CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY

AUDIT AND GOVERNANCE COMMITTEE

Date:Friday, 17 December 2021

Democratic Services

Robert Parkin Dip. LG.
Chief Legal Officer and Monitoring Officer

72 Market Street
Ely
Cambridgeshire
CB7 4LS

10:00 AM

Sand Martin House, Peterborough
[Venue Address]

AGENDA

Open to Public and Press

1 Apologies and Declarations of Interest

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.

2 Chair Announcements

3 Minutes of the Previous Meeting

To approve the minutes of the meeting held on 24th September 2021.

AG Draft Minutes - 240921 Final Version **5 - 16**

4	**Combined Authority Update**	
5	**Corporate Risk Register**	
	Corporate Risk Report 171221	**17 - 26**
6	**Internal Audit**	
	Internal Audit Progress Report Nov 2021	**27 - 38**
7	**External Audit**	
	External Audit - Final Results 2021	**39 - 56**
8	**Annual Accounts and Annual Governance Statement**	
	Draft Statement of Accounts and AGS 2021 17 Dec	**57 - 80**
9	**Re-Tendering Process**	
	Retender - External Audit Contracts	**81 - 90**
10	**Climate Change**	
	Terms of Reference - Climate Change Working Group Report	**91 - 102**
11	**Constitution Review**	
	Item 9 Constitution Review	**103 - 108**
12	**Treasury Management Strategy**	
	Treasury Update Report 2021	**109 - 120**

13 Trading Companies

Trading Companies - Report **121 - 124**

14 Work Programme

Work Programming - Report **125 - 144**

15 Date of next meeting:

Friday, 28th January 2022 at 10.00 a.m. at East Cambridgeshire District Council, Nutholt Lane, Ely, CB7 4EE

The Audit and Governance Committee comprises the following members:

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

The Audit and Governance Committee Role.

- To review and scrutinize the authority's financial affairs
- To review and assess the authority's risk management, internal control and corporate governance arrangements
- To review and assess the economy, efficiency and effectiveness of the authority's use of resources
- To make reports and recommendations to the CA on these reviews
- To ensure high standards of conduct amongst Members

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.

Councillor David Brown

John Pye

Councillor Ian Benney

Councillor Graham Bull

Councillor Tony Mason

Councillor Shaz Nawaz

Councillor Mike Sargeant

Councillor Graham Wilson

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

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY –

DRAFT MINUTES

AUDIT AND GOVERNANCE COMMITTEE: MINUTES

Date: 24th September 2021

Time: 10:30am

Location: Fenland District Council

Present:

Mr John Pye	Chairman
Cllr Ian Benney	Fenland District Council
Cllr Tony Mason	South Cambridgeshire District Council
Cllr Graham Bull	Huntingdonshire District Council
Cllr Mike Sargeant	Cambridge City Council
Cllr Graham Wilson	Cambridgeshire County Council
Cllr Shaz Nawaz	Peterborough City Council
Cllr David Brown	East Cambridgeshire District Council

Officers:

Robert Parkin	Monitoring Officer
Anne Gardiner	Scrutiny Officer
Jon Alsop	Chief Finance Officer (S73 Officer)
Louise Davis	Internal Auditors (RSM)
Robert Fox	Governance Officer
Amina Adebayo	Legal Governance Officer
Adam Goldsmith	SOCITM

1. Apologies for Absence and Declarations of Interest

1.1 No apologies received.

1.2 No declarations of interest were made.

2. Chair's Announcements

2.1 Annual Accounts and AGS

We were expecting to bring the final version of the 2020/21 financial statements and Annual Governance Statement to this Committee meeting for final approval, along with the external auditors' Audit Results Report. Members would recall from the last meeting that we were waiting to receive the actuary's IAS19 report on the final pension balances to complete the final version of the accounts and for EY to complete their audit.

We had recently been informed by EY that as a result of "commentary by regulatory bodies" to other audit firms, EY needed to update their procedures around verification of data. Mark Hodgson, the EY partner responsible for the CPCA audit advised that due to their requirement for additional audit evidence, they could not provide assurance that they would be able to issue and sign the audit opinion by the date of this Committee meeting.

Given the uncertainty of the audit position, I decided to withdraw the financial statements and external audit papers from the agenda, and to reschedule them for the November meeting.

The auditors also had a requirement to review the Annual Governance Statement for completeness, compliance and consistency with the financial statements, so the final approval of the Annual Governance Statement would also be deferred until the November Committee meeting.

2.2 Informal Session to review the Constitution prior to the Committee's next meeting to be scheduled.

3. Minutes of the last Meeting

3.1 The minutes from the meeting held on the 30th July 2021 were agreed as a correct record.

3.2 The Actions from the previous meeting were noted.

4. Combined Authority Board Update

4.1 The Chair advised that the Chief Executive was unable to attend the meeting but had advised the Chair that there was nothing to report in addition to the information contained within the reports going to the Combined Authority Board on the 29th September 2021.

5. Internal Audit Progress & Annual Report

5.1 The Committee received the report which provided the annual internal audit report for 2020/21 and requested that the Committee note the progress being made against the internal audit plan for 2021/22.

5.2 The Chief Finance Officer introduced the reports stating that the two reports were those deferred from the last meeting. The first report was the Annual report that included references to the ICT review which had been given minimal assurance; the Combined Authority took immediate action to employ SOCITM who had been working on the issues raised within the review.

The second report was an update on the Internal Audit Plan – officers had received a question prior to the meeting regarding the payment review – this had been approved by CMT earlier in the week to respond to concerns around recent payroll errors including pension contributions – the Combined Authority had requested that RSM review the current arrangements and agreements and whether there were sufficient in house capabilities.

5.3 The Head of ICT for SOCITM was in attendance to respond to queries regarding the ICT Review and advised that SOCITM contract was in place until January 2021 with the possibility of an extension of three months if required whilst the CA went out to

tender. A lot of progress had been made and SOCITM would have completed all the actions required from the audit by the end of the contract.

The Monitoring Officer advised that the CA were looking to go out to market and were confident that the timeline would be met.

The Committee were advised that there was no internal ICT at the Combined Authority and that senior officers had requested that RSM look into the ICT arrangements to ensure things were being done correctly.

The Monitoring Officer provided some clarity around the ICT situation – SOCITM was operating as a service provider for the Combined Authority; the items around the ICT review had not yet been re-audited following the intervention of SOCITM but there was every confidence that once this had been carried out there would be a positive assurance provided by the Internal Auditors which would be reported to the Committee.

5.4 In response to a query about the audit on risk the Monitoring Officer advised that there was a piece of work being undertaken by the governance team where RSM had been invited to work with the CA to ensure that risk within the Combined Authority was operating properly and this should be completed in the next 6-8 weeks and any changes to the strategy would be brought back to this committee.

5.5 The Committee were advised that the way the Head of Internal Audit formed his opinion was based on whether actions were being taken on any review that received minimal assurances and whether issues were being effectively addressed. Although there may be a minimal assurance the Internal Auditor could still give a positive assurance for the whole organisation if it was seen the Authority was taking action to address outstanding issues.

5.6 The Chief Finance Officer advised that RSM had recently been appointed as the Combined Authority Internal Auditors; they had reviewed all the risk registers for the Authority to highlight where the key areas of risk were. There were some areas which had been fast tracked such as the ICT and Payroll, but there would be ongoing work for the auditors as they reviewed risks that were up and coming for the Authority.

5.7 The Committee queried whether RSM also provided an advisory role for the Combined Authority as well as providing the recommendations from their reviews; RSM advised that this was an area they could get involved with. The Committee requested feedback on how the Internal Auditors could become involved in the development of policies and project management at the CPCA be provided within the next Internal Audit update.

5.8 The Committee AGREED to:

a) Receive and note the annual internal audit report for 2020/21 as provided by the Combined Authority's internal auditors, RSM Risk Assurance Services LLP (RSM).

b) Receive and note the internal audit progress report for 2021/22 as provided by RSM

c) The Committee requested that feedback on how the Internal Auditors could become involved in the development of policies and project management at the CPCA be provided within the next Internal Audit update.

6. Combined Authority Trading Companies

6.1 The Committee received the report from the Monitoring Officer which provided draft terms of reference in relation to the review and assessment of the Combined Authority's trading companies in line with the statutory powers invested in the Committee.

6.2 In response to a query – the MO advised that the new Terms of Reference could be presented to the CA Board to enshrine them and ensure that the shareholder transmits them onto the companies. In addition it could be put into the Constitution that the formation of any new company for the CPCA should include asking the A&G Committee to comment on the proposed governance arrangements.

6.3 The Committee needed to continue to explore the arrangements for each of the companies, and information would be provided to the members to aid this. The role for the Audit and Governance Committee to assess the CPCA's governance relationship with the companies.

6.4 In response to a question about whether the Committee could change the relationship between the CPCA and a company, the Chair advised that the Committee's role was to consider the appropriateness of the governance and controls that the CPCA put in place. The companies were independent entities operating within their own legal framework.

6.5 The Committee raised a concern around the wording that stated that the Committee 'ensures the internal controls' of a company. Officers were asked re-look at wording and number of points in the Terms of Reference to make sure they align with the A&G function. The Committee would be operating at arms length with no direct relationship with the companies and how they operated.

6.6 One member suggested that officers should seek advice and investigate what other councils did to define the governance arrangements of their companies.

6.7 The Chair stated that this had been a useful discussion and had highlighted some issues with the Terms of Reference which officers needed to address before they were included within the Constitution review.

6.8 The Committee RESOLVED not to accept the terms of reference of the Committee in relation to the Combined Authority trading companies as they had been presented but to request that:

1) Officers consider the wording of the Terms of reference to reflect the position and role of the Committee at the CPCA in relation to the relationship with trading companies.

2) Officers reach out to other combined authorities and councils to seek their experiences of governance in this area and report back any findings to the Committee.

3) Internal Audit be approached to discuss their potential involvement with the governance arrangements for trading companies and to provide an insight into a possible way forward.

4) An update on these above actions should be provided at the next meeting.

7. One CAM Referral

7.1 The Committee received the report on the potential scope for an internal audit review of a Mayoral decision to pause the One Cam project in advance of the consideration of such a decision by the Combined Authority Board.

7.2 The Committee were advised that that the purpose of the review was to assess whether or not the decisions made were within the powers vested in those involved, The nature of the decisions was outside the scope of the review. In other words, did the decision-makers have the authority (competency) to make the decisions.

The officers agreed that the 'outside the scope of the report' would be re-worded to reflect that it was the competency of the decisions made by the CA Board and Executives of One CAM that would be in scope.

7.3 The Committee requested that the scope be amended to:

a) remove the third bullet point stating: 'is there any spend/spending commitment from the Combined Authority itself on the CAM programme or has it all been directed through One CAM Ltd' be removed from the scope as it was not relevant.

b) that it was the nature of the decisions made by the Mayor, CA Board and Executives of One CAM that would be out of scope.

7.4 The Committee AGREED subject to the above amendments to approve the scope for an internal audit review of a Mayoral decision.

8. Business Board – Format of Meetings

8.1 The Committee received the report which sought agreement to the proposed format change to allow meetings of the Business Board to be carried out in public (unless otherwise determined by the Chair) and make recommendation to the Combined Authority Board to approve the change.

8.2 The Committee were advised that the Business Board, as the LEP for the area, was not subject to the same regulations set out in the 1972 Local Government Act that other committee and council meetings were; the amendment which had been accepted by the Business Board captured the switch in the presumption which the Audit and Governance Committee had requested – there was no request to import detail on the protocol to how that would be applied.

8.3 The Chair advised he had met with the Business Board Chair, who was quite open to Audit and Governance Committee members attending any meeting of the Business Board. He had emphasised that the Business Board was keen to demonstrate that they operated as transparently as the nature of their business allowed..

8.4 The Committee requested that a vote be taken for the recommendations.

Following a vote with 6 votes FOR and 1 AGAINST the Committee AGREED to:

a) Note that the Business Board were asked to reconsider the recommendation from the Audit and Governance Committee, 'that there should be a presumption that meetings of the Business Board are carried out in public (unless otherwise determined by the Chair)'.

b) Note that the Business Board agreed the proposed change in meetings format on 14th September 2021.

c) Recommend the Combined Authority approve the proposed format change for future Business Board meetings.

9. Work Programme and Updated Terms of Reference

9.1 The Committee received the report which provided the Committee with the draft work programme for Audit and Governance Committee to note and requested that the

Committee consider and review the updated terms of reference at Appendix 1, which deals with the referral of matters to the Committee to consider under their work programme.

9.2 The Committee AGREED:

a) the updated terms of reference for the committee.

b) to note the current work programme for the committee.

c) to hold an informal session to receive a Horizon Scanning update from Directors.

d) to hold an informal session the week commencing the 25th October to consider the constitution review.

10. Corporate Risk Register

10.1 The Committee received the report which provided an update on the Corporate Risk Register.

10.2 The Committee requested that the CA Board consider whether they were satisfied that officers had considered the effect of increasing energy prices and the impact on supply chains when factoring the scores for the risks.

10.3 The Committee noted the Corporate Risk Register.

11. Information Governance Update

11.1 The Committee received the report which updated the Audit and Governance Committee on the current position with regards to the GDPR Policy and Information Governance Policy as recommend by the Information Governance Report prepared in October 2020 and put before the Audit and Governance Committee on the 5 March 2021 and provided data related to the number of corporate complaints and Freedom of Information requests for the period of 1 June 2021 to 31 August 2021.

11.2 In response to a question about whether constituent councils or external partners were signed up to the Combined Authority Data Protection Policy, the Monitoring Officer advised that GDPR would form part of any contract between any external organisation that the CA worked with.

11.3 In response to a query about how the reference to ‘service users’ was applied to the Combined Authority as a strategic body, the Committee were advised that this was relevant in the context of the passenger transport function which the Combined Authority had recently taken on.

11.4 The Committee AGREED to:

a) Note the Information Governance Update
b) Note the data on corporate complaints and freedom of information requests for June 2021 to August 2021
c) Note the new GDPR Policies for the Combined Authority set out at Appendix 1 to 7.
d) Recommend to the Combined Authority board that it approves and adopt the GDPR policies
e) Recommend the Combined Authority delegated authority to the Monitoring Officer to make consequential amendments to those Policies as required.

12. Date of next meeting

12.1 The next meeting would be held on the 26th November 2021

Venue: New Shire Hall Alconbury

Session to be arranged for Horizon Scanning with Directors – a face to face meeting if possible.

Session to be arranged w/c 25th October – Constitution review.

Meeting Closed: 12:45pm

Audit and Governance Committee Action Log

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

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY

Minutes of the meeting 24th September 2021

Minute	Report title	Lead officer	Action	Response	Status
5.7	Internal Audit Update	Dan Harris	The Committee requested that feedback on how the Internal Auditors could become involved in the development of policies and project management at the CPCA be provided within the next Internal Audit update.	To be included in the progress report	CLOSED
6.8	Trading Companies	Rochelle Tapping/Robert Fox	Officers consider the wording of the Terms of reference to reflect the position and role of the committee at the CPCA in relation to the trading companies and bring back to the committee	Trading Companies report coming to November meeting.	CLOSED
6.8		Robert Parkin/Rochelle Tapping/Anne Gardiner	Officers to reach out to other combined authorities and councils to seek others experiences of how A&G Committee were managing this area and report back any findings to the committee.	Officers have contacted constituent councils.	OPEN
6.8		Jon Alsop/Dan Harris	That Internal Audit be approached to discuss their involvement with the		OPEN

			trading companies and to provide an insight into where this should begin.		
6.8		Robert Parkin/Robert Fox	An update on the Trading Company actions should be provided at the next meeting.	Report coming to November meeting.	CLOSED
7.3	CAM Referral	Robert Parkin	The Committee requested that scope be amended to remove the third bullet point stating: 'is there any spend/spending commitment from the Combined Authority itself on the CAM programme or has it all been directed through One CAM Ltd' be removed from the scope as it was not relevant.	Scope amended.	CLOSED
7.3	CAM Referral	Robert Parkin	The officers agreed that the 'outside the scope of the report' would be re-worded to reflect that it was the competency of the decisions made by the CA Board and Executives of One CAM that would be outside of the scope.	Scope amended.	CLOSED
9.2	Work Programme	Anne Gardiner	Hybrid meeting (if possible) arranged to discuss Horizon Scanning with Directors	Scheduled 12th November 2021	CLOSED
9.2	Work Programme	Anne Gardiner	Informal Session to be arranged for committee to review the constitution changes w/c 25th October.	Scheduled 26th October 2021	CLOSED
10.2	Corporate Risk Register	Robert Parkin	Recommend to the CA Board that they consider whether they are satisfied that officers have considered the effect of increasing energy prices and the impact on	This was discussed at the Executive Team meeting when the risk register was considered and an update is included within the Corporate Risk report.	CLOSED

			supply chains when factoring the scores for the risks.		

Minutes of the meeting 25th June 2021

Minute	Report title	Lead officer	Action	Response	Status
8.7	Treasury Outturn Report	Rob Emery	Breakdown summary of slippage requests to be provided to the committee.	Apologies to the committee, this will be provided ahead of the meeting.	Open
10.5	Climate Change Commission	Adrian Cannard	Terms of reference for the Climate Change Working group to be brought to the committee for consideration and to request that the working group advise how flooding considerations will be included within the recommendations of the group.	Report to come to November meeting	CLOSED

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY

Agenda Item No: 5

Report title: Review of Corporate Risk Register & Risk Management Strategy

To:	Audit and Governance Committee
Meeting Date:	17 December 2021
From:	Robert Parkin Monitoring Officer
Key decision:	No
Recommendations:	The Audit and Governance Committee is recommended to: a) Note and review the Combined Authority's Corporate Risk Register (Appendix 1) b) Recommend any proposed changes to the Corporate Risk Register to be reported to the next Combined Authority Board meeting for approval. Voting arrangements: Item a) Note only, no vote Item b) a simple majority of all Members.

1. Purpose

1.1 The Audit and Governance Committee's terms of reference include monitoring the Combined Authority's risk management arrangements including the risk register.

1.2 This report provides the Committee with an update on the Corporate Risk Register.

1.3 In the interests of good governance, the Committee is requested to review the Corporate Risk Register and suggest any changes they would like to put forward as a recommendation to the Combined Authority Board.

2. Background

2.1 The Corporate Risk Register is populated by reference to individual project risk assessments and over-arching corporate risks.

2.2 The Corporate Risk Register is reviewed by the Corporate Management Team, any risks which arise, or which become more significant between their meetings are escalated to the next Corporate Management Team meeting.

2.3 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. Again, the report of the internal auditor on risk includes some recommendations around the corporate risk register.

2.4 Officers are currently working with RSM to examine the current Risk Strategy, and to work with the Corporate Management Team to ensure that it represents an effective and efficient approach which fits the needs of the Combined Authority. Once this work is concluded, any revisions will be reported to this committee, and (once adopted) the revised Risk Strategy will be the subject of training for officers across the organisation.

Significant Implications

2.5 Directors and directorates have reviewed the risk register and affirmed the currency of entries and considered the necessity for new items. New items are discussed at meetings of the CPCA Corporate Management Team.

2.6 Risk ID 13 – Gateway Review
This risk has been de-escalated as it has ceased to be an issue.

2.7 Risk ID 23 – Lack of capacity/resilience in the ICT provision to the CPCA

The mitigations and actions have been updated from the Corporate Risk Register received by the Committee at its last meeting.

2.8 Risk ID 31 – Lack of a Political Agreement on Forward Strategy:
This risk was discussed at the Combined Authority Executive Team meeting on 15 November, and it was agreed to escalate to the Corporate Risk Register. The risk relates to a current absence of an agreed strategy.

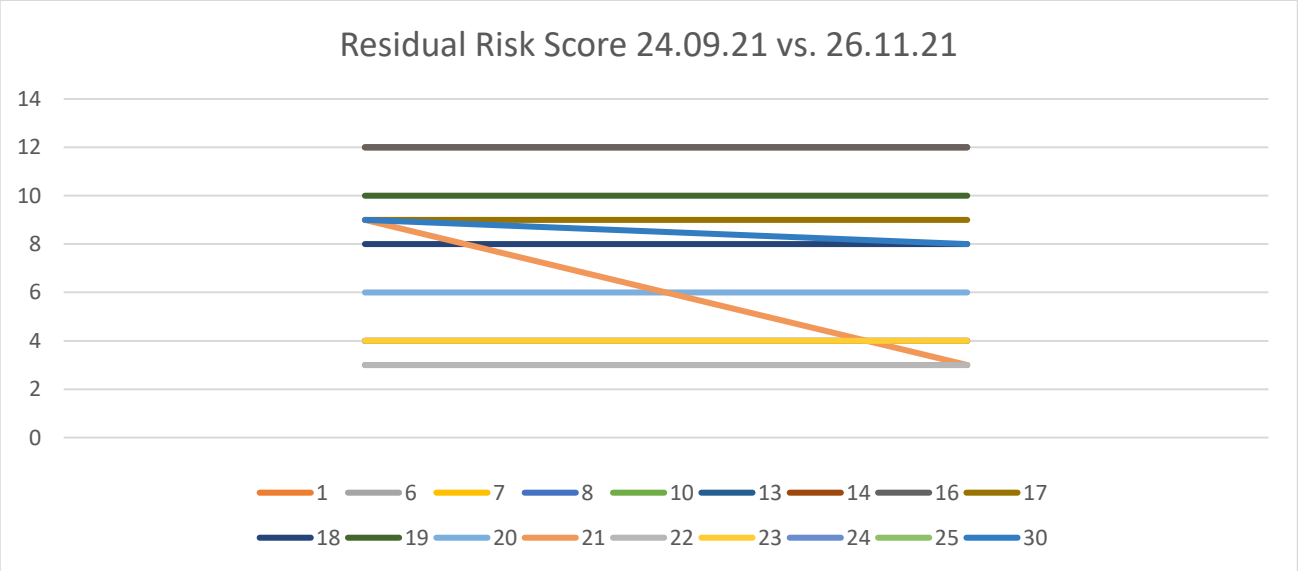
2.9 Risk ID 32 – DLUHC Confirming no Future Funding for a Bespoke CPCA Housing Programme:
This risk has been escalated by the Director of Housing and relates to the Department for Levelling-up, Housing and Communities confirming there will be no future funding for a bespoke Combined Authority housing programme.

2.10 At its meeting on 29 September 2021 the Combined Authority Board considered the request by the Committee regarding whether the residual risk for Climate Change (Risk ID 18) significances had been properly calibrated. The Mayor thanked the Committee for bringing the matter to the Board's attention and shared the concerns expressed around the

risk associated with climate change being so low. The Combined Authority Board resolved to:

a) Consider, in the light of a request by the Combined Authority Audit and Governance Committee, whether the significance of the residual risk for Climate Change has been properly calibrated; and,
b) Provide any comments arising to this Committee.

2.11 Below is a graph demonstrating the changes in residual risk score from the previous Audit and Governance meeting on 24 September 2021 to the current Audit and Governance meeting. This reflects the changes noted above.



3. 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. Legal Implications

4.1 No significant legal implications.

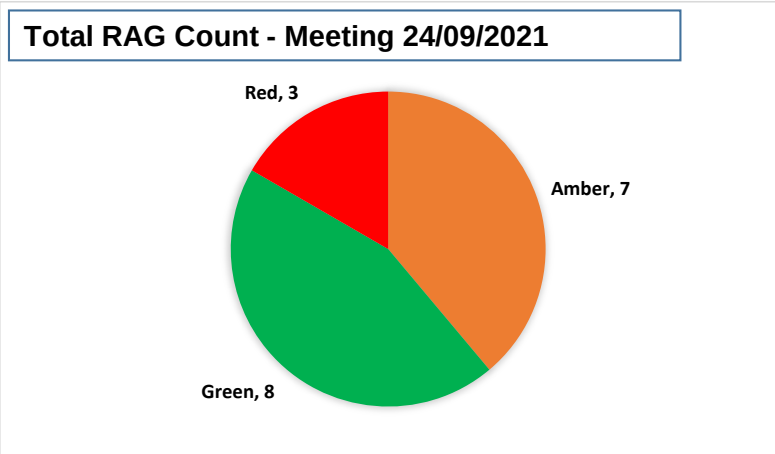
6. Appendices

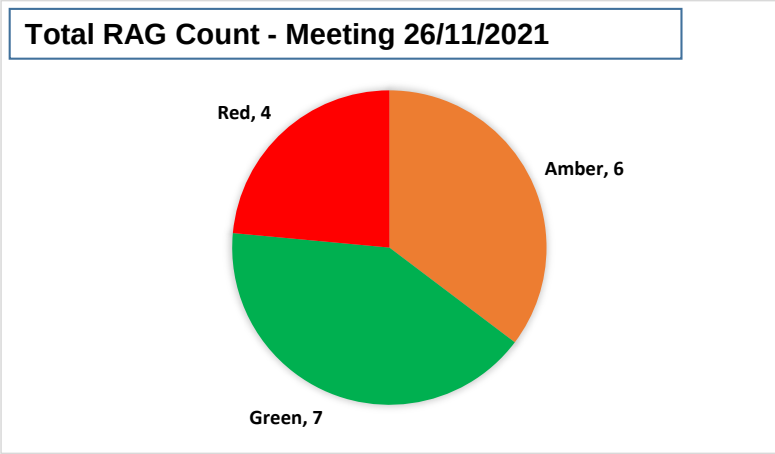
6.1 Appendix 1 – Corporate Risk Dashboard

6.2 Appendix 2 – Corporate Risk Heat Map

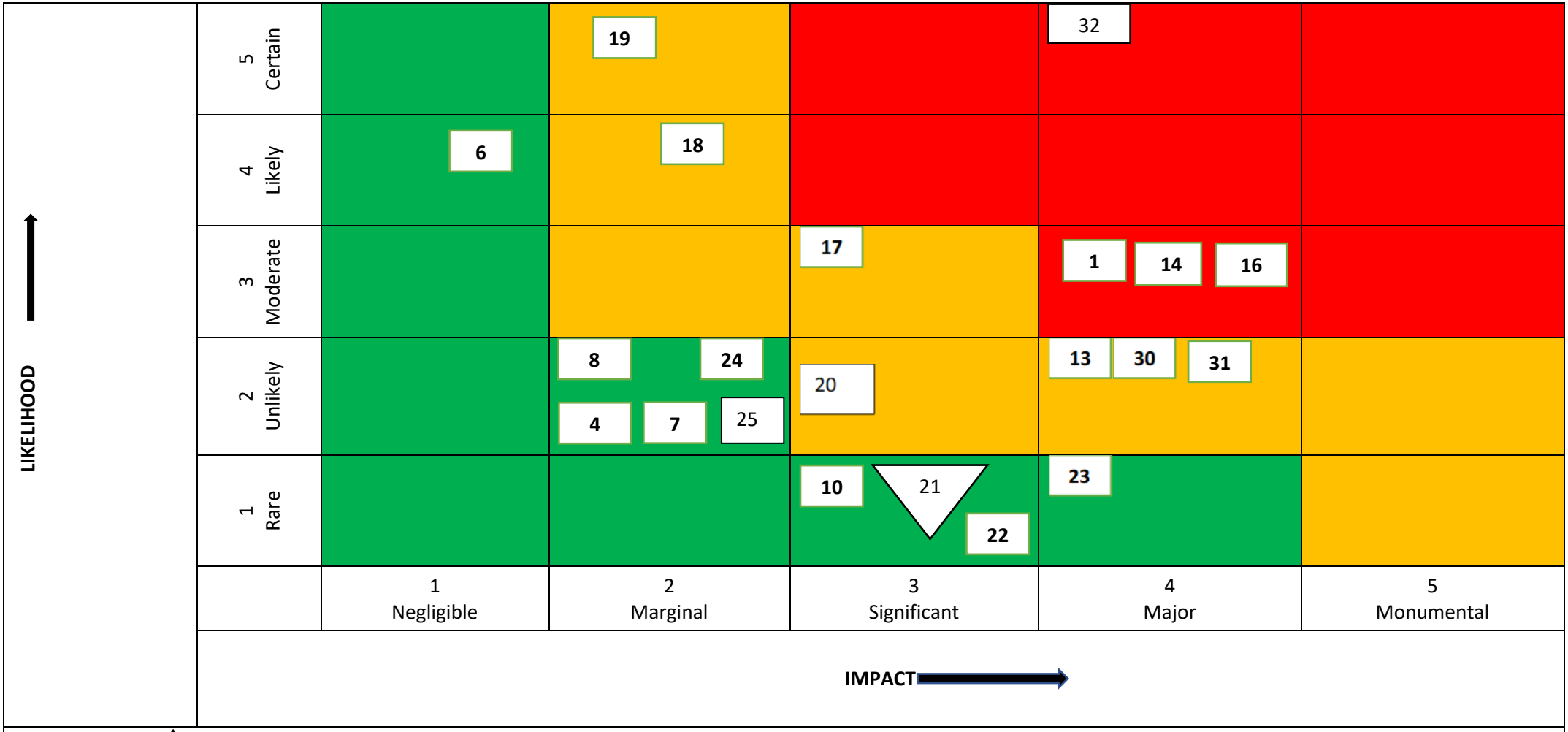
6.3 Appendix 3 – Corporate Risk Register

Risk ID	Risk Event	Risk Status	Residual RAG Score			Movement
			Impact	Likelihood	Score	
1	External delivery partners do not meet deadlines, budget or qualitative requirements of their agreements with the Combined Authority.	Open	4	3	12	↔
6	Lack of structural resilience / insufficient internal resources	Open	1	4	4	↔
7	Potential impact of Brexit on delivery of the Combined Authority's Growth Ambition Programme in the short term.	Open	2	2	4	↔
8	Ambitious and long stalled programmes can not proceed due to lack of government funding and or private investment. The levelling up fund has been announced and provides a £4b opportunity for CPCA bid a list is being prepared.	Open	2	2	4	↔
10	Absence of Resource Planning & Financial Management	Open	3	1	3	↔
14	Disruption to the operation of the Combined Authority	Open	4	3	12	↔
16	Disruption of the delivery of the Combined Authority objectives in regard to the short term economic objectives	Open	4	3	12	↔
17	Unplanned significant increases in costs lead to requests for additional funding to the Combined Authority to enable schemes to proceed.	Open	3	3	9	↔
18	Climate change related events, policies and political pressures e.g. policy designed to reduce carbon emissions that restricts growth	Open	2	4	8	↔
19	Disruption of the delivery of the Combined Authority objectives in regard to the long term economic objectives	Open	2	5	10	↔
20	Potential impact of the new Trade Deal on delivery of the Combined Authority's Growth Ambition Programme in the long term	Open	3	2	6	↔
21	Up to £45m of Government funding not provided, change of end date of £100m Housing Programme from 31st March 2022 to 31st March 2021 and potential programme loss of 243 housing units at Northstowe which MHCLG may not recognise.	Open	1	3	3	↓
22	Grant funding which is expected to be treated as capital expenditure is required to be treated as revenue expenditure by CPCA, as a result of a determination by a partner delivery authority.	Open	3	1	3	↔
23	Shortfall in the provision of an adequate ICT platform for future need - including software and systems, and equipment. Failure to have access to an application/system needed for the delivery of the CPCA project, programme, or service.	Open	1	4	4	↔
24	Changes in Political Management and change in priorities for the CPCA	Open	2	2	4	↔
25	No access to finance systems	Open	2	2	4	↔
30	Insufficient internal resource to deliver the Authority's priorities	Open	2	4	8	↔
31	Lack of political agreement on forward strategy	Open	4	2	8	↔
32	DLUHC confirming no future funding for a bespoke CPCA Housing Programme	Open	4	5	20	↔





Combined Authority Corporate Risk Heat Map



KEY = risk score increase = risk score decrease = no score change

Delivery & Strategy Directorate Risk and Opp Register

ID No	Risk or Opp	Date Identified	Cause(s)	Risk Event	Effect(s)	Risk Type	Risk Status	Proximity	Inherent Sco Impact (1-5)	Likelihood (1-	RAG score	Date Last Review	Mitigation Plan (Current Controls)	Mitgation Actions (New Controls)	Action Owner	Date Mitigation	Date Action Closed	Residual Sco Impact (1-5)	Likelihood (1-	RAG score	Comments/Notes /Assumptions	Risk Owner	Escalation Required?	Date Closed
1	Risk	01/09/2019	External delivery partners unable to deliver on agreed commitments to CPCA projects	External delivery partners do not meet deadlines, budget or qualitative requirements of their agreements with the Combined Authority.	Projects are not delivered on time, budget, or to the required standard.	Strategic	Open	Imminent	4	5	20	09/06/2021	Close working with delivery partners through best-practice project and programme management. Political and senior leadership engagement with partners to ensure effective communication, early warning, and timely and effective escalation of issues.	Monthly project highlight reporting (iii) Monthly budget monitoring (iv) Creation of programme boards to engage partners at senior level in managing larger areas of work (v) regular project reporting to Board and Committees (vi) minimising delivery partner risk on some projects by direct in-house contracting with the supply chain (vii) achieving increased clarity about roles and responsibilities in the partner landscape (viii) targeted Mayor-level political engagement with	CMT Members, PMO, Project Managers			4	3	12	CCC (Key delivery partner) now introducing project management approach, but at an embryonic stage. Cost and timing risks still crystallising on legacy projects.	Director of Delivery & Strategy	N/A	
2	Risk	01/09/2019	Failure to deliver Mayoral Committed Projects for 2019/20 Business Plan	Failure to deliver Mayoral Committed Projects for 2019/20 Business Plan	This is a large ambitious programme. Failure to deliver progress on programmes & projects identified in 4 year plan such as the Cambridge Autonomous Metro, will result in major criticism by Government and CPCA funders.	Strategic	Closed	Imminent	4	2	8	09/06/2021	underway for the major priority projects in the Business Plan. Clear funding routes have been identified in the initial SOBC for the CAM and A10. Work is targeted to develop those funding streams as the detail business cases are developed. Procurement of key contractors is	CPCA project management approach applied across the portfolio and reviewed in October. Regular progress monitoring and reporting at project level, director level and to Leaders. Alignment between project management and financial reporting. Prioritisation of projects under constant review.	Director of Delivery & Strategy		31/03/2020			0	**End of 19/20 financial year**	Director of Delivery & Strategy	N/A	31/03/2020
3	Risk	01/09/2019	Development and changing organisation. Changes to exisiting support arrangements (Finance)	Lack of people / systems to provide financial support	Finance risk will therefore vary in line with organisational challenges and progress. At this point finance risk can usefully be split into two groups: • Systems / processes with key areas being: upgrading / future proofing a new finance system, embedding delegation and end-to-end process clarity for example getting projects from concept to delivery • Capacity / prioritisation, again key areas are: confirming resource availability and capacity through the MTFP, developing rigorous project appraisal capabilities, sources and uses of funds.	Financial	Closed	Imminent	5	2	10	09/06/2021					18/08/2020			0	**Moved to Corporate Services Risk Register**		N/A	18/08/2020
4	Risk	01/09/2019	Forthcoming elections	Changes in Political Management which could lead a change of	Impact on funding, contractual arrangements and investor confidence in the CPCA	Strategic	Closed	Approaching	2	4	8	09/06/2021	Clarity around existing priorities and contractual obligations.	MTFP, Business Plan, Leaders Strategy meetings in light of the forthcoming elections.	Chief Executives		09/06/2021	2	2	4	Elections whith result in changes in holders of office may result in programme or organisation review which could lead to changes in priorities of the organisation,	Chief Executives	N/A	09/06/2021
5	Risk	01/09/2019	National Change in Administration	National Change in Administration	With the possibility of a General Election in 2019 there's a risk that that the new administrations policies on devolution may differ to that of the current government and require a different approach.	Strategic	Closed	Imminent	4	3	12	09/06/2021	CEO and Section 73 Officer actively engaging with M8 respective groups. Playing a leading role in the development of OxCam and how CPCA experience can help further this national initiative. Developing stronger links with Government officials	Work at political level to ensure national parties and Whitehall remain committed to devolutionary policies, including by engaging with the LGA and with the Metro Mayors grouping.	Chief Executive		13/12/2019			0		Director of Delivery & Strategy	N/A	03/03/2020
6	Risk	01/09/2019	Change in government policy around devolution	Lack of structural resilience / insufficient internal resources	Failure to maintain BAU due to the devolution white paper and known changes of transferring of the transport teams from PCC and CCC. Including changes in SLA requirements. Increase in subsidiary companies requiring increased employment to accelerate programmes e.g. CAM	Strategic	Open	Close	2	5	10	09/06/2021	Employed a strategy team to consider and report on the impacts. HR function to allow recruitment of additional transport function. Ensuring we have sufficient funding to allow employment.	The Directors meet weekly and are responsible for signing off recruitment to new posts. The HR team has been increased to support the organisational structure and recruitment of candidates of calibre. There are staff dedicated to programme management with a system of monthly project highlight reporting. This enables Directors to move resources to higher risk projects. We are in the process of standardising documentation to create a single source of information	Chief Executives			1	4	4		Chief Executives	N/A	
7	Risk	01/09/2019	Potential impact of the new Trade Deal with the EU on delivery of the Combined Authority's Growth Ambition Programme (A)	Potential impact of Brexit on delivery of the Combined Authority's Growth Ambition Programme in the short term.	Potential financial uncertainty and economic instability leading to insufficient investment in priority projects in the short term.	Strategic	Open	Close	4	5	20	09/06/2021	Establish a permanent and continuous econometric insight programme to monitor sector and place impacts of Trade Deal conditions. Engagement with business organisation (FSB, CBI etc) stakeholders to augment resources, including business advice and monitoring of sentiment through Chambers Development of an economic recovery strategy from both COVID and BEXIT that stimulate growth in relatively uneffected firms and sectors, whilt eliviating the impacts for thos effected the trade deal	Monthly monitoring of sector economic impacts and daily monitoring of business sentiment and impacts. Weekly monitoring of bulletins from MCHLG, BEIS, HMRC to ensure information is accurate and up to date, recognising funding streams relevant to need Engagement with LEP Network and CLGU on funding for additional resources. Monitor for possible impacts resulting from the Trade Deal.	Director of Business & Skills [Brexit Lead]			2	2	4	Assumption being that CPCA re-calibrate our objectives to a new GVA figure. With the advent of a trade deal the main residual risk relates to the long term reduction in attractiveness of the UK as an inward investment destination, especially from Europe.	Director of Business & Skills [Brexit Lead]	N/A	
8	Risk	01/09/2019	Absence of funding of historic ambitious and long stalled Programmes	Ambitious and long stalled programmes can not proceed due to lack of government funding and or private investment. The levelling up fund has been announced and provides a £4b opportunity for CPCA bid a list is being prepared.	There are major programmes that will require clear and innovative funding strategies if they are to progress. CPCA funding has been used to develop the feasibility and Strategic Outline Business Cases/Outline Business Cases for such schemes. CPCA funding is intended to act as a catalyst and an enabler in bringing these schemes forward.	Financial	Open	Close	3	4	12	09/06/2021	business cases. Stakeholders across the wider geography are working together to tackle the issues around the growth agenda. Getting Board agreement and matching resources will help get a coordinated approach to priorities and bidding for resources. Funding sources have been identified for key sources and CPCA resources allocated	Strong budget process and funding allocation within CPCA MTFP and Business Plan. Business Case approval by CPCA Board and Stakeholders. Ongoing discussions with Whitehall departments about access to national funding programmes, such as LLM	Directors			2	2	4		Chief Finance Officer	N/A	
9	Risk	30/09/2020	Critical skills shortage/hiring difficulties	Discriminatory practices Hiring unsuitable candidates, Availability of relevant Skills,	Potential claims High turnover Poor performance	Financial, Reputational, Strategic	Closed	Imminent	3	4	12	09/06/2021					18/08/2020			0	**Moved to Corporate Services Risk Register**		N/A	18/08/2020
10	Risk	01/09/2019	Lack of Resource Planning & Financial Management practices	Absence of Resource Planning & Financial Management	The organisation has no clear budget and capital programme that sets out how resources will be deployed and managed within. This is fundamental to any proper management process and any reporting that will be required by CPCA Board, Stakeholders and Government. Without this, no prioritisation takes place and there is no clear measurement of outcome v ambition. It is the framework for sound decision making.	Financial	Open	Imminent	5	3	15	09/06/2021	Plan was approved at Board in January which focused on refreshed priorities to support economic recovery. Regular financial and budget update reports are provided to Committees and to the CPCA Board. Internal Management reporting is being developed alongside the PMO highlight	Monthly Budget monitoring reports. All business cases for capital spend is approved at Board. CFO and Monitoring Officer to sign off all business cases and reports. Corporate approach to Monitoring & Evaluation and Action.	Chief Finance Officer			3	1	3		Chief Finance Officer	N/A	
11	Risk	01/10/2020	No Democratic Services SLA in place	Failure to meet statutory deadlines for publication of Committee	Combined Authority fails to meet deadlines resulting in reputational damage and contravention of the Local	Reputational, Financial	Closed	Imminent	5	4	20	09/06/2021					18/08/2020			0	**Moved to Corporate Services Risk Register**		N/A	18/08/2020
12	Risk	30/09/2020	Staff and managers not adhering to CPCA standards of ethics and behaviour	Discriminatory practices. Non complaince with Company policies and procedures (e.g.	Affects organisational image and culture. Any reputational damage can also negatively impact on recruitment, retention and engagement.	Reputational, Financial	Closed	Imminent	4	4	16	09/06/2021					18/08/2020			0	**Moved to Corporate Services Risk Register**		N/A	18/08/2020
13	Risk	01/09/2019	First 5 Year Gateway Review of Gainshare Funding (Mar 2021)	Access to Gainshare funding called into question by the Gateway Review evaluation of Gainshare	The Combined Authority is unable to access Gainshare funding	Strategic	Open	Approaching	5	4	20	09/06/2021	Provision of persuasive evidence to the Gateway Review demonstrating the good management and value for money delivered through Gainshare funding. External and internal communication plans to manage either positive or negative outcome.	CMT members to seek intelligence from MHCLG about potential notification of the review outcome. PR to brief Communications team.	Members, PMO Programme Manager, Analysis and Evaluation			4	2	8		Director of Delivery & Strategy	N/A	15/11/2021
14	Risk	01/03/2020	Covid-19 Pandemic (A)	Disruption to the operation of the Combined Authority	Potential absence of significant numbers of Combined Authority staff undermining the ability to transact the operational business of the Combined Authority	Operational	Open	Imminent	4	5	20	09/06/2021	Developed a business continuity plan based on technological advances (digital transformation)	HR support to staff working remotely. Communication with both suppliers and delivery partners. All Combined Authority staff are now working from home, with support for remote meetings. Developed on digital transformation on virtual exhibitions and online Committee / Board meetings. Liaison with suppliers to ensure continuity of supply chains.	Chief Executives			4	3	12		Chief Executives	N/A	
15	Risk	23/09/2020	Staff failing to respond to the requests within the timeframe	Failure to respond to Data Access requests within the designated timeframe	Could lead to intervention by the ICO and may be receive a fine.	Reputation, Financial	Closed	Imminent	4	3	4	09/06/2021					18/08/2020			0	**Moved to Corporate Services Risk Register**		N/A	18/08/2020
16	Risk	01/03/2020	Covid-19 Pandemic (B)	Disruption of the delivery of the Combined Authority objectives in regard to the short term economic objectives	Economic impact of lockdown in response to Covid-19, may have implications for future government funding and for economic activity within the Combined Authority area in the short term.	Strategic	Open	Imminent	4	4	16	09/06/2021	Support to local businesses to weather the Covid-19 lockdown - in co-ordination with the constituent councils. Following government guidelines and working with local resilience forum to plan the recovery and restoration of services. Additional budget announcements from govt.	Board reports - MTFP re-prioritisation towards economic recovery. Membership of the SCG (Strategic Recovery Group) - weekly transport recovery group. Mayoral forum. Chaired economic recovery group. Local economic recovery strategy - will be implemented in October 2020. CSR (3 year) - submitted with Covid-19 mitigating asks.	Chief Executives			4	3	12		Chief Executives	N/A	
17	Risk	15/05/2020	Unbudgeted increases in cost for highways and transport schemes funded by the Combined Authority and delivered by partner agency	Unplanned significant increases in costs lead to requests for additional funding to the Combined Authority to enable schemes to proceed.	The unplanned increases in budget prejudice the Combined Authority's ability to manage its finances and could ultimately prejudice delivery of the Combined Authority's Business Plan and a balanced budget.	Financial	Open	Imminent	3	5	15	09/06/2021	best-practice project and programme management. Political and senior leadership engagement with partners to ensure effective communication, early warning, and timely and effective escalation of issues. Particular focus on the relationship between scheme design and cost at an early stage.	(I) Ensuring compliance with CPCA project management guidance (ii) Monthly project highlight reporting (iii) Monthly budget monitoring (iv) creation of a Transport Programme Board (v) stronger discipline around the composition and working of project boards for individual projects (v) regular project reporting to Board and Committees (vi) review of historic overruns to establish cause. (vii) updating project management guidance inline with audit recommendations e.g. Lancaster W	Director of Delivery & Strategy			3	3	9		Chief Executives and Chief Finance Officer	N/A	
18	Risk	31/07/2020	Climate Change	Climate change related events, policies and political pressures e.g. policy designed to reduce carbon emissions that restricts growth	Unable to double GVA	Strategic	Open	Close	4	4	16	09/06/2021	change commission to provide advice and recommendations on how to delivery Combined Authority ambitions and to achieve net-zero. Strategic combined authority policies require business cases for the delivery of projects	Preparing an implementation plan for the CPICC recommendations. Communicating the CPICC headlines, especially that its recommendations are consistent with an ambitious growth trajectory. Accommodation, travel and internal policies to reduce scope one & two emissions	Strategic Planning Manger, Head of Comms, Chief Executives			2	4	8		Chief Executives	N/A	
19	Risk	11/11/2020	Covid -19 Pandemic (C)	Disruption of the delivery of the Combined Authority objectives in regard to the long term economic objectives	Economic impact of lockdown in response to Covid-19, may have implications for future government funding and for economic activity within the Combined Authority area in the long term.	Strategic	Open	Imminent	4	4	16	09/06/2021	Support to local businesses to weather the Covid-19 lockdown - in co-ordination with the constituent councils. Following government guidelines and working with local resilience forum to plan the recovery and restoration of services. Additional budget announcements from govt.	Board reports - MTFP re-prioritisation towards economic recovery. Membership of the SCG (Strategic Recovery Group) - weekly transport recovery group. Mayoral forum. Chaired economic recovery group. Local economic recovery strategy - will be implemented in October 2020. CSR (3 year) - submitted with Covid-19 mitigating asks.	Chief Executives			2	5	10		Chief Executives	N/A	
20	Risk	11/11/2020	Potential impact of the New Trade Deal with the EU on delivery of the Combined Authority's Growth Ambition Programme (B)	Potential impact of the new Trade Deal on delivery of the Combined Authority's Growth Ambition Programme in the long term	Slowing of baseline growth sufficiently to undermine CPCA current and planned interventions, rendering them unable to produce enough additive growth to hit the doubling of GVA target	Strategic	Open	Approaching	4	2	8	09/06/2021	Establish a permanent and continuous econometric insight programme to monitor sector and place impacts of Trade Deal conditions. Engagement with business organisation (FSB, CBI etc) stakeholders to augment resources, including business advice and monitoring of sentiment through Chambers Development of an economic recovery strategy from both COVID and BEXIT that stimulate growth in relatively uneffected firms and sectors, whilt eliviating the ts for thos effected the trade deal	Monthly monitoring of sector economic impacts and daily monitoring of business sentiment and impacts. Weekly monitoring of bulletins from MCHLG, BEIS, HMRC to ensure information is accurate and up to date, recognising funding streams relevant to need Engagement with LEP Network and CLGU on funding for additional resources. Monitor for possible impacts resulting from the Trade Deal.	Director of Business & Skills [Brexit Lead]			3	2	6	**raised from green to amber on the basis of business insight being recieved from firms, esp SMEs, that sales are being adversly impacted by new regulations. Need to monitor whether solutions are develped by firms to adapt or not**	Chief Executives	N/A	
21	Risk	11/11/2020	MHCLG Review of £100m Housing programme	Up to £45m of Government funding not provided, change of end date of £100m Housing Programme from 31st March 2022 to 31st March 2021 and potential programme loss of 243 housing units at Northstowe which MHCLG may not recognise.	£170m programme has shortage of anticipated capital and significantly reduced time and capability to deliver target of 2000 houses and the £100m programme within the £170m. Potentially significant reputational damage to CPCA housing programme likely.	External	Open	Imminent	5	5	25	09/06/2021	programme being closed on 31st March 2021. Board, Committee members and key stakeholders being advised. Funding decisions have successfully prioritised on achieving affordable housing starts by supporting all those schemes that could start on site before end March 2021. MHCLG have indicated a willingness to make further funding available to support a further affordable housing programme for the period April 2021 to March 2022 subject to conditions, the practical arrangements for	Meetings ongoing with MHCLG to work out the details on how the 2021/22 affordable housing programme will work	Housing Director			3	3	9	**Mitigation ongoing with MHCLG discussions to work out practical details for the programme, it's future monitoring and progress reports and providing evidenced claims to enable authorisation of future funding payments.**	Chief Executives / Housing Director		
22	Risk	06/01/2021	Delivery partner authorities determining that costs incurred in relation to CPCA capital funded projects should not be treated as capital expenditure for the purposes of the relevant finance rules	Grant funding which is expected to be treated as capital expenditure is required to be treated as revenue expenditure by CPCA, as a result of a determination by a partner delivery authority.	Revenue funding deficit	Financial	Open	Approaching	3	2	6	09/06/2021	Discussions with Delivery Partners including constituent authorities. Ensure that grant determination letters are explicit in the expectation that capital grant funds will be used only for capital purposes.		All Directors			3	1	3		Chief Finance Officer		
23	Risk	25/03/2021	Lack of capacity/resilience in the ICT provision to the CPCA	adequate ICT platform for future need - including software and systems, and equipment. Failure to have access to an application/system needed for the delivery of the CPCA project,	Programme, project, or service disruption.	Operational	Open	Approaching	2	4	8	09/06/2021	The CPCA is in discussions with the current service provider to understand the level of service offer available to the CPCA. The CPCA has commissioned the specialist consultancy "SOCITM" to undertake an ICT needs assessment and future provision plan.		All Directors			1	4	4		Chief Executives		
30	Risk	15/09/2021	Insufficient internal resource to deliver the Authority's priorities	Key priorities not delivered	Key priorities, especially new ones identified for the new Mayoral term, would remain unaddressed.	Delivery	Open	Approaching	4	4	16	15/09/2021	Recruitments under way for vacant posts and new posts on climate change and estbalished and recruited to	Recruitments under way and MTFS bids being considered	CMT			2	4	8	Assumes recruitments are successful	Chief Executive		
31	Risk	15/11/2021	Lack of political agreement on forward strategy	Absence of agreed forward strategy	Inability to allocate funding to Board members' priorities, or to take effective long and medium term decisions.	Strategic	Open	Imminent	4	5	20	15/11/2021	New Sustainable Growth Ambition Statement developed and submitted to Board; 2022-23 Business Plan process opened; MTFP process under way; awayday discussions between Leaders planned for January 2022; purpose and strategy under discussion in Leaders' meetings; liaison with member		Directors of Strategy and Finance			2	4	8		Chief Executive	No	
32	Risk	15/11/2021	DLUHC confirming no future funding for a bespoke CPCA Housing Programme	Ongoing role beyond expiration of the affordable housing programme in March 2022 for the housing team	Uncertainty about the future role of the housing team and associated resourcing requirements beyond seeing out the completion over the next 24 months of the affordable housing programme to March 2022. for which officer resources are required.	Strategic	Open	Approaching	5	4	20	15/11/2021	potential ongoing market engagement, is there a role for CPCA between Homes England and housing providers/developers? Internal review of potential future CPCA organisation structure, where does housing support best sit in the organisation in the future? Consideration of review of CPCA housing strategy to reflect the lack of future direct financial support from government. Identification of what sort of future skills and		Chief Executive/Housing Portfolio Holder/Housing Director			5	4	20	Assumes no other direct funding will be available	Housing Director/CEO	No	
33											0									0				
34											0									0				
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CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY

Agenda Item No: 5

Internal Audit Report

To:	Audit and Governance Committee
Meeting Date:	17th December 2021
From:	Jon Alsop, Head of Finance and S73 Officer
Key decision:	Not a key decision
Forward Plan ref:	n/a
Recommendations:	The Audit and Governance Committee is recommended to: a) Receive and note the internal audit progress report for 2021/22 as provided by the Combined Authority's internal auditors, RSM Risk Assurance Services LLP (RSM). Voting arrangements: Note only item, no vote required.

1. Purpose

1.1. The purpose of the report is for the Audit and Governance Committee to:

(a) Receive and note progress being made against the internal audit plan for 2021/22.

2. Background

Internal Audit Plan 2021/22

2.1. RSM presented the internal audit plan for 2021/22 to the Audit and Governance Committee in April 2021.

2.2. The attached report provides an update to the Audit and Governance Committee against the internal audit plan for the year to date.

3. Financial Implications

3.1. Internal audit fees are within those agreed as part of the internal audit service contract.

4. Legal Implications

4.1. No legal implications have been identified.

5. Other Significant Implications

5.1. No other significant implications have been identified.

6. Appendices

Appendix 1 – Internal Audit update report 2021/22 (RSM)

7. Background Papers

Internal Audit Plan – A&G Committee April 2021

Internal Audit Plan A&GC April 2021

CAMBRIDGESHIRE AND PETERBOROUGH COMBINED AUTHORITY

Internal Audit Progress Report

26 November 2021

This report is solely for the use of the persons to whom it is addressed.
To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP
will accept no responsibility or liability in respect of this report to any other party.

RSM

CONTENTS

Contents 2
1 Key messages 3
Appendix A – Progress against the internal audit plan 2021/22 6
Appendix B – Other matters 7
Appendix C - Key performance indicators (KPIs) for 2021/22 delivery 9
For more information contact 10

1 Key messages

The internal audit plan for 2021/22 was approved at the April 2021 meeting. This report provides an update on progress against that plan, the changes to the plan and summarises the results of our work to date.

As the developments around Covid-19 will continue to impact on all areas of the organisation's risk profile, we will continue to work closely with management to deliver an internal audit programme which remains flexible and 'agile' to ensure it meets your needs in the current circumstances.

2021/22 Internal Audit Delivery – Completed

We have undertaken a follow up to review the progress made to implement the previously agreed management actions from the IT Control Framework Review (5.20.21). The progress of this review have been included in section two of this report. **[To note]**

2021/22 Internal Audit Delivery – In Progress

We have commenced our fieldwork for three reviews, two of which were not initially included in the Internal Audit Plan for 2021/22. The progress of each of these has been summarised below:

Fraud and Bribery Risk Assessment

We have commenced fieldwork in relation to fraud and bribery risk assessment. We are currently liaising with the Chief Finance Officer in order to obtain relevant documents in order to carry out the review. On conclusion of fieldwork, we will provide the organisation with a fraud and bribery risk register that will include the likelihood of occurrence and the financial, reputational and operational implications. The risks will be scored both inherently and residually, having regard for controls and assurances in place.

One CAM – Governance and Decision Making (Additional review)

The Committee requested an audit of One CAM governance and decision-making. The fieldwork for the audit is in progress and is expected to be completed by the end of November. The final report will be presented to the next meeting.

Payroll (Additional review)

We have commenced fieldwork in relation to an additional request for a payroll audit, this was delayed due to CPCA staff sickness. We are currently liaising with the HR Business Partner and the Assistant HR Director in order to obtain relevant documents in order to carry out review. **[To note]**

Responses to questions asked at previous meeting in September 2021

Action recorded at the 24 September 2021 Audit and Governance Committee Meeting: The Committee requested feedback on how the Internal Auditors could become involved in the development of policies and project management at the CPCA be provided within the next Internal Audit update:

Development of policies – An effective way to use an Internal Audit (IA) team is to consult with the auditors when policies are being developed to ensure that good practice points have been considered. The IA team could therefore provide a 'critical friend' review of such polices, where appropriate, at the development stage. Please note that it is managements responsibility to propose / approve (as appropriate) the final policy and ensure they are adhered to.

Project Management – We have been working with Officers on a joint working protocol which streamlines the approach for planning, delivery and reporting of internal audit work. As part of this, it was agreed that IA may be requested to participate in continuous/ongoing assurance activities and this could for example include a Project. The IA team could also be requested to sit in on project management meetings (for live projects) and provide ongoing advice / a critical friend review in relation to different aspects of the project (governance, risks, issues etc). Clearly the IA team could also be requested to undertake assurance or advisory reviews of projects, including lessons learnt reviews. We have agreed with Officers that any such work in relation to projects will be discussed and agreed on a case by case basis, with updates provided to the Committee via our progress reports.

Independence and objectivity will remain a core consideration during the delivery of any additional work, and should any concerns arise, these will be reported to the Audit and Governance Committee, and the Chief Executive and Chief Finance Officer. **[To note]**

Other Matters

Changes to planned delivery 2021/22 – We have summarised the changes to delivery of the current internal audit plan that have been made since the last audit committee in September 2021 in Appendix B of this report.

Grant Funding reviews – We have summarised the grant funding reviews undertaken by RSM. We have completed reviews on six grants since the last audit committee and these have been summarised in Appendix B of this report.

Sector Updates - We have also included some sector updates in Appendix B which highlights some of the current issues being faced in the sector and the areas that the Combined Authority may wish to consider. **[To note]**

2 Reports

Summary of final reports being presented to this committee

This section summarises the reports that have been finalised since the last meeting.

Assignment	Opinion issued	Actions agreed		
		L	M	H
2021/22 Internal Audit Plan				
Follow Up of the IT Control Framework Review (5.20.21) We have undertaken follow up to review the progress made to implement the previously agreed management actions from the IT Control Framework Review (5.20.21). This report identified ten management actions, comprising of six **High priority** management actions, and four **Medium priority** management actions. **Management actions due for implementation as at 31 October 2021** Four management actions were due for implementation at the time of the review. For three of these four management actions we obtained evidence to confirm they had been implemented, for the final action, we noted the action was not implemented at the time of review. This is further detailed in section two and Appendix A below. **Management actions not yet due for implementation as at 31 October 2021** We have also captured the progress made by Socitm Advisory and CPCA against the six actions which were marked for implementation by 31 December 2021 and have noted the progress of these in section three below. In summary, five actions are in the process of being implemented of which two demonstrated sufficient progress to allow us to deprioritise the management action rating. One action is not yet implemented however, all six of these actions are due for implementation by 31 December 2021.	**Final report issued**	1	1	1

Appendix A – Progress against the internal audit plan 2021/22

Assignment	Timing / Status / Opinion issued	Actions agreed			Target Audit Committee (as per previous audit committee)	Actual Audit Committee
		L	M	H		
Additional follow up: IT Control Framework	**Final report issued**	**1**	**1**	**1**	**N/A**	**November 2021**
Fraud Risk Assessment	Fieldwork in progress	0	0	0	January 2022	
Additional audit: One CAM - Governance and Decision Making	Fieldwork in progress	0	0	0	January 2022	
Additional audit: Payroll	Fieldwork in progress	0	0	0	January 2022	
Adult Education Budget	26 November 2021	0	0	0	January 2022	
Use of Data	January 2022	0	0	0	**Was January 2022, now April 2022**	
HR Policies	TBC	0	0	0	**Was January 2022, now April 2022**	
Key Financial Controls	January 2022	0	0	0	April 2022	
Subsidiary Governance	January 2022	0	0	0	April 2022	
Risk Management	February 2022	0	0	0	April 2022	
Follow Up	March 2022	0	0	0	April 2022	

Appendix B – Other matters

Changes to the audit plan

There have been the following changes to the Audit Plan since the previous meeting:

Audit/Area	Change Proposed
Delay: HR Policies	Following discussions with senior management, we have been asked to delay a review of HR Policies due to the delay in planned externally commissioned work within this area and ensuring the scopes of these piece of work compliment work being completed by parties. **The Audit Committee are asked to note the amendment of the timing of this audit.**
Delay: Use of Data	Following discussions with senior management, we have been asked to delay a review Use of Data to allow for sufficient time in ensuring the scopes of these piece of work compliment work being within the Combined Authority **The Audit Committee are asked to note the amendment of the timing of this audit.**

Changes reported to previous meetings

Audit/Area	Change Proposed
Addition: Payroll	Following discussions with senior management, we have been asked to undertake a review of Payroll following some recent concerns identified. This review will be undertaken in collaboration with subject matter experts, RSM Employer Services Limited. **The Audit Committee are asked to note the addition of this audit to 2021/22 internal audit delivery plan.**

Grant Funding work undertaken by RSM

Audit/Area	Work Undertaken by RSM
Grant Funding	We have completed six reviews on grant funding received by the Combined Authority since the last audit committee, these specifically relate to the grant funding noted below, two of which is pass-through funding (Local Transport Capital Block Funding) whereby expenditure is incurred by constituent councils and therefore they provide their own assurance however we are required to confirm that the CPCA have paid the constituent councils in line with the decisions made by the Mayor and other grants where expenditure is incurred by the Combined Authority. We have summarised the grants below: • Peer Network Funding to Local Enterprise Partnerships (LEPS) in 2020- 2021 • 2020-2021 EU Transition Business Readiness Growth Hub Grant Funding to Local Enterprise Partnerships (LEPS) • Growth Hub Funding to Local Enterprise Partnerships (LEPS) in 2020-2021 • Supplemental Growth Hub Funding to Local Enterprise Partnerships (LEPS) in 2020-2021 • Local Transport Capital Block Funding (Integrated Transport and Highway Maintenance) No.31/5036 • Local Transport Capital Block Funding (Pothole and Challenge Fund) No.31/5072

Annual Opinion 2021/22

The Audit and Governance Committee should note that the assurances given in our audit assignments are included within our Annual Assurance report. In particular the Audit and Governance Committee should note that any negative assurance opinions will need to be noted in the annual report and may result in a qualified or negative annual opinion. We have only finalised one IT Control Framework Follow Up report to date, and we will continue to provide further updates as the year progresses.

Information briefings and Sector updates

Councils' role supporting the digital skills pipeline

The Local Government Association's (LGA) online resource, alongside its 'LG Inform forecasts for digital employment', outlines the key roles councils play in supporting local skills progression and highlights a number of successful interventions undertaken to date.

Local auditor reporting on local government

The Public Accounts Committee (PAC) has published a report on local government in England, in which it warns that 'without urgent action from government, the audit system for local authorities may soon reach breaking point.' The PAC report follows a National Audit Office report published in March on the timeliness of local auditor reporting, which identified that 55 per cent of local authority 2019-20 audit opinions missed the extended statutory deadline of 30 November 2020.

The PAC report makes a series of recommendations for the Ministry of Housing, Communities and Local Government (MHCLG) including that it:

- works with the Financial Reporting Council and accounting institutions to implement quicker training and accreditation to increase the number of suitably qualified auditors;
- ensures that the Public Sector Audit Appointments' (PSAA) next procurement brings fees into line with the cost of the audit work; and
- writes to the committee by September 2021 setting out its plans to get local audit back on timetable, its contingencies should more audit firms leave the market and how will it address the need for strong system leadership now.

Boosting value for money in the council finance system

The MHCLG has announced plans to strengthen council finances, reduce risk to public funds and ensure councils are delivering value for money for the taxpayer. Changes to the capital finance system will see improvements in the way that risks are monitored and will drive effective decision-making and ensure council funds are spent effectively.

The MHCLG has launched a consultation on its proposals for how the new regulator, the Audit Reporting and Governance Authority (ARGA) (which replaces the Financial Reporting Council (FRC)), should act as the system leader for local audit within a new, simplified local audit framework. Alongside this consultation, the government has published two responses to previous local audit consultations – allocating £15m to local bodies to help with the costs of audit, and changes to regulations that will help to provide greater flexibility in payments for audits.

Local Authority Capital Finance Framework

The MHCLG has published a policy paper setting out its proposals for local authority capital finance and provides an update on the government's work so far. It clarifies objectives, what the MHCLG will do to meet them and what is expected from local authorities.

This document sets out the government's plans for strengthening the current system while protecting the principles of local decision making. It sets out plans for both improving the MHCLG's role as steward of the local government financial system, by ensuring that it has the data to effectively monitor risks in a timely way, and to strengthen the current capital system so that it remains effective in driving good decision making and preventing excessive risk.

Appendix C - Key performance indicators (KPIs) for 2021/22 delivery

Delivery				Quality			
	Target	Actual	Notes (ref)		Target	Actual	Notes (ref)
Audits commenced in line with original timescales following scoping	Yes	100%		Conformance with PSIAS and IIA Standards	Yes	Yes	
Draft reports issued within 15 days of debrief meeting	100%	100%		Liaison with external audit to allow, where appropriate and required, the external auditor to place reliance on the work of internal audit	Yes	Yes	
Management responses received within 15 days of draft report	100%	100%		Response time for all general enquiries for assistance	2 working days	100%	
Final report issued within 3 days of management response	100%	100%		Response for emergencies and potential fraud	1 working days	N/A	

Notes
This takes into account changes agreed by management and the Audit Committee during the year.

FOR MORE INFORMATION CONTACT

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Jay Desai – Manager

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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

Our report is prepared solely for the confidential use of Cambridgeshire and Peterborough Combined Authority and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY

Agenda Item No: 7

External Audit Final Results 2021

To:	Audit and Governance Committee
Meeting Date:	17 December 2021
Public report:	Yes
From:	Jon Alsop, Head of Finance and S73 Officer
Key decision:	Not a key decision
Forward Plan ref:	n/a
Recommendations:	The Audit and Governance Committee is recommended to:

a) Receive and approve the Management Representation Letter 2020/21.

b) Receive and note the External Auditors Audit results report 2020/21 addendum update.

1. Purpose

1.1. The purpose of the report is for the Audit and Governance Committee to:

(a) Receive and approve the 2020/21 Management Representation Letter.

(b) Receive and note the External Auditor's report on the Draft Statement of Accounts 2020/21 and draft Annual Governance Statement

2. Background

Audit of the Statement of Accounts 2020/21

2.1. According to their Terms of Reference, the Audit and Governance Committee shall:

No. 3.13 – Consider the annual external audit of the Combined Authority's accounts, including the Annual Audit Letter, assessing the implications and monitoring managers' responses to concerns.
No. 3.15 – Consider any issues arising from the External Auditor's audit of the accounts.

2.2. Ernst & Young LLP (EY) presented their initial Audit results report to the Committee in July. Following completion of outstanding procedures relating to pension liabilities and a review of the Annual Governance Statement, EY now present an addendum update report to the Committee. This is shown at appendix 1.

Management Letter of Representation

2.3. The Chief Finance Officer is required to make representations on behalf of the Combined Authority in a number of areas in relation to the preparation of the Statement of Accounts. EY also require this letter to be signed by the Chair of the Audit and Governance Committee. The draft letter is attached at Appendix 2 for review by the Audit and Governance Committee.

Significant Implications

3. Financial Implications

3.1. The scale fee for the planned audit code work for 2020/21 is £26,950 (2019/20 - £26,950). Additional fees were incurred to support the following activities as set out in the Fee Analysis of the audit report presented to the Committee in July.

- Group Accounts
- Significant risk – C-19 grants accounting
- Significant risk – incorrect capitalisation of revenue expenditure
- IAS 19 audit of pension liability and disclosures
- Impact of COVID-19 including going concern

3.2. All additional code work fees are subject to agreement with the S73 Officer and the Public

Sector Audit Appointments Ltd. but the current final expected audit fee for 2020-21 is £39,545.

4. Legal Implications

4.1. None

5. Other Significant Implications

5.1. None

6. Appendices

6.1. Appendix 1: The External Auditor's addendum report to the Draft Statement of Accounts 2020/21

Appendix 2: The Management Letter of Representation

7. Background Papers

7.1. Outline Audit Plan – A&G Committee March 2021

A&GC March 2021 EY Outline Audit Plan

EY Audit results report – A&G Committee July 2021

A&GC July 2021

Cambridgeshire and Peterborough Combined Authority

Audit Results Report – Addendum Update

Year ended 31 March 2021

12 November 2021

Building a better working world

01 Executive Summary

Executive Summary

Status of the audit

This Audit Results Report – Addendum Update provides a bridge between our Audit Results Report (dated 23 July 2021) presented to the Governance & Audit Committee on the 30 July 2021 and the position following the conclusion of the outstanding audit procedures stated within that report and taking into the account the elapsed time to the date of approval of the financial statements.

We have completed our audit of Cambridgeshire and Peterborough Combined Authority financial statements for the year ended 31 March 2021 and have performed the procedures outlined in our Audit Plan.

The final conclusion procedures are:

- Review of the final version of the financial statements;
- Completion of subsequent events review; and
- Receipt of the signed management representation letter and financial statements including the Annual Governance Statement.

We therefore expect to issue an unqualified audit opinion, the form of which was previously reported within the Audit Results Report dated 23 July 2021.

We will not be able to issue the Audit Certificate at the same time as the audit opinion, as we have yet to complete key elements of the Code of Audit Practice – namely:

- the Whole of Government Accounts submission. We explained the rationale for this at the Committee on the 30 July 2021. The NAO guidance and reporting requirements are yet to be issued to auditors.

The following items were outstanding at the date of our original Audit Results Report dated 30 July 2021 and all are now complete:

- Completion of procedures in relation to the Pension Liability; and
- Review of the Annual Governance Statement.

We identified one further audit difference as a result of completing these procedures in relation to Pension Liability – further details of which we set out in Sections 2 and 3 of this report for completeness. This audit difference is not material and falls below our reporting threshold of £0.156 million.

02 Areas of Audit Focus - Update

Inherent risk

Pension valuations and disclosures – Inherent Risk

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body

The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's Balance Sheet.

Accounting for this scheme involves significant estimation and judgement. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What did we do and what judgements did we focus on?

In order to address this risk we undertook the following audit procedures:

- Liaised with the auditors of Cambridgeshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Authority;
- Assessed the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used, by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and by considering any relevant reviews by the EY actuarial team; and
- Reviewed and tested the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19, considering Fund assets and the Council's liability.

What are our conclusions?

We were informed by the Pension Fund auditor that Investment Valuations within the Pension Fund were understated by £44.145 million. Cambridge and Peterborough Combined Authority has an estimated share of £0.441 million of this increased amount. Management obtained a revised IAS19 report from the Pension Fund Actuary, which determined that the Authority's Pension Fund Liability was overstated by £0.049 million.

As this amount is immaterial Management has opted to not just for the difference. We concur that the amount is not material falls below our threshold for reporting misstatements of £0.156 million.

We have agreed the Authority's IAS 19 disclosures to the Actuaries' report to ensure these are fairly stated in the accounts.

We have also performed an independent point estimate procedures to ensure the validity of the Actuary's model based on data received from the Authority and have concluded that the Pension Liability falls within a reasonable range, thereby giving us assurance over the Actuary's estimation approach.

03 Audit Differences

Audit Differences

Confirmation Statement

We repeat below our summary of identified audit differences from our original Audit Results Report which we reported to the Governance & Audit Committee on the 30 July 2021. This is to aid the Committee's approval process for the revised Financial Statements.

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as "known" or "judgemental". Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of unadjusted differences

There is no unadjusted audit differences.

Summary of adjusted differences

We highlight misstatements greater than £0.156 million which have been corrected by management that were identified during the course of our audit.

1. Correction of over-statement of a £238,000 VAT amount reclaimed do to rejected return. This adjustment was identified by officers and was corrected for the final statement of accounts.
2. A revised disclosure for related parties with respect to transactions with the Authority's subsidiaries and other interests.
3. Reclassification adjustment in prior period statements from taxation and non-specific grant income to business and skills in the amount of £7.255 million relating to the DfE Adult Education budget.

During the audit we have identified some minor disclosure audit amendments in the draft financial statements which management have chosen to adjust. We have judged that these do not warrant flagging to the Audit and Governance Committee in this report.

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY

26 November 2021

Mark Hodgson
Associate Partner
Ernst & Young LLP
One Cambridge Business Park
Cowley Road
Cambridge
CB4 0WZ

Dear Mark

This letter of representations is provided in connection with EY's audit of the financial statements of Cambridgeshire & Peterborough Combined Authority and Group ("the Group and Authority") for the year ended 31 March 2021.

We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of the Group and Authority as of 31 March 2021 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit is conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing yourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and Authority the Accounts and Audit Regulations 2015 (as amended in 2020 for Covid-19) and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

2. We acknowledge as members of management of the Group and Authority, our responsibility for the fair presentation of the Group and Authority's financial statements. We believe the Group and Authority financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and are free of material misstatements, including omissions. We have approved the Group and Authority financial statements.

3. That the significant accounting policies adopted in the preparation of the Group and Authority financial statements are appropriately described in the Group and Authority financial statements.

4. As members of management of the Group and Authority, we believe that the Group and Authority has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.

5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Group and Authority's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. We have disclosed to you the results of our assessment of the risk that the Group and Authority financial statements may be materially misstated as a result of fraud.

4. We have no knowledge of any identified or suspected non-compliance with laws and regulations, including fraud that may have affected the Group or Authority (regardless of the source or form and including without limitation, any allegations by "whistleblowers") including non-compliance matters:

   - involving financial statements;

   - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Group and Authority's financial statements;

   - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group or Authority's activities, its ability to continue to operate, or to avoid material penalties;

   - involving management, or employees who have significant roles in internal controls, or others; or

   - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which you are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.

- Additional information that you have requested from us for the purpose of the audit; and

- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. That all material transactions have been recorded in the accounting records and are reflected in the Group and Authority financial statements, including those related to the COVID-19 pandemic.

3. That we have made available to you all minutes of the meetings of the Group and Authority and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 26 November 2021.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Authority related parties and all related party relationships and transactions of which you are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the Group and Authority financial statements.

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. We have disclosed to you, and the Group and Authority has complied with, all aspects of contractual agreements that could have a material effect on the Group and Authority financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

7. That from the date of your last management representation letter to us, through the date of this letter, we have disclosed to you any unauthorized access to your information technology systems that either occurred or to the best of your knowledge is reasonably likely to have occurred based on your investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the Group and Authority financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the Group and Authority financial statements (please specify the Notes) all guarantees that we have given to third parties.

E. Subsequent Events

1. There have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report included in the Statement of Accounts 2020 to 2021.

2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Accounting Estimates

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

2. In respect of accounting estimates recognised or disclosed in the financial statements:

- We believe the measurement processes, including related assumptions and models, you used in determining accounting estimates is appropriate and the application of these processes is consistent.

- That the disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.

- That the assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.

- That no subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H. Expenditure Funding Analysis

1. We confirm that the financial statements reflect the operating segments reported internally to the Group and Authority.

I. Going Concern

1. That the Group and Authority has prepared the financial statements on a going concern basis and that Note 1.15 to the financial statements discloses all of the matters of which you are aware that are relevant to the Group and Authority's ability to continue as a going concern, including significant conditions and events, our future financial plans and the veracity of the associated future funding allocations from the Ministry of Housing, Communities and Local Government, the sufficiency of cash flows to support those financial plans.

J. Ownership of Assets

1. That except for assets recognised as right-of-use assets in accordance with IFRS 16 Leases, the Group and Authority has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Group and Authority's assets, nor has any asset been pledged as collateral. All assets to which the Group and Authority has satisfactory title appear in the balance sheet(s).

K. Reserves

1. We have properly recorded or disclosed in the Group and Authority financial statements the useable and unusable reserves.

M. Retirement benefits

1. That on the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the pension scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

2. We agree with the findings of the specialists that we engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the Group and Authority financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

3. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

4. We confirm that the significant assumptions used in making the valuation of the pension scheme liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

5. We confirm that the disclosures made in the Group and Authority financial statements with respect to the accounting estimate(s) are complete, including the effects of the Covid-19 pandemic on the Pension Scheme Liability and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

6. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Group and Authority financial statements due to subsequent events, including due to the Covid-19 Pandemic.

P. Group audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.

2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst council, subsidiary undertakings and associated undertakings.

3. We confirm that entities excluded from the Group financial statements are immaterial on a quantitative and qualitative basis.

Q. Specific Representations

You do not require any specific representations in addition to those above.

Yours faithfully,

_____

Chief Financial Officer

_____

Chair of the Audit & Governance Committee

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY

Agenda Item No: 8

Audited Statement of Accounts 2020/21 and Annual Governance Statement

To:	Audit and Governance Committee
Meeting Date:	17 December 2021
Public report:	Yes
From:	Jon Alsop, Head of Finance and S73 Officer
Key decision:	Not a key decision
Forward Plan ref:	
Recommendations:	The Audit and Governance Committee is recommended to:

a) Ratify the approval of the final Statement of Accounts 2020/21

b) Approve the Annual Governance Statement 2020/21.

Voting arrangements: A simple majority of all Members

1. Purpose

1.1. The purpose of the report is for the Audit and Governance Committee to:

(a) Ratify the approval of the draft Statement of Accounts 2020/21
(b) Receive and approve the draft Annual Governance Statement 2020/21

2. Background

Review of the Statement of Accounts 2020/21

2.1. According to their Terms of Reference, the Audit and Governance Committee shall:

No. 3.4 - Review the Annual Governance Statement prior to approval to ensure it properly reflects the risk environment and supporting assurances.
No. 3.12 – Review the annual accounts.
No. 3.14 – Consider whether accounting policies were appropriately followed and any need to report concerns to the Combined Authority Board.

2.2. At its meeting on the 30th July 2021, the Committee approved the CPCA statement of Accounts 2020/21 in principle, and delegated the S73 Officer and Chair to approve the accounts subject to any substantial changes that would need to be made to them following confirmation of outstanding pension scheme balances.

2.3. At the meeting of 24th September 2021, the Chair announced that as a result of "commentary by regulatory bodies" to other audit firms, the Combined Authority's auditors, Ernst and Young LLP (EY) needed to update their procedures around verification of data. Mark Hodgson, the EY partner responsible for the CPCA audit advised that due to their requirement for additional audit evidence, they could not provide assurance that they would be able to issue and sign the audit opinion by the date of the September Committee meeting.

Given the uncertainty of the audit position, the Chair took the decision to withdraw the financial statements and external audit papers from the agenda, and to reschedule them for the November meeting.

The auditors were also required to review the Annual Governance Statement for completeness, compliance and consistency with the financial statements.

2.4. Confirmation of the outstanding pension balances have not required any changes to be made the financial statements that were approved in principle by the Committee.

2.5. The auditors have now completed their audit work, including consideration of additional pension evidence, and their review of the Annual Governance Statement. The conclusion from this work is that there are no changes to be made to the Statement of Accounts as reviewed by the Committee in July (see link below).

2.6 Following discussion at the July meeting, the Annual Governance Statement has been updated to provide more detail on the internal audit review of the IT Control framework,

and to recognise that the Mayor and the Chief Executive Officer were not in post during the AGS year. The updated version of the Annual Governance Statement is shown at appendix 1, with changes made to the July version highlighted in red italic.

Significant Implications

3. Financial Implications

3.1. None

4. Legal Implications

4.1. None

5. Other Significant Implications

5.1. None

6. Appendices

Appendix 1: Draft Annual Governance Statement 2020/21

7. Background Papers

7.1. Draft statement of accounts 2020/21

Draft Statement of Accounts 2020/21

Draft Annual Governance Statement

For the year ended 31 March 2021

Cambridgeshire and Peterborough Combined Authority
Annual Governance Statement – 2020/21

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 Energy Hub.

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

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

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

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

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

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

The Purpose of the Governance Framework

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

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

The Governance Framework

Context

Between March and June 2016, seven constituent councils across the Cambridgeshire and Peterborough area negotiated a devolution deal with Government. In June 2016, the constituent councils agreed a scheme for a combined authority for the Cambridgeshire and Peterborough area, with a directly elected Mayor, for wider consultation. Following extensive consultation with residents, businesses and stakeholders in Cambridgeshire and Peterborough over a six week period, the seven councils submitted the scheme to the Secretary of State for approval in November 2016. The Cambridgeshire and Peterborough Combined Authority Order 2017 was made on 2 March 2017 and came into force on 3 March 2017.

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

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

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

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

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

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

Delivery through Subsidiary Undertakings

The Combined Authority currently has 6 subsidiary companies over which it has a significant level of control. Material trading activity of the subsidiaries only started in 2020-21 and, as such the governance arrangements of these companies has become increasingly important. This is an area of significant interest across the Local Authority sector given the high-profile issues that have come to light following Croydon Council's S114 notice and CIPFA will be publishing new guidance on governance of Local Authority Trading Companies (LATC) to address this. The Combined Authority will review its LATC governance arrangements once the guidance has been published, to ensure they are appropriate and effective.
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.

There has been investment in the capability of company oversight and management, with a dedicate company secretariat/governance lead officer and regular meetings to review the regulatory compliance, and finance standing of the companies.

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

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

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

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

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

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

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

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 board.

The Combined Authority Members comprise the Board. The Board's role and powers are set out in the constitution. Essentially, it provides strategic leadership for the Combined Authority area, approving strategies, policies and overseeing fiscal matters to ensure that the required outcomes are delivered.

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

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

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

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

As of the local elections in May 2021 the Combined Authority Board has 3 new Board Members, including a new Mayor. This change in leadership is likely to result in a change in portfolio responsibilities and strategic direction of the Authority as a whole, but it is too early to say what these changes will be with certainty as the new administration has only been in post for a short time.

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

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

The advantages of these arrangements include:

- Creating more realistic workloads for the members of the Combined Authority Board, who are also the Leaders of their councils.

- 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. A review is due to take place in the summer and autumn of 2021.

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 committee has set up two task and finish groups, one to consider the Cambridgeshire Autonomous Metro project and one to consider the Authority's Bus Review. The Mayor and Chief Executive attend meetings at least quarterly to update the committee and to answer any questions. The committee has also responded to the change in the Authority's governance arrangements by revising its own arrangements for pre-scrutiny to allow lead members appointed by the Committee to formulate questions for the Executive Committees.

In order to support its future work and the development of its role the Overview and Scrutiny Committee sought, through the Combined Authority Board a review of their working arrangements. This was carried out by CfGS (The Centre for Governance and Scrutiny), and is due to report at the time this statement is being prepared.

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 Committee in April 2021 for consideration before being presented to the Combined Authority Board in June. The annual report highlights the work of the Committee for the Municipal Year and details the following:

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

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

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

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

(1) that the Business Board should be predominantly private sector led to provide the best possible platform for businesses within the area and that

(2) the Board ought to be comprised of representatives of those key sectors which are driving economic growth in the area.

The Mayor and the Portfolio Holder 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 Authority is the accountable body for the Business Board.

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

Strategic Direction
The Authority continues to make good progress in developing its strategic direction.

1. The **Cambridgeshire and Peterborough Independent Economic Review** (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.
2. The **Cambridgeshire and Peterborough 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).
3. The **Local Industrial Strategy** approved by the Combined Authority and Business Boards in March 2019 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:

The Local Industrial Strategy was co-produced with Government as part of the first wave of these strategies being developed to deliver the UK Industrial Strategy in local areas.

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

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

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).

4. The **Cambridgeshire and Peterborough Combined Authority Business Plan** sets out the authority's investment priorities. It is updated annually and presented to the Board for approval each January, alongside the Authority's budget and Medium-Term Financial Plan. The Combined Authority continues to develop its detailed strategies for key areas of activity including:

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

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

    This Business Plan and the Medium-Term Financial Plan sets out at a high level the transformational investments that the Cambridgeshire and Peterborough Combined Authority will commit resources to, subject to the detailed consideration and appraisal of project business cases. Some are project ideas at an early stage 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.

    The Business Plan aligns with the approach to performance management which the Authority has already adopted and the Authority's quarterly performance reports enable members to monitor performance against the Business Plan priorities

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

Assurance Framework

In November 2019, the Combined Authority Board and the Business Board agreed a revised joint Assurance Framework. The latest version of the Assurance Framework complies with the National Local Growth Assurance Framework and was approved by the Board in March 2021 following feedback and sign off from CLGU (Cities and Local Growth Unit) published in January 2019. The Assurance Framework sets out:

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

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

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

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

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

Project Delivery

In January 2021, the Authority approved an update to its monitoring and evaluation framework. The 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, whilst adhering to government guidance and legislation during the COVID-19 pandemic.

Following the ending of the legislation allowing for remote meetings, meetings are again held in person - but are run in accordance with public health guidelines.

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

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

Financial Management

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

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

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

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

Budget update reports are presented at each Combined Authority Board meeting to provide information on income and expenditure for the year to date against the approved budget and to provide an analysis of any variances between actuals and budget for both Revenue Funds and the Capital Programme.

While not in force for the year ended the 31st March 2021, the Combined Authority is required to adhere to the CIPFA Financial Management Code from April 2021. As such a review of the Authorities Financial Management arrangements against the requirements of the code was undertaken and the following key actions that will be addressed in 2021-22 were identified:

- A formal timeline for the creation of the Annual Governance Statement will be established.
- Regular budget holder and project manager training will be implemented to reinforce the responsibilities associated with those roles.
- The Authority will carry out a financial resilience assessment.
- Regular financial reporting to Corporate Management Team, Committees and Boards will include key balance sheet items.

Developing Capacity
The member structure is well-defined and a permanent staffing structure is now in place. Staffing and resources levels are regularly checked to ensure that the Combined Authority can deliver.

Internal Audit
RSM Assurance Limited were appointed as the Combined Authority's new internal auditors in September 2020. RSM provide the Chief Internal Auditor function for the Combined Authority and presented the audit plan for approval to the Audit & Governance Committee in November 2020 and has provided the Committee with regular updates since then.

External Audit
Ernst & Young LLP has been appointed as the Authority's external auditors and has audited these accounts.

Risk Management
The Authority's Audit and Governance Committee is responsible for overseeing the Authority's risk management strategy and corporate risk register. The Risk Strategy was adopted by the Combined Authority Board in January 2020 and will be updated in 2021/22 following a review by officers working with the internal auditors.

Corporate and project risks are identified, recorded and monitored by the Corporate Management Team and the Audit & Governance Committee, and are escalated to the Combined Authority Board where necessary.

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

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

The Combined Authority currently has 6 subsidiary companies over which it has a significant level of control. Material trading activity of the subsidiaries only started in 2020-21 and, as such the governance arrangements of these companies has become increasingly important. This is an area of significant interest across the Local Authority sector given the high-profile issues that have come to light following Croydon Council's S114 notice and CIPFA will be publishing new guidance on governance of Local Authority Trading Companies (LATC) to address this. The Combined Authority will review its LATC governance arrangements once the guidance has been published, to ensure they are appropriate and effective.

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 adequacy and effectiveness of the organisation's risk management, control and governance processes.

For the 12 months ended 31 March 2021, the head of internal audit opinion for Cambridgeshire and Peterborough Combined Authority is as follows:

"The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective."

Factors and Findings which have informed our opinion

Our opinion has been informed by seven assurance reviews undertaken during 2020/21. One review concluded with minimal assurance, and agreed six high and four medium priority management actions. We also issued one partial assurance opinion for the Risk Management review.

Five further reviews were undertaken, four of these resulting in reasonable assurance being taken by the Authority for the following reviews:

- Impact on COVID-19 on Project Delivery
- Accounts Payable
- Appointments to Boards and Committees
- COVID-19 Capital Grants

In addition, our Follow Up review, conducted on a sample of the recommendations from the previous internal auditors concluded that the Authority had made **good progress** in implementing recommendations. We confirmed that seven recommendations had been fully implemented and two had been superseded. We did agree a management action in relation to the monitoring of management actions agreed, given that this was not formally in place at the time of our review.

We issued one audit where the Authority could take only partial assurance.

For this area, the Board could take partial assurance that the controls to manage these risks are suitably designed and consistently applied. However, action was needed to strengthen the control framework to manage the identified risks.

Risk Management

We noted that the Authority was yet to undertake detailed risk management training, specifically in ensuring risks are clear and mitigation plans and actions are specific, measurable, achievable, realistic and Time relevant (SMART). In addition, we noted the Authority does not capture evidence of the review and scrutiny of the Corporate Risk Register at an Executive Level and had not at the time of the review implemented a reporting framework for risk registers below the Corporate level. We further noted that risk escalation was at the discretion of risk owners and therefore could be subjective and inconsistent.

We also found that minimum frequencies for the review of risks have not been formally documented and noted that as the organisation takes positive steps towards its compliance with the new risk management strategy and processes, it would be equally important to link assurances to individual risks and controls.

Since issuing the final report we have held various meetings with Officers to discuss how CPCA could further develop the risk management control framework and strategy whilst satisfying the issues identified through our review.

We issued one audit where the Authority could take only minimal assurance.

IT Control Framework Review

Overall, the Combined Authority is at the early stages with respect to the development and operation of an overarching IT control framework. We were advised by the authority's IT provider that some controls surrounding IT are in place. Further work was however required to address some significant control weaknesses where improvements were required, in particular regarding IT management experience (including IT contract management) within the Combined Authority, network access and security, patch management, incident response and backups.

The Combined Authority is being supported by an external consultancy provider to undertake a number of management actions to address the situation, including to put in place a robust suite of IT policies and the implementation of systems to protect its network

Impact of Covid-19 on the CPCA's Governance Arrangements

While the COVID-19 pandemic has caused significant disruption across the Country, the Combined Authority has maintained its governance systems in line with business as usual - the same governance processes have operated throughout including authorisation limits, required sign

off by statutory officers and reporting to Boards. Prior to the enactment of legislation which formally allowed for local authority meetings to take place virtually, the CPCA ran meetings in public, which enabled relevant matters appropriate to the Mayoral general power to be made in a public setting, and for other matters to be debated. This balanced the need to maintain a continuity of business, with the need to maintain transparency and inclusion in decision making.

In line with legal requirements, from June 2021, the Combined Authority's meetings are once again being held in-person however live-streaming technology is being utilised both to lower the risk of COVID transmission and to enhance accessibility.

During 2020/21, RSM conducted a review of project delivery arrangements at the Combined Authority in relation to the robustness of project approvals and monitoring during COVID-19 (COVID). The report found that "the Board can take reasonable assurance that the controls upon which the organisation relies to manage this area are suitably designed and consistently applied.

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.

The Authority has made good progress during 2020/21 and we are committed to making continued improvements during 2021/22.

Certification

As Mayor and Chief Executive Officer, 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 AGS was approved by the Audit Committee on the 17 December 2021.

Our overall assessment is that the Annual Governance Statement is a balanced reflection of the governance environment and that an adequate framework exists within the Combined Authority to ensure effective internal control is maintained. We are also satisfied that there are appropriate plans in place to address any significant governance issues and will monitor their implementation and operations as part of our next annual review.

To the best of our knowledge, the governance arrangements as defined within the Authority's Local Code of Corporate Governance have continued to operate effectively.

Signed:

Dr Nik Johnson, Mayor of Cambridgeshire and Peterborough Combined Authority

Date:

Signed:

Eileen Milner, CEO of Cambridgeshire and Peterborough Combined Authority

Date:

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY

Agenda Item No: 9

Retender of External Audit Contracts

To:	Audit and Governance Committee
Meeting Date:	17 December 2021
From:	Jon Alsop, Head of Finance and S73 Officer
Key decision:	Not a key decision
Forward Plan ref:	n/a
Recommendations:	The Audit and Governance Committee is recommended to: a) Recommend to the Combined Authority to opt in to the National scheme for auditor appointments for the period 2023/2024 to 2027/2028 Voting arrangements: Note only item, no vote required.

1. Purpose

1.1. The purpose of the report is for the Audit and Governance Committee to:

(a) Consider the recommendation to opt into the national scheme for auditor appointments for the period 2023/2024 to 2027/2028

(b) Make a recommendation to the Combined Authority Board on that basis.

2. Background

2.1. On September 22nd September 2021, the Combined Authority received an invitation from Public Sector Audit Appointments limited (PSAA) to opt into the national scheme for audit appointments from April 2023.

2.2. The letter from PSAA highlights the following points for consideration:

a) The external auditor for the 2023/24 financial statements has to be appointed before the end of December 2022
b) PSAA has been confirmed in the role of the appointing person for eligible principle bodies for the period commencing April 2023
c) The five consecutive years beginning 1 April 2023 have been specified as the compulsory appointing period for the purposes of the regulations which govern the national scheme.
d) There is a challenging local audit market. PSAA believe that eligible bodies will be best served by opting to join the scheme.
e) If the Authority decides to join the scheme, formal acceptance needs to be provided by 11 March 2022.
f) The relevant regulations require that the decision to opt in must be made by members of the authority meeting as a whole e.g. Full Council or equivalent.

2.3. Members may consider that in a suppliers' market, councils acting together may have the best chance of influencing the market and for nationally coordinated efforts to improve the supply side of the market.

2.4. The contract price that would be negotiated by the Combined Authority, if it were to remain outside of the national scheme, is likely to be significantly higher than that available through a body acting on behalf of the sector.

2.5. The appendix to the letter from PSAA provides further detail of why accepting the national scheme opt-in invitation is the best solution.

3. Financial Implications

3.1. The decision whether to opt in will determine future external audit fees.

4. Legal Implications

4.1. No legal implications have been identified.

5. Other Significant Implications

5.1. Appointment of auditors are under the provisions of the Local Audit and Accountability Act 2014 and the requirements of the Local Audit (Appointing Person) Regulations 2015.

6. Appendices

6.1. Appendix 1 – PSAA invitation to opt in to the national scheme for auditor appointments

7. Background Papers

None

Public Sector Audit Appointments

22 September 2021

To: Ms Sawyer, Chief Executive
Cambridgeshire and Peterborough Combined Authority

Copied to: Mr Alsop, S151 Officer
Mr Davey, Chair of Audit Committee or equivilent

Dear Ms Sawyer,

Invitation to opt into the national scheme for auditor appointments from April 2023

I want to ensure that you are aware the external auditor for the audit of your accounts for 2023/24 has to be appointed before the end of December 2022. That may seem a long way away but, as your organisation has a choice about how to make that appointment, your decision-making process needs to begin soon.

We are pleased that the Secretary of State has confirmed PSAA in the role of the appointing person for eligible principal bodies for the period commencing April 2023. Joining PSAA's national scheme for auditor appointments is one of the choices available to your organisation.

In June 2021 we issued a draft prospectus and invited your views and comments on our early thinking on the development of the national scheme for the next period. Feedback from the sector has been extremely helpful and has enabled us to refine our proposals which are now set out in the scheme prospectus and our procurement strategy. Both documents can be downloaded from our website which also contains a range of useful information that you may find helpful.

The national scheme timetable for appointing auditors from 2023/24 means we now need to issue a formal invitation to you to opt into these arrangements. In order to meet the requirements of the relevant regulations, we also attach a form of acceptance of our invitation which you must use if your organisation decides to join the national scheme. We have specified the five consecutive financial years beginning 1 April 2023 as the compulsory appointing period for the purposes of the regulations which govern the national scheme.

Given the very challenging local audit market, we believe that eligible bodies will be best served by opting to join the scheme and have attached a short summary of why we believe that is the best solution both for individual bodies and the sector as a whole.

I would like to highlight three matters to you:

1. if you opt to join the national scheme, we need to receive your formal acceptance of this invitation by Friday 11 March 2022;

2. the relevant regulations require that, except for a body that is a corporation sole (e.g. a police and crime commissioner), the decision to accept our invitation and to opt in must be made by the members of the authority meeting as a whole e.g. Full Council or equivalent. We appreciate this will need to be built into your decision-making timetable. We have deliberately set a generous timescale for bodies to make opt in decisions (24 weeks compared to the statutory minimum of 8 weeks) to ensure that all eligible bodies have sufficient time to comply with this requirement; and

3. if you decide not to accept the invitation to opt in by the closing date, you may subsequently make a request to opt in, but only after 1 April 2023. We are required to consider such requests and agree to them unless there are reasonable grounds for their refusal. PSAA must consider a request as the appointing person in accordance with the Regulations. The Regulations allow us to recover our reasonable costs for making arrangements to appoint a local auditor in these circumstances, for example if we need to embark on a further procurement or enter into further discussions with our contracted firms.

If you have any other questions not covered by our information, do not hesitate to contact us by email at ap2@psaa.co.uk. We also publish answers to frequently asked questions on our website.

If you would like to discuss a particular issue with us, please send an email also to ap2@psaa.co.uk, and we will respond to you.

Yours sincerely

Tony Crawley
Chief Executive

Encl: Summary of the national scheme

Why accepting the national scheme opt-in invitation is the best solution

Public Sector Audit Appointments Limited (PSAA)

We are a not-for-profit, independent company limited by guarantee incorporated by the Local Government Association in August 2014.

We have the support of the LGA, which in 2014 worked to secure the option for principal local government and police bodies to appoint auditors through a dedicated sector-led national body.

We have the support of Government; MHCLG's Spring statement confirmed our appointment because of our "strong technical expertise and the proactive work they have done to help to identify improvements that can be made to the process".

We are an active member of the new Local Audit Liaison Committee, chaired by MHCLG and attended by key local audit stakeholders, enabling us to feed in body and audit perspectives to decisions about changes to the local audit framework, and the need to address timeliness through actions across the system.

We conduct research to raise awareness of local audit issues, and work with MHCLG and other stakeholders to enable changes arising from Sir Tony Redmond's review, such as more flexible fee setting and a timelier basis to set scale fees.

We have established an advisory panel, which meets three times per year. Its membership is drawn from relevant representative groups of local government and police bodies, to act as a sounding board for our scheme and to enable us to hear your views on the design and operation of the scheme.

The national scheme for appointing local auditors

In July 2016, the Secretary of State specified PSAA as an appointing person for principal local government and police bodies for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015. Acting in accordance with this role PSAA is responsible for appointing an auditor and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme. 98% of eligible bodies made the choice to opt-in for the five-year period commencing in April 2018.

We will appoint an auditor for all opted-in bodies for each of the five financial years beginning from 1 April 2023.

We aim for all opted-in bodies to receive an audit service of the required quality at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local audit. The focus of our quality assessment will include resourcing capacity and capability including sector knowledge, and client relationship management and communication.

What the appointing person scheme from 2023 will offer

We believe that a sector-led, collaborative, national scheme stands out as the best option for all eligible bodies, offering the best value for money and assuring the independence of the auditor appointment.

The national scheme from 2023 will build on the range of benefits already available for members:

- transparent and independent auditor appointment via a third party;
- the best opportunity to secure the appointment of a qualified, registered auditor;
- appointment, if possible, of the same auditors to bodies involved in significant collaboration/joint working initiatives, if the parties believe that it will enhance efficiency;
- on-going management of any independence issues which may arise;
- access to a specialist PSAA team with significant experience of working within the context of the relevant regulations to appoint auditors, managing contracts with audit firms, and setting and determining audit fees;
- a value for money offer based on minimising PSAA costs and distribution of any surpluses to scheme members - in 2019 we returned a total £3.5million to relevant bodies and more recently we announced a further distribution of £5.6m in August 2021;
- collective efficiency savings for the sector through undertaking one major procurement as opposed to a multiplicity of smaller procurements;
- avoids the necessity for local bodies to establish an auditor panel and undertake an auditor procurement, enabling time and resources to be deployed on other pressing priorities;
- updates from PSAA to Section 151 officers and Audit Committee Chairs on a range of local audit related matters to inform and support effective auditor-audited body relationships; and
- concerted efforts to work with other stakeholders to develop a more sustainable local audit market.

We are committed to keep developing our scheme, taking into account feedback from scheme members, suppliers and other stakeholders, and learning from the collective post-2018 experience. This work is ongoing, and we have taken a number of initiatives to improve the operation of the scheme for the benefit of all parties.

Importantly we have listened to your feedback to our recent consultation, and our response is reflected in the scheme prospectus.

Opting in

The closing date for opting in is 11 March 2022. We have allowed more than the minimum eight-week notice period required, because the formal approval process for most eligible bodies is a decision made by the members of the authority meeting as a whole [Full Council or equivalent], except police and crime commissioners who are able to make their own decision.

We will confirm receipt of all opt-in notices. A full list of eligible bodies that opt in will be published on our website. Once we have received an opt-in notice, we will write to you to request information on any joint working arrangements relevant to your auditor appointment, and any potential independence matters which may need to be taken into consideration when appointing your auditor.

Local Government Reorganisation

We are aware that reorganisations in the local government areas of Cumbria, Somerset, and North Yorkshire were announced in July 2021. Subject to parliamentary approval shadow elections will take place in May 2022 for the new Councils to become established from 1 April 2023. Newly established local government bodies have the right to opt into PSAA's scheme under Regulation 10 of the Appointing Person Regulations 2015. These Regulations also set out that a local government body that ceases to exist is automatically removed from the scheme.

If for any reason there is any uncertainty that reorganisations will take place or meet the current timetable, we would suggest that the current eligible bodies confirm their acceptance to opt in to avoid the requirement to have to make local arrangements should the reorganisation be delayed.

Next Steps

We expect to formally commence the procurement of audit services in early February 2022. At that time our procurement documentation will be available for opted-in bodies to view through our e-tendering platform.

Our recent webinars to support our consultation proved to be popular, and we will be running a series of webinars covering specific areas of our work and our progress to prepare for the second appointing period. Details can be found on our website and in the scheme prospectus.

CAMBRIDGESHIRE
& PETERBOROUGH
COMBINED AUTHORITY

Agenda Item No: 10

Audit and Governance Committee – Climate Working Group

To:	Audit and Governance Committee
Meeting Date:	17 December 2021
Public report:	Public Report
From:	Adrian Cannard Strategic Planning Manager
Recommendations:	The Audit and Governance Committee is recommended to: a) note the Draft Terms of Reference of the Climate Working Group.
Voting arrangements:	Note only item, no vote required.

1. Purpose

1.1 To note the Draft Terms of Reference of the Climate Working Group.

2. Background

2.1 The Cambridgeshire and Peterborough Independent Commission on Climate (CPICC) recommended that the Combined Authority convene a “climate cabinet” to provide system-wide coordination in taking forward the Commission’s recommendations to the wider public and private sector. Membership should include representation from public sector organisations, businesses, research and higher education providers, and environmental groups. The Board endorsed this recommendation, with the climate cabinet to be called the Climate Working Group.

2.2 The first meeting of the Climate Working Group is scheduled for December. Terms of reference have been produced (Appendix 1) to be considered and adopted by the Working Group at its inaugural meeting. Sector representation is described in Appendix 2.

2.3 CPICC recognised that mitigating and adapting to climate change involved interconnected

system-wide issues, both nationally and locally. The Climate Working Group provides a forum to formulate collective responses at the local level. Agreement and accountability for delivery of action remain with individual organisations.

2.4 The Combined Authority Board further resolved on the 27 October 2021 to:

"… ask the Climate Working Group to prepare by 28 February 2022, for subsequent consideration by the Board on 30 March 2022, a more ambitious, comprehensive and public friendly Action Plan setting out how the Combined Authority will take action to implement the recommendations of the Cambridgeshire and Peterborough Independent Commission on Climate, or if agreement cannot be reached among partners by that time, to report on the outstanding issues; and thereafter, ensure an updated Action Plan is brought to the Board before the end of March each year."

2.5 In the spirit of cooperative working the supporting officer group arrangements will be chaired by a senior officer of the County Council and draw from across the organisations represented on the Climate Working Group and others where appropriate expertise is required.

2.6 Prior to the output of the Climate Working Group the Combined Authority is already taking opportunities to work collaborative with stakeholders to respond to climate change issues. As an example, the Combined Authority led a successful bid with local partners to the Zero Emission Buses Regional Allocation grant scheme, which will result in 30 zero emission buses entering into operation in the area.

2.7 The CPICC published its revised report on 18 October. This provided updates to its March report and made 27 additional recommendations. These new recommendations are for action to be taken by the Combined Authority, individuals, businesses, organisations and all tiers of government. The Combined Authority Board will consider the CPICC's second report at its meeting on the 24 November.

Significant Implications

3. Financial Implications

3.1 Proposed actions with budget implications for the Combined Authority will be brought forward for consideration in line with the Assurance Framework requirements.

4. Legal Implications

4.1 None.

5. Other Significant Implications

5.1 Addressing climate change has potentially significant equalities implications. The second report of the CPICC contains recommendations relating to equality and fairness under the heading "Just Transition" that will be considered by the Board in November 2021.

6. Appendices

6.1 Appendix 1 Terms of Reference.

6.2 Appendix 2 Sector representation

7. Background Papers

7.1 Full report of the Cambridgeshire and Peterborough Independent Commission on Climate Change

7.2 Combined Authority Board 27 October 2021 - Items 2.5 refers

7.3 Combined Authority Board 30 June 2021 - Item 4.3 refers

Appendix 2: Climate Working Group

Climate Working Group: sector representation

Combined Authority
Local Authorities
National Health Service
Environment Agency
Highways England
Public transport
Climate community groups and younger generations
CPICC
Nature
Flood Defence
Water Supply
Electricity distribution
Business
Housing
Agriculture
Academia

Appendix 2: Climate Working Group

Climate Working Group: sector representation

Combined Authority
Local Authorities
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Electricity distribution
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Housing
Agriculture
Academia

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY

Climate Working Group

Mission: to demonstrate local leadership and ensure coherent, system-wide action on tackling the causes and effects of climate change, and through collaborative working ensure an effective and immediate response within Cambridgeshire and Peterborough that is fair, long lasting and appropriately timed.

Ways of working

The Cambridgeshire and Peterborough Climate Working Group brings together representatives of key decision makers to promote and champion collective local action on climate issues, recognising that decisions by one organisation can have impacts for others. Each organisation, and each sector, is responsible for mitigating and adapting to climate change. They will have their own plans and strategies to do that, and control over their own resources. There are also existing collaborative groups that focus on specific themes (such as the Resilience Forum, or Natural Cambridgeshire) who will need to take climate implications into account.

The Climate Working Group is an alliance and a collaboration, not a separate organisation with its own budget or powers. Its starting point is the recommendations of the Cambridgeshire and Peterborough Independent Commission on Climate, which addressed recommendations to actors across the public and private sector. The Climate Working Group will champion the recommendations, and keep progress on the recommendations under review.

Terms of Reference

1. To work collectively to identify and implement action that can deliver short term reductions in greenhouse gas emissions to remain within the global carbon allowance;
2. To identify and implement system-wide actions that will achieve long term reductions in greenhouse gas emissions, to reach the target of Net Zero emissions as soon as possible;
3. To work collectively to reduce the risk to Cambridgeshire and Peterborough from the extremes of climate change, and to develop adaptation measures to minimise impact;
4. To undertake its activities in a way that enables a fair transition to a low carbon future;
5. To support opportunities to co-design and pilot effective responses;
6. To establish and keep science-based targets up to date; and

7. To monitor and review progress against these objectives (ongoing structures to keep under review the local implications of climate change to be considered following Independent Commission's second report).

Operation

To meet three times per year.

To be chaired by the Mayor.

To be supported by a Climate Working Group Senior Officers Group, providing governance link to sub-groups and specialist working groups, and task and finish groups as required.

Secretariat to be provided by CPCA.

DRAFT

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY

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Secretariat to be provided by CPCA.

DRAFT

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY

Agenda Item No: 10

Report title: Cambridgeshire and Peterborough Combined Authority Constitution

To:	Audit and Governance Committee
Meeting Date:	26 November 2021
From:	Robert Parkin Monitoring Officer
Key decision:	No
Recommendations:	The Audit and Governance Committee is recommended to: a) To approve, and recommend the revisions to the Constitution detailed in this report to the Combined Authority Board Voting arrangements: a simple majority of all Members.

1. Purpose

1.1 This report provides the Committee with commentary on the revisions made to the Constitution of the Combined Authority with a view that these be approved and recommended for adoption by the Combined Authority Board at their meeting in January 2022.

2. Background

2.1 The Combined Authority is obliged to review its Constitution on an annual basis. Officers have undertaken a process of review, and it is intended to present proposed changes to the Combined Authority Board on date January 2022.

2.2 The Audit and Governance Committee is responsible for keeping under review the governance arrangements, such as the constitution, of the Combined Authority and is empowered to make recommendations to the Combined Authority Board.

2.3 Officers have worked with various stakeholders in preparing these proposed revisions, including the Executive Team of the Combined Authority, Leaders' of constituent authorities as well as at a workshop of the Audit and Governance Committee on date October 2021.

3. Main Issues

3.1 The table presented below includes a description of the principle amendments. The table does not reference any minor typographical or grammatical amendments made to the document as part of this review. The table is presented for discussion (note: page numbers refer to the tracked-changed version of the Constitution – Appendix 1):

Chapter/Paragraph (page number)	**Amendment to:**	**Commentary**
Chapter 1, 2.2 and 2.3 (pages 1 and 2)	Summary	New paragraphs added to state what the Constitution must contain and to add some additional context
Chapter 1, 12.5 (page 6)	Decision Making Structure	The decision-making structure includes the Land Commission. This will be amended prior to being received by the CA Board in January 2022
Chapter 1, 13.4 (page 7)	CPCA Governance Structure	The governance structure is out-of-date. This has not, as yet, been amended. However, this will be amended when received by the CA Board in January 2022
Chapter 2, 2.4 (page 9)	Constituent Councils	Amended paragraph as wording could be seen as ambiguous
Chapters' 3, 5 and 11	Right of Mayor to speak at Executive Committee meetings	To allow the Mayor to formally take up his position as a non-voting member of all committees where he is entitled to do that, and where he is not already a member of that committee as of right AND/OR that Rule 13.4 of Chapter 5 of the Constitution be permitted by the CPCA Board, under paragraph 8.1 of Chapter 11, to apply to Committee meetings as well as to meetings of the Board
Chapter 4, 4.2 (Pages 19/20); also in Appendix 3	Land Commission – absorbed into CA Board activities	All references to the Land Commission removed from the Constitution

Appendix 1 – Lead member responsibilities; and Chapter 1 – Decision Making Structure (to be amended)		
Chapter 4, 4.2 (page 20) and Chapter 11, 4.1 (page 80)	Membership	Reference to appointment of Vice Chair in regard to Executive Committees in Chapter 4 has been removed to align with Chapter 11
Chapter 4, 4.3 (page 20)	Membership	Amended to state executive and statutory committees
Chapter 5, 1.1 (page 21)	Introduction	Removal of Coronavirus Act reference
Chapter 5, 16.11 (page 31)	Recorded Votes	To add that a member can ask for a recorded vote prior to or after a vote is taken
Chapter 5, 18.2 and 18.3 (page 32)	Questions by the Public	Additional two paragraphs clarifying how questions by the public be handled, whether through public attendance or via remote technology
Chapter 5, 18.4 (page 33)	Questions by Members	Amended to state the O&S Committee will be provided with a written answer to any question(s) which cannot be answered at the CA Board on the date asked
Chapter 5, 18.7 (page 34)	Questions by Members	Clarification on questions being asked by Members which are not on the CA Board agenda
Chapter 5, 18.15 Questions from the Public (page 36)	Asking the Question at the meeting	Amended to state: If a questioner who has submitted a written question is then unable to be present, they can ask for a written response *or that their question be read out by the clerk'.*
Chapter 5 (Annex)	Virtual/Hybrid Meeting Protocol	Deleted
Chapter 5 (page 44)	Webcasting Protocol	Amended to Annex 1 following the deletion of the Virtual/Hybrid Meeting Protocol
Chapter 6 (page 50)	General Exception	Page 51 did state "*Where publication of the intention to make a key decision is impractical, the decision may still be taken if: …"* Amended to: "*Where publication of the intention to make a key decision at least 28 clear days before the date on which it will be taken is impractical, the decision may still be taken if: …"*

Chapter 8, 7.1 (page 64)	Voting	“Special voting” rights replaces “Weighted voting”
Chapter 8, 9.3 (page 64)	Working Groups	Paragraph removed
Chapter 9, 8.3 (page 69)	Working Groups	Employment & Skills Board added
Chapter 10, 3.2.6(b) (page 76) also in Appendix 1: Lead Member Responsibilities (page 213)	Housing and Communities Committee, Terms of Reference	All references to the £70k Housing fund for City Council have been removed.
Chapter 11, 8.1	Rule numbers	Amendments to ensure rule numbers are correct in terms of the chapters and paragraphs listed
Chapter 13, 4.2 (page 90)	Voting	Additional sentence added around deadlocked decisions of the committee not being referred to the CA Board
Chapter 13, 4.3 (page 90)	Voting	Paragraph 4.3 added following the tied vote for Chair in May 2021
Chapter 14, 8 and 9 (page 104)	Requests to Audit & Governance; and Reference of Matters to Committees	Addition of new terms of reference approved by the A&G Committee in September 2022 with regard to the process of referrals to the Committee
Chapter 16, 36.2 (page 146)	Letters of Intent	Updated and amended paragraph
Chapter 16, 38.1, 38.2 and 38.3 (page 146)	Contract Approval	Updated and amended paragraphs
Chapter 16, 50.2 (page 151)	Grants (law)	Updated and amended paragraph
Chapter 17, 1.4 (c)	Introduction	Amended to coincide with new Chapter numbers
Chapter 17, 5.3 (page 156)	Delegations to the Chief Finance Officer	Addition of explicit reporting duty of the CFO, under s.114 of the Local Government Finance Act 1988
Chapter 18, 18.1 and 18.2 (page 164)	Officer Employment Procedure Rules Definitions and Introduction	Definitions and Introduction re-ordered
Chapters 18 and 19	Gifts and Hospitality	The previous version of the Constitution stated two different amounts for the declaration of gifts and hospitality (it stated anything over £25 and also anything over £50). Amended to £50 throughout

Chapter 19 (from page 177)	Code of Conduct	The word “civility” removed and changed to the new LGA standard: “Integrity and honesty”
Appendix 1 (pages 209-214)	Portfolio amendments	Reflects changed portfolios and newly established ones
Appendix 4 (now Appendix 3) (page 218)	Public Services Reform and Innovation Commission: Members Allowance Scheme	Date amended in Terms of Reference to reflect when the Commission was established by a decision of the CA Board
Appendix 5 (now Appendix 4) (pages 221-253)	Business Board	Previous Appendix replaced by a new one, with rewrite reflecting the Assurance Framework.

3.2 The Combined Authority is currently undertaking a governance review, and it is likely there will be an impact from this on the Constitution review in 2022, A number of areas have already been highlighted which might need a refresh next year. These will be discussed with the Leaders of the constituent councils and are highlighted below:

- Implementation of the recommendation of the Centre for Governance and Scrutiny to the CA Overview & Scrutiny Committee
- The Statutory Committee terms of reference in relation to the Combined Authority trading companies
- Responsibilities of the Executive Committees and he impact on effective decision-making
- Member/Officer protocol to bring it in line with constituent authorities
- Decision-making following the governance review
- Conflicts of interest protocol for statutory committees
- Level of detail and repetition within the Constitution picking up the format of future documents and the development of key principles for Constitution development

4. Financial Implications

4.1 The proposals contain no financial implications.

5. Legal Implications

5.1 The Combined Authority is obliged to adopt and maintain a constitution and standing orders.

6. Appendices

Appendix 1: Amended Constitution – November 2021 (Tracked-Changes version)
Appendix 2: Amended Constitution – November 2021 (Clean version)

CAMBRIDGESHIRE
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COMBINED AUTHORITY

Agenda Item No: 12

Treasury Management Strategy Update

To:	Audit and Governance Committee
Meeting Date:	17th December 2021
Public report:	Yes
From:	Robert Emery, Chief Accountant and Deputy S73 Officer
Key decision:	No
Forward Plan ref:	
Recommendations:	The Audit and Governance Committee is recommended to:

a) Note and review in year performance against the adopted prudential and treasury indicators.

Voting arrangements: No vote, noting item.

1. Purpose

1.1. The purpose of the report is for the Audit and Governance Committee to review the in year actual performance to 31st October 2021 against the prudential indicators included within the Treasury Management and Capital Strategies.

2. 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 2017 recommends that Members receive regular reports on the authority's treasury management policies, practices and activities, including a mid-year review progress report.

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 current performance against the adopted Prudential Indicators is shown at appendix 1.

2.5. In previous reports, the indicator for Principal Sums Invested for Periods Longer than a year had been calculated to include all investments with maturities beyond the relevant year end date. Upon further investigation it has been confirmed that it should only include investments with an original duration of longer than a year.
This has the effect of significantly reducing our principal invested beyond year-end for the current year as this had previously shown all Treasury Management investments that would be in place on the 31st March 2022 and now only shows those investments which were made for longer than 12 months.

2.6. The Chief Accountant reports that, despite being increased for the 21/22 Treasury Management strategy, the Interest Rate Risk Exposure indicator has again been breached. This is due to higher levels of liquid funds being held to meet operational needs in the next 12 months. This position is expected to continue into 22/23 and is driven primarily by the delay in expenditure of the £79m grant fund on the Green Homes retrofit programme.

2.7. The level of short-term investments held, which drives this indicator, are dictated by the need to manage forecast cashflows to meet anticipated need. Where grant periods are due to complete the Combined Authority takes the prudent approach of assuming no extension will be granted until it is confirmed by the funder; as such we ensure sufficient cash is available to repay any unspent funds after the grant period concludes. Where we have

large grants with short delivery windows, like the Green Homes retrofit programme for which the Combined Authority received £79m for delivery over 12 months, we cannot invest the funds significantly beyond the grant period and so this indicator is driven significantly higher. Given this position is expected to continue the appropriateness of this indicator for managing the Combined Authority's interest rate risk will be reviewed for the 22/23 Treasury Management Strategy.

Investment Activity

2.8. Surplus cash balances are held in accordance with the principles set out in the Treasury Management Strategy in order to support strategic investment decisions, the Capital Programme, and the Medium-Term Financial Plan (MTFP).

2.9. Forecast investment returns for 2021-22 are £374k against a budget of £231k. This is due to having higher than anticipated investment balances and to a number of multi-year deals which were made at a rate of interest significantly higher than that available for shorter term investments.

2.10. Table 1 below shows the treasury management position at 31st March 2021 and the position as at 31st October 2021. The CPCA has undertaken no borrowing in 2020-21 so there is no corresponding summary for debt.

Table 1: Treasury Management Summary

	As at 31.3.2021		**As at 31.10.2021**	
	Balance (£m)	**Average Rate**	**Balance (£m)**	**Average Rate**
Fixed Term Deposits				
Local Authority, time to maturity:				
Less than 3 months	40	0.33%	48	0.22%
3-6 months	45	0.32%	65	0.14%
7-9 months	43	0.26%	3	0.15%
10-12 months	50	0.20%	30	0.11%
Longer than 12 months	10	0.61%	10	0.61%
Total Local Authority	**188**	**0.29%**	**156**	**0.19%**
DMO*				
Less than 3 months	0	-	45	0.01%
3-6 months	0	-	5	0.07%
Immediate Access				
Call Account	11	0.00%	1	0.01%
Money Market Funds	32	0.01%	32	0.01%
Total investments	**231**	**0.24%**	**239**	**0.13%**

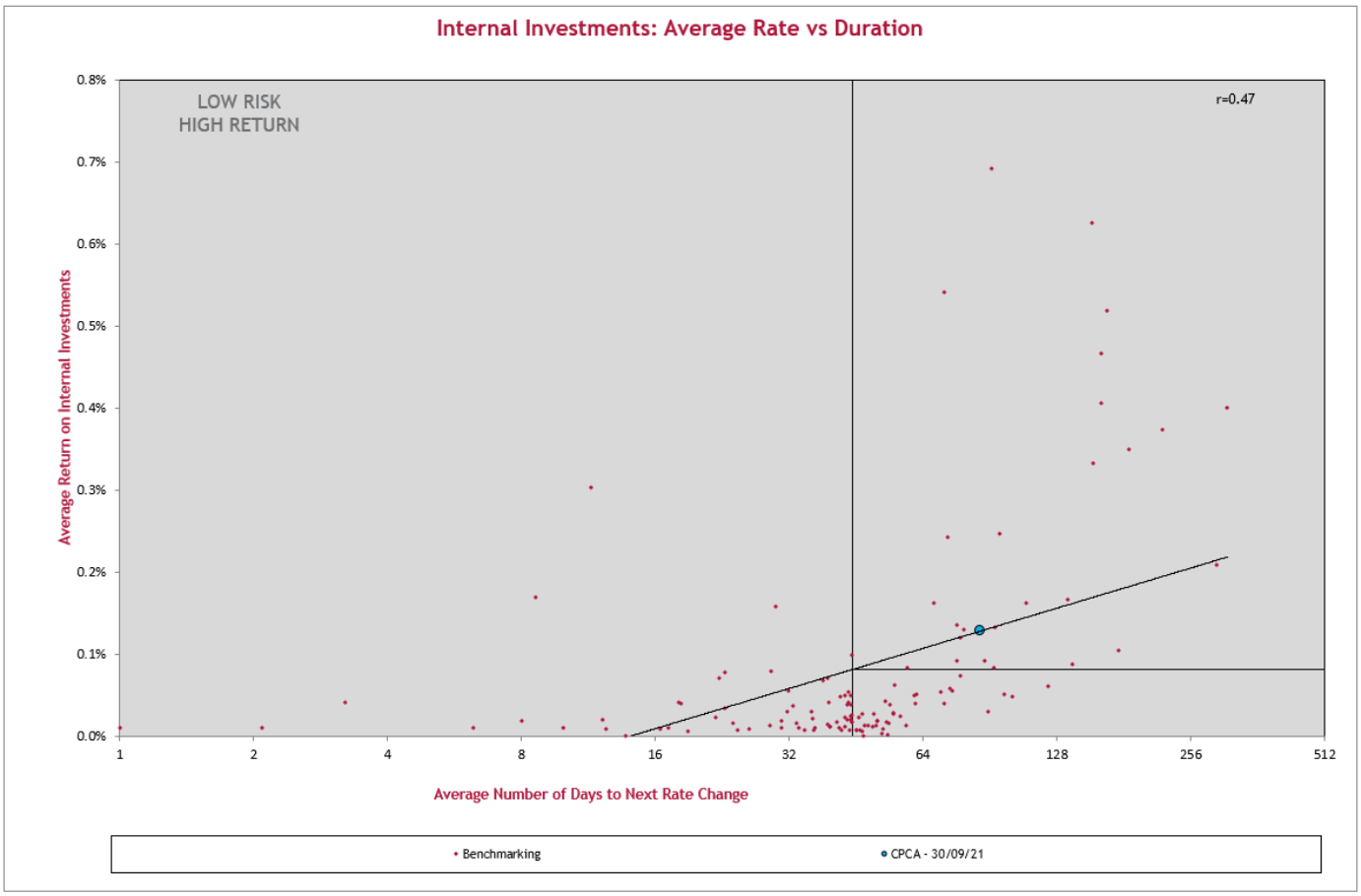
**DMO (formally the Debt Management Account Deposit Facility) is a government department which offers risk-free deposits for Local Authorities.*

2.11. In response to the global economic recession due to COVID the Bank of England, in line with many national and international institutions has reduced the cost of borrowing (the base rate) to historically low levels. The cost of debt from the Bank has a knock-on effect on lending rates across the country.

2.12. As we predominantly lend to other Local Authorities this reduction in the cost of debt is further exacerbated as Government has made substantial cash injections into the sector and projects have been put on hold, reducing the demand for borrowing and thus the rates achievable, although there are signs that the impact of this is starting to diminsh.

2.13. Interest rates expected to rise slowly over the next few quarters but still remain at historically low levels.

2.14. The investment portfolio compares as expected against benchmarking data for internal investments provided by our treasury management advisors, Arlingclose. The graph below shows average rate against the average remaining duration of investments. The Authority's portfolio sits on the trend line, at above both average rate and duration; this was a conscious decision to, where possible, take longer term deals in order to achieve an improved rate of return while maintaining required liquidity and security.

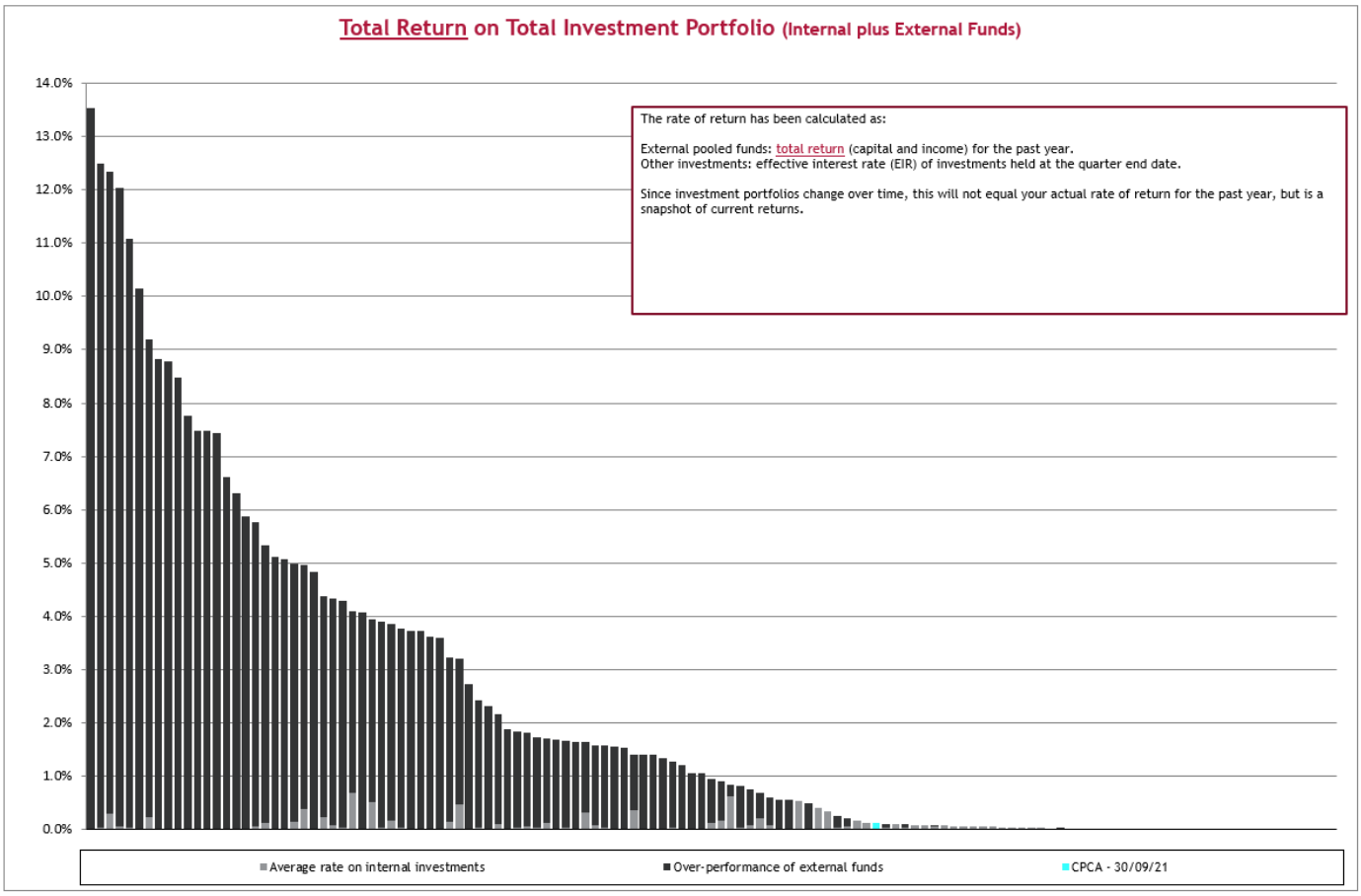


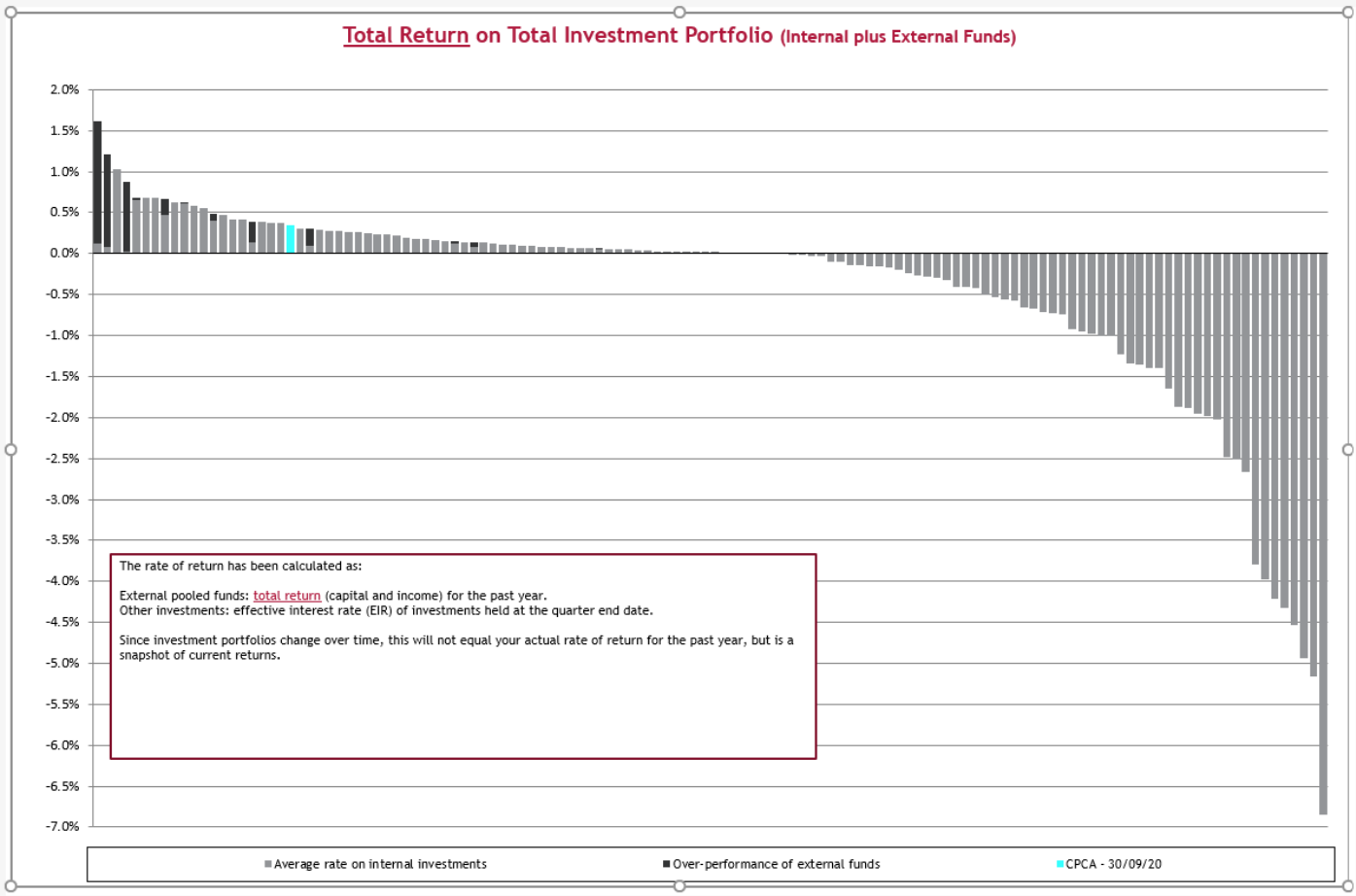
2.15. When compared against total returns against other Local Authorities, the portfolio compares less well as seen in the first graph below. For comparison, the second graph below shows that the portfolio compared favourably against total returns one year ago.

2.16. This is due to the inclusion of externally managed strategic investments where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three- to five-year period total returns will exceed cash interest rates. Last year capital values were down due to the pandemic and thus the Combined Authority's portfolio compared favourably, as the market 'bounces back' capital values recover, and thus strategic funds are currently benefiting from higher returns. The Authority doesn't currently have any externally managed strategic investments.

2.17. The Authority's current Investment Strategy as set out in the Treasury Management Strategy is:
Given the increasing risk and very low returns from short-term unsecured bank investments, the Authority will continue to diversify into more secure and/or higher yielding asset classes during 2021/22. Due to current liquidity requirements, an increasing proportion of the Authority's surplus cash is currently invested in short-term unsecured bank deposits, and money market funds.

2.18. In line with the strategy, current market conditions and the Authority's long term cash flow forecast, officers are considering options for diversifying some balances available for longer term investments into higher yielding, more volatile asset classes.


Total Return on Total Investment Portfolio (Internal plus External Funds)
14.0%
13.0%
12.0%
11.0%
10.0%
9.0%
8.0%
7.0%
6.0%
5.0%
4.0%
3.0%
2.0%
1.0%
0.0%
The rate of return has been calculated as:
External pooled funds: total return (capital and income) for the past year.
Other investments: effective interest rate (EIR) of investments held at the quarter end date.
Since investment portfolios change over time, this will not equal your actual rate of return for the past year, but is a snapshot of current returns.
Average rate on internal investments
Over-performance of external funds
CPCA - 30/09/21


Total Return on Total Investment Portfolio (Internal plus External Funds)
2.0%
1.5%
1.0%
0.5%
0.0%
-0.5%
-1.0%
-1.5%
-2.0%
-2.5%
-3.0%
-3.5%
-4.0%
-4.5%
-5.0%
-5.5%
-6.0%
-6.5%
-7.0%
The rate of return has been calculated as:
External pooled funds: total return (capital and income) for the past year.
Other investments: effective interest rate (EIR) of investments held at the quarter end date.
Since investment portfolios change over time, this will not equal your actual rate of return for the past year, but is a snapshot of current returns.
Average rate on internal investments
Over-performance of external funds
CPCA - 30/09/20

Significant Implications

3. Financial Implications

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

4. 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. Other Significant Implications

5.1. There are no significant implications not discussed above.

6. Appendices

6.1. Appendix 1: 21/22 Mid year Performance against Treasury Management and Capital Indicators and Limits

7. Background Papers

7.1. CPCA Capital Strategy: 24 March 2021 Combined Authority Board Item 2.2 App 1a

7.2. CPCA Treasury Management Strategy: 24 March 2021 Combined Authority Board Item 2.2 App 1b

Appendix 1 – 2021 Performance against Treasury Management and Capital Indicators and Limits

Treasury Management Indicators

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

1. **Investment limits**: In order to minimise the risk of a single default against available reserves, the maximum that will be lent to any one organisation (other than the UK Government) will be £25m. A group of banks under the same ownership will be treated as a single organisation for limit purposes. 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.

		Cash limit per the 21-22 Treasury Management Strategy	Maximum balance held in 2021-22 financial year	Complied?
Any single organisation, except the UK Central Government		£25m each	£25m	Yes
UK Central Government		unlimited	£72m	Yes
Any group of organisations under the same ownership		£25m per group	£0	Yes
Any group of pooled funds under the same management		£50m per manager	£0	Yes
Negotiable instruments held in a broker's nominee account		£50m per broker	£0	Yes
Foreign countries		£25m per country	£0	Yes
Local authorities & other government entities	Counterparty limit	£25m	£25m	Yes
	Sector limit	Unlimited	£198m	Yes
Secured investments	Counterparty limit	£25m	£0	Yes
	Sector limit	Unlimited	£0	Yes
Operational bank account	Counterparty limit	£25m	£16m	Yes
Banks (unsecured), excluding operational account	Counterparty limit	£15m	£0	Yes
	Sector limit	Unlimited	£0	Yes
Building societies (unsecured)	Counterparty limit	£15m	£0	Yes
	Sector limit	£25m	£0	Yes
Registered providers (unsecured)	Counterparty limit	£15m	£0	Yes
	Sector limit	£50m	£0	Yes
Money market funds	Counterparty limit	£25m	£14m	Yes
	Sector limit	Unlimited	£32m	Yes
Strategic Pooled funds	Counterparty limit	£25m	£0	Yes
	Sector limit	£100m	£0	Yes

Real estate investment trusts	Counterparty limit	£25m	£0	Yes
	Sector limit	£50m	£0	Yes
Other investments	Counterparty limit	£15m	£0	Yes
	Sector limit	£25m	£0	Yes

2. **Security:** The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	30.9.21 Actual	**2021/22 Target**	**Complied?**
Portfolio average credit score (lower is better)	4.40 (AA-)	6 (A)	Yes

This indicator is provided as at 30.09.21 as it is calculated by our Treasury Management advisors as part of our quarterly benchmarking. The credit rating of investments as at 31.10.2021 is not materially different from the position as at 30.09.2021

3. **Liquidity:** The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

	31.10.21 Actual	**2021/22 Target**	**Complied?**
Total cash available within 3 months	£81m	£50m	Yes

4. **Interest Rate Exposures**: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interests was:

Interest rate risk indicator	**31.3.21 Actual**	**2021/22 Limit**	**Complied?**
Upper limit on one-year revenue impact of a 1% rise in interest rates	£1.64m	£1.5m	No
Upper limit on one-year revenue impact of a 1% fall in interest rates	£1.64m	£1.5m	No

The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at current rates.

5. **Principal Sums Invested for Periods Longer than a year:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

	2021/22	2022/23	2023/24
Actual long term principal invested beyond year end	£10m	£0m	£0m
Limit on long term principal invested beyond year end	£160m	£50m	£50m
Complied?	Yes	Yes	Yes

Capital Strategy Indicators

1. **Capital Expenditure in £ millions.** The table shows the Combined Authority's capital expenditure for 2021/22, and the following two financial years based on the medium-term financial plan.

	2021/22 budget	2021/22 forecast	2022/23 budget	2023/24 budget
Capital investments	239.78	223.01	61.90	37.28
TOTAL	**239.78**	**223.01**	**61.90**	**37.28**

2. **Indicator 2 – Capital Financing in £ millions.** All capital expenditure must be financed, either from external sources (government grants and other contributions), the Authority's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The financing of the above expenditure is as follows:

	2021/22 budget	2021/22 forecast
Grant funding	210.76	196.37
Usable Capital Receipts	29.02	26.64
Debt	0	0
TOTAL	**239.78**	**223.01**

3. **Indicator 3 – Gross Debt and the Capital Financing Requirement in £ millions.** The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with Minimum Revenue Provision (MRP) and capital receipts used to replace debt. The Authority currently has no debt and therefore no CFR. Projected levels of the Authority's total outstanding debt which comprises borrowing, PFI liabilities and leases are shown below, compared with the capital financing requirement.

	31.3.2022 budget	31.3.2022 forecast
Debt (incl. PFI & leases)	0	0
Capital Financing Requirement	0	0

4. **Indicator 4 – Borrowing and the Liability Benchmark in £ millions.** To compare the Authority's actual borrowing against an alternative strategy, a liability benchmark is calculated showing the lowest risk level of borrowing. Given that there are no current plans to borrow, this benchmark is currently set at the existing debt cap, but will be kept under review.

	31.3.2022 budget	31.3.2022 forecast
Outstanding borrowing	0	0
Liability benchmark	84.61	0

5. **Indicators 5 and 6 - Authorised limit and operational boundary for external debt in £ millions.** The Authority is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year and to keep it under review. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

	2021/22 limit	2021/22 forecast
Authorised limit – total external debt	84.61	0
Operational boundary – total external debt	74.61	0

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY

Agenda Item No: 13

Report title: Combined Authority Trading Companies

To:	Audit and Governance Committee
Meeting Date:	17th December 2021
From:	Robert Parkin Monitoring Officer
Key decision:	No
Recommendations:	The Audit and Governance Committee is recommended to: a) Comment upon, recommend any changes, and agree 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 an update to the draft terms of reference in relation to the review and assessment of the Combined Authority's trading companies in line with the statutory powers invested in the Committee.

2. Background

2.1 The Audit and Governance Committee's terms of reference describe its role as to:

- Review and scrutinise the authority's financial affairs
- Review and assess the authority's risk management, internal control and corporate governance arrangements
- Review and assess the economy, efficiency and effectiveness with which resources have been used in discharging the authority's functions; and
  a) make reports and recommendations to the Combined Authority in relation to reviews; and
  b) implement the obligation to ensure high standards of conduct amongst

Members.

2.2 At the meeting of the Committee on 24 September 2021 it considered a paper with draft terms of reference in relation to the review and assessment of the Combined Authority's trading companies and resolved not to accept them as presented. The Committee requested officers seek the experiences of other combined authorities and councils in relation to trading companies and present an updated terms of reference for consideration at this meeting.

2.3 Since the last meeting of the Committee the Combined Authority Overview & Scrutiny Committee has considered terms of reference in relation to that body's statutory powers in relation to trading companies and agreed the following:

a) Advise the Combined Authority Board and hold it to account, where necessary, in relation to the trading companies;
b) Review any matter within the Committee's power, pertaining to the Combined Authority's trading companies and any future activities of those trading companies.

2.4 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 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.

This company is to be placed into dormancy with a view to striking-off the register at Companies House.

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, and the Combined Authority Board acts as shareholder. 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. Given this process of decision-making and as decisions relating to the companies go to the Combined Authority Board, the Audit & Governance 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.

3.4 The proposed terms of reference, below, have been considered by the authority's internal auditors who have made comment and suggested amendment, where appropriate. It should be noted the individual trading companies are not directly accountable to the Committee:

<u>Terms of Reference for the Cambridgeshire & Peterborough Combined Authority Audit and Governance Committee in Relation to the Review and Assessment of the Authority's Trading Companies</u>

a) Assist the Combined Authority in fulfilling its oversight responsibilities in relation to reviewing and monitoring activity of the trading companies;

b) Advise the Combined Authority Board on any matters within the Committee's powers pertaining to the trading companies;
c) Provide appropriate review and challenge of the Combined Authority's governance arrangements of its trading companies and it appointments to the boards of the companies;
d) Provide appropriate review and challenge on the financial information provided to the Combined Authority by the trading companies;
e) Commission, where appropriate, the Combined Authority's internal audit function to undertake discrete activity relating to the Authority's governance of its trading companies

4. Financial Implications

4.1 There are no significant financial implications to this activity.

5. Legal Implications

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

CAMBRIDGESHIRE
& PETERBOROUGH
COMBINED AUTHORITY

Agenda Item No: 14

Audit and Governance Committee - Work Programming Report

To:	Audit and Governance Committee
Meeting Date:	17th December 2021
Public report:	Public Report
From:	Robert Parkin Chief Legal Officer and Monitoring Officer
Recommendations:	The Audit and Governance Committee is recommended to: a) Note the current work programme for the Audit and Governance Committee for the 2021/22 municipal year attached at Appendix 1 b) Discuss the list of topics submitted by members following the Horizon Scanning Session and approve any items to be added to the future work programme. c) Review the top five risks from the risk register and approve any items to be added to the future work programme. Voting arrangements: A simple majority of all Members

1. Purpose

1.1 The report provides the Committee with the draft work programme for Audit and Governance Committee to note at Appendix 1.

1.2 At their meeting on the 30 July 2021 the Committee agreed they would like their work programme report to include the Top Five Risks from the Corporate Risk Register. This report outlines these risks for consideration.

1.3 The Committee held a Horizon Scanning session on the 12th November 2021 and received information from the Directors for the Combined Authority. Following this session, the

members were requested to provide their top three areas of interest to be considered for inclusion on the work programme going forward. This report outlines the topics provided by members.

2. Background

2.1 At the Audit and Governance Committee meeting of 25 June 2021 the Committee agreed that the Monitoring Officer would work with the Chair to develop ideas around how the Committee would develop their work programme.

2.2 The Committee requested that the top five risks from the Corporate Risk Register were included in the work programme report. This is to enable the Committee to consider whether these needed any further review.

Top Five Risks – CPCA

Risk ID	Cause	Effect	Likelihood	Impact	Residual Score
32	DLUHC confirming no future funding for a bespoke CPCA Housing Programme	Uncertainty about the future role of the housing team and associated resourcing requirements beyond seeing out the completion over the next 24 months of the affordable housing programme to March 2022. for which officer resources are required.	5	4	20
1	External delivery partners unable to deliver on agreed commitments to CPCA projects	Projects are not delivered on time, budget, or to the required standard.	3	4	12
14	Covid-19 Pandemic (A)	Potential absence of significant numbers of Combined Authority staff undermining the ability to transact the operational business of the Combined Authority	3	4	12
16	Covid-19 Pandemic (B)	Economic impact of lockdown in response to Covid-19, may have implications for future government funding and for economic activity within the Combined Authority area in the short term.	3	4	12
19	Covid -19 Pandemic (C)	Economic impact of lockdown in response to Covid-19, may have implications for future government funding and for economic activity within the Combined Authority area in the long term.	5	2	10

2.3 The Committee members attended a Horizon Scanning session with Directors on the 12th November, following this session the members were requested to provide their top three areas of interest to be considered for inclusion on the work programme going forward.

The table below lists the risks and topics submitted by members for consideration.

Risks	Potential Topics
Changing nature of the Combined Authority such as the Energy Hub where it takes on a role for a much wider geographic area Major change of business model with bus enhanced partnership and franchising where it will be commissioning and contracting for bus services Effective influencing. Bidding capabilities Clarity of CPCA's role and purpose' Lack of Corporate Plan for the next four years – risk of conflict and wasted effort and money.	Future role of CPCA – operations vs strategy vs influencing – what does government expect and is that realistic Implementing the Mayor's 3Cs – is there an action plan? CPCA's role in mitigation and adaptation for climate change Affordable Housing; Staffing, particularly at senior levels; Skills agenda, with particular reference as to where responsibility lies between CPCA and the Business Board. Combined Authority as a leader / influencer for the area

2.4 The current work programme is attached at Appendix 1 for members to note. Members are asked to note that the reserve meeting in January has now been scheduled to take place.

3. Financial Implications

3.1 None

4. Legal Implications

4.1 None

6. Appendices

6.1 Appendix 1 – A&G Work programme

7. Background Papers

7.1 None

AUDIT AND GOVERNANCE COMMITTEE
WORK PROGRAMME 2021/22

Meeting Date 2020/21	**Item**	**COMMENTS**
Meeting Date	**Item**	**Comment**
26th November 2021 (rescheduled: 17th December 2021)	**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.
	Minutes of the previous meeting	Standing item on the agenda for the committee to agree the minutes from the last meeting.
	Corporate Risk Register	Standing item by request of the committee to be considered at each meeting.
	Work Programme	Standing item for the committee to consider their upcoming work programme.
	Trading Companies Terms of Reference - Update	
	Constitution Review	
	Annual Accounts & Annual Governance Statement	

	Internal Audit – Progress Report	Report from the Internal Auditors to provide an update on the progress of the current internal audits.
	External Audit – Final Results	
	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.
	Terms of Reference for the Climate Change Working group	Terms of reference for the Climate Change Working group to be brought to the committee for consideration and to request that the working group advise how flooding considerations
	Retender of External Audit Contracts	
28th January 2022 Venue: East Cambs District Council		
	DEVELOPMENT SESSION: ROLE OF AUDIT ON MAJOR PROJECTS	
	Governance Review	
	Combined Authority Board Update	
	Minutes of the previous meeting	
	Corporate Risk Register	

	Work Programme	
	Guidance on Accounts	Report to come to Committee with an update on what guidance had been received from government on how to simplify accounts.
	Assurance Framework	Committee agreed in May 2019 that the A/Framework be presented to Committee on 6-month basis.
	Financial Strategies	
	Constitutional Amendments - Role of the Business Board	
Meeting Date	**Item**	**Comment**
DEVELOPMENT SESSION: A&G COMMITTEE SELF ASSESSMENT		
11th March 2022	**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.
	Minutes of the previous meeting	Standing item on the agenda for the committee to agree the minutes from the last meeting.
	Corporate Risk Register	Standing item by request of the committee to be considered at each meeting.
	Work Programme	Standing item for the committee to consider their upcoming work programme.

	External Audit – Audit Plan	The Committee receive and approve the final audit plan prepared by the external auditors
	Internal Audit Plan:	Details of audit activity for the following year.
	Treasury Management Strategy Summary	The Committee receive the report asks for comments comment on the draft Treasury Management Strategy.
	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.
	Information Governance Update	Bi annual update on governance issues including FOI, Complaints, incidents of fraud and whistleblowing.
Meeting Date	**Item**	**Comment**
27 May 2022	**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.
	Minutes of the previous meeting	Standing item on the agenda for the committee to agree the minutes from the last meeting.

	Corporate Risk Register	Standing item by request of the committee to be considered at each meeting.
	Work Programme	Standing item for the committee to consider their upcoming work programme.
	Occurred Meetings – Work Programmes	
19 July 2019 **Fenland District Council**	**Internal Auditors Annual Report**	The Committee considered and endorsed the Annual Report and Opinion from Internal Audit for the year ended 31st March 2019
	Statement of Accounts 2018/19 and External Audit Final Results	The Committee resolved that: i) That the Chief Executive circulate the draft statutory notice to the members of the Audit and Governance Committee prior to publication. ii) That the Chief Executive liaise with all affected constituent Councils and send a letter to government expressing their dissatisfaction with the auditors performance and the impacts this has had on each Council. iii) That the Chair of the Audit and Governance Committee write to the Partner leading the Ernst and Young Government and Public Sector Assurance team expressing the Committee extreme disappointment. iv) That the Committee receive and approve, in principle, the final Statement of Accounts. v) That the Committee agree to the additional

		recommendations below: a) Note that the Combined Authority's external auditors are not able to guarantee that they will have completed their audit of the accounts for 2018/19 before the statutory deadline of 31 July 2019 for the publication of the statement of accounts together with any certificate or opinion from the external auditors; b) Note that if it is not possible to publish the statement of accounts on time the law requires the Combined Authority to publish as soon as reasonably practicable on or after the deadline a notice stating that it has not been able to publish the statement of accounts and its reasons for this; c) Authorise the Chief Finance Officer in consultation with the Chair of Audit and Governance Committee, as and when the final Audit Opinion is provided by the external auditors, to make any minor amendments to the statement of accounts arising from the final Audit Opinion and to authorise the Chief Finance Officer and Chair of Audit and Governance to then sign and publish the statement of accounts together with any certificate or opinion from the external auditors; d) In the event that amendments arising from the final Audit Opinion would constitute a "material adjustment" to the final accounts as defined in the

		external auditor's final audit plan a further report is to be brought to Committee; and e) That the Committee receive and approve the Annual Governance Statement 2018/19 as included within the statement of accounts.
	Chairman's Annual Audit Report	The Annual Report of the Chair of the Committee be submitted to the Combined Authority Board was approved.
	Internal Audit Plan	The Committee considered and endorsed the Annual Report and Opinion from Internal Audit for the year ended 31st March 2019.
	Value for Money Report	The Committee noted the Combined Authority's approach to delivering value for money.
	Treasury Management Annual Report	The Committee reviewed the actual performance for the year to 31st Match 2019, against the adopted prudential and treasury indicators.
	Human Resources Risk Reduction Update	The Committee noted the update.
	Work Programme	The Committee agreed updates to the work programme and noted the report.
Meeting Date 2019/20	**Item**	**COMMENTS**
27 September 2019 Cambridge City Council	**Audit Results Reports & Statement of Accounts 2018/19**	The Committee received the audit results report for the year ended 31st March 2019.
	Transport Acceleration and Risk Report	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.

	Medium-Term Financial Plan and Business Plan	The report was noted.
	Combined Authority Board Update	The Committee noted the update.
	Business Board Update	The Committee noted the priorities and objectives of the Business Board.
	Internal Audit Update	The progress report from Internal Audit was considered. Internal Audit would provide timelines and progress indicators in future reports and seek The Committee's approval to any programme changes.
	Governance Review Report	The proposed new governance arrangements for the Combined Authority had been considered and the Committee's Work Programme be amended to include a future report to the Committee reviewing the effectiveness of the proposed new governance arrangements.
	Risk Register and Performance Update	The Committee noted the Performance Reporting processes that are in place for the Combined Authority. The Committee requested that the Performance Reporting Dashboard is presented to the Board on a quarterly basis and recommend any proposed changes be noted. The Committee requested that the proposed changes to the Corporate Risk Register be reported to the next Board meeting for approval.
	Report on Freedom of Information, Whistleblowing and Fraud	The Committee would advise how the Combined Authority communicated the Whistleblowing Policy and encouraged its use.
	Response to National Audit Office Consultation	The proposed changes to the Code of Audit practice and the potential impact on reporting to

		the Committee for local audit work was noted.
	Work Programme	The update was noted.
Meeting Date 2019/20	**Item**	**COMMENTS**
16 December 2019 South Cambridgeshire District Council	**Assurance Framework**	A paper will be produced for Audit & Governance Committee meeting in March 2020. The Committee noted the revised Assurance Framework
	Corporate Risk Register	The proposed revised Strategy and changes to the Corporate Risk Register were recommended.
	Data Protection Policy	An update from the Data Protection Officer be put on Audit & Governance Committee Work Programme for December 2020. That the Combined Authority would keep an eye on implications on data protection after Brexit. The Data Protection Policy report was recommended
	Internal Audit Progress Report	That an update report be brought back to Audit & Governance Committee in March 2020, including a procedure for urgent items. That a reminder email be sent to Members regarding themes for internal auditors for the following year. The Committee noted the report.
	Adult Education Budget and Assurance Programme	An annual insight to be received by the Committee every year. A briefing session to be organised for the Committee in summer/autumn 2020.

		The Adult Education Budget Audit and Assurance Programme, along with the arrangements, was noted.
	Treasury Management Strategy Update	The update was reviewed by the Committee.
	Combined Authority Board Update	The Committee noted the update.
	Work Programme	The Committee agreed updates to the work programme and noted the report.
Meeting Date 2020/21	**Item**	**COMMENTS**
26 May 2020 Remote Meeting	**Confirmation of Membership of the Audit & Governance Committee**	Membership was the same as in the last municipal year and there had been no changes amongst substitute members. The Committee noted Fenland DC Annual General Meeting was to be held on 17 June, which could signal change in Fenland DC membership of the Committee.
	Combined Authority Board Update	The Committee noted the update.
	Statement of Accounts 2019/20	The statement of accounts to be presented at the 31 July 2020 meeting of the Committee will be circulated to members two-weeks in advance of the meeting.
	External Audit Update	A further report will be received at the 31 July 2020 meeting of the Committee.
	Internal Audit Update	The Internal Audit with opinion be received at the 31 July 2020 meeting of the Committee.
	Draft Annual Report of the Chair of the Audit & Governance Committee	The report was approved by the Committee for submission to the CA Board meeting on 5 August 2020, subject to the correction of a typographical error.
	Corporate Risk Register	The Committee recommended climate change is included on the on the Risk Register in future.

	Complaints Procedures	The Committee noted the revised procedures and, with the addition of the contact details of 'street scene' issues for the borough, city and district councils, approve them to the CA Board.
	Treasury Management Strategy	The Committee noted the strategies.
	Trading Companies	A development session on the trading companies be held, possibly in autumn 2020.
	Revised Guide for Project Management	The Committee received and noted the revised guide.
	Work Programme	The Committee requested greater clarity on the work programme for future meetings.
	Urgent Item: Lancaster Way	The Committee responded positively to the request for an independent review. and that this has no impact on the delivery of the project. The Committee is open to an Extraordinary meeting, if necessary, with the proviso that sufficient time is afforded to enable the Committee to have all the background information it requires.
Meeting Date 2020/21	**Item**	**COMMENTS**
31 July 2020 Remote Meeting	**Appointment of a Vice-Chairman of the Audit & Governance Committee**	A Vice-Chairman of the Committee would be appointed at the meeting on 31 July as the Combined Authority Board Annual Meeting was

		not until 3 June and a decision on a Vice-Chairman appointment would be ratified at that meeting.
	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.
	Minutes of the previous meeting	Standing item on the agenda for the committee to agree the minutes from the last meeting.
	Corporate Risk Register	Standing item by request of the committee to be considered at each meeting. The report to be presented to the 31 July 2020 meeting of the Committee to include the top three to four risks that are improving/getting worse.
	Work Programme	Standing item for the committee to consider their upcoming work programme.
	Internal Audit 2020/21	A separate paper on how the Combined Authority is to take Internal Audit forward after the Service Level Agreement with Peterborough City Council concludes was requested for this 20 meeting.
	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.
	External Audit Final Results	The Committee receive the audit results report from the external auditors.
	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.
	Draft Financial Statements 2019/20	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
	Independent Commission on Climate Change	Committee to receive a report on the procedures undertaken in the appointment of the Independent Chair of the Commission
Meeting Date 2020/21	**Item**	**COMMENTS**
2 October 2020 Venue: TBA	**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.
	Minutes of the previous meeting	Standing item on the agenda for the committee to agree the minutes from the last meeting.
	Corporate Risk Register	Standing item by request of the committee to be considered at each meeting.
	Work Programme	Standing item for the committee to consider their upcoming work programme.
	Internal Audit Plan 2020/21	Report from the Internal Auditors on the Internal

		Audit Plan for the municipal year.
	Financial Statement 2019/20 and External Audit Update	
	Treasury Management Strategy Review	The Committee receive the report which review the current performance against the prudential indicators included within the Treasury Management Strategy.
27 November 2021 Virtual Meeting		
	DEVELOPMENT SESSION	**VALUE FOR MONEY**
	The Mayor of the Combined Authority	Mayor James Palmer will be in attendance
	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.
	Lancaster Way Update	
	Minutes of the previous meeting	Standing item on the agenda for the committee to agree the minutes from the last meeting.
	Corporate Risk Register	Standing item by request of the committee to be considered at each meeting.
	Work Programme	Standing item for the committee to consider their upcoming work programme.

	Internal Audit: Internal Audit Plan	Report from the Internal Auditors to provide an update on the progress of the current internal audits.
	External Audit and Opinion 2019/20	To receive the External Audit and Opinion from Ernst & young for the previous financial year.
	End of Year Financial Statements 2019/20	
	Adult Education Budget	