliance with state-aid regulations</li> <li>• Appropriate legal agreements are in place</li> <li>• Draw-downs are verified and payments are accurate and valid; and</li> <li>• the project is monitored effectively throughout delivery</li> </ul>	<p>A key finding relates to how projects are appraised against relevant criteria to ensure that they meet with the aims of the Combined Authority (CA), and also how this appraisal is communicated to those approving the award of loans. Whilst considerable thought has been given to this aspect, there is not a quantitative methodology in place that can be used to determine the fit of a project against such criteria. There has been increasing transparency in the presentation of information (such as business cases) to the CA Board, but this in itself does not provide a standardised rationale to support the decision making process for the use of a substantial proportion of the £40m revolving fund.</p> <p>Another area that would benefit from more detailed documentary support is the decision in relation to interest rates and compliance with State Aid regulations, particularly as this is an area that could be open to challenge. Whilst the method used to calculate the interest is a recognised approach and the rates being used represent no detriment to the authority, given that the loans are the first of their kind, it may have been appropriate to commission some formal, independent advice on the aspect of State Aid compliance.</p> <p>The audit rating provided is <b>REASONABLE</b> assurance. Actions / wording are to be established for each recommendation (5).</p>	11
<p><b>GOVERNANCE REVIEWS</b></p> <p>Completion and agreement of governance reviews discussed at Audit and Governance Committee in May 2019.</p>	<p>Various assurance levels provided in relation to corporate governance processes and the LEP.</p>	8

<b>AUDIT PLAN PROGRESS (2019 / 2020 COVERAGE)</b>		
<b>AUDITED AREAS COMPLETED</b>	<b>OPINION</b>	<b>DAYS</b>
<p><b>BUSINESS, ENERGY AND INDUSTRY STRATEGY: GROWTH HUB FUNDING</b></p> <p>Internal Audit undertook a review of the adequacy, or otherwise, of the financial records maintained for growth hub funding for the year ended 31 March 2019. This was to establish / ensure that the grant sums claimed were in line with the specific conditions.</p> <p>The deadline for approval and return to BEIS was 30 June 2019.</p>	<p>Following review of the financial records maintained, supporting documentation and the grant conditions imposed, <b>we were able to confirm that the monies claimed were appropriate.</b></p> <p>The grant letter was signed and issued on 13 June 2019.</p>	5
<p><b>TRANSPORT GRANTS</b></p> <p>Four grants coordinated through the CPCA require a declaration to be sent to the Department for Transport, these being Capital Block Funding; Challenge Fund Tranche 2A; Local Transport Grant and Pothole Action Fund.</p> <p>Based on the determination letters, monies are spent separately by PCC and CCC. Where monies are spent directly by County they undertake a review of the appropriateness of spending and provided statement returns to that effect. Similar arrangements were undertaken by PCC.</p> <p>As Chief Internal Auditor for the CPCA, I have looked to place reliance on their works.</p>	<p>Following review of claims and completed statements <b>we confirmed to DfT that monies had been spent in line with the determination letters.</b></p> <p>The grant letter was issued in line with prescribed deadlines to the CPCA and external agencies.</p>	10
<p><b>HUMAN RESOURCES (RECRUITMENT AND SELECTION)</b></p> <p>2018/2019 coverage as part of the Governance review identified this as an area of concern and produced a no assurance rating. As a result this was seen as a high priority area to revisit.</p> <p>Initial walk through tests were undertaken in September 2019 to gauge whether sufficient improvements had been made to the general control arrangements.</p>	<p>Major improvements have been made in this area. At the time of producing this committee report, the audit report is in draft.</p> <p>From our work the key message identified is that it is proposed that <b>REASONABLE</b> assurance is provided. A closure meeting has been held with the HR Manager and matters arising discussed which include a number of improvements.</p>	15

<p>In November 2019 the full review of the processes were undertaken. The objective of the audit was to evaluate the adequacy of the control framework in place to effectively manage and maintain the recruitment control framework. The key areas reviewed covered:</p> <ul style="list-style-type: none"> <li>• Up to date and approved policy, regulations and supporting procedures, in line with employment legislation to support the recruitment process and achieve value for money</li> <li>• Vacancies are adequately identified and advertised with appropriate job and person descriptions which are fair, accurate and complete</li> <li>• Each stage of the recruitment process is carried out in a timely manner by suitably trained staff</li> <li>• All appointments are made in a timely manner with appropriate reference checks undertaken and terms and conditions are stated clearly in employment contracts that meet legislative requirements</li> </ul> <p>We undertook a 100% check of all staff records held in relation to the full establishment and sample checked a series of new appointments made between April 2019 and October 2019.</p>		
<p><b>ATTEMPTED FRAUD</b></p> <p>During August 2019, a CPCA email account was hacked.</p> <p>Persons unknown logged into the email account via a web browser and made changes which allowed them to move and delete messages. This was used to permanently delete an email and invoice seeking payment from a CPCA contractor. A fraudulent email / invoice was then substituted in its place with differing bank account details. In addition, all audit trail activity was cleansed.</p> <p>The invoice was processed through the normal channels. It was queried by the receiving bank due to the change in sort code which came to light in September 2019.</p>	<p>A number of immediate actions were put in place and a series of recommendations made covering:</p> <ul style="list-style-type: none"> <li>• Bank account details verification with all suppliers</li> <li>• Police liaison</li> <li>• Consider how supplier data is to be dealt with in new Agresso financial management system</li> </ul> <p>Additional actions arising relate to a technical solution in relation to access authentication.</p>	5



WORK IN PROGRESS / FUTURE COMMITMENTS		DAYS
Adult Education Budget	Verification of works undertaken last year to ensure payments can be made following devolution. Provision of ad-hoc advice in relation to the new arrangements. Shadowing arrangements with the Education and Skills Funding Agency.	6
Performance Management	Review of data collection arrangements to ensure the CPCA is reporting on accurate information for its indicators	4
Fraud Risks Assessment	Collation of potential areas of fraud which could impact on the CPCA.	2
Programme Management	All projects are expected to follow the guidelines set out within the Project Management Toolkit. Initial assessment that this document is fit for purpose and then a series of project reviews will follow in relation to Housing and Transport.  A similar assessment will cover Growth Fund projects through the Business Board.	5
Budget Management	Plans to look at implementation phase in relation to Agresso	Commence Jan 2020
Follow Up	Confirmation, or otherwise, that previous audit recommendations have been implemented	Commence Feb 2020
Ad Hoc	Miscellaneous activities – audit planning; advice and consultancy; committee report writing and attendance (ongoing)	6

#### 4. **EMERGING ISSUES / FUTURE PLANS**

- 4.1 As part of our ongoing reviews of the audit coverage, research continues to build up detailed knowledge of the CPCA to determine possible themes and areas for audit work. This is undertaken in a variety of means – reviewing committee papers, risk registers, projects etc. and any legislative or devolution changes.
- 4.2 From initial works to date, potential activity can be split into the following categories:

<b>AUDIT ACTIVITY</b>	
<b>AREA</b>	<b>POSSIBLE COVERAGE</b>
Financial Governance	Capital Spend Controls
Information Governance	IT Systems
Corporate Governance	Service Level Agreements Performance Management (Employees) Trading Company (Angle Holdings Ltd and Angle Development (East) Limited) Grant Certification Arrangements
Business Board	Local Growth Fund Projects (Focus on outcomes / spend)
CPCA	Schemes / Projects
Grants	Verification of spend in line with conditions

- 4.3 Over the ensuing months, the audit plan will be developed and submitted to CPCA senior management prior to referral to Audit and Governance Committee at the next meeting (27 March 2020 at Fenland District Council).



<b>AUDIT AND GOVERNANCE COMMITTEE</b>	<b>AGENDA ITEM No: 9</b>
<b>16 DECEMBER 2019</b>	<b>PUBLIC REPORT</b>

## **TREASURY MANAGEMENT MID YEAR UPDATE**

### **1.0 PURPOSE**

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

<b><u>DECISION REQUIRED</u></b>	
<b>Lead Officer:</b>	<b>Jon Alsop – Head of Finance (S73)</b>
<p>The Audit and Governance Committee is recommended to:</p> <ul style="list-style-type: none"><li>• Review the mid-year performance for the year to 31 March 2020, against the adopted prudential and treasury indicators.</li><li>• Review the format and content of the proposed 'Treasury Management Strategy' and 'Capital Strategy' reports for 2020/21</li></ul>	

### **2.0 BACKGROUND**

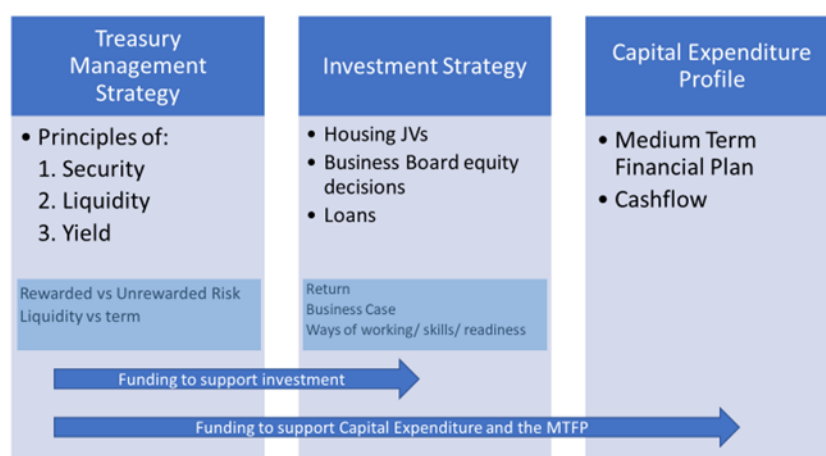
- 2.1. According to its Terms of Reference, the Audit and Governance Committee shall “ensure there is effective scrutiny of the treasury management strategy and policies in accordance with CIPFA’s Code of Practice”.
- 2.2. The Treasury Management in the Public Services: Code of Practice 2011 recommends that Members receive regular reports on the authority’s treasury management policies, practices and activities, including a mid-year review progress report to update members of the capital position and prudential indicators.

## Treasury Management Strategy Prudential Indicators

- 2.3. The Prudential Code underpins the system of capital finance. Prudential indicators are developed to ensure that:
- (a) Capital investment plans are affordable;
  - (b) All external borrowing and other long term liabilities are within prudent and sustainable levels; and
  - (c) Treasury management decisions are taken in accordance with professional good advice.
- 2.4. The Annual performance against the adopted Prudential Indicators is shown at appendix 1. The estimates provided are taken from the refreshed budget for 2019/20 and Medium-Term Financial Plan that was approved by the Board in September 2019.

## Investment Activity

- 2.5. categories of investment as set out in the table below



- 2.6. Surplus cash balances are held in accordance with the principles set out in the Treasury Management Strategy in order to support strategic investment decisions and the Capital Programme and the Medium-Term Financial Plan (MTFP).
- 2.7. As at 30 November 2019, the following investments were held with Approved Investments in accordance with the Treasury Management Strategy:

Start / Purchase Date	Maturity Date	Counterparty	Profile	Rate	Principal O/S (£)
30/04/19	31/01/20	Bracknell Forest Borough Council	Maturity	0.9800%	-5,000,000.00
01/05/19	02/01/20	Thurrock Council	Maturity	0.8800%	-5,000,000.00
02/05/19	02/03/20	Lancashire County Council	Maturity	0.8500%	-5,000,000.00
29/04/19	28/02/20	Salford City Council	Maturity	0.8500%	-5,000,000.00
29/04/19	28/02/20	Derbyshire County Council	Maturity	0.8500%	-5,000,000.00
29/04/19	31/01/20	Derbyshire County Council	Maturity	0.8200%	-5,000,000.00
28/05/19	30/04/20	Stockport Metropolitan Borough Council	Maturity	0.9000%	-10,000,000.00
28/05/19	30/04/20	Stockport Metropolitan Borough Council	Maturity	0.9000%	-5,000,000.00
21/06/19	21/04/20	London Borough of Southwark	Maturity	0.8200%	-10,000,000.00
20/06/19	20/05/20	Thurrock Council	Maturity	0.9000%	-5,000,000.00
20/06/19	18/06/20	Warrington Borough Council	Maturity	0.9500%	-20,000,000.00
20/06/19	20/05/20	Guildford Borough Council	Maturity	0.8000%	-8,000,000.00
20/06/19	20/05/20	Doncaster Metropolitan Borough Council	Maturity	0.8400%	-5,000,000.00
20/06/19	20/12/19	Liverpool City Council	Maturity	0.7600%	-10,000,000.00
15/07/19	16/03/20	Plymouth City Council	Maturity	0.7800%	-10,000,000.00
30/08/19	28/08/20	London Borough of Croydon	Maturity	0.8500%	-10,000,000.00
19/08/19	19/05/20	Aberdeenshire Council	Maturity	0.7800%	-6,000,000.00
23/09/19	21/09/20	Medway Council	Maturity	0.7700%	-5,000,000.00
18/11/19	20/07/20	Lancashire County Council	Maturity	0.8100%	-10,000,000.00
18/11/19	16/11/20	Thurrock Council	Maturity	0.8100%	-10,000,000.00
14/10/19	14/07/20	Plymouth City Council	Maturity	0.8300%	-5,000,000.00
21/10/19	19/10/20	Plymouth City Council	Maturity	0.8500%	-5,000,000.00
21/10/19	19/10/20	London Borough of Croydon	Maturity	0.8000%	-5,000,000.00
01/11/19	02/12/19	DMO	Maturity	0.5200%	-5,000,000.00
				<b>0.8367%</b>	<b>-174,000,000.00</b>
20/03/17		Barclays Bank plc	Maturity	0.5500%	-4,600,000.00
				<b>0.5500%</b>	<b>-4,600,000.00</b>
20/03/17		CCLA The Public Sector Deposit 4	Maturity	0.7261%	-10,000,000.00
				<b>0.7261%</b>	<b>-10,000,000.00</b>
				<b>0.8238%</b>	<b>-188,600,000.00</b>

## 2020/21 Strategies

- 2.8. The Combined Authority currently receives Treasury Management support through a Finance Service Level Agreement with Peterborough City Council. The Combined Authority recognises the responsibility for treasury management decisions remains with the Combined Authority and also recognises the value of employing external providers in order to access specialist skills and advice.
- 2.9. The Combined Authority appointed Arlingclose as its Treasury Advisors with effect from 1 August 2019 to support the Combined Authority in developing strategies that are tailored to the specific requirements, constraints and ambitions of the Combined Authority.
- 2.10. The following strategies are being developed with Arlingclose for 2020/21 to provide a framework for the Combined Authority's management of its financial affairs.

- (a) **Capital Strategy:** To provide a high-level overview for elected members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured.
- (b) **Treasury Management Strategy:** Being the management of the Authority's cash flows, borrowing and investments and the associated risks.
- (c) **Investment Strategy:** To meet the requirements of statutory guidance in which the Authority would support local public services by lending to or buying shares in other organisations, or to earn investment income.
- (d) **Minimum Revenue Provision Statement:** An MHCLG requirement to approve an MRP Statement each year to ensure that capital expenditure is financed over a reasonable period.

2.11. The Committee is asked to review the format and content of the new style Treasury Management and Capital Strategies as shown at appendix 2. The full suite of draft strategies for 2020/21 will be brought back to the Committee for final review in advance of being taken to the Board for approval.

### 3.0 FINANCIAL IMPLICATIONS

3.1. None other than those highlighted in the main body of the report.

### 4.0 LEGAL IMPLICATIONS

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

### 5.0 SIGNIFICANT IMPLICATIONS

5.1. None.

### 6.0 APPENDICES

- Appendix 1 – Prudential Indicators
- Appendix 2 – Cambridgeshire and Peterborough Combined Authority (CPCA) Draft Strategies 2020/21.

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

## Appendix 1: Treasury Management Report 2019/20

### Prudential Indicators

1. The Code requires the Combined Authority to set a range of Prudential Indicators. The information provided below sets out the outturn performance against the Indicators adopted by the Combined Authority as set out in the Treasury Management Strategy.
2. **Indicator 1 - Capital Expenditure.** A summary of the Combined Authority's capital expenditure for 2018/19 and the following two financial years including how it will be funded. Estimates for future years are taken from the Medium Term Financial Plan, which was revised and approved by the Board in September 2019.

Capital Expenditure	16/17 Actual £m	17/18 Actual £m	18/19 Actual £m	19/20 Est £m	20/21 Est £m
Transport & Infrastructure	0.00	0.95	44.76	51.80	75.27
New Homes & Communities	0.00	2.98	13.89	61.79	44.61
Business & Skills	0.00	0.00	1.92	26.75	53.65
Corporate	0.00	0.00	0.25	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>3.93</b>	<b>60.82</b>	<b>140.34</b>	<b>173.53</b>
<b>Financed by:</b>					
Gainshare Capital Fund	0.00	0.95	0.53	2.86	17.83
Housing Capital Funds	0.00	2.98	13.89	61.79	44.61
Transforming Cities Fund	0.00	0.00	4.62	16.79	37.56
Local Growth Fund	0.00	0.00	15.67	29.17	50.45
Other	0.00	0.00	26.11	29.73	23.08
<b>Total</b>	<b>0.00</b>	<b>3.93</b>	<b>60.82</b>	<b>140.34</b>	<b>173.53</b>

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

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

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

<b>Ratio of gross financing costs to net revenue budget</b>	<b>16/17 Actual £m</b>	<b>17/18 Actual £m</b>	<b>18/19 Est £m</b>	<b>19/20 Est £m</b>	<b>20/21 Est £m</b>
Total ratio	n/a	n/a	n/a	0	0

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

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

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



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

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

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

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

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

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

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

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

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

## Appendix 2a:

# Cambridgeshire and Peterborough Combined Authority

## Draft Capital Strategy Report 2020/21

### Introduction

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

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

### Capital Expenditure and Financing

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

In 2020/21, the Authority is planning capital expenditure of £173.53m as summarised below.

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

	2018/19 actual	2019/20 forecast	2020/21 budget	2021/22 budget
Capital investments	60.82	140.34	173.53	81.12
<b>TOTAL</b>	60.82	140.34	173.53	81.12

### **Governance:**

The Combined Authority's 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. This culture is developed and underpinned by processes, practices and procedures.

(b) The respective roles and responsibilities of the Combined Authority, the Local Enterprise Partnership and the Section 73 Officer, in decision-making and ways of working is set out in the terms of reference of the Business Board and forms part of the Combined Authority and the Local Enterprise Partnership constitutions.

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

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

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

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

*Table 2: Capital financing in £ millions*

	2018/19 actual	2019/20 forecast	2020/21 budget	2021/22 budget
Gainshare Capital	0.53	2.86	17.83	2.37
Housing Capital	13.89	61.79	44.61	23.47
Transforming Cities Fund	4.62	16.79	37.56	30.55
Local Growth Fund	15.67	29.17	50.45	1.65
Other	26.11	29.73	23.08	23.08
Debt	0	0	0	0
<b>TOTAL</b>	<b>60.82</b>	<b>140.34</b>	<b>173.53</b>	<b>81.12</b>

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

*Table 3: Replacement of debt finance in £ millions*

	2018/19 actual	2019/20 forecast	2020/21 budget	2021/22 budget
Own resources	0	0	0	0

The Combined Authority currently does not have any debt and has no immediate plans to obtain debt. There is however provision in the draft budget and MTFP to service debt up to the current agreed debt cap.

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.

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

### **Treasury Management**

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Authority's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or

overdrafts in the bank current account. The Authority is typically cash rich in the short-term as revenue income is received before it is spent.

Due to decisions taken in the past, the Authority currently has no borrowing and £188.6m treasury investments at an average rate of 0.82%

**Borrowing strategy:** The Authority's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Authority therefore seeks to strike a balance between cheap short-term loans (currently available at around 0.75%) and long-term fixed rate loans where the future cost is known but higher (currently 2.0 to 3.0%).

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

*Table 4: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £ millions*

	31.3.2019 actual	31.3.2020 forecast	31.3.2021 budget	31.3.2022 budget
Debt (incl. PFI & leases)	0	0	0	0
Capital Financing Requirement	0	0	0	0

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the Authority expects to comply with this in the medium term.

**Liability benchmark:** To compare the Authority's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This benchmark is based on the existing debt cap.

*Table 5: Borrowing and the Liability Benchmark in £ millions*

	31.3.2019 actual	31.3.2020 forecast	31.3.2021 budget	31.3.2022 budget
Outstanding borrowing	0	0	0	0
Liability benchmark	0	0	84.81	84.61

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

*Table 6: Prudential Indicators: Authorised limit and operational boundary for external debt in £m*

	2019/20 limit	2020/21 limit	2021/22 limit
Authorised limit - total external debt	84.61	84.61	84.61
Operational boundary - total external debt	74.61	74.61	74.61

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

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

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

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

### **Investments for Service Purposes**

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

**Note:** Our Treasury Advisors, Arlingclose are currently drafting advice on the development of an appropriate strategy for the Combined Authority on 'Investments for Service Purposes'

**Governance:** Decisions on service investments are made by the relevant service manager in consultation with the Head of Finance and must meet the criteria and limits laid down in the investment strategy. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme.

### **Commercial Activities**

The Combined Authority currently does not invest in commercial property for financial gain

### **Liabilities**

There are currently no commitments to make future payments in relation to debt, future payments to cover pension fund deficits or *other major liabilities*. There is currently no requirement to cover risks of other *provisions, financial guarantees or major contingent liabilities*.

**Governance:** Decisions on incurring new discretionary liabilities are taken by Directors in consultation with the Head of Finance. The risk of liabilities crystallising and requiring payment is monitored by

the Finance team and reported to the Audit and Governance committee. New liabilities/loans are reported to the Board for approval/notification as appropriate.

### **Revenue Budget Implications**

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, 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.

*Table 7: Prudential Indicator: Proportion of financing costs to net revenue stream*

	<b>2018/19 actual</b>	<b>2019/20 forecast</b>	<b>2020/21 budget</b>	<b>2021/22 budget</b>
Financing costs (£m)	0	0	£2.56m	£2.56m
Proportion of net revenue stream	0%	0%	15.1%	17.6%

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

### **Knowledge and Skills**

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

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

## Appendix 2b:

# Cambridgeshire and Peterborough Combined Authority

## Draft Treasury Management Strategy Statement 2020/21

### Introduction

Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Authority's prudent financial management.

Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy.

### External Context

**Economic background:** The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Authority's treasury management strategy for 2020/21.

UK Consumer Price Inflation (CPI) for September registered 1.7% year on year, unchanged from the previous month. Core inflation, which excludes the more volatile components, rose to 1.7% from 1.5% in August. The most recent labour market data for the three months to August 2019 showed the unemployment rate ticked back up to 3.9% while the employment rate was 75.9%, just below recent record-breaking highs. The headline 3-month average annual growth rate for pay was 3.8% in August as wages continue to rise steadily. In real terms, after adjusting for inflation, pay growth increased 1.9%.

GDP growth rose by 0.3% in the third quarter of 2019 from -0.2% in the previous three months with the annual rate falling further below its trend rate to 1.0% from 1.2%. Services and construction added positively to growth, by 0.6% and 0.4% respectively, while production was flat and agriculture recorded a fall of 0.2%. Looking ahead, the Bank of England's Monetary Policy Report (formerly the Quarterly Inflation Report) forecasts economic growth to pick up during 2020 as Brexit-related uncertainties dissipate and provide a boost to business investment helping GDP reach 1.6% in Q4 2020, 1.8% in Q4 2021 and 2.1% in Q4 2022.

The Bank of England maintained Bank Rate to 0.75% in November following a 7-2 vote by the Monetary Policy Committee. Despite keeping rates on hold, MPC members did confirm that if Brexit uncertainty drags on or global growth fails to recover, they are prepared to cut interest rates as required. Moreover, the downward revisions to some of the growth projections in the Monetary Policy Report suggest the Committee may now be less convinced of the need to increase rates even if there is a Brexit deal.



Growth in Europe remains soft, driven by a weakening German economy which saw GDP fall -0.1% in Q2 and is expected to slip into a technical recession in Q3. Euro zone inflation was 0.8% year on year in September, well below the European Central Bank's target of 'below, but close to 2%' and leading to the central bank holding its main interest rate at 0% while cutting the deposit facility rate to -0.5%. In addition to maintaining interest rates at ultra-low levels, the ECB announced it would recommence its quantitative easing programme from November.

In the US, the Federal Reserve began easing monetary policy again in 2019 as a pre-emptive strike against slowing global and US economic growth on the back of the ongoing trade war with China. At its last meeting the Fed cut rates to the range of 1.50-1.75% and financial markets expect further loosening of monetary policy in 2020. US GDP growth slowed to 1.9% annualised in Q3 from 2.0% in Q2.

**Credit outlook:** Credit conditions for larger UK banks have remained relatively benign over the past year. The UK's departure from the European Union was delayed three times in 2019 and while there remains some concern over a global economic slowdown, this has yet to manifest in any credit issues for banks. Meanwhile, the post financial crisis banking reform is now largely complete, with the new ringfenced banks embedded in the market.

Challenger banks hit the news headlines in 2019 with Metro Bank and TSB Bank both suffering adverse publicity and falling customer numbers.

Looking forward, the potential for a "no-deal" Brexit and/or a global recession remain the major risks facing banks and building societies in 2020/21 and a cautious approach to bank deposits remains advisable.

**Interest rate forecast:** The Authority's treasury management adviser Arlingclose is forecasting that Bank Rate will remain at 0.75% until the end of 2022. The risks to this forecast are deemed to be significantly weighted to the downside, particularly given the upcoming general election, the need for greater clarity on Brexit and the continuing global economic slowdown. The Bank of England, having previously indicated interest rates may need to rise if a Brexit agreement was reached, stated in its November Monetary Policy Report and its Bank Rate decision (7-2 vote to hold rates) that the MPC now believe this is less likely even in the event of a deal.

Gilt yields have risen but remain at low levels and only some very modest upward movement from current levels are expected based on Arlingclose's interest rate projections. The central case is for 10-year and 20-year gilt yields to rise to around 1.00% and 1.40% respectively over the time horizon, with broadly balanced risks to both the upside and downside. However, short-term volatility arising from both economic and political events over the period is a near certainty.

A more detailed economic and interest rate forecast provided by Arlingclose is attached at Appendix A.

For the purpose of setting the budget, it has been assumed that new treasury management investments will be made at an average rate of the existing treasury investments, and that new long-term loans will be borrowed at the applicable PWLB rate.

### **Local Context**

On 30<sup>th</sup> November 2019 the Authority held £nil borrowing and £188.6m of treasury investments.

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment.

The Authority is currently debt free and its capital expenditure plans do not currently imply any need to borrow over the forecast period. Investments are forecast to fall as capital funding is used to finance capital expenditure as set out in the Capital programme and the Medium-Term Financial Plan.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years.

### **Borrowing Strategy**

The Authority currently does not hold any loans. The balance sheet forecast shows that the Authority does not expect to need to borrow in 2020/21. However, the Authority may borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £84.61 million.

**Objectives:** The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

**Strategy:** The Authority's borrowing strategy will address the key issue of affordability without compromising the longer-term stability of any future debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

The benefits of internal / short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2020/21 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

The government increased PWLB rates by 1% in October 2019 making it now a relatively expensive option. The Authority will now look to borrow any long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code.

Alternatively, the Authority may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Authority may borrow short-term loans to cover unplanned cash flow shortages.

**Sources of borrowing:** The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except the Combined Authority's Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

**Other sources of debt finance:** In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback

**Municipal Bonds Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to the Board.

**LOBOs:** The Authority does not currently hold any LOBO (Lender's Option Borrower's Option) loans. These loans are where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost.

**Short-term and variable rate loans:** These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section below).

**Debt rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

### **Investment Strategy**

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's investment balance has ranged between £160m and £260million, and levels are expected to be subject to the drawdown of funds to support the delivery of the Combined Authority's priorities and objectives as set out in the Business Plan and the Medium-Term Financial Plan.

**Objectives:** The CIPFA Code requires the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

**Negative interest rates:** If the UK enters into a recession in 2020/21, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in

many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

**Strategy:** Given the increasing risk and very low returns from short-term unsecured bank investments, the Authority aims to diversify into more secure and/or higher yielding asset classes during 2020/21. A proportion of the Authority's surplus cash is currently invested in short-term unsecured bank deposits, and money market funds. This diversification will represent a change in strategy over the coming year.

**Approved counterparties:** The Authority may invest its surplus funds with any of the counterparty types in table 3 below, subject to the cash limits (per counterparty) and the time limits shown.

*Table 3: Approved investment counterparties and limits*

Credit rating	Banks unsecured	Banks secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£15m 5 years	£25m 20 years	£25m 50 years	£15m 20 years	£15m 20 years
AA+	£15m 5 years	£25m 10 years	£25m 25 years	£15m 10 years	£15m 10 years
AA	£15m 4 years	£25m 5 years	£25m 15 years	£15m 5 years	£15m 10 years
AA-	£15m 3 years	£25m 4 years	£25m 10 years	£15m 4 years	£15m 10 years
A+	£15m 2 years	£25m 3 years	£25m 5 years	£15m 3 years	£15m 5 years
A	£15m 13 months	£25m 2 years	£25m 5 years	£15m 2 years	£15m 5 years
A-	£15m 6 months	£25m 13 months	£25m 5 years	£15m 13 months	£15m 5 years
None	£1m 6 months	n/a	£25m 25 years	£1m 5 years	£15m 5 years
<b>Pooled funds and real estate investment trusts</b>		£25m per fund or trust			

This table must be read in conjunction with the notes below

**Credit rating:** Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

**Banks unsecured:** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

**Banks secured:** Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the

investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

**Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

**Corporates:** Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made either following an external credit assessment or to a maximum of £1m per company as part of a diversified pool in order to spread the risk widely.

**Registered providers:** Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are tightly regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

**Pooled funds:** Shares or units in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

**Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties. Investments in REIT shares cannot be withdrawn but can be sold on the stock market to another investor.

**Operational bank accounts:** The Authority may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £25m per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

**Risk assessment and credit ratings:** Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “rating watch negative” or “credit watch negative”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

**Other information on the security of investments:** The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Authority’s treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority’s cash balances, then the surplus will be deposited with the UK Government via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned but will protect the principal sum invested.

**Investment limits:** In order to minimise the risk of a single default against available reserves, the maximum that will be lent to any one organisation (other than the UK Government) will be £50m. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers’ nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

*Table 4: Investment limits*

	Cash limit
Any single organisation, except the UK Central Government	£50m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£50m per group
Any group of pooled funds under the same management	£50m per manager
Negotiable instruments held in a broker’s nominee account	£50m per broker
Foreign countries	£25m per country
Registered providers and registered social landlords	£50m in total
Unsecured investments with building societies	£25m in total

Loans to unrated corporates	£25m in total
Money market funds	£100m in total
Real estate investment trusts	£50m in total

**Liquidity management:** The Authority uses cash flow forecasting to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium-term financial plan and cash flow forecast.

### **Treasury Management Indicators**

The Authority measures and manages its exposures to treasury management risks using the following indicators.

**Security:** The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	Target
Portfolio average credit rating	6 (A)

**Liquidity:** The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

Liquidity risk indicator	Target
Total cash available within 3 months	£50m

**Interest rate exposures:** This indicator is set to control the Authority's exposure to interest rate risk:

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£1m
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£1m

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates.

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

**Principal sums invested for periods longer than a year (excluding loans):** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	2020/21	2021/22	2022/23
Limit on principal invested beyond year end	£50m	£50m	£50m

### **Related Matters**

The CIPFA Code requires the Authority to include the following in its treasury management strategy.

**Financial Derivatives:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

In line with the CIPFA Code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

**Markets in Financial Instruments Directive:** The Authority has opted up to professional client status with its providers of financial services, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, the Chief Financial Officer believes this to be the most appropriate status.

### **Financial Implications**

The budget for investment income in 2020/21 is £1.02 million, based on the expected investment portfolio. The budget for debt interest paid in 2020/21 is £2.56 million, based on the maximum debt cap available to the authority calculated at the current PWLB 25 year borrowing rate. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

### **Other Options Considered**

The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Financial Officer, having consulted the Portfolio Holder for Investment and Finance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.



Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

## **Appendix A - Arlingclose Economic & Interest Rate Forecast November 2019**

### **Underlying assumptions:**

- The global economy is entering a period of slower growth in response to political issues, primarily the trade policy stance of the US. The UK economy has displayed a marked slowdown in growth due to both Brexit uncertainty and the downturn in global activity. In response, global and UK interest rate expectations have eased.
- Some positivity on the trade negotiations between China and the US has prompted worst case economic scenarios to be pared back. However, information is limited, and upbeat expectations have been wrong before.
- Brexit has been delayed until 31 January 2020. While the General Election has maintained economic and political uncertainty, the opinion polls suggest the Conservative position in parliament may be strengthened, which reduces the chance of Brexit being further frustrated. A key concern is the limited transitional period following a January 2020 exit date, which will maintain and create additional uncertainty over the next few years.
- UK economic growth has stalled despite Q3 2019 GDP of 0.3%. Monthly figures indicate growth waned as the quarter progressed and survey data suggest falling household and business confidence. Both main political parties have promised substantial fiscal easing, which should help support growth.
- While the potential for divergent paths for UK monetary policy remain in the event of the General Election result, the weaker external environment severely limits potential upside movement in Bank Rate, while the slowing UK economy will place pressure on the MPC to loosen monetary policy. Indeed, two MPC members voted for an immediate cut in November 2019.
- Inflation is running below target at 1.7%. While the tight labour market risks medium-term domestically-driven inflationary pressure, slower global growth should reduce the prospect of externally driven pressure, although political turmoil could push up oil prices.
- Central bank actions and geopolitical risks will continue to produce significant volatility in financial markets, including bond markets.

### **Forecast:**

- Although we have maintained our Bank Rate forecast at 0.75% for the foreseeable future, there are substantial risks to this forecast, dependant on General Election outcomes and the evolution of the global economy.
- Arlingclose judges that the risks are weighted to the downside.
- Gilt yields have risen but remain low due to the soft UK and global economic outlooks. US monetary policy and UK government spending will be key influences alongside UK monetary policy.
- We expect gilt yields to remain at relatively low levels for the foreseeable future and judge the risks to be broadly balanced.

	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Average
<b>Official Bank Rate</b>														
Upside risk	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.21
Arlingclose Central Case	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Downside risk	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.73
<b>3-month money market rate</b>														
Upside risk	0.10	0.10	0.25	0.25	0.25	0.25	0.25	0.25	0.30	0.30	0.30	0.30	0.30	0.25
Arlingclose Central Case	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Downside risk	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.73
<b>1yr money market rate</b>														
Upside risk	0.10	0.20	0.20	0.20	0.20	0.20	0.20	0.25	0.30	0.30	0.30	0.30	0.30	0.23
Arlingclose Central Case	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85
Downside risk	-0.30	-0.50	-0.55	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.60
<b>5yr gilt yield</b>														
Upside risk	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.45	0.45	0.45	0.37
Arlingclose Central Case	0.50	0.50	0.50	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.57
Downside risk	-0.35	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.56
<b>10yr gilt yield</b>														
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45	0.37
Arlingclose Central Case	0.75	0.75	0.80	0.80	0.85	0.85	0.90	0.90	0.95	0.95	1.00	1.00	1.00	0.88
Downside risk	-0.40	-0.40	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.45
<b>20yr gilt yield</b>														
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45	0.37
Arlingclose Central Case	1.20	1.20	1.25	1.25	1.25	1.30	1.30	1.30	1.35	1.35	1.35	1.40	1.40	1.30
Downside risk	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	-0.45
<b>50yr gilt yield</b>														
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45	0.37
Arlingclose Central Case	1.20	1.20	1.25	1.25	1.25	1.30	1.30	1.30	1.35	1.35	1.35	1.40	1.40	1.30
Downside risk	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	-0.45

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 1.80%

PWLB Local Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

## Appendix B - Existing Investment & Debt Portfolio Position

	30 Nov 2019 Actual Portfolio £m	Average Rate %
<b>External borrowing:</b>		
Public Works Loan Board	0	
Local authorities	0	
LOBO loans from banks	0	
Other loans	0	
<b>Total external borrowing</b>	<b>0</b>	
<b>Total gross external debt</b>	<b>0</b>	
<b>Treasury investments:</b>		
Banks & building societies (unsecured)	4.6	0.55
Government (incl. local authorities)	174.0	0.84
Money Market Funds	10.0	0.73
<b>Total treasury investments</b>	<b>188.6</b>	<b>0.82</b>
<b>Net debt</b>	<b>(188.6)</b>	



<b>AUDIT AND GOVERNANCE COMMITTEE</b>	<b>AGENDA ITEM No: 11</b>
<b>16 DECEMBER 2019</b>	<b>PUBLIC REPORT</b>

## **ADULT EDUCATION BUDGET AUDIT AND ASSURANCE PROGRAMME**

### **1.0 PURPOSE**

- 1.1 The report outlines the offer from the Education & Skills Funding Agency and Department for Education for the purposes of providing audit and assurance for the delivery of Adult Education.
- 1.2 The terms of reference of the Committee include reviewing and assessing the economy, efficiency and effectiveness with which resources have been used in discharging the Combined Authority's functions. This report provides an example of one of the audit and assurance regimes which is proposed for funding given to the Combined Authority for the delivery of specific objectives.

<b><u>DECISION REQUIRED</u></b>	
<b>Lead Officer:</b>	John T Hill, Director of Business & Skills
<b>Author:</b>	Neil Cuttall, Programme Manager (Skills)
<b>RECOMMENDATIONS</b>	
1. To note the arrangements proposed by the Department for Education and the Education & Skills Funding Agency for provision of Audit and Assurance in the delivery of Adult Education in Cambridgeshire and Peterborough.	

### **2.0 BACKGROUND**

- 2.1 In Spring 2019, the Education Skills Funding Agency wrote to the Combined Authority to outline a proposal to support the devolution of the Adult Education Budget in 2019/20 with Audit and Assurance, Fraud and Investigations and Financial Health.
- 2.2 The Combined Authority undertook to award a grant to the indigenous and contiguous grant providers within the Cambridgeshire and Peterborough area, as well as to procure some provision based on the priorities outlined within the Local Industrial Strategy and the Skills Strategy. In Spring 2019, the Combined Authority awarded 12 Grant Contracts and 5 Procured Contracts to

the value of £10.9m. The Combined Authority has been responsible for the delivery of Adult Education since 1<sup>st</sup> August 2019.

- 2.3 This report outlines the key principles offered by the Education & Skills Funding Agency (ESFA) and considers what further assurance, audit, fraud and financial health information should be required to ensure that the best services will be provided to the learners within Cambridgeshire and Peterborough.

### **3.0 MAIN ISSUES**

- 3.1 The Education & Skills Funding Agency (ESFA) proposal of support for Audit, Assurance, Fraud Investigations and Financial provides a level of support for the provision of Adult Education in academic year 2019/20 for the audit year April 2020 to March 2021.
- 3.2 The proposal offers a high level of collaboration between the ESFA and the Combined Authority to ensure that providers of Adult Education will be robustly assessed and assurance is provided for the level of investment made. The Combined Authority needs to have sufficient assurance that Adult Education funding is used by the 17 providers in accordance with the funding rules and that the ESFA auditing process is sufficient to meet that assurance.

#### **Audit and Assurance**

- 3.3 The offer and proposal from DfE and ESFA can be summarised as follows:
- Annual assurance statements will be shared between the ESFA and the Combined Authority on an April to March financial year basis. The organisation producing each statement will set out the assurances it has over the providers detailed within the statement.
  - It is the responsibility of the CPCA to determine the level of reliance placed on the statement of assurance.
  - The annual assurance statement will be supported by a code of practice detailing the approach taken by the organisation to obtain assurance over the provision the organisation funds.
  - In respect of the 19/20 AEB academic year funding, where the ESFA undertakes assurance activity, the CPCA will be able to request their learners are tested in a maximum of three providers.
  - Testing of the CPCA learners will be based on the sample sizes operated by the ESFA at the time of audit and the ESFA audit approach.
  - Results of audit activity and financial health assessments will be shared with the CPCA via the data sharing agreement.
- 3.4 ESFA has committed to exploring how it can facilitate discussions between the Combined Authority and the Office of Students (OfS) in respect of assurance arrangements for AEB funding at Higher Education Institutes (HEIs). The ESFA will continue to take assurance from the OfS in respect of AEB funding at HEIs. At present the no HEIs are receiving Adult Education Funding from the Combined Authority.

- 3.5 To complement its existing audit and assurance activity the ESFA is currently undertaking a procurement exercise to secure audit firms to undertake audit/assurance activity on behalf of the ESFA. As part of this process, the ESFA will seek to ensure that the Combined Authority may wish to pursue the opportunity to procure audit activity from the organisations that are successful in the ESFA procurement.
- 3.6 The ESFA will share access to Provider Data Self-Assessment Toolkit (PDSAT) reports and consider Combined Authority requirements as part of the 2019/20 funding specification.
- 3.7 The ESFA will share its audit approach, programmes and template working papers when these are confirmed in respect of 2019/20 AEB funding

### **Fraud and Investigations**

- 3.8 If the ESFA or CPCA suspect fraud or financial irregularity or receive information and/or allegations in relation to a provider, including a subcontractor (which is funded by both ESFA and the Combined Authority the following approach will be adopted by both organisations:
- Where allegations/information are specifically about AEB funding, they must be shared with the relevant team of the other organisation within 5 working days of receiving.
  - In instances where allegations/information is received but it is unclear which funding stream the allegation/information relates to, the details of the allegation/information will be shared if it becomes apparent that AEB funding is affected/involved.
  - If AEB funds are the subject of allegations/information, consideration will be given to one organisation taking the lead by investigating their own funds. The decision on organisation lead will depend on the nature of the allegations and the funding amounts of each organisation involved.
  - In some circumstances, allegations/information may relate to financial management and/or governance of the provider concerned. In these circumstances, the organisation with the most funds at risk will take the investigation lead.
  - Where one organisation takes the lead in an investigation, they must keep the other organisation informed of any developments that could have an impact on the other organisation's funding.
  - In exceptional circumstances, contemporaneous investigations will be conducted depending on the nature of the allegations and the funding amounts of each organisation involved.
- 3.9 If organisations are unable to establish which funds are affected each organisation will follow their own established investigation process.
- 3.10 Where either the ESFA, and CPCA are the sole funders information will not be routinely shared between parties but will be considered on a case by case basis.

### **Financial Health**

- 3.11 The ESFA will share the financial health grade and key financial indicators with the Combined Authority.
- 3.12 The ESFA will use existing arrangements with the financial dashboards to share the information with Combined Authority and to supplement this with sharing of inadequate assessments at the point of assessment.
- 3.13 The information will be shared under a revised Data Sharing Agreement (DSA) on an agreed timetable utilising current arrangements about sharing financial dashboards with Colleges and financial health details with ITPs.
- 3.14 The financial information will only be shared once it has been shared with the organisation to which the assessment relates.

**Next Steps for the Combined Authority based on the ESFA Offer:**

- 3.15 The Appendix to this report provides a flowchart of how the Combined Authority and ESFA can collaborate on audit and assurance activity in 2019/20. Within the ESFA offer the Combined Authority has been requested to identify 3 of the 17 providers operating with the area for audit. This is based on the random sample undertaken by the ESFA of approximately 120 national providers from a pool of over 3,000. There is a likelihood that none of the 17 providers operating in the Cambridgeshire and Peterborough area are selected within the 120 selected from the national pool.
- 3.16 If no providers are selected from the ESFA pool the Combined Authority will need to consider what level of audit and assurance it requires from the 17 providers.

#### **4.0 FINANCIAL IMPLICATIONS**

- 4.1 If none of the Combined Authority's providers are selected for audit by the ESFA it would still be necessary for the Combined Authority to seek its own assurance as to the effectiveness of its spend on Adult Education. If the Combined Authority were to fund its own audits of two providers the likely cost would be £20,000 based upon applying similar resources for each audit as the ESFA regime.

#### **5.0 LEGAL IMPLICATIONS**

- 5.1 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.

#### **6.0 EQUALITIES IMPLICATION**

- 6.1 There are no equalities implication on the process for the Combined Authority to gain audit and assurance on the provision of Adult.

#### **7.0 APPENDICES**

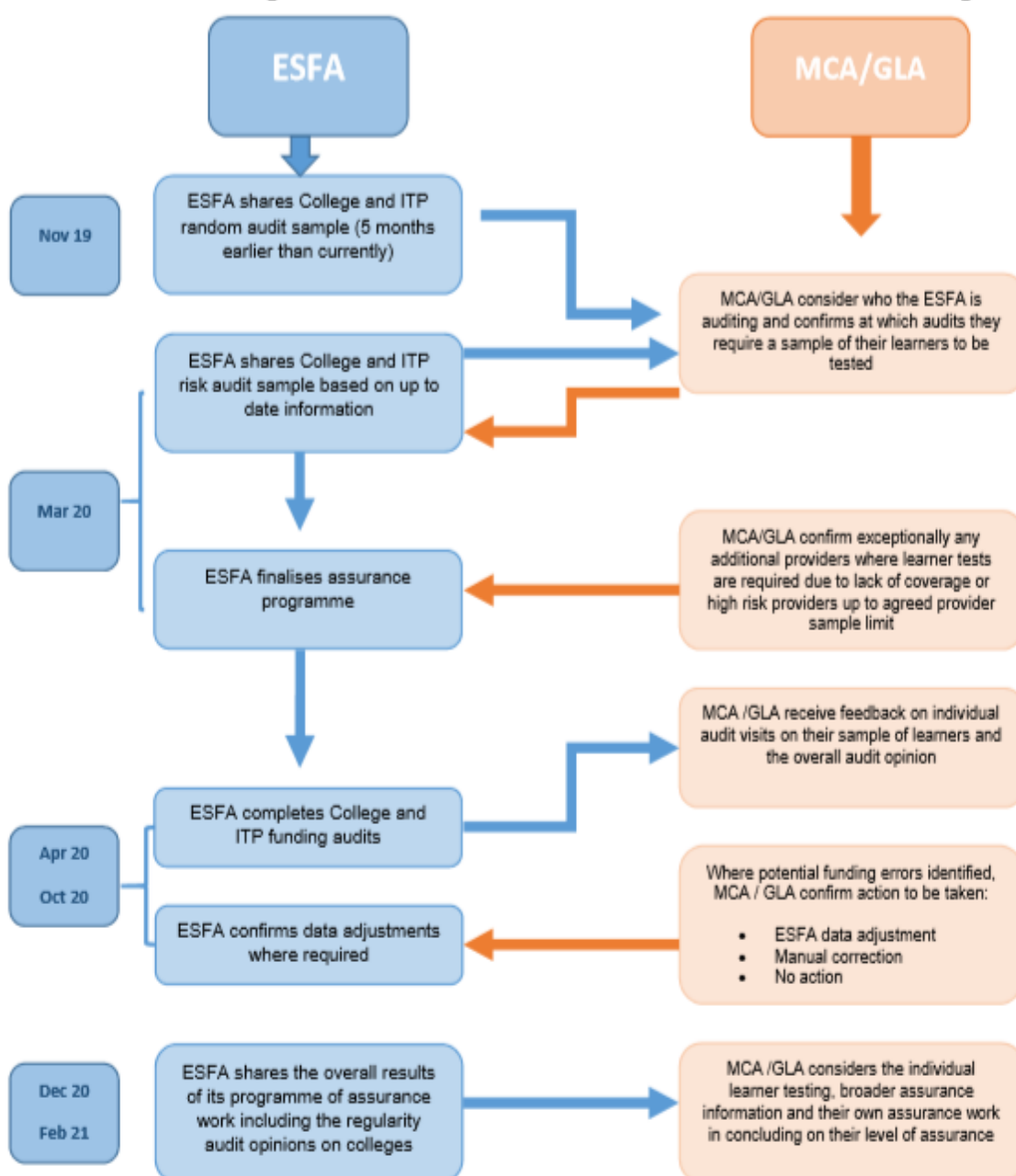


## 7.1 Appendix: Audit and Assurance Flow Chart

<b><u>Source Documents</u></b>	<b><u>Location</u></b>
Audit & Governance Committee Report on Adult Education Budget Devolution Programme, November 2018	The document can be found here: <a href="#">Audit Committee September 2018</a>

### Appendix 1: Audit & Assurance Flowchart:

**Flowchart for jointly funded providers who are delivering AEB funding during 2019/20. To note excludes EAS claims and ESF funding.**



Official Sensitive: Proposed Working Arrangements on Audit and Assurance, Fraud and Investigations and Financial Health in Respect of AEB Devolution  
Final V.1 April 2019



<b>AUDIT AND GOVERNANCE COMMITTEE</b>	<b>AGENDA ITEM No: 12</b>
<b>16 December 2019</b>	<b>PUBLIC REPORT</b>

## **WORK PROGRAMME**

### **1.0 PURPOSE**

- 1.1 To provide the Committee with the draft work programme for Audit and Governance Committee for the remainder of the 2019/20 municipal year.

<b><u>DECISION REQUIRED</u></b>
<b>Lead Officer: Dermot Pearson – Interim Monitoring Officer</b>
That the Committee:  a) Notes the work programme for the Audit and Governance Committee for the 2019/20 municipal year attached at Appendix 1 and agree to regularly review the work programme at each meeting.  b) Notes the Audit and Governance Work Programme Items for the year.

### **2.0 BACKGROUND**

- 2.1 In accordance with the Constitution, the Audit and Governance Committee must perform certain statutory duties including the approval of accounts, governance arrangements, financial reporting and code of conduct.
- 2.2 A draft work programme which outlines when these decisions are taken for the current municipal year is attached at Appendix 1.
- 2.3 At the November 2018 Audit and Governance Committee meeting members requested that they be provided with a calendar of items that must be considered annually by the committee be added to the work programme for them to monitor. This document is attached at Appendix 2.

### **3.0 FINANCIAL IMPLICATIONS**

- 3.1 There are no financial implications

#### **4.0 LEGAL IMPLICATION**

4.1 There are no legal implications

#### **5.0 EQUALITIES IMPLICATION**

5.1 None

#### **6.0 APPENDICES**

6.1 Draft Work Programme

6.2 Calendar of Work Programme Items for the Year.

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

### Audit and Governance Work Programme Items

The Audit and Governance Committee meet four times a year, roughly following the financial timetable set by legislation.

Currently the Audit and Governance Committee are scheduled to meet in the following months:

July, September, December, March (The Committee have also requested that they meet in public in June to consider the draft accounts for the Combined Authority.)

Below is a table of items that the committee must consider throughout the year.

<b>Item</b>	<b>Description</b>	<b>Proposed Meeting</b>
Combined Authority Board Update	Standing item on the agenda when a chief officer or by agreement once a year the Mayor for the Combined Authority provides an update on the activities for the authority.	Every meeting
Minutes	Standing item on the agenda for the committee to agree the minutes from the last meeting	Every meeting
Corporate Risk Register	Standing item by request of the committee to be considered at each meeting.	Every meeting
Work Programme	Standing item for the committee to consider their upcoming work programme.	Every meeting
Internal Audit – Progress Report	Report from the Internal Auditors to provide an update on the progress of the current internal audits.	Every meeting

External Audit – Audit Plan	The Committee receive and approve the final audit plan prepared by the external auditors	March
Internal Audit Plan:	Details of audit activity for the following year.	March
Treasury Management Strategy Summary	The Committee receive the report asks for comments comment on the draft Treasury Management Strategy.	March
Code of Corporate Governance	Code of Corporate Governance is based upon the CIPFA / SOLACE publication entitled “Delivering Good Governance in Local Government: Framework 2016 Edition.” An annual review is undertaken each year.	March
Complaints Policy	Describes how we will deal with complaints and the role of the Local Government and Social Care Ombudsman – reviewed annually.	March
Assurance Framework	The Assurance Framework is a set of systems, processes and protocols, which along with standing orders, financial regulations, departmental procedures, and codes of practice is linked in a hierarchy of management and financial control procedures, which clearly define the responsibilities of members and the duties of the CPCA's officers, consultants and partners. – Approved annually.	March

Internal Audit – Annual Report	A report provided by the Internal Auditors on the effectiveness of the Authority's systems of governance; risk management and internal control.	July
Value-for-Money	Statement report on Value for Money to be considered including 'benefit-cost-ratio'.	July
Policy Documents – rules and regs followed by CIPFA	Briefing note to be prepared by CFO on the Combined Authority's policy documents relating to the rule and regs adhered to in the national policies, followed also by CIPFA.	July
HR Update	HR Manager to update Committee on work undertaken to address concerns identified by Internal Audit.	July
External Audit Final Results	The Committee receive the audit results report from the external auditors.	July
Annual Governance Statement	Explains how the Combined Authority has complied with the Local Code of Governance and meets the requirements of the Accounts and Audit (England) Regulations 2015 Regulation 6.1(b) – usually received along with the Annual Financial Report.	The Annual Governance Statement is reviewed by the A&G Committee every year as part of the Statements of Accounts (usually in July)
Annual Financial Report	The Committee receives the report which asks them to: a) approve the audited Statement of Accounts 2017/18 b) Receive and approve the Annual Governance Statement 2017/18	July

Annual Audit report	The Audit and Governance Committee review annually the work undertaken by the committee to ensure best practice and effectiveness for the Combined Authority is being achieved.	July
Review of the Constitution	The report was postponed from the July meeting; report to be delivered to the Board in September.	September
External Audit – Annual Audit Letter	The Committee receive the annual audit letter which communicates the key issues arising from external auditors work in carrying out the audit of the statement of accounts for the Cambridgeshire and Peterborough Combined Authority.	September
Internal Audit – Progress Report	Update to be delivered by the Internal Auditors	September
Treasury Management Strategy Review	The Committee receive the report which review the current performance against the prudential indicators included within the Treasury Management Strategy.	September
Corporate Risk Register	The Committee to receive an update on the Corporate Risk Register	September



External Audit – Draft Audit Plan	The Committee receive the draft Audit Plan and comment whether the planned audit is aligned with the Committee's expectations.	December
Treasury Management Strategy Update	The Committee receive the report which provides the Audit and Governance Committee with an update on the Combined Authority (CPCA)'s Treasury Management Strategy.	December
Assurance Framework	Committee agreed in May 2019 that the A/Framework be presented to Committee on 6-month basis.	December
Project Case Study	Chief Executive agreed at July meeting to present to the Committee.	December
Governance (decision making) Review	Committee to receive an update to review any issues/concerns raised (Executive Committees) etc	March 2020
Risk Strategy		December
Data Protection		December
Mayor of the Combined Authority		March 2020
Governance review of Business Board		TBC
VfM presentation (development session)		March or May 2020
Members' Skills training		TBC
Mayor's office attending		March 2020





**AUDIT & GOVERNANCE COMMITTEE – WORK PROGRAMME**

**LEAD OFFICER(S): John Hill (CEO) & Jon Alsop (S73)**

**DEMOCRATIC SERVICES OFFICER (DSO): Katarina O'Dell**

Date	Report Description	Relevant Officer/ Report Author
<b>Deadlines:</b>	<b>Final Reports to DSO: 4pm Friday 5<sup>th</sup> July 2019</b>	<b>Agenda Publication/Despatch: Thursday 11<sup>th</sup> July 2019</b>
19 <sup>th</sup> July 2019	Interim Monitoring Officer to update Committee – Business Board	
19 <sup>th</sup> July 2019	Internal Audit – Annual Report	Steve Crabtree
	External Audit Final Results	Ernst and Young
	Annual Financial Report	Jon Alsop
	Chairman's Annual Audit report	Chair
	Value for Money report	Jon Alsop
	Treasury Management Strategy Review	Jon Alsop
	Human Resources – Risk reduction	HR Manager
<b>Deadlines:</b>		<b>Agenda Publication/Despatch: 19<sup>th</sup> September 2019</b>
27 <sup>th</sup> September 2019 – Public Meeting 10am	Review of the Constitution	Kim Sawyer
	External Audit – Annual Audit Letter	Ernst & Young
	Internal Audit – Progress Report	Steve Crabtree

	Treasury Management Strategy Review	Jon Alsop
	Corporate Risk Register	Kim Sawyer
	Update on the priorities and objectives of the Business Board.	John T Hill
	Presentation on accelerated delivery process	Rowland Potter
	Timeline of the implementation of a significant project to include key priorities with case study and time line.	John Hill
<b>Meeting Date:</b>		<b>Agenda publication/dispatch: 5<sup>th</sup> December 2019</b>
13 <sup>th</sup> December 2019 – Public Meeting- 10am.	Combined Authority Board Update	Kim Sawyer
	Corporate Risk Register	Dermot Pearson
	Internal Audit – Progress Report	Steve Crabtree
	External Audit – Draft Audit Plan	Ernst & Young
	Treasury Management Strategy Update	Rob Emery
	Assurance Framework	Dermot Pearson
<b>Meeting Date:</b>		<b>Agenda publication/dispatch: 5<sup>th</sup> December 2019</b>
27 March 2020 – Public Meeting 10am	Timeline of the implementation of a significant project to include key priorities with case study and time line.	John Hill

	Internal Audit – Progress Report	Steve Crabtree
	External Audit – Draft Audit Plan	Ernst & Young
	Mayor of the Combined Authority	

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