



Report title: Combined Authority Trading Companies

To: Overview and Scrutiny Committee

Meeting Date: 24 September 2021

From: Robert Fox
Governance Officer

Key decision: No

Recommendations: The Overview and Scrutiny Committee is recommended to:

a) Comment upon, recommend any changes to, and approve the terms of reference of the Committee in relation to the Combined Authority trading companies

Voting arrangements: a simple majority of all Members.

1. Purpose

1.1 This report provides the Committee with a draft terms of reference in relation to the Committee's role in scrutinising the Combined Authority's trading companies.

2. Background

2.1 The Overview and Scrutiny Committee has the power to:

- Review and scrutinise decisions made, or other action taken in connection with the discharge of any function which are the responsibility of the Combined Authority
- Review and scrutinise a key decision made but not implemented and to:
 - (a) direct that a decision is not to be implemented while it is under review by the Committee, and
 - (b) recommend that the decision be reconsidered
- Make reports or recommendations to the Combined Authority Board:

- (a) with respect to the discharge of any functions that are the responsibility of the authority;
- (b) on matters that affect the authority's area or the inhabitants of the area

2.2 The Combined Authority currently has six trading companies registered with Companies House. These are:

Angle Holdings Limited

Incorporated in September 2019, Angle Holdings was originally set up to be a holding company for all CPCA companies. It is, however, presently the holding company for Angle Developments (East) Limited and the Cambridgeshire and Peterborough Business Growth Service.

Angle Developments (East) Limited

Angle Developments (East) Limited is a housing development company incorporated in September 2019 and is owned in the main (the Combined Authority retains a single share) by Angle Holdings. It was incorporated with the intention of delivering affordable housing schemes and forming joint ventures with local developers in order to contribute to the housing element of the 2017 devolution deal for Cambridgeshire and Peterborough.

Cambridgeshire & Peterborough Business Growth Service Limited

Incorporated in August 2020 the Cambridgeshire & Peterborough Business Growth Company consists of three major services. These are:

The Business Growth Service: targeting places and companies that will have the most impact on our goal to shift to a more inclusive growth dynamic across sub-economies;

The Inward Investment Service: for a new all-economy foreign direct investment and capital investment promotion service for the promotion of employment space and employment property development opportunities to investors and companies from the UK and overseas; and,

The Skills Service: a digital and physical service connecting business with skills providers and talent, including targeted support to double the number of apprenticeships over five years.

Ownership of the Business Growth Service will shortly transfer to the Combined Authority.

One CAM Limited

One CAM Limited was incorporated in September 2020 and was established as a special purpose vehicle (SPV), as a necessary and best-practice step for delivering the infrastructure intended as part of the CAM.

Peterborough HE Property Company Limited

Incorporated in June 2020 the Peterborough HE Property Company Limited (Propco1) is a special purpose vehicle to deliver the new University on the embankment site in Peterborough. The Propco1 is the SPV for phase 1 of the programme and comprise of the Combined Authority, Peterborough City Council and the academic delivery partner, Anglia Ruskin University.

Peterborough R&D Company Limited

Incorporated In November 2020 for the construction of a Research & Development building which will deliver an Advanced Manufacturing Innovation Eco-System for Peterborough. The company is a joint venture between the CPCA and Photocentric Limited.

3. Terms of Reference

- 3.1 Decisions relating to the Combined Authority trading companies go to the Combined Authority Board. The Board also acts as shareholder for some of the companies. In this role, it carries out a range of roles around oversight, and review. Arrangements are in place in all shareholder agreements for reserved matters to be considered by the Combined Authority Board.
- 3.2 Given this process of decision-making the Overview & Scrutiny Committee is invited to consider the proposed terms of reference, below, which are aimed at ensuring effective governance by way of bringing a robust and independent approach to the trading companies. There needs to be a robust and ongoing control and due diligence applied to the Combined Authority's investment in these subsidiary companies and that includes a clear and defined role for the two statutory Committees of the Combined Authority. The Audit & Governance Committee considered its own terms of reference at its last meeting in September 2021 and will be receiving a revised version at its next meeting following recommended amendments by Committee members.
- 3.4 It is proposed that the Overview & Scrutiny Committee might wish to consider the following terms of reference for the scrutiny of the Combined Authority trading companies, to ensure effective scrutiny. These proposed terms of reference have also been considered by the Authority's internal auditors who have made comment and suggested amendment, where appropriate.
- 3.5 The proposed terms of reference should enable the Committee to exercise its powers in relation to the Authority's decision-making in a manner that ensures the trading companies can provide full and frank financial and business reporting against their business plans and be open to an appropriate level of scrutiny without fear of commercial confidentiality being breached. Additionally, the terms of reference are presented so that the Committee can be assured that democratic accountability and transparency is maintained. It should be noted the individual trading companies are not directly accountable to the Committee:

Terms of Reference for the Cambridgeshire & Peterborough Combined Authority Overview and Scrutiny Committee in Relation to the Review and Assessment of the Authority's Trading Companies

- a) Review and scrutinise the appointments, directorships and management structures of the companies established by the Combined Authority, for the purposes of upholding the best interests of the Combined Authority and its residents.
- b) Advise the Combined Authority Board and hold it to account, where necessary, in relation to the trading companies.

- c) Review any matter within the Committee's power, pertaining to the Combined Authority's trading companies.

Additionally, the Committee might consider:

- undertaking a comparison of structures in place in other Local Authorities to understand how different approaches work in practice
- reviewing the legal frameworks including the roles and responsibilities of members and officers associated with the companies
- understanding the legal requirements in order to formally establish companies including the formal company registration processes
- appreciating the risks and opportunities associated with the respective structures for trading companies
- looking at the potential reporting lines for the trading companies

4. Significant Implications

4.1 There have been two high profile failings in relation to Local Authority Trading Companies in recent times (Nottingham City Council and London Borough of Croydon) and the findings from these two cases naturally has prompted other local authority bodies such as the Combined Authority to reflect on whether it has confidence in the oversight and audit arrangements in place to ensure that its interest in the good governance of its subsidiaries, and its relationship to them, is promoted.

4.2 The two high profile failings in relation to Local Authority Trading Companies, referred to in 4.1 above, have potential relevance to the Combined Authority and these are highlighted below:

- The London Borough of Croydon's investments in its subsidiaries involved complex commercial transactions based on business cases taken to cabinet where they received very little challenge, including questioning:
 - The impact of each scheme on the long-term financial position of the council
 - Increased borrowing to schemes within a *Revolving Fund* with little regard to whether previous borrowing to the scheme had delivered intended benefits
 - Whether third parties' financial positions remained sound before providing further borrowing
 - Updated risk assessment to reflect changing market conditions
- Little evidence of members challenging breaches of its own prudential indicators (as part of its Treasury Management Strategy). With the lack of challenge indicating that specialist training for members is needed
- A subsidiary company had not registered as a Shared Ownership Provider indicating a lack of understanding of regulatory requirements
- Breaching of the original business case that the company should not be more than 50% financed by the Council
- Continued delay by a subsidiary being self-financing and repaying loans - to determine whether the council could afford to continue its investments

- Loan covenants not being met by subsidiaries e.g. requiring audited accounts within 90 days of the year end, interest payments due but not paid, loan repayments not received by the due date
- Increasing complexity of the group structures, the interaction between subsidiaries and the longer-term financial impact on the Council not being clearly understood
- A subsidiary being dissolved by compulsory strike off for failure to comply with filing accounts
- The Authority failing to establish adequate arrangements to govern its interests in subsidiaries

4.3 Links to the reports of the failings at Nottingham City Council and the London Borough of Croydon can be found here:

[Non-Statutory Review: Nottingham City Council](#)

[Non-Statutory Review: London Borough of Croydon](#)

5. Financial Implications

5.1 There are no significant financial implications to this activity.

6. Legal Implications

6.1 There are no significant legal implications, beyond those referred to in the body of the report.