

Draft Annual Governance Statement

For the year ended 31 March 2023

Scope of Responsibility

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

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

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

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

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

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

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

The Purpose of the Governance Framework

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

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

The Governance Framework

Context

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

The Cities and Local Government Devolution Act 2016 came into force on 28 March 2016, making Cambridgeshire and Peterborough local authorities amongst the first to establish a combined authority for its area under these new provisions, with a directly elected Mayor elected every 4 years. Following the making of the Order, the Authority's first directly elected Mayor was elected on 4 May 2017. The Authority's second directly elected Mayor was elected on 6 May 2021.

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

- Control of a £20 million a year funding allocation, over 30 years, to be invested in the Cambridgeshire and Peterborough Single Investment Fund, to boost growth.
- Funding to deliver new homes over a five-year period in Cambridgeshire and Peterborough which included affordable, rented and shared ownership housing.
- Responsibility for chairing an area-based review of 16+ skills provision.
- Responsibility to develop a more effective joint working with the Department for International Trade to boost trade and investment through agreement of a Joint Export Plan
- Powers devolved to the Mayor as part of the devolution plan included:
 - Responsibility for a multi-year, consolidated and devolved transport budget.
 - Responsibility for an identified Key Route Network of local authority roads.
 - Powers over strategic planning and the responsibility to create a non-statutory spatial framework for Cambridgeshire and Peterborough and to develop with Government a Land Commission.

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

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

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

Delivery through Subsidiary Undertakings

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

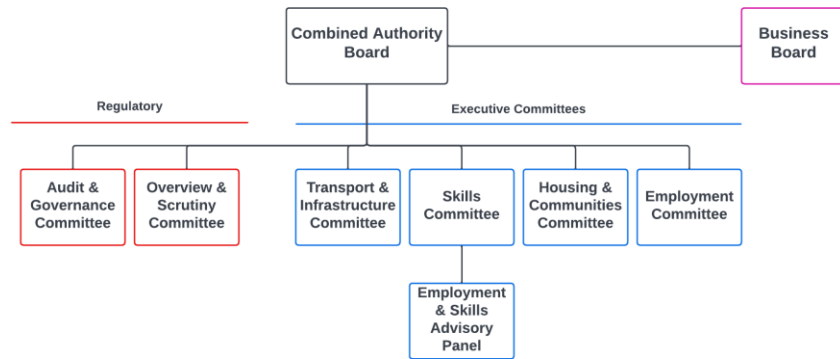
Cambridgeshire and Peterborough Combined Authority Structure

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

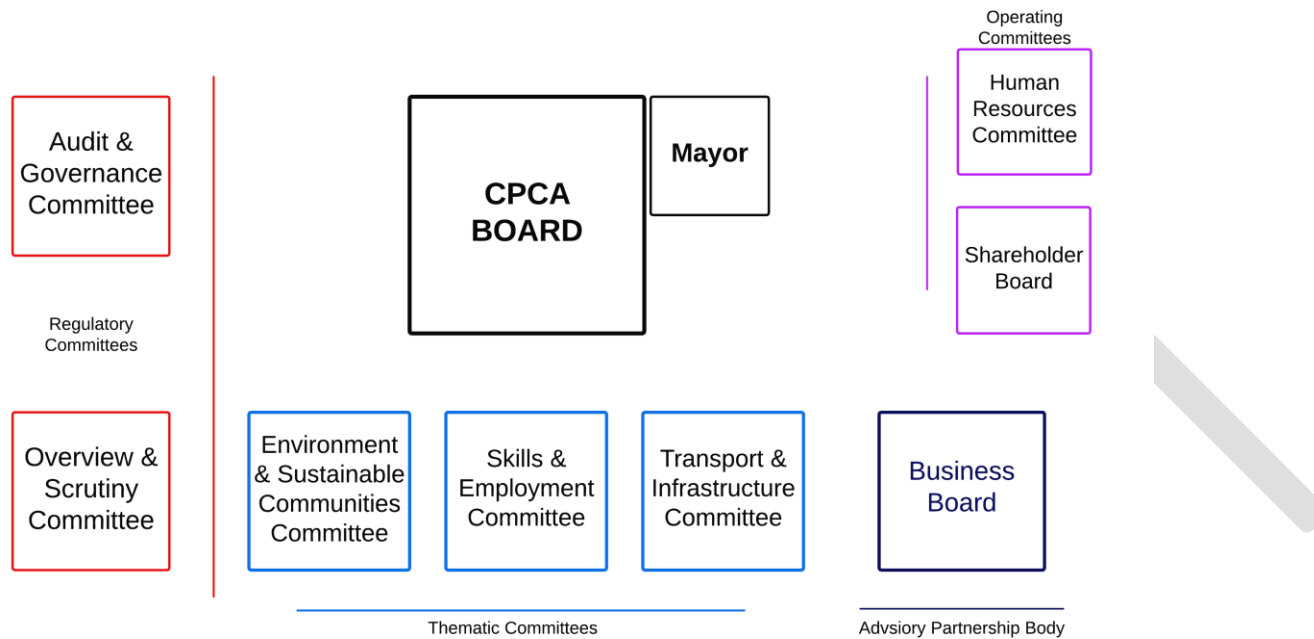
- Cambridge City Council;
- Cambridgeshire County Council;
- East Cambridgeshire District Council;
- Fenland District Council;
- Huntingdonshire District Council;
- Peterborough City Council; and
- South Cambridgeshire District Council.

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

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



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



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

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

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

Combined Authority Board

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

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

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

- (a) The Police and Crime Commissioner for Cambridgeshire;
- (b) Cambridgeshire and Peterborough Fire Authority representative;
- (c) Cambridgeshire and Peterborough Integrated Commissioning Board representative.

Mayor

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

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

Executive Committees

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

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

The advantages of these arrangements include:

- Creating more realistic workloads for the members of the Combined Authority Board.

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

The effectiveness of these governance arrangements is kept under review by the Authority's Audit & Governance Committee. As noted above in March 2023 the Board approved a significant change to the governance structure of the Authority, replacing the Executive Committees with three new Thematic Committees (Transport & Infrastructure; Skills & Employment and Environment and Sustainable Communities) each with one (or more) lead Members. The new arrangements strengthened the advantages noted above and provided the Thematic Committees with greater delegated powers to help the Board maintain its strategic focus.

Overview and Scrutiny Committee

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

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

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

Culture: The mindset and mentality underpinning the operation of the overview and scrutiny process

Information: How information is prepared, shared, accessed and used in the service of the scrutiny function, and

Impact: Ways to ensure that scrutiny is effective, that it makes a tangible difference to the lives of local people.

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

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

Audit and Governance Committee

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

The Chair of the Audit and Governance Committee presented his annual report to the Combined Authority Board at its Annual General Meeting in May 2023. The annual report highlights the work of the Committee for the Municipal Year and details the following:

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

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

Business Board (Local Enterprise Partnership)

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

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

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

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

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

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

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

Strategic Direction

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

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

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

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

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

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

- Compassion

- Cooperation
- Community.

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

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

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

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

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

The Corporate Plan aligns with the new Performance Management Framework that is designed to provide improved performance monitoring information to the Authority, its Members and a wider audience.

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

Assurance Framework

The Assurance Framework complies with the National Local Growth Assurance Framework and was approved by the Board in March 2022 following feedback and sign off from CLGU (Cities and Local Growth Unit). The Assurance Framework sets out:

- (a) How the seven principles of public life shape the culture within the Combined Authority in undertaking its roles and responsibilities in relation to the use and administration of the Cambridgeshire and Peterborough Investment, incorporating the Single Pot funding.
- (b) The respective roles and responsibilities of the Combined Authority, the Business Board and officers, in decision-making and ways of working.
- (c) The key processes for ensuring accountability, including public engagement, probity, transparency, legal compliance and value for money.
- (d) How potential investments to be funded through the Cambridgeshire and Peterborough Medium Term Financial Plan incorporating the Single Pot, will be appraised, prioritised, approved, signed off and delivered.
- (e) The processes for oversight of projects, programmes and portfolios and how the progress and impacts of these investments will be monitored and evaluated.

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

Project Delivery

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

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

Decision Making

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

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

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

Financial Management

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

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

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

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

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

The Combined Authority is required to adhere to the CIPFA Financial Management Code. A number of actions were identified in the 2021-22 Annual Governance Statement and these are being picked up as part of the Improvement framework noted elsewhere in this Annual Governance Statement.

Developing Capacity

The Combined Authority's external auditors highlighted a concern that *"the Authority has insufficient capacity, capability and an inappropriate culture to support the effective governance and operation of the organisation."* The staffing structure was reviewed in 2022 as part of the Combined Authority's Improvement plan to address these concerns and a revised senior management structure implemented. That senior management structure has now been implemented and recruited to.

Internal Audit

RSM Assurance Limited provide the Chief Internal Auditor function for the Combined Authority and presented the audit plan for approval to the Audit & Governance Committee in March 2022 and has provided the Committee with regular updates since then.

External Audit

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

Best Value Notice

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

The Notice was issued to the CPCA following:

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

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

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

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

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

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

Improvement Framework

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

- Note the recommendations of the Audit and Governance Committee and provide a response as requested
 - Delegate authority to the Interim Chief Executive for the recruitment and appointment of additional resources, including interim Chief Officers and Statutory Officers,
 - Delegate authority to the Interim Chief Executive to finalise the senior management structure of the Authority
 - Acknowledge the scope and scale of the intended self-assessment exercise and recognition of the scale of the current issues facing the Combined Authority.
 - Support the self-assessment exercise
 - Note the review of governance and ways of working
- Request that the Board, and the Chairs of Audit & Governance Committee and the Overview & Scrutiny Committee, receive regular updates on all improvement action

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

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

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

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

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

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

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

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

Risk Management

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

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

Managing Performance

Given the level of investment undertaken by the combined authority, it is vital that it follows robust programme management processes for its programmes and for collective consideration of outputs and outcomes. Alongside the monitoring and evaluation framework, a Performance

Management process has also been developed, to monitor and report on programme delivery (time, quality, cost) and the outcomes and impact of projects/programmes. Regular papers are taken to Board meetings which report on the performance of the Combined Authority's projects. The analysis includes a 'delivery dashboard' which provides metrics showing progress being made against devolution deal commitments to deliver Prosperity (measured by Gross Value Added (GVA)), Housing and Jobs.

Review of Effectiveness

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

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

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

The Annual Internal Audit Opinion

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

For the 12 months ended 31 March 2023, the head of internal audit opinion for Cambridgeshire and Peterborough Combined Authority is as follows:

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

Produced below is an extract from their report:

"Factors and Findings which have informed our opinion

Risk Management

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

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

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

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

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

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

Governance

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

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

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

Internal Control

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

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

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

The key findings from those reviews are detailed below:

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

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

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

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

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

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

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

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

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

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

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

Follow Up

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

Additional factors and findings informing our opinion

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

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

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

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

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

Governance Arrangements

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

Freedom of Information and Environmental Information Regulation Requests

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

Review of Effectiveness

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

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

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

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

Code of Conduct

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

Declaration of Interests

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

Gifts and Hospitality

The Combined Authority has implemented a register of offers of Gifts and Hospitality made to members and officers of the Combined Authority, even if these offers are declined.

Conclusion

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

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

DRAFT

Certification

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

The Annual Governance Statement was reviewed by the Audit Committee on the 7th July 2023

Our overall assessment is that the Annual Governance Statement is a balanced reflection of the governance environment. The Combined Authority's auditors have identified a significant value for money risk relating to its governance arrangements and the Department of Levelling Up, Homes & Communities have issued a Best Value Notice following their concerns. The Combined Authority is taking action to address these highlighted concerns through an Improvement Framework to ensure that the Authority has the appropriate capacity, culture and processes to be able to deliver its objectives and statutory responsibilities and to achieve and demonstrate Best Value. The Improvement Framework will support the Authority in achieving value for money through appropriate governance arrangements and safeguard the future delivery of services.

Signed:

Signed:

Date:

Date: