



## **AUDIT & GOVERNANCE COMMITTEE**

**Date: Friday, 27 November 2020**

**Democratic Services**

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

**09:30 AM**

72 Market Street  
Ely  
Cambridgeshire  
CB7 4LS

**Due to Government guidance on social-distancing and the Covid-19 virus it will not be possible to hold physical meetings of the Combined Authority Board and the Combined Authority's Executive Committees for the time being. The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 allow formal local government meetings to be held on a virtual basis, without elected members being physically present together in the same place. Meetings will therefore be held on a virtual basis and the procedure is set out in the "Procedure for Combined Authority Virtual Decision-Making" which can be viewed at the foot of the meeting page under the "Meeting Documents" heading. That document also contains a link which will allow members of the public and press to attend the virtual meetings.**

**[Venue Address]**

# AGENDA

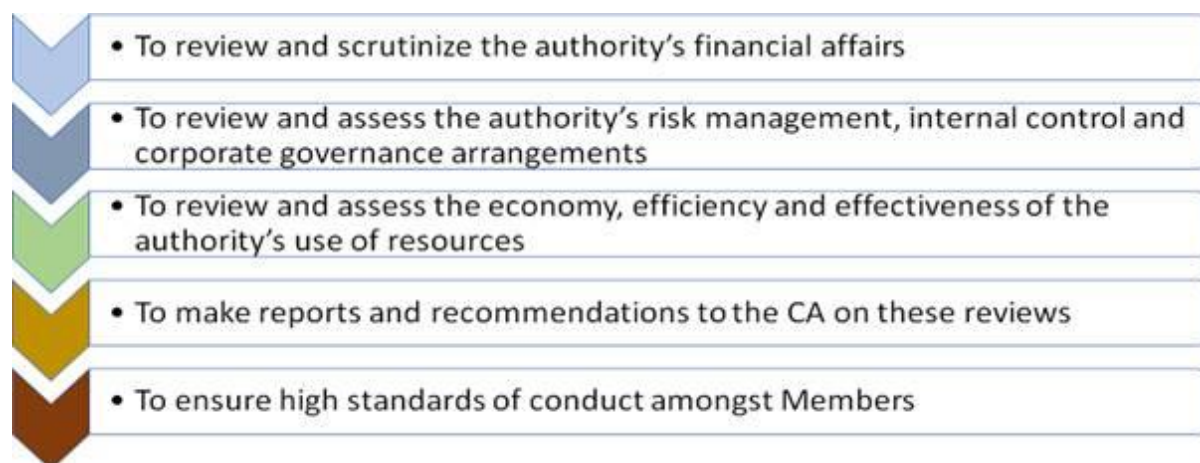
Open to Public and Press

- 1 Apologies for Absence and Declaration of Interests**
- 2 Mayor for the Combined Authority in attendance**  
Mayor James Palmer to answer questions from the Committee, provide an update on the MCHLG and the Combined Authority activity.
- 3 Chair's Announcements**
- 4 Minutes of the Previous Meeting**  
To approve the minutes of the meeting held on 2nd October 2020.  
**Minutes & Action Sheet 2nd October 2020** **1 - 12**
- 5 Lancaster Way Update Nov 2020** **13 - 66**
- 6 Relationship Risk & Change** **67 - 112**
- 7 Corporate Risk Report** **113 - 116**
- 8 End of Year Financial Statements 2019/20 and External Audit and Opinion** **117 - 254**
- 9 Internal Audit Plan 2020.21 CPCA** **255 - 275**
- 10 Adult Education Budget Update** **276 - 279**
- 11 Work Programme Report** **280 - 296**
- 12 Date of next meeting:**  
Monday, 29th January 2021 at 10.00 a.m. via the Zoom platform

The Audit & Governance Committee comprises the following members:

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

### **The Audit and Governance Committee Role.**



The Combined Authority is committed to open government and members of the public are welcome to attend Committee meetings. It supports the principle of transparency and encourages filming, recording and taking photographs at meetings that are open to the public. It also welcomes the use of social networking and micro-blogging websites (such as Twitter and Facebook) to communicate with people about what is happening, as it happens.

Councillor David Brown	
John Pye	
Councillor Ian Benney	
Councillor Graham Bull	
Councillor Mike Davey	
Councillor Mark Goldsack	
Councillor Tony Mason	
Councillor Nick Sandford	
Clerk Name:	Robert Fox
Clerk Telephone:	
Clerk Email:	Robert.Fox@cambridgeshirepeterborough-ca.gov.uk



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

### **AUDIT AND GOVERNANCE COMMITTEE: MINUTES**

**Date: Friday, 2 October 2020**

**Time: 10.00 a.m.**

**Location: Virtual meeting via the Zoom Platform**

**Present:**

Mr John Pye  
Cllr Ian Benney  
Cllr David Brown  
Cllr Graham Bull  
Cllr Mike Davey  
Cllr Mark Goldsack  
Cllr Tony Mason  
Cllr Nick Sandford

Chairman  
Fenland District Council  
East Cambridgeshire District Council  
Huntingdonshire District Council  
Cambridge City Council  
Cambridgeshire County Council  
South Cambridgeshire District Council  
Peterborough City Council

**Officers:**

Kim Sawyer  
Robert Parkin  
Jon Alsop  
Robert Emery  
Robert Fox  
Francesca Houston  
Susan Hall  
Daniel Harris  
Steve Crabtree

Chief Executive Officer  
Chief Legal Officer and Monitoring Officer  
Chief Finance Officer (s.73 Officer)  
Chief Accountant  
Interim Scrutiny Officer  
Transport Programme Co-ordinator  
Governance Assistant  
Internal Auditor (RSM UK Ltd.)  
Internal Auditor (Peterborough City Council)

#### **1. APOLOGIES AND DECLARATIONS OF INTERESTS**

- 1.1 There were no apologies received and no declarations of interest.

#### **2. CHAIR'S ANNOUNCEMENTS**



- 2.1 The Value for Money Workshop would take place following the Committee meeting of 27 November 2020.
- 2.2 The Chair welcomed Daniel Harris, RSM UK Ltd. to his first meeting as a representative of the newly appointed Internal Auditors.
- 2.3 It was confirmed the Mayor would be attending the meeting of the Committee on 27 November and that members would be requested to provide advance questions one week prior to the meeting.

### **3. MINUTES OF THE PREVIOUS MEETING**

#### Meeting of 31 July 2020

- 3.1 The minutes of the meeting of 31 July 2020 were approved as an accurate record. The Action Notes from the meeting were then considered by the Committee.
- 3.2 The Monitoring Officer confirmed that it was entirely appropriate for the Company Secretary of a Local Authority Trading Company to also be employed by that Local Authority. In the unlikely event of a conflict of interest it would be normal for a separate officer to provide advice.
- 3.3 The Chief Executive Officer updated the Committee on Lancaster Way and stated the draft report has just been received and is being considered by the Combined Authority and the County Council. A report would, therefore, be presented to the Committee at its next meeting which will assist the Committee in its consideration of any potential further action.
- 3.4 The Chief Executive Officer also updated the Committee on meetings the Combined Authority has had with civil servants at the Ministry of Housing, Communities and Local Government (MHCLG). There was to be a further meeting at the end of November and an update would be provided at the meeting of the Committee in January 2021. The Committee had considered the constitutional amendments which were approved by the Combined Authority Board at its meeting on 30 September. It was requested that any future correspondence between the Combined Authority and the MHCLG be shared in advance of the January 2021 meeting of the Committee.

#### Meeting of 24 September 2020

- 3.5 The minutes of the meeting of 24 September 2020 were approved as an accurate record.
- 3.6 The Monitoring Officer thanked members for their full engagement in the process of the Constitutional review and reported on the Combined Authority Board meeting which considered and approved the amendments. There was one further amendment proposed by the CA Board, related to the Officer Employment Procedure Rules; and an earlier engagement with the Employment committee than suggested in the recommendation. All the A&G amendments were adopted by the CA Board.

- 3.4 The Assurance Framework would be received at the November meeting of the Committee, alongside a Member/officer protocol and a protocol on appointments to Commissions/Boards etc.
- 3.5 A letter to the MHCLG on quoracy requirements of Combined Authority Statutory Committees was being drafted and would be sent to the Ministry shortly. The draft would be shared with the Chair (and the Chair of the Overview and Scrutiny Committee) prior to being sent.

**RESOLVED**

- 3.5 A report on Lancaster Way be brought to the next meeting of the Committee on 27 November 2020.
- 3.6 The Assurance Framework and the Member/officer; and appointments to Commissions/Boards be brought to the next meeting of the Committee on 27 November 2020.

**4. CPCA STATEMENT OF ACCOUNTS AND EXTERNAL AUDIT 2019/20**

- 4.1 The s.73 officer was in attendance, alongside Suresh Patel and Dan Cooke, Ernst & Young (external auditors) to update the Committee on the statement of accounts and external audit 2019/20. The s.73 officer informed the Committee that the accounts had been published in draft form and were uploaded onto the Combined Authority website on 27 August to exercise public rights. The final review period commenced a day later and concludes on 9 October. To date there had been no direct questions from members of the public.
- 4.2 The external auditors were progressing the final audit and opinion. The intention was that the final audit and opinion, and accounts would be presented to the 27 November 2020 meeting of the Committee prior to the final 30 November account publication date. The external auditors had yet to receive any public interventions.
- 4.3 The Cambridgeshire Pension Fund audit was still awaited but this was expected to be complete in mid-October. The Chair would be informed if there was any slippage..
- 4.4 Following a question, the s.73 officer confirmed that the Combined Authority was not considering deferring pension contributions or payment holidays.
- 4.5 Following a question, the external auditors informed the Committee that their final fee was estimated and as there was still work ongoing. It was confirmed the fee was based upon hours delivered rather than a fixed rate. The 10% uplift in fee charges was due to the new quality standards that Ernst & Young were required to adhere to.

**RESOLVED:**

- 4.3 That the final accounts and external audit and opinion be presented to the 27 November 2020 meeting of the Committee.
- 4.4 Any slippage on the Pension Fund audit be made known to the Chair.

## **5. INTERNAL AUDIT**

### 2019/20 Internal Audit

- 5.1 The Committee received a final progress report on the 2019/20 internal audit and were informed that work is being continued to provide continuity for the handover to the new internal auditors. A handover meeting has taken place and all audit reports provided.
- 5.2 There is a small amount of work, calculated to be around half-a-day, on the Local Transportation Grant, the EU Exit and BEIS.
- 5.3 The Chair thanked Steve Crabtree and his team for all the work undertaken over the last three years.

### 2020/21 Internal Audit

- 5.4 The Committee received a presentation to introduce the new internal audit team and RSM (UK) Ltd. A progress report on activity since appointment was also provided.
- 5.5 The internal auditor presented an initial draft audit plan for 2020/21 and expressed that a full internal audit plan would be presented to the next meeting of the Committee. He also stated he was confident a full audit plan and opinion will be delivered at year end. The Committee was requested to provide any comments on the proposed internal audit plan to the Scrutiny Officer by week ending 9 October 2020.
- 5.6 A joint internal and external audit Workshop was suggested for April 2020 and this was approved by the Committee.
- 5.7 The internal auditor suggested two initial internal audits could be scoped and commenced ahead of the next meeting of the Committee, namely: Risk Management; and Key Financial Controls and this was agreed by the Committee

### **RESOLVED:**

- 5.8 A full internal audit plan be presented to the Committee at its next meeting of 27 November 2020.
- 5.9 A joint workshop with Ernst & Young be programmed for April 2021.
- 5.10 The Risk Management; and Key Financial Controls audits should commence with immediate effect.

## **6. TREASURY MANAGEMENT STRATEGY REVIEW**

- 6.1 The Chief Accountant presented an update on the Treasury Management Strategy up to the end of August 2020. The report was received and noted.
- 6.2 The Chair commended the additional detail and graphics which accompanied the report.
- 6.3 Further updates would be received in January and April 2021.

### **RESOLVED:**

- 6.6 That the Committee would welcome a further update in January 2021.

## **7. COMBINED AUTHORITY BOARD UPDATE**

- 7.1 The Chief Executive Officer presented an update on Combined Authority Board activity since the 31 July meeting of the Committee. The Committee were informed that the two anticipated Government White Papers on Planning Reform and Devolution have been delayed due to the focus on Covid-19.
- 7.2 The Chief Executive Officer also updated the Committee on the Constitution Review; the Cambridge Autonomous Metro and Special Purpose Vehicle; Market Town Masterplan bids; and the Business Growth Service. It was requested that the Committee receives information on the criteria for the Market Town strategies and whether the response to Covid-19 relates to the commercial sector response or whether it also includes the community and health responses.
- 7.3 It was requested that the Chief Executive Officer provide the Committee with regular updates on the working relationship between the Combined Authority and Greater Cambridge Partnership as part of the CA Board updates.

### **RESOLVED**

- 7.4 The Committee to receive information on the criteria for Market Town strategies related to the Covid-19 response.
- 7.5 Future CA Board updates to include reference to the working relationship between the CPCA and the GCP.

## **8. CORPORATE RISK REGISTER**

- 8.1 The risk register was received and noted with the additional discrete Climate Change risk as requested at the previous meeting. It was requested that some further detail be provided on how the Climate Change risk is being managed.
- 8.2 It was confirmed that the risk of the failure of an external partner is included in the risk register. The Combined Authority mitigates against such risks by working closely and with a robustness with the wider market.
- 8.3 A question was raised around the non-sequential numbers on the risk register. It was explained that the number related to these risks are no longer considered to be corporate risks so have, consequently, been taken out of the risk register as presented to the Committee. It was requested that detail on these former risks be provided at the next meeting of the Committee.
- 8.4 A question was raised on how much is being spent by the Combined Authority on the three officers mitigating on EU exit. This should factor in the EU exit grant the Combined Authority receives.

### **RESOLVED:**

- 8.5.1 The next report to the Committee to include a description on how the Climate Change risk is being managed.

- 8.6 At the next meeting to provide detail on those risks that are not included in the sequential number presentation (i.e. why are these no longer considered to be corporate risks).
- 8.7 To provide detail to the Committee on how much is being spent on the three officers mitigating on EU exit, factoring in the EU exit grant the Combined Authority receives.
- 8.8 A further update on the Corporate Risk Register will be received at the 27 November 2020 meeting of the Committee.

## **9. AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME**

- 9.1 The Committee noted the work programme. It was requested that future iterations are presented with future meetings at the top of the report.

### **RESOLVED:**

- 9.2 That the work programme format be amended to include future meetings at the top of the report.
- 9.3 The item on Lancaster Way be added to the November meeting.

## **10. DATE OF NEXT MEETING**

- 10.1 The next scheduled meeting of the Committee would be Friday, 27 November October 2020 at 9.30 a.m. (by Zoom).
- 10.2 External and Internal Audit colleagues would be invited to attend the Value for Money Workshop at the conclusion of the formal meeting.

The meeting closed at 11.53 p.m.

### Audit and Governance Committee Action Sheet 2020/21

Meeting Date	Action	Officer	Delegated officer	Completed
	<b>OPEN ACTIONS</b>			
2 October 2020	A joint audit workshop with the internal and external auditors be programmed for April 2020	Internal Auditors/External Auditors		Programmed for April 2020
2 October 2020	A further update on liaison between the Combined Authority and civil servants at the MHCLG to be provided	Kim Sawyer		To be provided at the Committee meeting of 29 January 2021
2 October 2020	The Chief Executive to provide the Committee with regular updates on the working relationship between the Combined Authority and Greater Cambridge Partnership as part of the CAB updates	Kim Sawyer		Ongoing
2 October 2020	To provide detail to the Committee on how much is being spent on the three officers mitigating on EU exit, factoring in the EU exit grant the Combined Authority receives  The next report to the Committee to include a description on how the Climate Change risk is being managed	Jon Alsop		
26 May 2020/31 July 2020/2 October 2020	The Committee agreed to an independent review of the Lancaster Way Traffic Scheme	John Pye (Chair)/Robert Parkin/Jon Alsop		Chair's Announcement at 31 July 2020 meeting and further update at this meeting

31 July 2020	A report on information security and governance to be submitted to the Committee. This to be included in the work programme at an agreed date.	Robert Parkin		Final report not yet received.  To be timetabled on the Committee Work Programme
31 July 2020	A further report to the Committee be programmed for December 2020 to explain the process for formulating recommendations	Paul Raynes	Adrian Cannard	January 2021 – no Committee meeting in December 2020
26 May 2020	There should be ongoing work to present the Risk Register in a legible format	Francesca Houston		Ongoing
26 May 2020	There be a future development session for the Committee on Trading Companies	Robert Parkin/ Rochelle White		To be timetabled
26 May 2020	Future 'to note' items are sent to members in advance of Committee publication deadlines	Robert Fox		Ongoing
26 May 2020	Value for Money Workshop	Robert Fox/Jon Alsop		November 2020
26 May 2020	Update from the Data Protection Officer Update to include data on aspects such as the volume of data, any requests for erasure etc.	Robert Parkin	Rochelle White	January 2021
	CLOSED ACTIONS			
2 October 2020	At the 27 November 2020 meeting there should be detail on the risk register on those risks that are not included in the sequential number presentation (i.e.	Robert Parkin	Francesca Houston	Completed on agenda

	why are these no longer considered to be corporate risks)			
2 October 2020	The Chief Executive to respond to the Committee on the criteria for the Market Town strategies and whether the response to Covid-19 relates to the commercial sector response or whether it also includes the community and health responses too	Kim Sawyer		Completed
2 October 2020	A full internal audit plan be presented to the Committee on 27 November 2020	Internal Auditor		Completed on agenda
2 October 2020	The final statement of accounts and External Audit Opinion to be received at the meeting of 27 November 2020	Jon Alsop		Completed on agenda
2 October 2020	The letter to Whitehall with regard to quoracy to be shared with the Chairs of the Audit & Governance Committee and Overview & Scrutiny Committee for input and approval prior to being sent	Robert Parkin		Completed. Response from the MHCLG awaited
2 October 2020	The Work Programme for the Committee to include the additional protocols for the Constitution as approved by the Combined Authority Board	Robert Parkin	Scrutiny Officer	Completed on agenda
31 July 2020	The Mayor of the CA be invited to the 2 October 2020 meeting of the Committee to update on the MHCLG correspondence	Scrutiny Officer		Completed on agenda for 27 November 2020; the Mayor being absent on leave on 2 October



31 July 2020	The Internal Audit Plan 2020/21 to be presented at the 2 October 2020 meeting of the Committee	Jon Alsop	RSM UK	Completed on agenda
31 July 2020	That a date for the workshop session for the Constitution review be forwarded to the Committee members as soon as possible.	Robert Parkin	Scrutiny Officer	Occurred on 17 September 2020 followed by a meeting to consider Constitution revisions on 24 September
31 July 2020	The names of all on the Independent Commission on Climate Change will be provided to the Committee.	Paul Raynes	Adrian Cannard	Provided to Committee members
31 July 2020	The Constitution review should include protocols for appointments to Boards, Commissions and Working Groups.	Robert Parkin		Consideration as part of the Constitution work moving forward
31 July 2020	A further update on the Corporate Risk Register will be received at the 2 October 2020 meeting of the Committee.			Completed on agenda
31 July 2020	The work programme revisions to be published alongside the minutes of the meeting	Scrutiny Officer		Published on the CA meetings website
31 July 2020	Climate change to appear on future risk register reports to the Committee as a discrete risk.	Francesca Houston		Completed
26 May 2020	The Independent Commission on Climate Change would be commencing its work shortly. The Chair asked that climate change be included on the Risk Register	Francesca Houston		Completed

26 May 2020	Adult Education Budget A & G requested a landscape view on areas where money has been contracted and the Combined Authority has the authority/obligation that standards are met.			Completed on agenda for 27 November 2020 meeting
26 May 2020	A response would be provided to the Committee related to the employment status of the Trading Companies Company Secretary	Robert Parkin		Verbal confirmation was provided at 31 July 2020 meeting
26 May 2020	Chief Executive to provide detail on the Local Transport Plan and how it relates to Peterborough	Kim Sawyer (CEO)		Provided in advance of 31 July 2020 meeting.
26 May 2020	Any changes to the membership of the Committee to be reported to the next meeting.	Robert Fox		Completed on agenda.
26 May 2020	A paper regarding Internal Audit provision following the cessation of the Service Level Agreement with Peterborough City Council would be presented to the next meeting	Jon Alsop		Completed on agenda.
26 May 2020	Action Sheets to be presented to future meetings in a format that more clearly distinguished open and closed actions	Robert Fox		Completed on agenda
26 May 2020	The Chair asked that the final statement of accounts be forwarded to members in advance of the publication deadline for the 31 July 2020 Committee meeting.	Jon Alsop		Completed
26 May 2020	A member requested further detail on the loans provided and who they were to as there are likely to be questions prompted by this	Jon Alsop		Completed on agenda

26 May 2020	The s.73 Officer agreed to make sure that the notes to the accounts provided context to the section on salaries and salary related payments, as this was likely to be an area of public interest	Jon Alsop		Completed on agenda
26 May 2020	The final statement of accounts notes would provide context to salaries and salary related payments	Jon Alsop		Completed on agenda
26 May 2020	A further update on External Audit requested for 31 July 2020 meeting	Ernst & Young		Completed on agenda
26 May 2020	The next Committee meeting on 31 July 2020 be presented with an updated risk register. That update should highlight the top three or four risks and show where risks were increasing or decreasing	Francesca Houston		Completed on agenda
26 May 2020	The presentation of the work programme be developed to improve clarity	Robert Fox		Completed on agenda
26 May 2020	Protocols for agreeing changes to the Audit Plan and developing future plans would be included as part of the next report to Committee in December 2019.	Steve Crabtree/Jon Alsop		Completed.



<b>AUDIT AND GOVERNANCE COMMITTEE</b>	<b>AGENDA ITEM No: 5</b>
<b>27 November 2020</b>	<b>PUBLIC REPORT</b>

## LANCASTER WAY UPDATE

### 1.0 PURPOSE

- 1.1. The purpose of this report is to provide the Committee with an update on the independent value for money review of the Lancaster Way project, as jointly commissioned by the Combined Authority (CPCA) and Cambridgeshire County Council (CCC).

<b><u>DECISION REQUIRED</u></b>	
<b>Lead Officer:</b>	<b>Jon Alsop – Chief Finance Officer</b>
<p>The Audit and Governance Committee is recommended to:</p> <ul style="list-style-type: none"><li>(a) Note the findings and recommendations of the independent value for money report, as prepared by KPMG.</li><li>(b) Note the joint response from CPCA and Cambridgeshire County Council, and progress made to address the report's recommendations.</li></ul>	

### 2.0 BACKGROUND

- 2.1. At its meeting of 15 May 2020, the Transport and Infrastructure Committee referred the Lancaster Way project to the Audit & Governance Committee for a value for money review of the costs and timetable related to the project.
- 2.2. At their meeting of 26 May, the Audit and Governance Committee agreed to the request for a review, in accordance with the proposed terms of reference, which are included at Appendix A.
- 2.3. The Chief Finance Officer, in consultation with the Chair of the A&G Committee, the Director of Delivery and Strategy, and Cambridgeshire County Council, appointed KPMG to carry out the independent review.
- 2.4. As part of their review, KPMG interviewed key project stakeholders, and reviewed multiple documents. Having considered the detail of those documents and the content of the interviews, KPMG identified a number of key findings

and proposed five consolidated recommendations to address them. The report states that *“These recommendations can be used to enhance the likelihood of delivery success for this project, but are also applicable across the CPCA portfolio.”*

2.5. The five consolidated recommendation from the report are as follows:

- (a) Enhance Governance and Control
- (b) Effectively set baselines for cost and schedule, informing a robust pipeline
- (c) Supplement CPCA Assurance Framework with further best practice guidance
- (d) Formalise risk management approach
- (e) Improve quality of reporting, and standardise reporting formats.

2.6. CPCA and CCC have jointly responded to the report's findings and recommendations. The response includes the statement that *“The Combined Authority and the County Council accept all the recommendations of the audit report. In some cases, the recommendations highlight practices and standards which have been required by the Combined Authority since 2018, in others practices and standards which have been introduced by the Combined Authority since then, and in a few cases require the Combined Authority to continue with current work on developing and improving practice.”*

2.7. KPMG's Independent Review is attached at appendix B. The CPCA and CCC joint response to the report is attached at appendix C.

### **3.0 FINANCIAL IMPLICATIONS**

3.1. The cost of the review is to be shared equally between the Combined Authority and Cambridgeshire County Council.

3.2. The total cost of the review is expected to be between £25,000 and £29,500.

### **4.0 LEGAL IMPLICATIONS**

4.1. The Assurance Framework sets out the key processes for ensuring accountability, including public engagement, probity, transparency, legal compliance and value for money for both the Combined Authority and the Business Board. It also sets out the processes for the oversight of projects, programmes and portfolios and how the progress and impacts of these investments will be monitored and evaluated.

4.2. The recommendations from the Independent Review include a recommendation that the Assurance Framework be supplemented with further best practice guidance, which if made would be reported to the Committee for the onward approval of both the Business Board and the Combined Authority Board.

## 5.0 EQUALITIES IMPLICATION

5.1. No equalities implications have been identified

## 6.0 APPENDICES

Appendix A: Terms of Reference for the independent review

Appendix B: KPMG's independent review of the Lancaster Way project

Appendix C: CPCA and CCC's joint response to the independent review

<b><u>Source Documents</u></b>	<b><u>Location</u></b>
1) Transport and Infrastructure Committee meeting of 15 May 2020, documents and decision statement:	<a href="#">CPCA T&amp;I Committee 15 May meeting documents</a>  <a href="#">CPCA T&amp;I Committee 15 May decision statement</a>

## Appendix A:

### TERMS OF REFERENCE

#### **Request from Transport and Infrastructure Committee**

The Transport and Infrastructure Committee resolved to:

***(a) Refer this project to the CPCA Audit & Governance Committee for a value for money review of the costs and timetable related to the project***

In addition to the costs and timetable of the scheme itself, the project's value for money will be reliant upon the robustness of its governance, project management, and decision-making processes. Ensuring these are in place is crucial as the project moves into the delivery phase.

To conduct a review of the Lancaster Way project, considering

- the affordability and overall cost of the scheme
- the value for money of the scheme
- the time taken to bring the project to the point of delivery
- compliance with best practice in project management, including scope change and change control
- Decisions taken by the project team relating to the project's definition, development and cost
- Decisions taken by relevant CCC and CPCA Committees and Boards, by CPCA officers, including through officer working papers, with regard to the project's definition and development.
- The governance processes in CCC and the CPCA between decisions and recommendations reached by the project team and key officers and decisions taken by relevant Committees and Boards
- The funding background to the project, including funding provision made for the scheme by CPCA in its MTFS and taking account of decisions regarding project definition
- The preparation of reports for relevant Committees and Boards, including the involvement of CCC officers, CPCA technical officers and any others at the CPCA
- Any other communications between CCC and CPCA, within the CPCA or with any other organisation with regard to the decision making process that are relevant to the project

...and to report conclusions to the Combined Authority through its Audit and Governance Committee.

# Lancaster Way Independent Review

Report for Cambridgeshire and Peterborough Combined Authority (CPCA)

19 November 2020



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# Important Notice

This report has been prepared by KPMG LLP for Cambridgeshire and Peterborough Combined Authority (“CPCA”) and Cambridgeshire County Council (“CCC”) as a beneficiary on the basis set out in the engagement letter dated 10 August 2020 on behalf of CPCA, and on behalf of CCC as a beneficiary (in aggregate the “Client”).

We have not verified the reliability or accuracy of any information obtained in the course of our work and used in this report, other than in the limited circumstances set out in our engagement letter and except where expressly stated in this report. Nothing in this report constitutes a valuation or legal advice nor an audit of any project.

This report is issued under conditions of confidence and represents the findings of KPMG LLP provided for discussion with the Client alone. The work was undertaken and the report was issued to enable the Client to give considerations to the findings based on fieldwork carried out up to 4 September 2020 and for no other purpose.

This report has not been designed to be of benefit to anyone except the Client. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Client, even though we may have been aware that others might read this report.

This report is not suitable to be relied on by any party wishing to acquire rights against KPMG LLP (other than the Client) for any purpose or in any context. Any party other than the Client that obtains access to this report and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Client.

This report has been released to the Client on the basis that it shall not be copied, referred to or disclosed, in whole or in part, without our prior written agreement. A request for our consent to any disclosure may result in our agreement to disclosure restrictions being lifted in part.

The contents of this document include matters which are commercially sensitive to CPCA, CCC and potentially other parties and disclosure of this document would, or would be likely to, prejudice the commercial interests of CPCA, and its associates.

KPMG LLP  
19 November 2020



# Scope and Objectives of KPMG's Review

KPMG was engaged by Cambridgeshire and Peterborough Combined Authority (CPCA) to undertake an independent review of the Lancaster Way project, a roundabout at the junction of the A10 and A142 at Ely, managed by Cambridgeshire County Council (CCC). The purpose of the review was to understand lessons learned for the benefit of other projects, as well as together with other information available to CPCA, help inform an understanding of value for money in relation to this project.

The review was to consider:

- The affordability and overall cost of the scheme
- Reports tabled addressing value for money of the scheme
- The time taken to bring the project to the point of delivery
- Compliance with best practice in project management, including scope change and change control
- Decisions taken by the project team relating to the project's definition, development and cost
- Decisions taken by relevant CCC and CPCA Committees and Boards, by CPCA officers, including through officer working papers, regarding the project's definition and development
- The governance processes in CCC and the CPCA between decisions and recommendations reached by the project team and key officers and decisions taken by relevant Committees and Boards
- The funding background to the project, including funding provision made for the scheme by CPCA in its MTFs and taking account of decisions regarding project definition
- The preparation of reports for relevant Committees and Boards, including the involvement of CCC officers, CPCA technical officers and any others at the CPCA
- Any other communications between CCC and CPCA, within the CPCA or with any other organisation regarding the decision-making process that are relevant to the project.

The review was to interview key stakeholders and consider key documents. A list of interviewees is included in Appendix 1, and the documents reviewed are listed in Appendix 2.

# Glossary of Terms

In this report, consistent with the general terminology used by the project team, the following terms are used:

**BP Roundabout:** the A10/A142 roundabout which formed part of the developer's original S106 approval

**Lancaster Way Roundabout:** the A142 / Lancaster Way roundabout

**CCC:** Cambridgeshire County Council

**CPCA:** Cambridgeshire and Peterborough Combined Authority

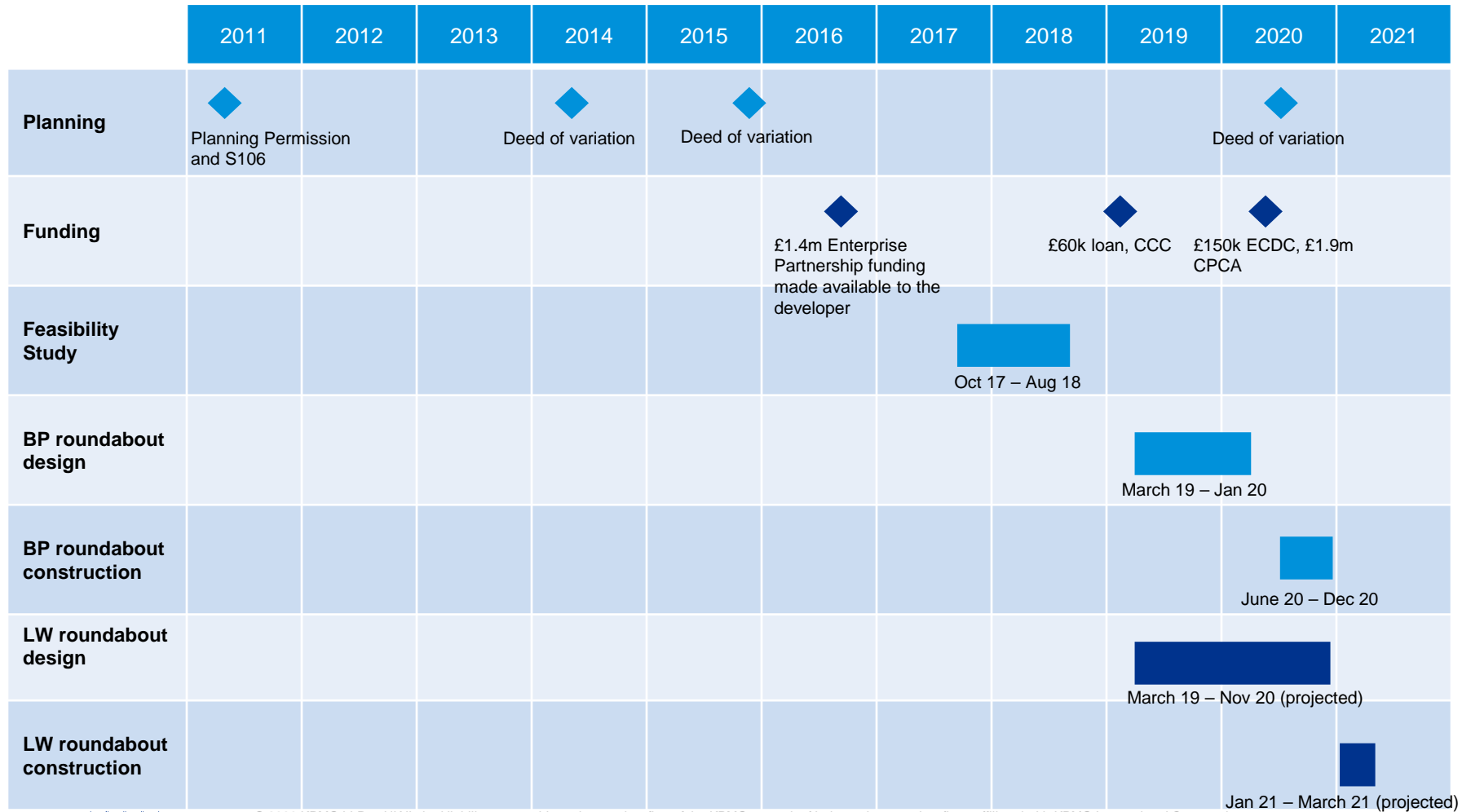
**ECDC:** East Cambridgeshire District Council

**MTFS:** Medium Term Financial Summary

# 1. Project Context

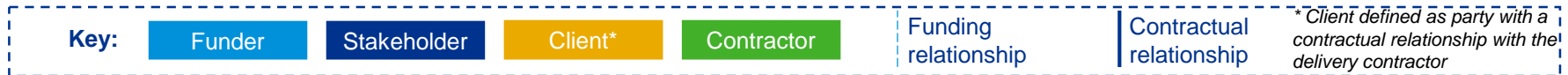
# 1. Project Context: Timeline

Project inception was in 2011, at award of planning permission with the associated S106. A funding grant was awarded to the developer for the works in 2016. It was four years after funding was awarded before construction started, during which period, feasibility and design were completed. The anticipated duration of construction works is 5 months for BP and 3 months for Lancaster Way.



# 1. Project Context: Delivery Arrangement

The diagrams below contrast the original delivery arrangement the final delivery arrangement, following the agreement of funding and the execution of the third deed of variation to the S106. It does not show the arrangements for reporting.



**BP Cost Risk :** Grovemere

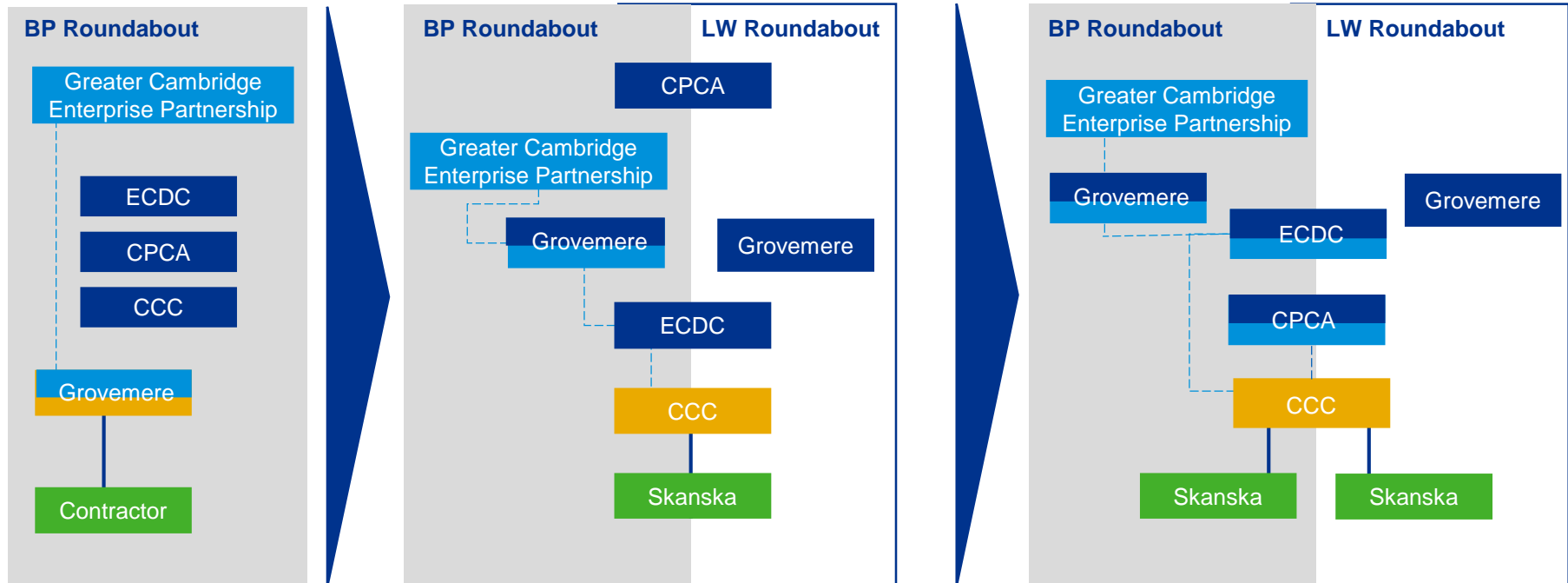
**LW Cost Risk:** N/A

**BP Cost Risk:** Grovemere

**LW Cost Risk:** TBA

**BP Cost Risk:** Grovemere (fixed funding contribution)  
CPCA (additional funding to agreed position)

**LW Cost Risk:** CPCA (to agreed funding position)

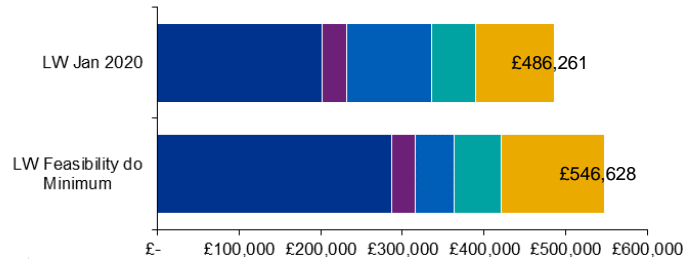


Post Feasibility Report,  
August 2018

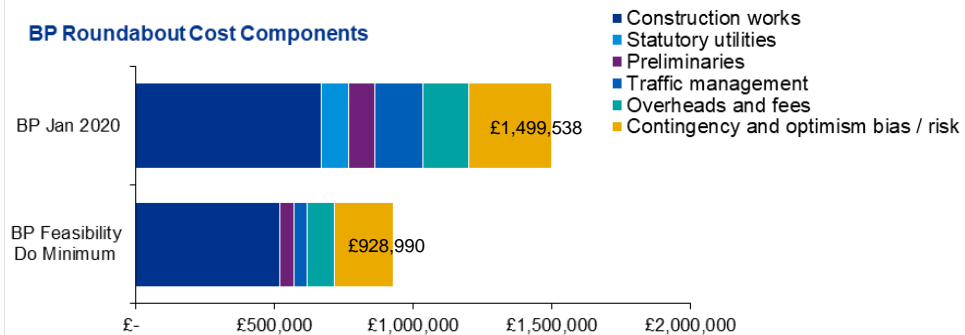
Execution of third deed of variation  
to S106, July 2020

# 1. Project Context: Estimate Evolution

## LW Roundabout Cost Components



## BP Roundabout Cost Components



## Estimate Development

The two estimates made available to KPMG were the Feasibility Report dated August 2018 and the January 2020 post-detailed design cost updates. The adjacent chart contrasts the components of the estimates. The Feasibility Report options included for comparison are the 'do minimum' options for both the BP and Lancaster Way roundabouts.

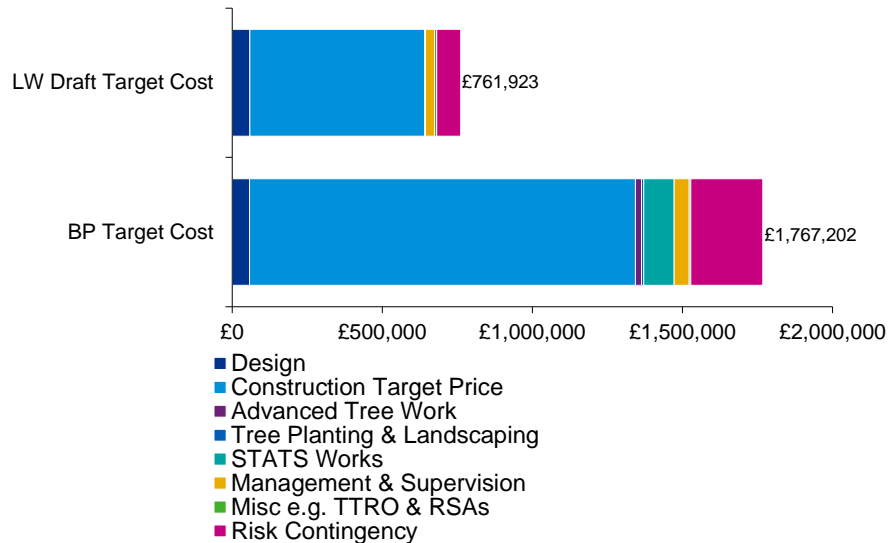
The Lancaster Way estimate shows a reduction in costs across all components, with the exception of traffic management, which increased significantly.

The BP estimate shows cost increase across all components, plus the addition of statutory utility costs.



# 1. Project Context: Estimate Evolution

## Target Cost Components

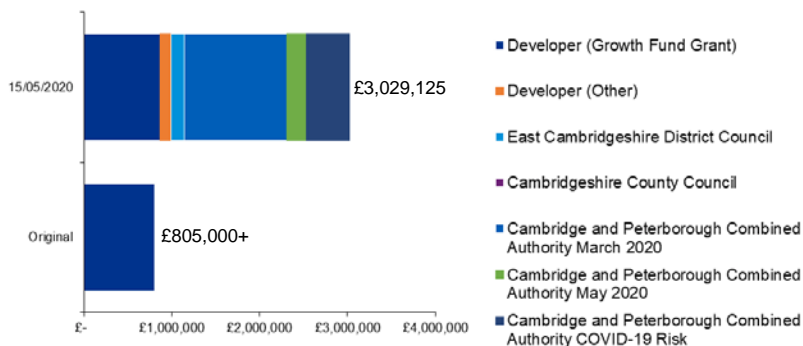


## Total Project Forecast Cost

The total project cost, including contingencies, is as follows:

LW draft target cost inc risk	£761,923
BP target cost inc risk	£1,767,202
COVID-19 risk allowance	£500,000
<b>Total</b>	<b>£3,029,125</b>

## A10 / A12 Roundabout Funding Contributions



## Funding Contributions (Total)

Under the original S106 agreement included in the 2011 planning permission, the developer was liable for the full cost of the BP roundabout, whatever that might ultimately be. Under the third deed of variation (DoV) to the S106 executed in July 2020, the developer's exposure was limited to a fixed contribution of £988k with the remaining budget required for the BP and Lancaster Way roundabouts funded by a combination of ECDC and CPCA. The third DoV transferred the additional costs - and delivery risk - of the scheme to CPCA and ECDC.

## 2. Executive Summary

# 2. Executive Summary

KPMG interviewed key project stakeholders as listed in Appendix 1, and reviewed multiple key project documents as listed in Appendix 2. Having considered the detail of those documents, and the contents of the interviews, KPMG has identified key findings across seven key areas, and has proposed five consolidated recommendations to address them:

Observation	Recommendation
<p><b>Scope and Definition</b></p> <p>The scope of the project increased to include a second roundabout at Lancaster Way in August 2018 as a result of the recommendation included in a Feasibility Report. There is no evidence of a formal change control process being used for scope changes to construction, including the decision to incorporate the Lancaster Way roundabout, into the project. The Feasibility Report recommended the addition of the second roundabout to better address traffic impacts, but the formal governance process for validating that recommendation and incorporating the additional scope into the project is not clearly documented.</p> <p>Separately, there was cost increase of circa £570k on the BP roundabout between the Feasibility Report in August 2018 and January 2020 estimate. The key underlying causes of the BP costs increases are not clear as a robust change control process was not operating at the time.</p>	<p><b>1: Enhance Governance and Control, incorporating Change Control</b></p> <p>Building on the existing CPCA Assurance Framework and Ten Point Guide to Project Management, the governance for projects delivered with CPCA and constituent local authority involvement should be refined. This should include:</p> <ul style="list-style-type: none"> <li>• Best practice in establishing and setting requirements for key project roles such as Senior Responsible Owner and Project Director</li> <li>• A clearly defined gated process that enables interaction of key stakeholders and decision makers at the appropriate times.</li> <li>• Defining the key forums where accountabilities will be discharged, showing the linkage and relationship between those forums, provide details on the purpose, frequency, objectives, inputs, outputs and attendees</li> <li>• Setting forums required to deal with the general construction progress and buildability issues and forums required to provide updates to a broader set of stakeholders with different interests, skills and needs</li> <li>• Agreeing which reports are produced and by whom, and what input is required</li> <li>• An escalation and reporting structure through CPCA and the constituent local authorities</li> <li>• An explicit change control process with levels of delegated authority</li> <li>• Developing additional guidance around agreement of S106 requirements and around relaxation of release of s106 and other obligations imposed on 3<sup>rd</sup> parties including the factors to consider, due diligence to be performed, optioneering to complete, and the overall evidence assessment and decision-making process to be followed.</li> </ul> <p>The Assurance framework should of course confirm that appropriate compliance / assurance procedures are performed to ensure the relevant governance processes are appropriately followed.</p> <p><b>2: Effectively Set Baselines for Cost and Schedule, Informing a Robust Pipeline</b></p> <ul style="list-style-type: none"> <li>• Introduce a master schedule for all projects from project inception, incorporating best practice in scheduling</li> <li>• Set standards for estimating, and the quality and contents of the costs presented in the Commercial Case at SOBC, OBC and FBC</li> <li>• Set the process for effective forward planning of expenditure</li> </ul>

## 2. Executive Summary

Observation	Recommendation
<p><b>Governance and early stage cost information</b></p> <p>The multi-stakeholder environment and changes to scope and funding on the project has drawn attention to the need for increased clarity around leadership roles and responsibilities, and for governance to be enhanced and clearer.</p> <p>CPCA has an Assurance Framework, the most current version is dated May 2019. Whilst acknowledging the introduction of the revised Framework mid-project, there is no clear evidence that the Business Case process was followed (indeed no formal detailed Business Case document appears to have been prepared), and it is unclear which aspects of the project monitoring and close-out are to apply in future.</p> <p>CCC defines project gateways, GW1 (Project Scope Approval) to GW8 (Post Completion). Confirmation of budget for construction is at GW5 (Approval of Detailed Design), meaning that funding is sought once the design is mature and costs are well-developed. The process of identifying a funding requirement at the approval of detail design would improve accuracy of funding requests. However, not communicating a potential funding requirement at an earlier stage, i.e. before detailed design is complete, appears to have led to a lack of appreciation of the additional scope/funding required for Lancaster Way prior to March 2020, some 19 months after the August 2018 Feasibility Report had recommended the inclusion of the second roundabout.</p> <p>A Project Board was established in November 2018. A separate Project Group meeting is also undertaken. The terms of reference and relationship between the two meetings is not clearly defined.</p>	<p><b>1: Enhance Governance and Control</b> (as above)</p> <p><b>2: Effectively Set Baselines for Cost and Schedule, Informing a Robust Pipeline</b> (as above)</p>

# 2. Executive Summary

Observation	Recommendation
<p><b>Funding and Delivery Arrangement</b></p> <p>Grovemere was originally accountable for the delivery of the BP roundabout, whatever the cost.</p> <p>Following the Feasibility Report, CCC adopted responsibility for the delivery of the BP roundabout, although the formalisation of this (via a S278 agreement or otherwise) was not clear. Grovemere retained legal responsibility for the cost of the BP roundabout.</p> <p>The Feasibility Report introduced works at the Lancaster Way (LW) roundabout. CCC took delivery responsibility for this roundabout. We were advised it was not considered reasonable to pass the cost of the LW roundabout to Grovemere. CCC funded the design fees in the short term. There was no agreement at this time on which party would bear the construction cost.</p> <p>A target cost for the BP roundabout, and a draft target cost for the LW roundabout, was received from Skanska in April 2020. It was agreed that:</p> <ul style="list-style-type: none"> <li>- CCC would retain the delivery responsibility for the BP and LW roundabouts</li> <li>- Grovemere's financial contribution would be capped at £988k</li> <li>- CPCA would fund the additional £779k for the BP roundabout, and meet the cost for the Lancaster Way roundabout that was not part of Grovemere's original scope, plus fund a risk allowance of £500k for COVID-19</li> <li>- ECDC would provide £150k funding</li> </ul> <p>The above was formalised in the third deed of variation to the S106 in July 2020 and the funding agreement between CPCA and CCC in June 2020.</p> <p>It is unclear how the costs will be met if the total cost of BP and LW is in excess of the amount agreed at the Transport &amp; Infrastructure Committee May 2020.</p> <p>We understand the decision to cap Grovemere's cost risk and fund the additional costs of the BP roundabout was taken due to concerns over Grovemere's proceeding with the ongoing development of the Lancaster Way Business Park. The original S106 agreement required the BP roundabout upgrade to be delivered prior to reaching a 30,000m2 construction threshold. We understand the failure to proceed with the BP roundabout raised a risk to local job creation due to the potential loss of a tenant.</p> <p>It is not clear what advice was taken or what options were considered to mitigate against the risk to local job creation, before arriving at the decision to cap the developer's cost exposure and transfer that risk ultimately to CPCA.</p>	<p><b>1: Enhance Governance and Control</b> (as above)</p>

# 2. Executive Summary

Observation	Recommendation
<p><b>Affordability and Value for Money</b></p> <p>CPCA had no allowance in the MTFS in January 2020 for costs associated with BP and Lancaster Way roundabouts, save for the residual grant funding of £863.5k given to the developer in 2016. Additional funding was approved at both the March 2020 and May 2020 Transport &amp; Infrastructure Committees; as a result additional funding of £1.89m was set out in the Budget Update Report which went to the Board in August 2020. The implication of this is the LW roundabout had no confirmed construction funding between its identification in August 2018 and March 2020. The CCC Transport Delivery Plan 2020-2023 records no funding provision from CCC for either Lancaster Way or BP roundabouts.</p> <p>A value for money calculation was completed by Skanska in April 2020 This is after the Transport &amp; Infrastructure Committee had been approached for additional funding in March 2020.</p> <p>As there is no Business Case, there is not a formal articulation of the benefits the project is intended to deliver. Rationale, aims and objectives and high-level consideration against the Five Case Model was included in Grovemere's grant funding application, for the roundabout and other infrastructure upgrade works. We did not see evidence that there was monitoring and measuring of the resulting benefits realisation.</p>	<p><b>1: Enhance Governance and Control</b> (as above)</p> <p><b>3: Supplement CPCA Assurance Framework with Further Best Practice Guidance</b></p> <p>Enhance the good work completed in the CPCA Assurance Framework with additional contents guidance for quality Business Cases. This may include:</p> <ul style="list-style-type: none"> <li>• Requirement for an 'approval in principle' - with regards to funding streams - with constituent local authorities, developers and other parties as part of the financial case at SOBC and OBC (i.e. agreeing the proportion of funding to be obtained for the project from the various stakeholders, and the sources of funding)</li> <li>• Requirement for a value for money calculation or statement as part of the strategic case at SOBC, OBC and FBC, identifying the funding envelope inside which value for money will be demonstrated and the way in which demonstration of VFM should be assessed and reported</li> <li>• Guidance on what procurement routes are to be prioritised and explored in preparation of the commercial case at OBC</li> </ul>
<p><b>Estimating, Uncertainty and Risk</b></p> <p>The approach to quantifying and making allowances for risk appears to have been high level and not supported by optimism bias guidance or quantified risk registers. The process for risk management during the delivery phase is included in the 'Ten Point Guide to Project Management' (as part of the CPCA Assurance Framework), but provides limited guidance and should be enhanced.</p>	<p><b>4: Formalise Risk Management Approach</b></p> <p>Set a framework for approaching risk management, including;</p> <ul style="list-style-type: none"> <li>• Quantifying uncertainty, optimism bias and risk allowances as part of estimates</li> <li>• The approach to contingency management, including identification of reserves and authorisation of draw-down through change control</li> <li>• Setting minimum standards for the identification and management of risk throughout the project lifecycle, using risk registers and Early Warning Notices</li> </ul>

# 2. Executive Summary

Observation	Recommendation
<p><b>Reporting</b></p> <p>Reports (such as contractor progress reports and highlight reports) generated lack key information such as estimated outturn construction cost or remaining contingency, and do not report against an agreed baseline budget and schedule.</p> <p>CCC did not support the presentation of costs to the Transport &amp; Infrastructure Committee in March 2020. The April 2020 CPCA Board discussed information received informally the previous evening. The May 2020 Transport &amp; Infrastructure Committee included a requested amendment, ultimately defeated, regarding reporting by CPCA which contained 'inaccuracies and misrepresentations' and had not been shared with CCC prior to publication. This indicates poor alignment in preparation of reports and a lack of clarity on roles and responsibilities.</p> <p>The post-contract internal reporting requirements of CCC, and the associated escalation route, is unclear.</p>	<p><b>5: Improve Quality of Reporting, and Standardise Reporting Formats</b></p> <p>Building on the existing CPCA Highlight Report format, establish best practice reporting templates to consistently capture pertinent data from inception throughout the project lifecycle. This will incorporate:</p> <ul style="list-style-type: none"> <li>• An agreed approach to joint drafting between CPCA and CCC (or others as appropriate)</li> <li>• Current available funding and sources</li> <li>• Budget, and projected expenditure split between costs to date and costs to go</li> <li>• Schedule and milestone reporting</li> <li>• Key risks and available contingency</li> <li>• Current contract award value</li> </ul>
<p><b>Project Duration</b></p> <p>The project's inception was at planning approval in March 2011. The forecast construction completion is December 2020 for BP and March 2021 for Lancaster Way, giving an overall project duration of around 9.5 years, of which the construction duration is circa 8 months. The risk to local job creation due to the potential of Grovemere's not proceeding with the BP roundabout in 2020 was, we understand, the key motivating factor that led to more project activity. Prior to 2020 the accountability for driving the project forward at different stages was unclear and impacted by the complexities and changes to the stakeholder relationships. The extended project duration would have increased construction costs due to the impact of inflation; the process for including inflation in cost estimates is not clearly defined</p>	<p><b>2: Effectively Set Baselines for Cost and Schedule, Informing a Robust Pipeline (as above)</b></p>

# 3. Key Findings and Recommendations



# 3. Key Findings and Recommendations

## Scope and Definition

- a) The original BP roundabout scheme attached to the developer's planning consent was considered 'not fit for purpose' (CCC Lancaster Way Briefing Note, 20/09/2018). The Feasibility Report completed in August 2018 identified four potential schemes, therefore introducing the scope at the Lancaster Way roundabout:

1. A10/A142 roundabout full design
2. A10/A142 roundabout do minimum interim design
3. A142 Lancaster Way roundabout full design
4. A142 Lancaster Way roundabout do minimum interim design

The reasons for the failure to identify the additional scope for Lancaster Way in the original planning application are not clear. It remains a possibility that a more robust assessment at an earlier stage may have identified the additional scope sooner. A more detailed exercise focussing on the remit of the original assessment would need to be carried out to test this hypothesis.

All subsequent design and costs discussed on the project relate to the do minimum interim designs for the BP roundabout (A10/A142) and A142 Lancaster Way (i.e. scheme 2 and 4 from the Feasibility Report). It is unclear how the design has been progressed or budget allowed for the full schemes (i.e. scheme 1 or 3 from the Feasibility Report).

- b) There is no evidence of a formal change control process being used for scope changes to construction, including the decision to incorporate the Lancaster Way roundabout, into the project. The Feasibility Report recommended the addition of the second roundabout to better address traffic impacts, but the formal governance process for validating that recommendation and incorporating the additional scope into the project is not clearly documented.
- c) Separately, there was cost increase of circa £570k on the BP roundabout between the Feasibility Report in August 2018 and January 2020 estimate. The key underlying causes of the BP costs increases are not clear as a robust change control process was not operating at the time.
- d) The critical path for the project was driven by two factors; the expiration of the Local Growth Fund funding in March 2018 (subsequently extended to March 2021), and the delivery of 30,000m<sup>2</sup> GIA development, which we understand is not yet completed. Whilst overall schedules have been issued at various points in the project, these typically feature only one roundabout and are not subsequently reported against, indicating there is not an agreed master schedule beyond the critical dates.

## Recommendations

### 1: Enhance Governance and Control, incorporating Change Control

Building on the existing CPCA Assurance Framework and Ten Point Guide to Project Management, the governance for projects delivered with CPCA and constituent local authority involvement should be refined. This should include:

- Best practice in establishing and setting requirements for key project roles such as Senior Responsible Owner and Project Director
- A clearly defined gated process that enables interaction of key stakeholders and decision makers at the appropriate times.
- Defining the key forums where accountabilities will be discharged, showing the linkage and relationship between those forums, provide details on the purpose, frequency, objectives, inputs, outputs and attendees
- Setting forums required to deal with the general construction progress and buildability issues and forums required to provide updates to a broader set of stakeholders with different interests, skills and needs
- Agreeing which reports are produced and by whom, and what input is required
- An escalation and reporting structure through CPCA and the constituent local authorities
- An explicit change control process with levels of delegated authority
- Developing additional guidance around agreement of S106 requirements and around relaxation of release of s106 and other obligations imposed on 3<sup>rd</sup> parties including the factors to consider, due diligence to be performed, optioneering to complete, and the overall evidence assessment and decision-making process to be followed.

# 3. Key Findings and Recommendations

## Scope and Definition

- e) The Compensation Event process was used during the preliminary and detailed design stages to incorporate change to the scope of design, such as undertaking trial holes and slab loading calculations. The Early Warning Notice process does not appear to have been used effectively, as only one Early Warning Notice was issued (for COVID-19, in March 2020).
- f) Skanska has agreed a target cost and been instructed to proceed with the BP roundabout. A target cost has not yet been agreed and an order has not been placed for the Lancaster Way roundabout, which is undergoing consultation.

## Recommendations

(cont'd)

The Assurance framework should of course confirm that appropriate compliance / assurance procedures are performed to ensure the relevant governance processes are appropriately followed.

### 2: Effectively Set Baselines for Cost and Schedule, Informing a Robust Pipeline

- Introduce a master schedule for all projects from project inception, incorporating best practice in scheduling
- Set standards for estimating, and the quality and contents of the costs presented in the Commercial Case at SOBC, OBC and FBC
- Set the process for effective forward planning of expenditure



# 3. Key Findings and Recommendations

## Governance and Early Stage Cost Information

- a) The developer (Grovemere) was the initial client. In July 2020, this formally changed to CCC upon execution of the third deed of variation to the S106. However, CPCA is making the most significant funding contribution. This position complicates project leadership and governance. The multi-stakeholder environment and changes to scope and funding on the project has drawn attention to the need for increased clarity around leadership roles and responsibilities and for governance to be enhanced and clearer.
- b) The CPCA Assurance Framework dated May 2019 prescribes a Business Case process to be followed, commencing at Project Initiation Document and culminating in a Full Business Case pre-procurement. The Assurance Framework outlines a post-contract monthly highlight report, outcome monitoring and change control process, plus close-out process. Whilst acknowledging the introduction of this Framework mid-project, no evidence was seen that the Business Case process was followed (indeed no formal detailed Business Case document appears to have been prepared), and it is unclear which aspects of the project monitoring and close-out are to apply in future.
- c) CCC defines project gateways, GW1 (Project Scope Approval) to GW8 (Post Completion):
  - i. The relevant gateways appear to have been approved. A governance matrix outlines who is required to give approval. However, GW1 and GW2 are not listed on the matrix and those approvals themselves are not dated. One approval (GW6) is inconsistent with the approvals stated as required by the governance matrix.
  - ii. GW5 (Approval of Detailed Design) and GW6 (Approval of Target Cost) were approved on the same day, and there is narrative referring to acceleration and design completion post target cost. The reasoning behind this and evidence of consideration of the additional risk position it presents is not clear.
  - iii. Generally, whilst the CCC gateway process provides construction cost and schedule estimates prior to GW5 (Approval of Detailed Design), the only construction cost estimates during the design phases of this project were in August 2018 and January 2020.

## Recommendations

### 1: Enhance Governance and Control, incorporating Change Control

Building on the existing CPCA Assurance Framework and Ten Point Guide to Project Management, the governance for projects delivered with CPCA and constituent local authority involvement should be refined. This should include:

- Best practice in establishing and setting requirements for key project roles such as Senior Responsible Owner and Project Director
- A clearly defined gated process that enables interaction of key stakeholders and decision makers at the appropriate times.
- Defining the key forums where accountabilities will be discharged, showing the linkage and relationship between those forums, provide details on the purpose, frequency, objectives, inputs, outputs and attendees
- Setting forums required to deal with the general construction progress and buildability issues and forums required to provide updates to a broader set of stakeholders with different interests, skills and needs
- Agreeing which reports are produced and by whom, and what input is required
- An escalation and reporting structure through CPCA and the constituent local authorities
- An explicit change control process with levels of delegated authority
- Developing additional guidance around agreement of S106 requirements and around relaxation of release of s106 and other obligations imposed on 3<sup>rd</sup> parties including the factors to consider, due diligence to be performed, optioneering to complete, and the overall evidence assessment and decision-making process to be followed.

(cont'd)

# 3. Key Findings and Recommendations

## Governance and Early Stage Cost Information

- d) The process set out by the CCC gateway process of identifying a funding requirement at the approval of detail design would improve accuracy of funding requests. However, not communicating a potential funding requirement at an earlier stage, i.e. before detailed design is complete, appears to have led to a lack of appreciation of the additional scope/funding required for Lancaster Way prior to March 2020, some 19 months after the August 2018 Feasibility Report had recommended the inclusion of the second roundabout.
- e) A project board was established in November 2018. The remit and attendance at this, the differentiation of this from a general site / progress meeting, and the escalation route for issues within CCC and CPCA, is not clear.
- f) We have been provided with some examples of minutes from a separate Project Group Meeting. The remit and attendance at this, and the differentiation of this from the project board is unclear. In February 2020, six of the ten attendees at the Project Group Meeting also attended the Project Board two days later.

## Recommendations

(cont'd)

The Assurance framework should of course confirm that appropriate compliance / assurance procedures are performed to ensure the relevant governance processes are appropriately followed.

### 2: Effectively Set Baselines for Cost and Schedule, Informing a Robust Pipeline

- Introduce a master schedule for all projects from project inception, incorporating best practice in scheduling
- Set standards for estimating, and the quality and contents of the costs presented in the Commercial Case at SOBC, OBC and FBC
- Set the process for effective forward planning of expenditure



# 3. Key Findings and Recommendations

## Funding and Delivery Arrangement

- a) The funding status in August 2018 of the four potential schemes identified in the Feasibility Report is as follows:

Scheme	Status at August 2018
A10/A142 (BP) roundabout full design	No funding for design or construction
A10/A142 (BP) roundabout interim do minimum interim design	Funding for design and construction from the developer Grovemere
A142 Lancaster Way roundabout full design	No funding for design or construction
A142 Lancaster Way roundabout do minimum interim design	No funding for design or construction

- b) After several avenues were explored, funding was obtained in early 2019 from CCC to progress the preliminary and detailed design of the do minimum Lancaster Way scheme as an interim measure. The developer was responsible under the S106 agreement for funding the design of the BP roundabout.
- c) Grovemere was originally accountable for the delivery of the BP roundabout, whatever the cost. Following the Feasibility Report, CCC adopted responsibility for the delivery of the BP roundabout, although the formalisation of this (via a S278 agreement or otherwise) was not clear. Grovemere retained legal responsibility for the cost of the BP roundabout.
- d) The Feasibility Report introduced works at the Lancaster Way (LW) roundabout. CCC took delivery responsibility for this roundabout. We were advised it was not considered reasonable to pass the cost risk of the LW roundabout to Grovemere. CCC funded the design fees in the short term. There was no agreement at this time on which party would bear the construction cost.

## Recommendations

### 1: Enhance Governance and Control, incorporating Change Control

Building on the existing CPCA Assurance Framework and Ten Point Guide to Project Management, the governance for projects delivered with CPCA and constituent local authority involvement should be refined. This should include:

- Best practice in establishing and setting requirements for key project roles such as Senior Responsible Owner and Project Director
- A clearly defined gated process that enables interaction of key stakeholders and decision makers at the appropriate times.
- Defining the key forums where accountabilities will be discharged, showing the linkage and relationship between those forums, provide details on the purpose, frequency, objectives, inputs, outputs and attendees
- Setting forums required to deal with the general construction progress and buildability issues and forums required to provide updates to a broader set of stakeholders with different interests, skills and needs
- Agreeing which reports are produced and by whom, and what input is required
- An escalation and reporting structure through CPCA and the constituent local authorities
- An explicit change control process with levels of delegated authority
- Developing additional guidance around agreement of S106 requirements and around relaxation of release of s106 and other obligations imposed on 3<sup>rd</sup> parties including the factors to consider, due diligence to be performed, optioneering to complete, and the overall evidence assessment and decision-making process to be followed.

# 3. Key Findings and Recommendations

## Funding and Delivery Arrangement

- e) A target cost for the BP roundabout, and a draft target cost for the LW roundabout, was received from Skanska in April 2020. It was agreed that:
- CCC would retain the delivery responsibility for the BP and LW roundabouts
  - Grovemere's financial contribution would be capped at £988k
  - CPCA would fund the additional £779k for the BP roundabout, and meet the cost for the Lancaster Way roundabout that was not part of Grovemere's original scope, plus fund a risk allowance of £500k for COVID-19
  - ECDC would provide £150k funding

The above was formalised in the third deed of variation to the S106 in July 2020 and the funding agreement between CPCA and CCC in June 2020.

It is unclear how the costs will be met if the total cost of BP and LW is in excess of the amount agreed at the Transport & Infrastructure Committee May 2020.

We understand the decision to cap Grovemere's cost risk and fund the additional costs of the BP roundabout was taken due to concerns over Grovemere proceeding with the ongoing development of the Lancaster Way Business Park. The original S106 agreement required the BP roundabout upgrade to be delivered take place prior to reaching a 30,000m2 of construction threshold took place. We understand the failure to proceed with the BP roundabout would therefore raised a risk to impact on local job creation due to the potential loss of a tenant.

It is not clear what advice was taken or what options were considered to mitigate against the risk to negative impact on local job creation, before arriving at the decision to cap the developer's cost exposure and transfer that risk ultimately to CPCA.

## Recommendations

(cont'd)

The Assurance framework should of course ensure that appropriate compliance / assurance procedures are performed to ensure the relevant governance processes are appropriately followed.



# 3. Key Findings and Recommendations

## Funding and Delivery Arrangement

- f) CCC did not support the presentation of costs to the Transport & Infrastructure Committee in March 2020, primarily due to market pricing still being undertaken by Skanska at that time, and uncertainty over the implications of a high pressure gas main. CPCA made a risk provision for these issues in the March 2020 paper.
- g) We were advised that, whilst an increase in funding was agreed in principle, it was not possible to formalise this as the March 2020 meeting was virtual.
- h) The subsequent forum was the main CPCA Board in April 2020, which agreed the project should either be reduced to the original single roundabout scope should further cost pressures emerge, or to conduct a review of the budget and timetable for the project should there be any further costs arising. In this forum it was agreed to delegate the decision-making for additional funding to the Transport & Infrastructure Committee.
- i) The May 2020 Transport & Infrastructure Committee followed receipt of Skanska's target costs and the emergence of COVID-19 as a project issue. Additional funding of £722,527 was approved, taking the CPCA contribution to £1,890,770. The documents provided to us do not suggest that there was consideration of de-scoping and the project is referred to the Audit & Governance Committee.

## Recommendations

**1: Enhance Governance and Control, incorporating Change Control (as above)**





# 3. Key Findings and Recommendations

## Affordability and Value for Money

- a) A value for money calculation was completed by Skanska in April 2020. This is after the Transport & Infrastructure Committee had been approached for additional funding in March 2020. The report concluded the schemes were providing value for money at the target costs agreed with Skanska. There does not appear to be guidance on when a value for money report should be obtained, which party is appropriate to carry this out to avoid a conflict of interest, and what it should contain or assess. We were not asked to review or comment on the approach followed in the VfM assessment performed nor to review or comment on the conclusions reached.
- b) Evidence of due diligence or verification of the statement that the developer had limited ability to meet the costs of the BP / LW roundabouts, prior to the decision by CPCA to contribute additional funding, is not clearly documented.
- c) In November 2018, CPCA questioned alternative procurement routes to appointing Skanska. CCC had identified Skanska or Eastern Highways Alliance could be used, with other potential frameworks accessible by CPCA, or direct procurement by Grovemere. A comprehensive consideration of potential procurement options and the relationship with project ownership and project funding does not appear to have been undertaken.
- d) There is a complete project budget, but it is high-level (with only six heads of cost for Lancaster Way). It does not appear to form part of the monthly reporting cycle.
- e) As there is no Business Case, there is not a formal articulation of the benefits the project is intended to deliver. Rationale, aims and objectives and high-level consideration against the Five Case Model was included in Grovemere's grant funding application, for the roundabout and other infrastructure upgrade works. We did not see evidence that there was monitoring and measuring of the resulting benefits realisation.

## Recommendations

### 1: Enhance Governance and Control, incorporating Change Control

Building on the existing CPCA Assurance Framework and Ten Point Guide to Project Management, the governance for projects delivered with CPCA and constituent local authority involvement should be refined. This should include:

- Best practice in establishing and setting requirements for key project roles such as Senior Responsible Owner and Project Director
- Mapping and interacting with stakeholders throughout a gated process and clear details of the gated process
- Defining the key forums where accountabilities will be discharged, showing the linkage and relationship between those forums, provide details on the purpose, frequency, objectives, inputs, outputs and attendees
- Setting forums required to deal with the general construction progress and buildability issues and forums required to provide updates to a broader set of stakeholders with different interests, skills and needs
- Agreeing which reports are produced and by whom, and what input is required
- An escalation and reporting structure through CPCA and the constituent local authorities
- An explicit change control process with levels of delegated authority
- Developing additional guidance around agreement of S106 requirements and around relaxation of release of S106 and other obligations imposed on 3<sup>rd</sup> parties including the factors to consider, due diligence to be performed, optioneering to complete, and the overall evidence assessment and decision-making process to be followed.

(cont'd)



# 3. Key Findings and Recommendations

## Affordability and Value for Money

- f) CPCA had no allowance in the MTFS in January 2020 for costs associated with BP and Lancaster Way roundabouts, save for the residual grant funding given to the developer in 2016. Additional funding was approved at both the March 2020 and May 2020 Transport & Infrastructure Committees, with the resulting additional funding of £1.89m was set out in the Budget Update Report which went to the Board in August 2020. The CCC Transport Delivery Plan 2020-2023 records no funding provision from CCC for either Lancaster Way or BP roundabouts.

The implication of this is the LW roundabout had no confirmed construction funding between its identification in August 2018 and March 2020.

## Recommendations

(cont'd)

The Assurance framework should of course ensure that appropriate compliance / assurance procedures are performed to ensure the relevant governance processes are appropriately followed.

### 3: Supplement CPCA Assurance Framework with Further Best Practice Guidance

Enhance the good work completed in the CPCA Assurance Framework with additional contents guidance for quality Business Cases. This may include:

- Requirement for an 'approval in principle' - with regards to funding streams - with constituent local authorities, developers and other parties as part of the financial case at SOBC and OBC (i.e. agreeing the proportion of funding to be obtained for the project from the various stakeholders, and the sources of funding)
- Requirement for a value for money calculation or statement as part of the strategic case at SOBC, OBC and FBC, identifying the funding envelope inside which value for money will be demonstrated and the way in which demonstration of VFM should be assessed and reported
- Guidance on what procurement routes are to be prioritised and explored in preparation of the commercial case at OBC



# 3. Key Findings and Recommendations

## Estimating, Uncertainty and Risk

- a) The approach to quantifying and making allowances for risk appears to be high level and not supported by optimism bias guidance or quantified risk registers. This is evident from:
  - i. Feasibility estimates include an allowance for 30% optimism bias, with no supporting calculation
  - ii. January 2020 estimates include a line item of 5% for contractor risk in the target cost, and 20% allowance for client risk. It is unclear how this was quantified. It is also unclear what information is shared with the contractor.
- b) In the feasibility estimates and the January 2020 estimates, the organisation and compilation of the estimates differs. The overhead percentage varies from 15.6% to 16% and the sequence of items measured varies, which impacts compounding. There is no cost inclusion in either estimate for inflation, which would have increased construction costs due to the extended project duration. There appears to be no guidance on the composition of estimates.
- c) There remain exclusions from the January 2020 estimates, such as VAT and land purchase. It is unclear where these additional costs are provided for. Additionally, there are assumptions such as all spoil being inert. We were advised the risk registers inform the risk allowances, but below-ground contamination – a key risk for this type of project - is not on the risk register.
- d) The May 2020 additional funding approval from CPCA included a £500k allowance for COVID-19 measures. It is unclear how this amount was arrived at. It is also unclear how the expenditure against this allowance is to be quantified and monitored. Further, it is unclear what measures are being pursued to mitigate these costs, such as extended working hours.
- e) There is an overarching project risk register. Risks are also captured in the monthly CPCA Highlight Report, where they are quantified. The relationship between the quantified risks and the contingency held is unclear.
- f) The process for risk management during the delivery phase is included in the 'Ten Point Guide to Project Management' (as part of the CPCA Assurance Framework), but provides limited guidance and should be enhanced.

## Recommendations

### 4: Formalise Risk Management Approach

Set a framework for approaching risk management, including;

- Quantifying uncertainty, optimism bias and risk allowances as part of estimates
- The approach to contingency management, including identification of reserves and authorisation of draw-down through change control
- Setting minimum standards for the identification and management of risk throughout the project lifecycle, using risk registers and Early Warning Notices



# 3. Key Findings and Recommendations

## Reporting

- a) Skanska progress reports were generated, the earliest example provided from June 2019. This reporting did not identify the overarching project issues:
- The costs reported are the design fees for the current design stage. There is no reporting of cost of future design phases or the estimated construction cost. No reports separate the costs attributable to the BP and Lancaster Way roundabouts.
  - The reporting of milestone dates was not comprehensive. Of the reports we were provided, the first showing a forecast construction date was in February 2020. Until February 2020 there was no separation of the schedule dates for the BP and Lancaster Way roundabouts.
  - There is evidence of movement in the milestone dates not supported by change control and without narrative (GW4 completion forecast as 10/09/19 in August 19 and achieved on 21/10/2019). It is unclear how these milestone dates relate to an agreed master schedule.
  - Whilst there is a place to record Early Warning Notices, none have been recorded on the project to date. There is no narrative space to record other risks.
- b) Highlight Reports were generated for CPCA Business Board, the earliest example provided from July 2018. This reporting did not identify the overarching project issues. We understand the remit of the reporting is whether the developer would spend the grant by the deadline, and whether the developer would make loan repayments in accordance with the agreement.
- c) The progress meeting agenda removed health and safety and innovation as meeting items in September 2019. The agenda content could be supplemented to support full consideration of pertinent issues and compliance with legislation, such as the Construction (Design & Management) Regulations 2015.

## Recommendations

### 5: Improve Quality of Reporting, and Standardise Reporting Formats

Building on the existing CPCA Highlight Report format, establish best practice reporting templates to consistently capture pertinent data from inception throughout the project lifecycle. This will incorporate:

- An agreed approach to joint drafting between CPCA and CCC (or others as appropriate)
- Current available funding and sources
- Budget, and projected expenditure split between costs to date and costs to go
- Schedule and milestone reporting
- Key risks and available contingency
- Current contract award value



# 3. Key Findings and Recommendations

## Reporting (cont'd)

- d) Highlight Reports in the CPCA format have been completed from March 20 onwards and represent an increase in reporting quality. This report contains good information (including a narrative update, project RAG rating, top 5 risks) but could be enhanced:
  - i. Some information does not agree with other sources, notably the project outturn cost. Highlight Report 18/06/2020 states £2,267,418. Board paper for T&I Committee 15/05/2020 states £3,029,125 (including the COVID-19 risk allowance of £500k).
  - ii. The outturn project cost is presented as a single line item. The component parts of the outturn cost should be reported, showing separately the remaining allowances for risk.
- e) The delivery risk and cost escalation risk to Lancaster Way resultant from the public consultation is included on the CPCA Highlight Report risk register, but has zero cost allocated. The risk is not included on the overall project risk register.
- f) CCC did not support the presentation of costs to the Transport & Infrastructure Committee in March 2020, primarily due to market pricing still being undertaken by Skanska at that time, and uncertainty over the implications of a high pressure gas main. CPCA made a risk provision for these issues in the March 2020 paper.
- g) We understand that the compressed time period to prepare papers for submission – whilst cost information was still emerging - to the Committee resulted in an inability to address all feedback and outstanding queries between CCC and CPCA. This resulted in a misalignment of expectations/understanding in regards to the contents of the paper and suggests poor alignment in preparation of reports and a lack of clarity on governance and reporting structures, roles and responsibilities.
- h) The May 2020 Transport & Infrastructure Committee included a requested amendment, ultimately defeated, regarding reporting by CPCA which contained 'inaccuracies and misrepresentations' and had not been shared with CCC prior to publication. This is further indicative of poor alignment in governance and reporting structures, and in report preparation
- i) The post-contract internal reporting requirements of CCC, and the associated escalation route, is unclear.

## Recommendations

### 5: Improve Quality of Reporting, and Standardise Reporting Formats

Building on the existing CPCA Highlight Report format, establish best practice reporting templates to consistently capture pertinent data from inception throughout the project lifecycle. This will incorporate:

- An agreed approach to joint drafting between CPCA and CCC (or others as appropriate)
- Current available funding and sources
- Budget, and projected expenditure split between costs to date and costs to go
- Schedule and milestone reporting
- Key risks and available contingency
- Current contract award value



# 3. Key Findings and Recommendations

## Project Duration

The project's inception was at planning approval in March 2011. The forecast construction completion for the BP roundabout is December 2020 and for the LW roundabout of March 2021, giving an overall project duration of around 9.5 years, of which the construction duration is circa 8 months. This is not the shortest possible project duration. Factors influencing the project length were as follows:

Phase	Duration	Factors
<b>Pre-feasibility</b>  Planning approval March 2011 – Feasibility Report commission October 2017	6 years 7 months	<p>The project critical path was set by two factors: 1) the 30,000m2 GIA construction trigger included in the S106, and 2) the expiration date of the funding provided by the Enterprise Partnership.</p> <p>After the initial planning approval and S106 in March 2011, two deeds of variation were obtained - March 2014 and December 2015. The Enterprise Funding was obtained in September 2016. The developer was driving the programme at this time, and had no need to progress the project at pace, so far in advance of achieving the 30,000m2 GIA threshold.</p> <p>The initial funding expiration date necessitated a construction completion date of March 2018. When this funding expiration date was extended (in February 2019) to March 2021, the GIA threshold had not yet been met and the revised funding date became the effective critical path.</p> <p>A Feasibility Report was commissioned by the developer in October 2017. The key driver for the extended duration between the award of Growth Fund grant in September 2016 and the commissioning of the Feasibility Report is not clear.</p>
<b>Feasibility Report</b>  October 2017 – August 2018	10 months	<p>Resource availability at Skanska and a demobilised period of 2 months between Phase 1 (site surveys) and Phase 2 (traffic modelling and options) appear to have contributed to the longer than typical duration of the feasibility study.</p>

# 3. Key Findings and Recommendations

## Project Duration

Phase	Duration	Factors
<b>Post-feasibility</b>  September 2018 – March 2019	6 months	This period was related to considering the results of the Feasibility Report, then agreeing responsibility for funding for the design of the Lancaster Way roundabout.
<b>Design</b>  March 2019 – January 2020 (BP) and ongoing (Lancaster Way)	11 months+	Whilst quotations from statutory utilities providers were obtained in this period, the design duration appears disproportionate to the scale and complexity of construction involved in the project.
<b>Construction</b>  July 2020 – December 2020 (BP)  January 2021 – March 2021 (Lancaster Way)	5 months (BP)  3 months (Lancaster Way)	Whilst these are relatively short construction durations, there does not appear to be formal optioneering regarding complete closures or partial closures.

## Recommendations

### 2: Effectively Set Baselines for Cost and Schedule, Informing a Robust Pipeline

- Introduce a master schedule for all projects from project inception, incorporating best practice in scheduling
- Set standards for estimating, and the quality and contents of the costs presented in the Commercial Case at SOBC, OBC and FBC
- Set the process for effective forward planning of expenditure

# 4. Consolidated Recommendations

# 4. Consolidated Recommendations and Next Steps

The detailed key findings in Section 3 of this report identified a number of recommendations, which can be grouped into major areas of focus. These recommendations can be used to enhance the likelihood of delivery success for this project, but are also applicable across the CPCA portfolio.

1

## 1: Enhance Governance and Control

Building on the existing CPCA Assurance Framework and Ten Point Guide to Project Management, the governance for projects delivered with CPCA and constituent local authority involvement should be refined. This will include:

- Best practice in establishing and setting requirements for key project roles such as Senior Responsible Owner and Project Director
- A clearly defined gated process that enables interaction of key stakeholders and decision makers at the appropriate times.
- Defining the key forums where accountabilities will be discharged, showing the linkage and relationship between those forums, provide details on the purpose, frequency, objectives, inputs, outputs and attendees
- Setting forums required to deal with the general construction progress and buildability issues and forums required to provide updates to a broader set of stakeholders with different interests, skills and needs
- Agreeing which reports are produced and by whom, and what input is required
- An escalation and reporting structure through CPCA and the constituent local authorities
- An explicit change control process with levels of delegated authority
- Developing additional guidance around agreement of S106 requirements and around relaxation of release of s106 and other obligations imposed on 3rd parties including the factors to consider, due diligence to be performed, optioneering to complete, and the overall evidence assessment and decision-making process to be followed.

2

## 2: Effectively Set Baselines for Cost and Schedule, Informing a Robust Pipeline

- Introduce a master schedule for all projects from project inception, incorporating best practice in scheduling
- Set standards for estimating, and the quality and contents of the costs presented in the Commercial Case at SOBC, OBC and FBC
- Set the process for effective forward planning of expenditure



# 4. Consolidated Recommendations and Next Steps

3

## 3: Supplement CPCA Assurance Framework with Further Best Practice Guidance

Enhance the good work completed in the CPCA Assurance Framework with additional contents guidance for quality Business Cases. This may include:

- Requirement for an 'approval in principle' - with regards to funding streams - with constituent local authorities, developers and other parties as part of the financial case at SOBC and OBC
- Requirement for a value for money calculation or statement as part of the strategic case at SOBC, OBC and FBC, identifying the funding envelope inside which value for money will be demonstrated, and the way in which demonstration of VFM should be assessed and reported
- Guidance on what procurement routes are to be prioritised and explored in preparation of the commercial case at OBC

4

## 4: Formalise Risk Management Approach

Set a framework for approaching risk management, including;

- Quantifying uncertainty, optimism bias and risk allowances as part of estimates
- The approach to contingency management, including identification of reserves and authorisation of draw-down through change control
- Setting minimum standards for the identification and management of risk throughout the project lifecycle, using risk registers and Early Warning Notices

5

## 5: Improve Quality of Reporting, and Standardise Reporting Formats

Building on the existing CPCA Highlight Report format, establish best practice reporting templates to consistently capture pertinent data from inception throughout the project lifecycle. This will incorporate:

- An agreed approach to joint drafting between CPCA and CCC (or others as appropriate)
- Current available funding and sources
- Budget, and projected expenditure split between costs to date and costs to go
- Schedule and milestone reporting
- Key risks and available contingency
- Current contract award value

# Appendices

# Appendix 1: List of Interviewees

The below list indicates parties who participated in interviews for this engagement. A number of parties participated in several interviews in addition to the factual accuracy process, in completing this engagement.

Interviewee
David Allatt – Transport Assessment Manager, Cambridgeshire County Council
Jon Alsop – Head of Finance, Cambridgeshire and Peterborough Combined Authority
Domenico Cirillo – Business Programmes & Business Board Manager, Cambridgeshire and Peterborough Combined Authority
Steve Cox – Executive Director for Place & Economy, Cambridgeshire County Council
Robert Emery - Chief Accountant, Dept CFO and Section 151 Business Board, Cambridgeshire and Peterborough Combined Authority
Chris Foyle – Project Manager, Cambridgeshire County Council
Rowland Potter – Head of Transport, Cambridgeshire and Peterborough Combined Authority
Andy Preston – Assistant Director Infrastructure & Growth, Cambridgeshire County Council
Paul Raynes – Strategy and Assurance Director, Cambridgeshire and Peterborough Combined Authority

# Appendix 2: List of Information Received

The documents provided were reviewed solely for the purposes set out in the scope. Given in some cases the extensive nature of the documents, the review was high-level.

Document Title (electronic file name)	Nature	Document Title (electronic file name)	Nature
A142 - Rbts Project Gateways	Governance	2020-01-31 BP Estimate CF	Estimate
A10/A142 Witchford Roundabout As Built Drawings 21/11/19	Email	2020-01-31 LW Estimate CF	Estimate
A10/A142 Witchford Roundabout Phase 1 Progress update 07/12/2017	Email	2020-04-23 Draft ECI Estimate	Estimate
Project Commissioning Brief March 2019	Scope	A142 A10 BP Roundabout target cost v1 rev B	Estimate
A142 Junction Tech Note	Design	Economic Assessment	Estimate
Project Commissioning Brief January 2019	Scope	A10_A142 Witchford Rd TC Phase1 021017	Estimate
CE006 - Trial holes AW - A142 BP Roundabout	CE	A10_A142 Witchford Rd TC Phase2 240118	Estimate
CE007 - 8 - 9 Trees Eco Gas	CE	LA 430086 - BP Detailed Design Estimate 18/09/19	Estimate
CE010 Geotech	CE	LA 430086 - LW Detailed Design Estimate 18/09/19	Estimate
CE011 - eDNA Surveys	CE	Witchford Feasibility Study v4 27/08/2018	Estimate
CE012 - Management time	CE	Target Cost A142 Lancaster Way CF Comments	Estimate
A142 Study Programme	Schedule	CPCA T&I Paper_A10-A142 March 2020	Paper
P_5020067_HW_GA_101_Rev_A	GA	CPCA T&I Paper May 2020	Paper
P_5020067_HW_GA_102_Rev_A	GA	TRANS029 Budget Tracker April 20	Financial statement
P_5020067_HW_GA_103_Rev_A	GA	TRANS029 Budget Tracker May 20	Financial statement
P_5020067_HW_GA_104_Rev_A	GA	TRANS029 Budget Tracker June 20	Financial statement
Witchford Feasibility Study - Final-06 09 2017	Scope	CCC Cost Profile - April 20	Cashflow current FY
3.1 - Business Case PROJ-2314	Business Case	CCC Cost Profile - May 20	Cashflow current FY
Business Case 1.2	Business Case	CCC Cost Profile - May 20v1	Cashflow current FY
Growth Prospectus 2018/2019 - Expression of Interest Internal Assessment Proforma	Funding Expression of Interest	CCC Cost Profile - June 20	Cashflow current FY
Report Grovemere Proport Ltd PDF	Funding assessment		
Lancaster Way - Working towards a way forward 08/01/2020	Email		

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The documents provided were reviewed solely for the purposes set out in the scope. Given in some cases the extensive nature of the documents, the review was high-level.

Document Title (electronic file name)	Nature	Document Title (electronic file name)	Nature
March 20 - Untitled - MTFP reconciliation	Excel report	Design Progress Report June 2019	Report
March 20 - CPCA - Highlight Report	Excel report	Agenda Progress Meeting August 2019	Agenda
April 20 - CPCA - Highlight Report	Excel report	Issue of drawing 12/08/2019	Email
April 20 - CPCA - Highlight Report	Excel report	Minutes Progress Meeting August 2019 (MH Comments)	Minutes
May 20 - CPCA - Highlight Report	Excel report	Minutes Progress Meeting August 2019	Minutes
May 20 - CPCA - Highlight Report	Excel report	Progress update email 12/09/2019	Email
June 20 - CPCA - Highlight Report	Excel report	A10-A142. C3 Budget Estimate Summary	Excel Summary
June 20 - CPCA - Highlight Report	Excel report	A142 Programme - BP - September 2019	Schedule
July 20 - CPCA - Highlight Report	Excel report	Agenda Progress Meeting September 2019	Agenda
Highlight report template v10	Excel report	Budget Diversion - UKPN 06/09/2019	Estimate
REQ: Lancaster Way Feasibility Study - Progress Meeting Note 20.10.17	Email	Lancaster Way - A142 - September 2019	Schedule
A10/A142 Witchford Roundabout - Survey Progress	Email	Minutes Progress Meeting August 2019 (ES comments)	Minutes
REQ: Lancaster Way Feasibility Study - Meeting Note 09.03.18	Email	Progress report 13.9.2019	Report
RE: Lancaster Way - Traffic Study - Update Request	Email	Agenda October 2019 Cost Meeting	Agenda
REQ: Lancaster Way Feasibility Study - Meeting Note 10.05.18	Email	Key actions 14/10/2019	Email
REQ: Lancaster Way Feasibility Study - Meeting Note 10.05.18	Email	Progress Report 21-10-19	Report
REQ: Feasibility study and A10 / A142 roundabouts - Minutes - Comments and Suggestions	Email	Agenda February 2020	Agenda
Lancaster Way Briefing Note 20/09/2018	Email	20200206 A10-A142 Improvements Project Board	Minutes
Minutes Progress Meeting May 2019	Minutes	Agenda Progress Meeting February 2020	Agenda
Agenda Progress Meeting June 2019	Agenda	BP and Lancaster Way A142 Roundabouts Programme March 2020	Schedule
Issue of drawings for BP and LW roundabouts 13/06/2019	Email	A142 Roundabouts Progress Report 28.02.20	Report
Minutes Progress Meeting June 2019	Minutes	Progress Report 20-03-2020	Report

# Appendix 2: List of Information Received

The documents provided were reviewed solely for the purposes set out in the scope. Given in some cases the extensive nature of the documents, the review was high-level.

Document Title (electronic file name)	Nature	Document Title (electronic file name)	Nature
Minutes Progress Meeting March 2020	Minutes	Lancaster Way GD Project Highlight Report July 2019	Report
Minutes Project Board April 2020	Minutes	Lancaster Way GD Project Highlight Report June 2019	Report
Progress Report 20-04-20	Report	Lancaster Way GD Project Highlight Report March 2019	Report
Minutes Project Board May 2020	Minutes	Lancaster Way GD Project Highlight Report May 2019	Report
Minutes Project Board May 2020	Minutes	Lancaster Way GD Project Highlight Report November	Report
Progress Report May 2020	Report	Lancaster Way GD Project Highlight Report October 2019	Report
Progress Report May 2020 v2	Report	Lancaster Way GD Project Highlight Report October	Report
Progress Report May 2020 SD edits	Report	Lancaster Way GD Project Highlight Report September 2019	Report
Agenda Programme Board June 2020	Agenda	Lancaster Way GD Project Highlight Report September 2018	Report
Progress Report June 2020 CF	Report	Lancaster Way GD Project Highlight Report November 2019	Report
Progress Report June 2020 final rev 2	Report	Lancaster Way HLR Jul 20	Report
Progress Report June 2020 final rev 3	Report	Grant Funding Agreement - undated 2020 - CPCA and CCC	Funding agreement
Progress Report July 2020	Report	Deed of Variation to S106 agreement	Deed of variation
A142 Roundabouts Highlight Report 31.1.20	Report	Third Deed of Variation to S106 Agreement dated 31/07/2020	Deed of variation
Lancaster Way CCEZ - Project Highlight Report - July 2018	Report	Grant Funding Agreement - 5 June 2020	Executed version of document above
Lancaster Way CCEZ - Project Highlight Report - June	Report	Risk register Rev 6	Risk register
Lancaster Way CCEZ - Project Highlight Report - August	Report	A142 LW Rbt - Programme March Update Rev 1	Schedule
Lancaster Way GD Project Highlight Report Apr 2019	Report	2020.07.13-Grovenere-CPCA-funding-Extension	Letter
Lancaster Way GD Project Highlight Report Aug 2019	Report	3849_001	Letter
Lancaster Way GD Project Highlight Report December	Report	CPCA BB approval letter to Grovenere 31 Jan 19	Letter
Lancaster Way GD Project Highlight Report Feb 19	Report	Lancaster Way 1 loan funding agreement	Funding agreement
Lancaster Way GD Project Highlight Report Jan 2019	Report	Lancaster Way 2 - loan funding agreement	Funding agreement

# Appendix 2: List of Information Received

The documents provided were reviewed solely for the purposes set out in the scope. Given in some cases the extensive nature of the documents, the review was high-level.

Document Title (electronic file name)	Nature	Document Title (electronic file name)	Nature
Lancaster Way 2 grant funding agreement	Letter	Re: Lancaster Way 26/10/2018	Email
LGFGCP13c Lancaster Way Grant Offer Letter - Signed 04.10.16	Letter	Re: Lancaster Way 18/10/2018	Email
RE: Local Growth Fund - A10/A142 Lancaster Way S106 funding 23/06/2020	Email	Re: Lancaster Way 12/11/2018	Email
A142/Lancaster Way 08/02/2019	Email	Re: Lancaster Way 17/08/2018	Email
Briefing note (2-9-16)	Briefing note	Re: Lancaster Way 18/10/2018	Email
Confidential - A142/Lancaster Way Roundabout 08/02/2019	Email	Re: Lancaster Way 26/10/2018	Email
Draft Minutes of meeting held 13.09.19	Minutes	Re: Lancaster Way 26/10/2018	Email
Final Grovemere Properties Ltd Parent Company Bon (G&G 19-9-16)	Bond	Re: Lancaster Way 07/11/2018	Email
Funding the A142/Lancaster Way - Thoughts 24/01/2019	Email	BP Roundabout - final programme	Schedule
FW: Feasibility Design work 11/02/2019	Email	Masterplan-oct-18	Masterplan
FW: Feasibility Design work 11/02/2019	Email	Programme A142_A10	Schedule
Lancaster Way Project Group Meeting Minutes 04 02 2020 AMENDED	Minutes	Tender programme rev b	Drawing
Lancaster Way Project Group Meeting Minutes 09 06 2020	Minutes	7.1 Budget 2020-21 and Medium Term Financial Plan	MTFP
Lancaster Way Project Group Meeting Minutes 27 09 19	Minutes	3.1 Appendix B.1 Grovemere Application Form	Funding application
		3.1 Appendix B Confidential Appraisal Report and Matrix for Grovemere Propert Ltd	Funding appraisal
Re: A142 Follow Up Meeting 13/11/2018	Email	3.1 Growth Deal Project Proposals	Minutes
Re: A142 Follow Up Meeting 14/11/2018	Email	Cambridge and Peterborough Combined Authority Assurance Framework May 2019	
Re: A142 Follow Up Meeting 13/11/2018	Email	Cambridgeshire and Peterborough Devolution Assurance Framework February 2017	
Re: A142/A10 Witchford 15/11/2018	Email	106 Agreement 2011	S106 agreement
Re: Call with Andy 11/12/2018	Email	24.04.20_A10-A142 Scheme Finance Monitoring	Budget Summary
Re: Confidential - A142/Lancaster Way Roundabout 18/02/2019	Email	Re: A10/142 VFM	Email
Re: Funding the A142/Lancaster Way - Thoughts 01/02/2019	Email	A10 / A142 July 2020 Finance Workbook	Cost Summary
Re: Grovemere A142 Works 06/02/2019	Email		



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## KPMG INDEPENDENT REPORT ON THE LANCASTER WAY PROJECT

### JOINT RESPONSE BY CPCA AND CCC

The KPMG Independent audit report highlights that the Lancaster Way project is a legacy project whose origins go back to 2011 and that this was originally funded by the former Local Enterprise Partnership in 2016. The audit report also highlights that the scope evolved between 2016 and 2018 and that responsibility for funding and management shifted during the lifetime of the project. Both the Combined Authority and Cambridgeshire County Council recognise the defects in management of this project which resulted from that complex history. The management of the project did not, in our view, meet key elements of the project management standards required by the Combined Authority since 2018, and this view is supported by the audit report.

The Combined Authority and the County Council accept all the recommendations of the audit report. In some cases, the recommendations highlight practices and standards which have been required by the Combined Authority since 2018, in others practices and standards which have been introduced by the Combined Authority since then, and in a few cases require the Combined Authority to continue with current work on developing and improving practice. These standards are now imposed on delivery partners through funding agreements. Over the last calendar year, the Combined Authority has engaged delivery partners through workshops and briefings to ensure that its project management standards are understood and followed throughout the delivery chain.

As part of the County Council's on-going work to continuously review and improve its highways capital programme and project management it has introduced a range of management actions to strengthen its own systems and control environment. Where current and future projects require joint working with the Combined Authority the County Council will work to embrace and integrate into its own systems any changes to the Combined Authority's systems and processes, such as a new Assurance Framework, the revised 10 Point Guide, strengthened funding agreements, and any new project management systems.

The table below sets out:

- The detailed response to the recommendations;
- The action plan for those recommendations which require further action.

Recommendation	Response	Action plan for further improvement
1: Enhance Governance and Control, incorporating Change Control. Building on the existing CPCA Assurance Framework and Ten Point Guide to Project Management, the governance for projects delivered with CPCA and constituent local authority involvement should be refined.	<b>Accepted.</b> The Combined Authority's Assurance Framework and 10-Point Guide are routinely reviewed and updated. Elements of this recommendation have already been implemented through those regular reviews.	New iteration of Assurance Framework to be available in early 2021 as part of continuing work with BEIS, and a new iteration of the 10-Point Guide will be available in November 2020. Any outstanding issues will be implemented through this current review.

<p>This should include:</p> <ul style="list-style-type: none"> <li>• Best practice in establishing and setting requirements for key project roles such as Senior Responsible Owner and Project Director</li> <li>• A clearly defined gated process that enables interaction of key stakeholders and decision makers at the appropriate times.</li> <li>• Defining the key forums where accountabilities will be discharged, showing the linkage and relationship between those forums, provide details on the purpose, frequency, objectives, inputs, outputs and attendees</li> <li>• Setting forums required to deal with the general construction progress and</li> </ul>	<p><b>Already implemented.</b> Project Initiation Documents (PIDs) now include a project decision-making matrix and a RACI chart for key project roles, in the management case section. Upon inception, the RACI chart will be discussed with internal and external project teams to establish roles and this will be reviewed throughout the project lifecycle. RACI charts also record the role of Project Boards and Member Groups.</p> <p><b>Already implemented.</b> In the Management Case section, PIDs now include a project decision making matrix and a RACI chart for key roles, Project Board and Member Groups. A Gateway Review workbook is also included within the 10-Point Guide and is completed when a project passes a Gateway Stage. Milestones are reviewed during the monthly highlight report process and include gateway review points (Transport &amp; Infrastructure Committee and CPCA Board).</p> <p><b>Already implemented.</b> PIDs now include a project decision-making matrix and a RACI chart for key roles, in the management case section. Projects are structured to include Member Groups, Project Boards, Programme Board, as well as Transport &amp; Infrastructure Committee and CPCA Board. These structures are proportionate to the scheme complexity and value, with agreed authority as appropriate.</p> <p><b>Already implemented.</b> This is being evaluated and strengthened in the production of Funding Agreements</p>	<p>More guidance on stakeholder mapping/engagement will be included in a future iteration of the 10-Point Guide to complement the Gateway process already in place.</p>
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<p>buildability issues and forums required to provide updates to a broader set of stakeholders with different interests, skills and needs</p> <ul style="list-style-type: none"> <li>• Agreeing which reports are produced and by whom, and what input is required</li> <li>• An escalation and reporting structure through CPCA and the constituent local authorities</li> <li>• An explicit change control process with levels of delegated authority</li> </ul>	<p>(which sets out the tasks delivery partners are responsible for in schedule 5), scope documents and project inception meetings. PIDs now include a project decision-making matrix and a RACI chart for key roles in the management case section. This requires a clear distinction between managerial forums and stakeholder forums.</p> <p><b>Already implemented.</b> PIDs now include a project decision-making matrix and a RACI chart for key roles in the management case section. This includes requiring a clear distinction between managerial forums and stakeholder forums, which is proportionate to each stage and project with the requirement for agreement within four weeks of tender award in the baseline inception discussions.</p> <p><b>Already implemented.</b> CPCA have been developing a risk management strategy and associated documentation. We encourage our delivery partners and local authorities to adopt CPCA risk registers. Changes are escalated through project delivery.</p> <p><b>Already implemented.</b> CPCA change control processes are mandated by the 10-Point Guide and standard change forms are maintained by the PMO. These require sign-off from the Director or escalation to Board and/or Committee as appropriate. The CPCA have been developing a risk management strategy with associated documentation, which supports this.</p>	<p>Project documentation (including PIDs) is continually evolved and enhances this process. Project roles and escalation guidance between forums will be enhanced in the next iteration of the 10-Point Guide.</p> <p>We will work on strengthening future Funding Agreements to ensure the correct level of detail is contained within the schedules. Escalation and reporting guidance between forums will be enhanced in the next iteration of the 10-Point Guide.</p> <p>An early warning notice and change event reporting process, with a policy document detailing delegated authorities and escalation degrees, has been designed. This will be approved at the November Audit and Governance meeting for inclusion within the Combined Authority's project management processes.</p>
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<ul style="list-style-type: none"> <li>• Developing additional guidance around agreement of S106 requirements and around relaxation of release of s106 and other obligations imposed on 3rd parties including the factors to consider, due diligence to be performed, optioneering to complete, and the overall evidence assessment and decision-making process to be followed.</li> </ul>	<p><b>Already implemented.</b> S106 requirements are a Highway Authority controlled process. The CPCA Head of Transport meets with the Cambridgeshire County Council S106 Officer Team on a monthly basis to discuss details, concerns and subsequent compliance. The Assurance Framework also provides guidance which our projects need to demonstrate compliance against, particularly in relation to Value for Money (VfM) statements and independent reviews. The Management and Financial cases of PIDs and Business Cases also talk about alternative funding streams and would reference S106 funding appropriately.</p>	
<p>2: Effectively Set Baselines for Cost and Schedule, Informing a Robust Pipeline</p> <ul style="list-style-type: none"> <li>• Introduce a master schedule for all projects from project inception, incorporating best practice in scheduling</li> <li>• Set standards for estimating, and the quality and contents of the costs presented in the Commercial Case at SOBC, OBC and FBC</li> </ul>	<p><b>Accepted.</b> New Financial Management Account reports were established in early 2020 to improve financial reporting and Business Cases align with DfT's 5 Case Business Model with cost estimating at each stage.</p> <p><b>Already implemented.</b> All projects are encouraged to maintain Gantt charts, from project initiation through the lifecycle. Highlight reports also contain major milestones, with baseline data.</p> <p><b>Already implemented.</b> Business Cases currently align with DfT 5-Case Business Case model and guidance associated, and within that aligns to cost estimating and economics at each key stage. This is then challenged within the VfM independent review process.</p>	<p>We are looking to utilise MS Project as standard, and to see how we can join up with our delivery partners in using this system.</p> <p>We shall look at engagement at the scoping stage of a project, to strengthen this area and set a standard, such as benchmarking against industry standards.</p>

<ul style="list-style-type: none"> <li>• Set the process for effective forward planning of expenditure</li> </ul>	<p><b>Already implemented.</b> New Financial Management Accounts were rolled out across the organisation in early 2020. This enables effective forward planning of expenditure. Future year budgets are included, which are discussed between Project Managers and Finance Managers and fed into the Medium-Term Financial Plan (MTFP)/annual budget setting review.</p>	
<p>3: Supplement CPCA Assurance Framework with Further Best Practice Guidance. Enhance the good work completed in the CPCA Assurance Framework with additional contents guidance for quality Business Cases. This may include:</p> <ul style="list-style-type: none"> <li>• Requirement for an 'approval in principle' - with regards to funding streams - with constituent local authorities, developers and other parties as part of the financial case at SOBC and OBC (i.e. agreeing the proportion of funding to be obtained for the project from the various stakeholders, and the sources of funding)</li> <li>• Requirement for a value for money calculation or statement as part of the strategic case at SOBC, OBC and FBC, identifying the funding envelope inside which value for money will be demonstrated and the way in which demonstration</li> </ul>	<p><b>Accepted.</b> The CPCA has Procurement support to provide advice on projects and VfM statements require sign-off at the appropriate stages.</p> <p><b>Already implemented.</b> At gateway points, the funding strategy for the next stage for contributors is approved prior to stage approval and subsequent budget agreements. Equally, funding applications for central government whole scheme funding have incorporated local contribution percentages. Committee and Board cycle is in place for approval of funding/commitment.</p> <p><b>Already implemented.</b> The 10-Point Guide and Assurance Framework requires VfM statement to be signed off by the Chief Finance Officer (CFO), as part of the Strategic Outline Business Case (SOBC), Outline Business Case (OBC) and Full Business Case (FBC). A form has now been developed to support</p>	<p>We will review the development of a finance and funding policy. A robust strategy could be strengthened at each stage as cost certainty is improved through detailed design.</p>

<p>of VfM should be assessed and reported</p> <ul style="list-style-type: none"> <li>• Guidance on what procurement routes are to be prioritised and explored in preparation of the commercial case at OBC</li> </ul>	<p>this. Transport project also have the VfM statement independently reviewed by Steers, and Agri-Tech and LGF projects have independent panels and appraisals. The VfM statement/process is proportionate to scheme complexity and costs.</p> <p><b>Already implemented.</b> The CPCA has a Procurement Manager and Officer, who support officers across the Combined Authority with expert commissioning, route to market, and contracting advice, with the support of the legal team. The capacity is available to those preparing commercial cases at OBC.</p>	
<p>4: Formalise Risk Management Approach. Set a framework for approaching risk management, including;</p> <ul style="list-style-type: none"> <li>• Quantifying uncertainty, optimism bias and risk allowances as part of estimates</li> </ul> <p>• The approach to contingency management,</p>	<p><b>Accepted.</b> The Combined Authority's Risk Strategy was updated at the end of 2019 and approved by the Board in January 2020. This includes a framework for approaching risk management and has been discussed at CMT meetings.</p> <p><b>Already implemented.</b> Risk and optimum bias calculations are completed as part of VfM and Business Case development.</p> <p><b>Already implemented.</b> A change control process already exists at the</p>	<p>Each Directorate will engage in specific training sessions to run through risk management and ensure regular review of programme risks.</p> <p>More guidance on standards is required. In the development of our risk management process and policies, we are establishing standardised optimism levels according to project stage, with a reducing percentage as costs and certainty develops through the design process. This has also been included in a new Change Control document that has been developed. All risks will be financially assessed against the risk appetite and risk tolerances.</p> <p>We have designed a risk management and cost control process, with</p>

<p>including identification of reserves and authorisation of draw-down through change control</p>	<p>CPCA and standard change forms are maintained by the PMO. PIDs also now include a project decision-making matrix and a RACI chart for key project roles. This will identify who signs off change requests (Project Director or Senior Responsible Officer).</p>	<p>proposed delegated authority through the an early warning notice and change events approvals documentation. This policy will detail the need to challenge early warnings as opposed to accepting as a default. The risk allowance/contingency will also be detailed within the Funding Agreement as an element of the budget, only to be utilised through early warning/change event process. This will be approved at the November Audit and Governance meeting for inclusion within the Combined Authority's project management processes.</p>
<ul style="list-style-type: none"> <li>• Setting minimum standards for the identification and management of risk throughout the project lifecycle, using risk registers and Early Warning Notices</li> </ul>	<p><b>Already implemented.</b> Risk registers are included in the monthly highlight reports. The risk registers are currently being reviewed and enhanced to include relevant and appropriate risk and action owners with the necessary delegated authority and clear escalation routes through the various levels of authority (including Board and Committees).</p>	
<p>5: Improve Quality of Reporting, and Standardise Reporting Formats Building on the existing CPCA Highlight Report format, establish best practice reporting templates to consistently capture pertinent data from inception throughout the project lifecycle. This will incorporate:</p>	<p><b>Accepted.</b> The Combined Authority highlight report process is continually updated to improve the quality of reporting. This was updated in early 2020 to standardise with the new Financial Management Accounts. This reporting process and documentation is shared with our delivery partners and Local Authorities to streamline collaborative reporting. The new</p>	

<ul style="list-style-type: none"> <li>• An agreed approach to joint drafting between CPCA and CCC (or others as appropriate)</li> </ul>	<p>CPCA Finance reports are also shared with external partners.</p> <p><b>Already implemented.</b> Highlight reports and finance reports are shared with external partners early in the reporting month for completion, and external deadlines are in place to allow time for internal Project Manager's to review. Joint SharePoint folders have been established to allow for sharing for updated highlight report information. When the CPCA highlight report was updated substantially at the end of last year, external training sessions were also set up to ensure a shared understanding of what information is required.</p> <p>Reports will be prepared collaboratively, for example sharing for comment</p>	
<ul style="list-style-type: none"> <li>• Current available funding and sources</li> </ul>	<p><b>Already implemented.</b> Highlight reports focus on the CPCA's funding contribution only, but funding sources are maintained through the MTFP. The allocation of budget and expenditure is provided within the Financial Management Accounts for Project Managers to review. In addition, we explore 3<sup>rd</sup> party funding sources, such as S106 contributions and Community Infrastructure Levy (CIL) from Local Authorities, which can be detailed from the PID stage.</p>	
<ul style="list-style-type: none"> <li>• Budget, and projected expenditure split between costs to date and costs to go</li> </ul>	<p><b>Already implemented.</b> New Financial Management Accounts were rolled out across the organisation in early 2020. This enables improved reporting of available budget and projected</p>	



<ul style="list-style-type: none"> <li>• Schedule and milestone reporting</li> <li>• Key risks and available contingency</li> <li>• Current contract award value</li> </ul>	<p>expenditure. Actuals and forecast are also pulled through to the monthly highlight reports to provide an overview of the project. This is shared with the CPCA's Corporate Management Team.</p> <p><b>Already implemented.</b> All projects are required to manage a gantt chart and milestones are to be included in the highlight report template. Programme reporting also contains key project milestones.</p> <p><b>Already implemented.</b> Copy of the CPCA risk register is included as part of the monthly highlight reports and updated monthly. The Combined Authority's Risk Strategy was approved by the CPCA Board in January 2020. This includes a framework for approaching risk management and has been discussed at Corporate Management Team (CMT) meetings.</p> <p><b>Already implemented.</b> Finance reports show updated extracts from the MFTP and identify what is approved and subject to approval. This is updated after Board and Committee meetings. Budget information is then included in the highlight reports.</p>	<p>We have developed a risk management and cost control process, with detail on establishing contingency. This will be approved at the November Audit and Governance meeting for inclusion within the Combined Authority's project management processes.</p>
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<b>AUDIT AND GOVERNANCE COMMITTEE</b>	<b>AGENDA ITEM No: 6</b>
<b>27 November 2020</b>	<b>PUBLIC REPORT</b>

## **REVIEW OF RELATIONSHIP BETWEEN RISK AND CHANGE CONTROL DOCUMENT**

### **1.0 PURPOSE**

- 1.1 This report provides the Committee with a proposed Relationship between Risk and Change Control document, which is to enhance the current Risk Management Strategy and establish an early warning notification and change control process.
- 1.2 The Audit and Governance Committee's terms of reference include monitoring the Combined Authority's risk management arrangements.
- 1.3 In the interests of good governance, the Committee is requested to review the Relationship between Risk and Change Control document and suggest any changes they would like to put forward as a recommendation to the Combined Authority Board.

<b><u>RECOMMENDATIONS</u></b>
<b>Lead Officer: Francesca Houston, Transport Programme Manager.</b>
The Audit and Governance Committee are recommended to:  (a) Recommend to the Combined Authority the adoption of the proposed Relationship between Risk and Change Control document [Appendix 2]

### **2.0 BACKGROUND**

#### **Relationship between Risk and Change Control**

- 2.1. The current Risk Management Strategy was proposed and reviewed by Audit and Governance Committee in December 2019. It made the recommendation to the Combined Authority Board for the adoption of the strategy and this was agreed in January 2020.

2.2. The proposed Relationship between Risk and Change Control document, Appendix 1, enhances the existing risk management processes within CPCA. It introduces the following principles that differs from the current Risk Management Strategy in that:

- Clearly defines Risk Appetite and Risk Tolerance and its accepted levels within CPCA and how this is calculated for each project.
- Confirms how risks are to be financially quantified using both qualitative and quantitative assessments and provides an updated risk and opportunity register.
- Confirms how risks are to be further managed, within appropriate measures and controls (risk tolerance / contingency).
- Introduces an early warning notification and change control process.
- Addresses delegated authority to authorise financial change within each directorate.

2.3. The proposed Relationship between Risk and Change Control is recommended to the Committee as a more effective approach to the management of risk and change across the Combined Authority's activities. The recommendation is that Committee recommend the proposed Relationship between Risk and Change Control document for adoption by the Combined Authority Board.

### **3.0 FINANCIAL IMPLICATIONS**

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

### **4.0 LEGAL IMPLICATIONS**

4.1 The keeping of an up to date Risk Management Strategy is part of the process of appropriately identifying and managing risk within the Combined Authority.

### **5.0 APPENDICES**

5.1. Appendix 1 – Risk Management Strategy adopted in January 2020.

5.2. Appendix 2 - Proposed Relationship between Risk and Change Control document

<b><u>Background Documents</u></b>	<b><u>Location</u></b>
1. Cambridgeshire & Peterborough Combined Authority (CPCA) Constitution, 2020.	1. <a href="https://cambridgeshirepeterborough-ca.gov.uk/Constitution-Final-2020-11-06-for-website.pdf">Constitution-Final-2020-11-06-for-website.pdf</a> (cambridgeshirepeterborough-ca.gov.uk)
2. Cambridgeshire & Peterborough Combined Authority (CPCA) Assurance Framework, 2019.	2. <a href="https://cambridgeshirepeterborough-ca.gov.uk/Assurance-Framework-Publication-Nov-2019.pdf">Assurance-Framework-Publication-Nov-2019.pdf</a> (cambridgeshirepeterborough-ca.gov.uk)

<p>3. Cambridgeshire &amp; Peterborough Combined Authority (CPCA) Risk Management Strategy, 2020</p>	<p><a href="#">Risk Management Strategy</a></p>
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# Risk Management Strategy

Cambridgeshire and Peterborough Combined  
Authority (CPCA)





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## 1. Introduction

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

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

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

The benefits gained from effectively managing risk include:

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

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

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

## 2. Risk Policy

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

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

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

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

- Business & Skills.

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

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

### 3. Risk Management Aims and Objectives

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

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

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

These principles will be achieved by:

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

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

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

- Project
- Programme
- Portfolio
- Corporate

## 4. Roles and Responsibilities

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

Table 1: Roles and Responsibilities – Project Level

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

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

Role	Responsibility / Action
<b>Combined Authority Board</b>	<ul style="list-style-type: none"> <li>• Adopt and review the Risk Management Strategy.</li> <li>• Receive recommendations from the Audit and Governance Committee as to the Authority's arrangements for the management of risk and on the any concerns that risks are being accepted which the Authority may find unacceptable.</li> </ul>
<b>Business Board</b>	<ul style="list-style-type: none"> <li>• Review and challenge mitigation and exploitations at the appropriate level (in relation to matters directly controlled or indirectly accessible by the Business Board).</li> </ul>
<b>Audit and Governance Committee</b>	<ul style="list-style-type: none"> <li>• Initiates assurance reviews of risk and issue management effectiveness.</li> <li>• Reviews the Authority's risk management arrangements. The Committee will consider the Risk Management Strategy on an annual basis and will make appropriate recommendations to the Combined Authority Board.</li> <li>• Monitors the Authority's risk and performance management arrangements including reviewing the corporate risk register on a quarterly basis together with progress with mitigating actions and assurances.</li> </ul>
<b>Internal Audit</b>	<ul style="list-style-type: none"> <li>• Responsibility to undertake sufficient work to establish whether the CA has "adequate and effective" risk management, control and governance processes.</li> <li>• The Chief Internal Auditor provides an annual opinion on the overall systems of internal control and their effectiveness.</li> </ul>
<b>Monitoring Officer</b>	<ul style="list-style-type: none"> <li>• Manages and coordinates the resolution of risks relating to operational performance and benefits achievement.</li> <li>• Ensures that risk management cycle includes operational risks.</li> <li>• Manages risks that impact on business performance and transition.</li> <li>• Identifies operational issues and ensures that they are managed by the programme.</li> <li>• Identifies opportunities from the business operations and raises them for inclusion in the programme.</li> <li>• Contributes to impact assessments and change control.</li> <li>• Monitors and reports on business performance issues that may require the attention of the programme during transition.</li> </ul>
<b>Section 73 Officer</b>	<ul style="list-style-type: none"> <li>• The Chief Finance Officer is appointed under Section 73 Officer of the Local Government Act 1985 to ensure that proper administration of the financial affairs of the Combined Authority and Business Board. The Section 73 Officer is</li> </ul>

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

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

## 5. Arrangements for Managing Risk

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

## 6. Monitoring Arrangements

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

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

The Corporate Risk Register will be reviewed by the Audit & Governance Committee on a quarterly basis as per the Assurance Framework.

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

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

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

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

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

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

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

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

## 8. Review of the Risk Management Strategy

This strategy will be reviewed every three years.

## 9. Appendices:

Appendix 1: Risk Management Methodology

Appendix 2: Issue Management Strategy

Appendix 3: Risk Register and Guidance Notes

Appendix 4: Opportunity Register and Guidance Notes

Appendix 5: Issue Log and Guidance Notes

## 10. Version Control

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

Version	Date	Comments
1.0	07/11/2019	First draft of Risk Management Strategy
2.0	05/12/2019	Finalised for inclusion to Audit and Governance Committee for 16 <sup>th</sup> December 2019
2.1	16/12/2019	Approved with minor amendments from Audit and Governance Committee
2.2	29/01/2020	Adopted by Combined Authority Board

## 11. References

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



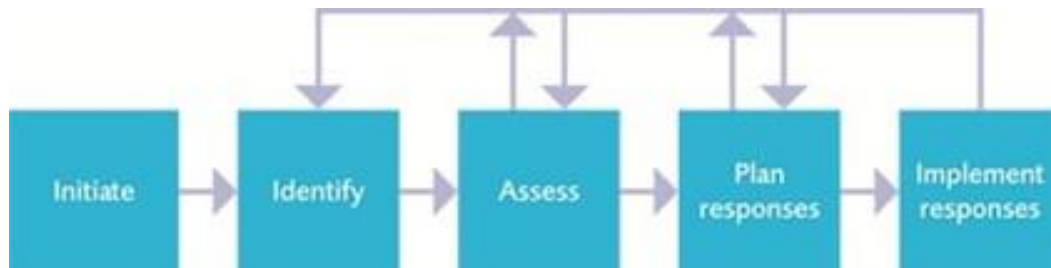


## Appendix 1. Risk Management Methodology

### 1. The Risk Management Cycle

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

Diagram 1: Risk Management Cycle (IIAPI)



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

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

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

### 2. Initiate

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

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

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

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

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

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

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

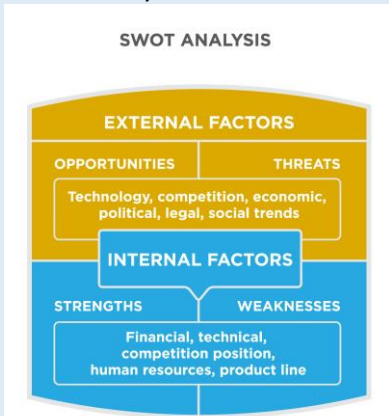
**Portfolio** – distinct directorial area, made up of a collection of individual projects and programmes that are not necessarily interdependent of each other e.g. Business & Skills, Housing, Transport & Strategy.

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

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

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

Table 1: Risk Identification Techniques

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

## PESTLE analysis

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



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

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

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

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

Table 2: Likelihood vs Impact definitions

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

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

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

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

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

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

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

Table 3: Overall RAG Status

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

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

Priority will be given according to the RAG Status:

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

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

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

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

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

## 5. Mitigation and Risk Control

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

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

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

Table 4: Risk Events and Responses

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

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

### Risk

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

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

### **Opportunity**

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

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

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

## 6. Implement Risk Responses

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

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

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

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

## 7. Risk Promotion from Project to Corporate

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

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

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

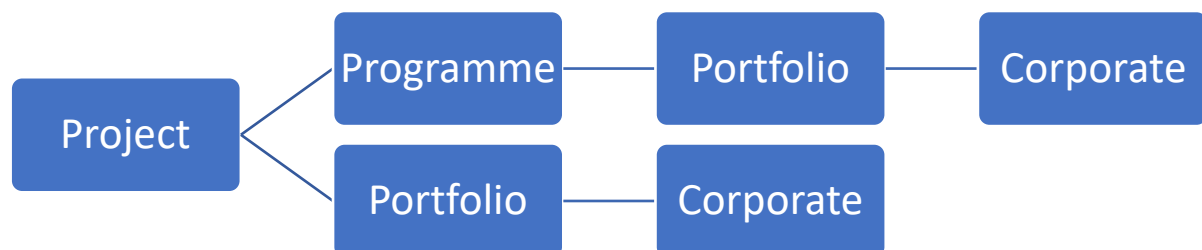
Therefore project, programme, portfolio and corporate risks can:

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

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

Below is a diagram showing this Risk Promotion process.

Diagram 2: Risk Promotion Process



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

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

## 8. Review Monitoring and Review

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

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

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

Open culture tool for improvement – good mission statement.



## Appendix 2: Issue Management Strategy

### 1. Introduction

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

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

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

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

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

### 2. Issue Register

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

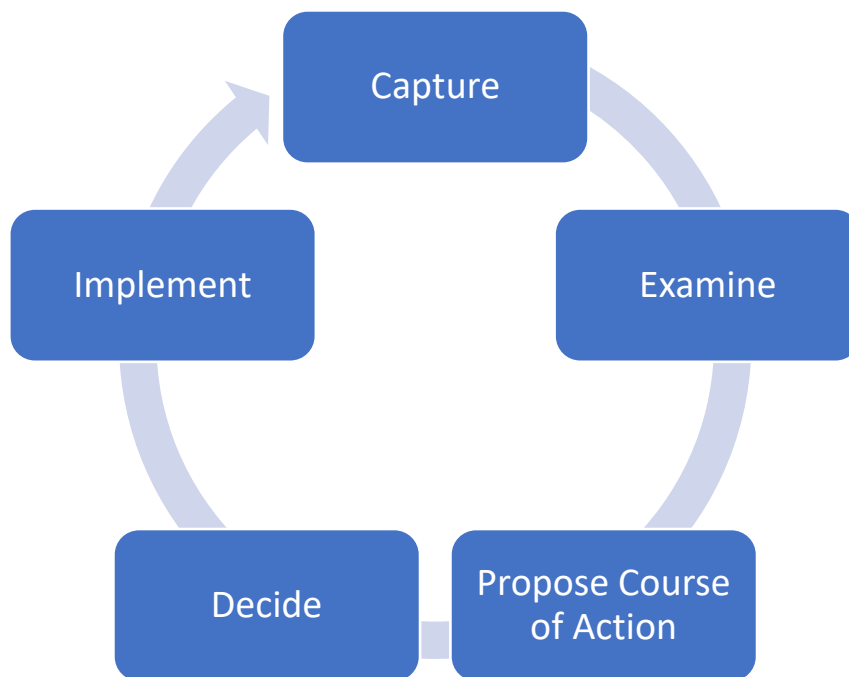
Having an Issue Register allows CPCA to:

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

### 3. Issue Management Methodology

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

Diagram 1: Issue Management Cycle



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

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

## 1. Capture

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

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

## 2. Examine

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

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

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

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

### 3. Propose Course of Action

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

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

### 4. Decide

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

Table 1: Roles and Responsibilities

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

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

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

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

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

## 5. Implement

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

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

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

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

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

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



# Relationship between Risk and Change Control

Cambridgeshire and Peterborough Combined  
Authority (CPCA)



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## 0. Glossary and References

### Glossary:

- CE: Change Event.
- CMT: Corporate Management Team.
- CPCA: Cambridgeshire & Peterborough Combined Authority, also known as Combined Authority.
- EWN: Early Warning Notification.
- FBC: Full Business Case.
- OBC: Outline Business Case.
- PD: Project Director.
- PID: Project Initiation Document.
- PM: Project Manager.
- PMT: Project Management Team.
- PMO: Programme Management Office.
- RAG: Red Amber Green
- SOBC: Strategic Outline Business Case.
- SRO: Senior Responsible Officer.

### References:

- Cambridgeshire & Peterborough Combined Authority Risk Management Strategy (January 2020)
- Cambridgeshire & Peterborough Combined Authority 10 Point Guide to Project Management (April 2020)
- Cambridgeshire & Peterborough Assurance Framework (November 2019)
- Cambridgeshire & Peterborough Combined Authority Constitution (November 2020)



## 1. Introduction

This document will outline the processes used within the Combined Authority for both Change Control and Risk Management.

Change can result in changing business requirements, reaction to unplanned events or failures, and loss of stakeholder confidence, all of which can affect the ability of the portfolio, programme and/or project to deliver its objectives. Change control is the process through which all requests to change the baseline scope of a project, programme or portfolio are captured, evaluated, and then approved, rejected, or deferred.

When good governance is in place, it is likely that the major risks and/or issues will be under control, but it is important to ensure that rigour and control processes are applied to all changes. The Change Control process therefore links closely with the Risk Management process. Risks can be seen as both positive and negative, and changes to a project, programme or portfolio can be seen as a risk or an opportunity. Many small changes can have a serious aggregated effect on the overall programme / portfolio and may go totally unnoticed.

The Risk Management Strategy defines the process on how risks are managed. They are managed by a decision to either accept, avoid, transfer, or reduce. In order to know whether to accept, avoid, transfer, or reduce a risk event, it is important to understand the relationship with Risk Appetite and Risk Tolerance.

Change Control Management is part of the governance process within a Programme Management Office (PMO), it is a project management process, and any contract variations will need to be consulted with the procurement team. Portfolios, Programmes or Projects are inherently about delivering change, but they do not work in isolation, and changes are happening to the environment they are delivering in.

## 2. Risk (Appetite and Tolerance)

The amount of risk that CPCA is willing to accept is based on the Risk Appetite and Risk Tolerance.

### What is Risk Appetite?

Risk Appetite is defined as the amount and type of risk that an organisation is prepared to seek, accept, or tolerate.

In order to know the type of risk CPCA is prepared to seek, accept, and tolerate, the CPCA Risk Management Strategy must be referred to. This defines how risks are identified, how they are processed and how they are mitigated. But how does CPCA quantify risk and opportunities?

### Quantifying Risk and Opportunities

As part of the CPCA Risk Management Strategy each risk is identified and assessed against its likelihood and impact (qualitative assessment) and defined against a 1-5 scoring matrix. Every risk and/or opportunity for each project, programme or portfolio is recorded within the Risk and Opportunity Register, which are included as Appendix 3 and 4 of the CPCA Risk Management Strategy.

In addition, risks are now to be assessed against a quantitative assessment, as well as qualitative. A new risk and opportunity register has been issued to the organisation, to include this amendment.

New Risk and Opportunity Register can be found [Here](#)

Within this new register, each risk and opportunity are first given an inherent RAG (Red Amber Green) rating. This represents the current risk level, taking into consideration the existing set of action, rather than a hypothetical notion of an absence of controls. The risk is then further scored for its residual RAG rating, which is the risk level that would remain after additional controls are applied.

*For example, a new risk could have a likelihood score 4 and an impact score of 5, which is an overall inherent score 20 and a **Red** RAG rating. But following mitigation controls, the likelihood of the risk happening is reduced to 2, and the impact will reduce to 3. The overall residual score would therefore reduce to 6 and an **Amber** RAG rating.*

These controls/actions are called Risk Treatments, which define the mitigation of the risk.

### What is Risk Tolerance?

Risk Tolerance is an organisation's readiness to bear the risk or opportunity, after treatments are established, in order to achieve its objectives.

The CPCA Risk Management Strategy defines these treatments as:

#### Risk:

- **Accept** – Here we accept the risk and take no proactive action other than putting monitoring processes in place to make sure that the potential for damage does not change. Once the risk is accepted, it is generally necessary to provide for some form of contingency to provide funds / time to accommodate the risk should it happen (despite its lower likelihood / impact).
- **Avoid** – The only real way to avoid a risk is to change the project scope or approach – what we do or the way we do it.
- **Transfer** – We seek to move the risk from our risk register onto someone else's risk register. We seek to transfer the potential for harm to another. Usually through an insurance policy or a contract.
- **Reduce** – Either the likelihood or impact.

#### Opportunity:

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

This is a qualitative assessment of the risk and opportunity and uses the existing likelihood and impact definitions and matrix found within the CPCA Risk Management Strategy.

After the qualitative assessment of each risk and opportunity has been complete, they are quantified against an approximate financial value, where applicable. This may not be appropriate for all risks and opportunities.

*For example, a risk relating to additional planning application would require a financial value whereas a risk around a consultation event potentially receiving bad publicity would not.*

The risk owner is responsible for providing an approximate financial value of each risk, but may consult the project team, supplier, or any other relevant person to help quantify.

As each risk is quantified throughout the lifetime of the project, the approximate financial implication of the project is calculated and may change. The amount of risk that CPCA is willing to accept is based on the Risk Appetite and Risk Tolerance.

### CPCA's Risk Appetite and Risk Tolerance

The CPCA has allocated a level of Risk Appetite as a percentage of the financial cost. This is dependent on optimism biased via either the HM Treasury's Five Case Model **or** based on the overall financial cost of the project (if your project does not follow the HM Treasury's Five Case Model).

The CPCA approved Risk Appetite is defined below:

*Table 1: CPCA Risk Appetite for HM Treasury's Five Business Case Model only:*

Business Case Stage	% Level of Appetite
Feasibility	40%
Strategic Outline Business Case (SOBC)	30%
Outline Business Case (OBC)	20%
Full Business Case (FBC)	10%
Construction / Delivery	10%

This percentage level of appetite is based on the total financial cost of the business case.

The CPCA Assurance Framework requires Business Cases to be developed in line with HM Treasury's Five Case Model. HM Treasury guidance sets out a three stage Business Case process: The Strategic Outline Business Case (SOBC), the Outline Business Case (OBC) and the Full Business Case (FBC).

More detail can be found in the CPCA's 10-Point Guide to Project Management.

At each stage, the documents become more detailed as the project prepares to enter delivery and therefore, the risk appetite changes. This is a result of a more detailed understanding of the project and requirements of its delivery.

*For example, a project at feasibility stage has an approximate overall cost between £1 - £1.2m. Due to the level of uncertainty, the CPCA allows a 40% risk appetite, meaning the approximate overall cost of the project can lie between £1.4 - £1.68m. As the project goes through the HM Treasury Five Case model process, the overall cost of the project becomes clearer and the risk appetite should reduce appropriately. By the time this reaches construction phase, the risk appetite will reduce to 10%.*

**IF** the project does not follow the HM Treasury Five Business Case model, then the Risk Appetite is based on the overall cost of the project. This is defined below:

*Table 2: CPCA Risk Appetite for Project Cost only:*

Total Project Cost	% Level of Appetite
Anything over £500,000k	30%
£250k to £500k	20%
£100k to £249k	10%
£0 – £99k	10%

*For example, a project within housing with a total cost of £500,000 will have a risk appetite of 30%. The Risk Tolerance for that particular business case is therefore £150,000. The approved project cost would be £650,000.*

### Calculating Risk Tolerance

As part of the Risk Management Strategy, risks are assessed by quantitative and qualitative assessments and they are given an inherent RAG (Red Amber Green) rating, which is calculated from the likelihood and impact scores (1-5). After mitigation actions are imposed, the risks are then recalculated and provide a residual score and RAG rating.

The Risk Tolerance (also known as contingency or risk pot) is calculated against the financial implication (quantitative assessment) vs the residual likelihood (qualitative assessment) of the risk happening. The updated Risk and Opportunity log calculates this contingency automatically.

The Risk Tolerance is calculated against each individual risk, as summarised below:

*Table 3: Risk Contingency Calculation*

Residual Likelihood Score	Percentage of Financial Risk Implication
1	20%
2	40%
3	60%
4	80%
5	100%

As new risks are added on the risk and opportunity register, and existing risks reviewed, the financial tolerance is calculated appropriately. This cannot be greater than the approved CPCA Risk Appetite allocated.

*For example, an OBC, with approved financial cost of £200,000, would have a Risk Appetite of 20%. The Risk Tolerance for that particular business case is therefore £40,000. This is the maximum and the Risk Tolerance should not exceed this.*

If an occasion occurs where the tolerance is higher than the CPCA Risk Appetite, the project team should review all risks in the first instance, to ensure the financial implications and residual likelihood scores are correct. It is recommended that a full review with the project team (Project Manager, Project Director and Finance Manager) and any other external suppliers if required, takes place.

If it is correct that the Risk Tolerance is higher than the approved Risk Appetite percentage, this will require a discussion with the Director / Senior Responsible Officer. SRO will be responsible for reviewing the Risk and Opportunity Register with CPCA Corporate Management Team (CMT) and seeking approval for the increased Risk Tolerance. CMT will then decide whether the tolerance can

accept internally, or whether it will require a higher level of approval at the Combined Authority Board, as per the Risk Management Strategy Roles and Responsibilities table.

**Risk Tolerance is the financial reserve for a business case and can only be spent through an Early Warning Notification and Change Control Process.**

### 3. Change Control

A change is something that will affect any of the key baselines associated with a project – the time, cost, quality, risk exposure or benefits case. Some changes may be welcome whilst some not. Either way all change needs to be proactively managed.

Change can happen due to a number of reasons:

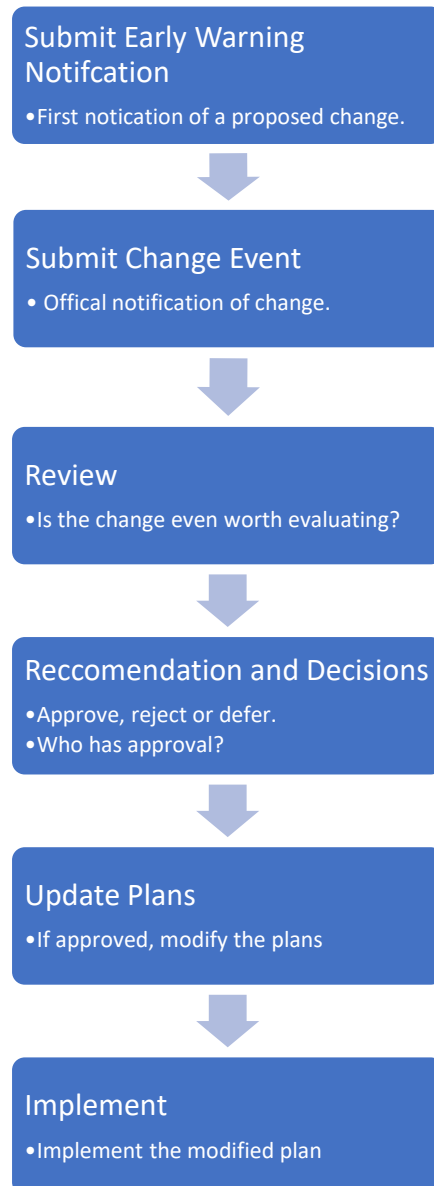
- External influences; for example, a change of government or organisational strategies.
- Contractual changes generated by clients / subcontractors / suppliers or other stakeholders.
- A new and innovative technique or process, apparent after the original baselines have been agreed.
- Efficiencies of process and change associated with getting things done more efficiently / lower cost that have emerged.
- Changes to the benefit model; perhaps doing a little more may have a huge return.
- Evolving designs and emergence of new information.

In traditional development models where scope is defined early in the life cycle, it is essential that changes to baselined scope are controlled. A rigorous change control process must be established and maintained on all projects, programmes, and portfolios. The purpose of this is to make sure that baselines are secured and only changed with appropriate controls, checks, agreements, and communications. As time progresses, the ability to have an impact on the direction of a project diminishes. Similarly, as time goes by, the cost of any changes will rise. The cost needs to be considered and understood and any change to these parameters may call into question the viability of the project as whole.

#### Change Control Process

Within CPCA, we follow the below process, which comprise of these five steps:

Diagram 1: Standard Change Control Process



**This process is shown by example in Appendix 2.**

A change can be requested from a number of different sources and they can derive from any of the reasons previously mentioned. Stakeholders, (delivery partners, contractors, or consultants) generally will instigate changes and the CPCA Programme/Project Manager must make sure they are recorded appropriately.

It is important to remember that changes can be submitted many times if that is justified.

All Early Warning Notifications and Change Events should be saved on the Early Warning and Change Event Log found [here](#). An Early Warning and Change Event Log should be set up for every project.

### Step 1: Submit Early Warning Notification

An Early Warning Notification (EWN) is the first notice that a stakeholder must submit to notify the project team of any potential change which could affect the cost, completion progress or quality of the project.

The EWN form can be found [here](#)

When the EWN form has been completed, it is recorded on the Early Warning Notification and Change Event Log and formally submitted to the Project Management Team (PMT). The EWN is then given a reference number and formally signed off by the stakeholder, Project Manager (PM) and Project Director (PD). This sign off should happen within a week of receiving the EWN. During this sign off process, the project team may want to challenge the need for the EWN and as to whether it is justified. If the EWN is accepted or declined by the project team, it will stay on the Early Warning Notification and Change Event Log.

The EWN will also refer to a Risk Identification number as part of the Risk Management Process.

The Early Warning and Change Event Log records all submitted EWNs and Change Events (CE). The purpose of the log is to provide a method of change and a means of notification to change the scope, cost, programme, outputs, and deliverables. It also provides a means of escalation of project risks and or issues that require a notification.

The monitoring and quality checking of the Early Warning Notification and Change Event Log will be facilitated by the PMO team.

The EWN is supplementary and will provide supporting information for any future Change Events. The EWN advises the project team that a change may happen, and that additional mitigation might need to be put in place to stop the change from happening. Just because an EWN has been submitted, does not mean that a change event will be submitted at a later date. The EWN will also give an approximation on the change whether that is the approximate number of days or the approximate financial implication.

For example, an EWN has been issued to notify of a delay in time (approximately 5 days) for modelling work. If this does happen, it will also result in additional funds (approximate financial implication). If the modelling delay is resolved, then a change event will not need to be submitted.

There are no definitive timescales as to when a change request is submitted.

### Step 2: Submit Change Event

The stakeholder who requests a change must then provide relevant information on the nature of the change. The request is entered into a change event form.

The CE form can be found [here](#)

Once the CE has been completed, it is also recorded on the Early Warning and Change Event Log.

It is then formally submitted to the PMT. The CE is then given a reference number. If there are any EWNs that provide supporting evidence for the change, then the EWN reference number(s) is also included.

The difference between a EWN and CE is that the EWN has an approximation on the proposed change. The CE knows the exact implication of the change. If we take the previous example:

An EWN has been issued to notify of a delay in time (approximately 5 days) for modelling work. If this does happen, it will also result in additional funds (approximate financial implication). When the CE has been issued, it will notify a delay in 2 weeks (working days) for the modelling work, which will cost £2,000.

### Stage 3: Review

A review is carried out by the PMT to determine whether or not the change is viable, potentially acceptable and has the support of the majority of stakeholders. The initial review should be relatively short and focused to ensure that the project does not spend excessive time to analyse these initial requests. The CE and any supplementary EWNs are reviewed and only appropriate and viable changes should be taken forward to the next stage with the cost and effort implications of a full-scale review.

### Stage 4: Recommendation, Decisions and Delegation

The person with the authority to approve a CE is based on delegation authority when related to financial spend. The approver has the responsibility to make sure the stakeholders are consulted, and any differences are resolved. They will liaise with the project team and any other advisors to make sure they are effectively 'doing the correct thing'.

Director / Senior Responsible Officer (SRO) has full delegated authority to authorise change within the approved Risk Tolerance. The Director for Business and Skills has delegated authority to SROs within this directorate, which is shown within **Appendix 1**.

If the CE has been submitted and does not require any additional financial spend, then the CE will need to be discussed within the project team as to whether that change is acceptable.

The CE decision options are:

- Approve the change event and authorise its inclusion into the project plans.
- Reject the change and not approve its implementation.
- Defer the change until later within the project lifecycle.

At all stages of the CE, stakeholders need to be communicated with and kept up to date with progress and decisions. During the decision process, the project team will contact the stakeholder who submitted the change, to discuss:

- Why the change is needed and the reasoning behind it (what is driving the change)?
- What other options have been considered?
- How the project team can help mitigate the change – reduction in time or cost etc.

Before the CE is approved, rejected, or deferred the stakeholder who submitted the change may amend the change event and its requirements following the discussion with the project team. This may lead to a reduction in the cost, time etc. it may also be decided that the CE is the responsibility of the supplier rather than CPCA, if it is deemed that the CE has been covered within the tender and therefore becomes the risk to the supplier.

All financial changes are totalled as the project progresses, this is important when comparing the risk tolerance level of the project. As previously mentioned, each business case has a set appetite and therefore a set level of tolerance. It is important that as financial changes are being approved through the change event process, they never go over the level of tolerance set for the business case.



Ultimately whether the change is approved, rejected, or deferred, the Programme/Project Manager will need to coordinate the implementation of the change to make sure that it is done seamlessly and incorporated into the plans.

#### Stage 5: Update Plans

If the CE is formally accepted, the Programme/Project Manager has to introduce the change into the plan. Most of the normal planning process would already have been carried out during the feasibility stage, but now the live programme, financial reporting, and risk registers will need to be formally updated. Changes must be considered alongside the existing frameworks of product description and specifications; this is outlined with the Project Identification Document (PID) as per the CPCA 10 Point Guide for Project Management.

Everyone who is involved must be informed about the change or errors due to incorrect information that may creep into the system. It should not be forgotten that a prospective change is substantially easier to implement than a retrospective change to products already completed.

#### Stage 6: Implement

Now the approved change needs to be implemented. At this point, the change control process merges with the normal marginal activities of the routine management of the PID. The Programme/Project Manager should maintain any changes within the main project and once approved, changes will be absorbed into every level of planning and the new activities will be undertaken in the same way as the original task load.

**This process is shown by example as Appendix 2.**

The Early Warning and Change Event Log should be monitored within the project team at regular intervals with suppliers and the internal finance team.

## 4. Change Events for financial changes:

Projects within the Combined Authority fall within two financial workstreams:

- **Approved to Spend** – Projects approved within the Medium-Term Financial Plan (MTFP) have been formally accepted within the budget. (The budget is defined within financial years e.g. 19/20 or 20/21).
- **Subject to Approval** – Projects that have been allocated money for a financial year, but yet to be included formally within the budget or MTFP.

It is likely that project funding can fall within both workstreams:

*For example, A project can have approved to spend amount for the current financial year and also have money allocated for the next financial year that has not yet been formally accepted within the MTFP. This is usually separated between project phases (SOBC, OBC, FBC etc), more information relating to this can be found within the CPCA 10 Point Guide to Project Management.*

*For example, SOBC completes in 19/20 financial year and OBC starts in 20/21 financial year.*

It is important for Project/Programme Managers to understand where each project sits within these two workstreams as each workstream has a different approval process.

#### Approved to Spend:

If the Change Event is asking to access funds within the Risk Tolerance, then you need to complete the Change Event Process.

#### Subject to Approval:

If the Change Event is asking for funds to approve “subject to approval” allocation within the MTFP, then the following steps will need be taken:

1. CE is completed by the relevant Project/Programme Manager.
2. CE is added onto the Early Warning Notification and Change Event Log.
3. CE is reviewed within the PMT.

If CE is to be approved, then one of the following needs to happen:

- A) The Chief Executive or Chief Financial Officer can approve up to £500,000 through emergency funds as per the constitution. But they will be required to go to board and or committee at the next available date.
- B) The Chief Executive or Chief Financial Officer can defer the change to committee or board approval.

This approval is required before any action can take place. Following approval, the Early Warning Notification and Change Event Log and Risk Register is updated, and the approved solution cost is updated by the finance manager.

## Appendix 1

### Delegated Authority

#### **Business and Skills**

The following SROs have 50% delegated authority for the overall Risk Tolerance:

<b>Job Title</b>
SRO – Higher Education
SRO – Workforce & Skills
SRO – Adult Education
SRO – LGF Investments
SRO – Business Growth Service & Market Towns

This is agreed as an aggregate (approval of either a single CE or multiple CEs, as long as they do not exceed the 50% Risk Tolerance in total).

For approvals over 50% Risk Tolerance, these will need to be authorised by the Director of Business and Skills.

#### **Delivery and Strategy**

Full delegated authority sits with the Director of Delivery and Strategy.

#### **Housing and Development**

Full delegated authority sits with the Director of Housing and Development.

## Appendix 2

### Early Warning Notification and Change Event Process Example

Below is a live example of how to complete an Early Warning and Change Event for your project:

#### Step 1: Early Warning Notification (EWN) is submitted

The EWN form has been completed (in this case, by the supplier) and submitted to the Project Management Team (PMT). This is the first indication the PMT has received of this potential change.

Early Warning Notification			
<b>EARLY WARNING OF:</b>		<b>Notification Date</b>	<b>10/11/2020</b>
<b>Increase in total of Price</b>	<b>Yes</b>		
<b>Delay Completion</b>	<b>Yes</b>		
<b>Delay meeting a Key Date</b>	<b>No</b>	<b>EW Ref Number</b>	
		<b>Event Date</b>	<b>DD/MM/YYYY</b>
<b>Brief Description of the Event:</b> (single line only)			
Additional planning application is required if current planning application is declined			
<b>Detailed Description of the Event:</b> (be as full and descriptive as you can)			
Received email from planning authority regarding current planning application. They have advised that the planning application may require to be re-submitted due to legislation changes			
<b>Cause of the Event:</b>			
Legislation changes			
<b>Effects of the Event:</b>			
Time and Cost			
<b>Options Considered/Mitigation Measures deployed:</b>			
Currently discussions being held with planning authority about the need for new planning application			
<b>Why Option chosen was selected:</b>			
Only option			
<b>Delay in Time / Delivery?</b> (highlight Business Case if applicable)			
<b>Feasibility SOBC OBC FBC Construction / Delivery</b>			
If a new planning application is required confirmed approx delay 3-12 weeks.			
<b>Issued by:</b>	Supplier	<b>Date:</b>	<b>10/11/2020</b>
<b>Provisional Total EW Cost</b>	<b>£ 3,000.00</b>		

Once reviewed, the PMT adds the EWN onto the summary page of the Early Warning and Change Event Log and allocates a reference number

Early Warning and Change Event Register				Project Name:		
				Dropdown		Dropdown
EW/CE Ref Number	Brief Description of Event	Notification Date	Impact on Approved Completion Date (days)	Change in Cost (Y/N)	Provisional Cost Impact (Net £)	Requires Director Approval?
<a href="#">EW1</a>	Additional planning application is required if current planning application is declined	10/11/2020	60	Yes	£ 3,000.00	
		<b>Total:</b>	<b>60</b>	<b>Total:</b>	<b>£ 3,000.00</b>	

The reference number is used to link into the risk register, which is then updated.

Project / Programme Risk						Residual Score			Financial Risk Implication (£k)	Comments/Notes / Assumptions	Risk Contingency (£k)	Risk Owner	Escalation Required?	EWN Ref
ID No	Risk or Opp	Date Identified	Cause(s)	Risk Event	Effect(s)	Likelihood (1-5)	Impact (1-5)	RAG score						
								Total	£3,000.00		£2,400.00			
1	Risk	01/11/2020	Regulation Change	New planning application required	Cost and Time	4	1	4	£3,000.00	discussions happening with planning team	£2,400.00	PM	No	EW1
2								0						

If the EWN is demonstrating a new risk that is not already on the risk register, this will need to be added.

The EWN is then discussed internally with the PMT and with the relevant supplier. In this example, it is deemed appropriate and accepted. The EWN is signed off as approved, by the Project Manager and Director (this should happen within a week of receiving the EWN from the supplier).

Issued by:	Supplier	Date:	10/11/2020
Provisional Total EW Cost	£ 3,000.00		
Signed Project Manager - Delivery Partner	X	Date:	12/11/2020
PCA Project Manager	X	Date:	12/11/2020
PCA Project Director	X	Date:	12/11/2020

## Step 2: Change Event (CE) is submitted by the supplier:

In this instance, the risk has been realised (a week after the EWN) and the supplier has completed the CE form, and this is submitted to the PMT.

Change Request Form			
<b>CHANGE EVENT OF:</b>		<b>Notification Date</b>	<b>21/11/2020</b>
<b>Increase in total of Price</b>	<b>Yes</b>		
<b>Delay Completion</b>	<b>No</b>		
<b>Delay meeting a Key Date</b>	<b>No</b>	<b>CE Ref Number</b>	
		<b>Event Date</b>	<b>28/11/2020</b>
<b>Brief Description of the Event:</b> (single line only)			
Current planning application is due to be declined, new planning application needs to be submitted			
<b>Detailed Description of the Event:</b> (be as full and descriptive as you can)			
Discussions with the planning team have confirmed that a new planning application is required due to new legislation			
<b>Cause of the Event:</b>			
New legislation			
<b>Effects of the Event:</b>			
Increase in cost, no delays to programme due to discussions with the planning team.			
<b>Options Considered/Mitigation Measures deployed:</b>			
N/A			
<b>Why Option chosen was selected:</b>			
Only option			
<b>Delay in Time / Delivery?</b>			
<b>Feasibility SOBC OBC FBC Construction / Delivery</b>			
New planning application will cost £2,500 and no delay in time			
Issued by:	Supplier	Date:	21/11/2020
Total CE Cost	£ 2,500.00		

The PMT allocates an CE Ref Number and this is also added to the summary page of the Early Warning and Change Event Log:

Early Warning and Change Event Register				Project Name:		
EW/CE Ref Number	Brief Description of Event	Notification Date	Impact on Approved Completion Date (days)	Dropdown		Requires Director Approval?
				Change in Cost (Y/N)	Provisional Cost Impact (Net £)	
<a href="#">EW1</a>	Additional planning application is required if current planning application is declined	10/11/2020	60	Yes	£ 3,000.00	
<a href="#">CE1</a>	Additional planning application is required	21/11/2020	0	Yes	£ 2,500.00	
Total:			60	Total:	£ 5,500.00	

\*\* In the above Early Warning and Change Event Log, shows the difference between the EWN and CE. The CE has a definitive figure of £2,500 and has confirmed that there is no time delay.

### Stage 3: Review

The PMT have an initial review of the CE and supplementary EWN. In this example, they agree that the CE is appropriate and required.

### Stage 4: Recommendation, Decisions and Delegation

As the CE is deemed appropriate, the delegated authority agrees to approve the £2,500 CE as this fall within the approved Risk Tolerance. The CE is signed off by the PMT and the Early Warning and Change Event Summary log is updated.

New planning application will cost £2,500 and no delay in time

<b>Issued by:</b>	Supplier	<b>Date:</b>	21/11/2020
<b>Total CE Cost</b>	£ 2,500.00		
<b>Signed Project Manager - Delivery Partner</b>	X	<b>Date:</b>	22/11/2020
<b>CPCA Project Manager</b>	X	<b>Date:</b>	22/11/2020
<b>CPCA Project Director</b>	X	<b>Date:</b>	22/11/2020
<b>CPCA Director (SRO)</b>	X	<b>Date:</b>	23/11/2020

Early Warning and Change Event Register																	Project Name:									

The approved spend and days are updated to reflect the approved CE.

### Stage 5: Update Plans

The supplier is advised that the CE has been accepted and is sent formal confirmation via email to go ahead. The risk register is also updated to reflect this (in this case, the risk event is closed, and the risk contingency amount is removed).

Project / Programme Risk							Residual Score									
ID No	Risk or Opp	Date Identified	Cause(s)	Risk Event	Effect(s)	Risk Status	Likelihood (1-5)	Impact (1-5)	RAG score	Financial Risk Implication (£k)	Comments/Notes / Assumptions	Risk Contingency (£k)	Risk Owner	Escalation Required?	EWN Ref	Date Closed
									Total	£3,000.00		£0.00				
4	Risk	01/11/2020	Regulation Change	New planning application required	Cost and Time	Closed	4	4	4	£3,000.00	discussions happening with planning team	£0.00	PM	No	EW4	23/11/2020

## Stage 6: Implement

The finance manager is updated, and any other relevant parties are informed.



<b>AUDIT AND GOVERNANCE COMMITTEE</b>	<b>AGENDA ITEM No: 7</b>
<b>27 November 2020</b>	<b>PUBLIC REPORT</b>

## REVIEW OF CORPORATE RISK REGISTER

### 1.0 PURPOSE

- 1.1 The Audit and Governance Committee's terms of reference include monitoring the Combined Authority's risk management arrangements including the risk register.
- 1.2 In the interests of good governance, the Committee is requested to review the Combined Authority Corporate Risk Register and approve any changes they would like to put forward as a recommendation to the Combined Authority Board.

<b><u>RECOMMENDATIONS</u></b>
<b>Lead Officer: Robert Parkin, Chief Legal Officer and Monitoring Officer</b>
<p>The Audit and Governance Committee are recommended to:</p> <p>(a) Review the Combined Authority's Corporate Risk register [Appendix 1]; and</p> <p>(b) Recommend any proposed changes to the Corporate Risk Register to be reported to the next Combined Authority Board meeting for approval.</p>

### 2.0 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 Director's 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.

- 2.4. A risk has been added to the Register this year to cover the Covid-19 pandemic. This risk has been split into three elements. The first is the risk to the operation of the Combined Authority, the second is the risk arising from the short term economic impact of the pandemic to the delivery of the Combined Authority's objectives and the third is the long term economic impact of the pandemic to the delivery of the Combined Authority's objectives.
- 2.5. A further risk has been added in relation to unplanned increases in budget for highways and transport schemes funded by the Combined Authority and delivered by partner agencies. 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.
- 2.6. The risk identified as Potential Impact of Brexit has now been split into two elements; the first (Risk ID 7) is the risk arising from the short term impact of Brexit on delivery of the Combined Authority's Growth Ambition Programme; the second (Risk ID 20) is the long term impact of Brexit.
- 2.7. A risk has been escalated from the Directorate for Housing register to the Corporate Risk register (Risk ID 21)

### **3.0 FINANCIAL IMPLICATIONS**

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

### **4.0 LEGAL IMPLICATIONS**

- 4.1 The keeping of a corporate risk register is part of the process of appropriately identifying and managing risk within the Combined Authority. The keeping of a Corporate Risk Register is a requirement of the Assurance Framework.

### **5.0 APPENDICES**

- 5.1 Appendix 1 - The Corporate Risk Register (including Scoring Matrix)
- 5.2 Appendix 2 – Corporate Risk Heat Map

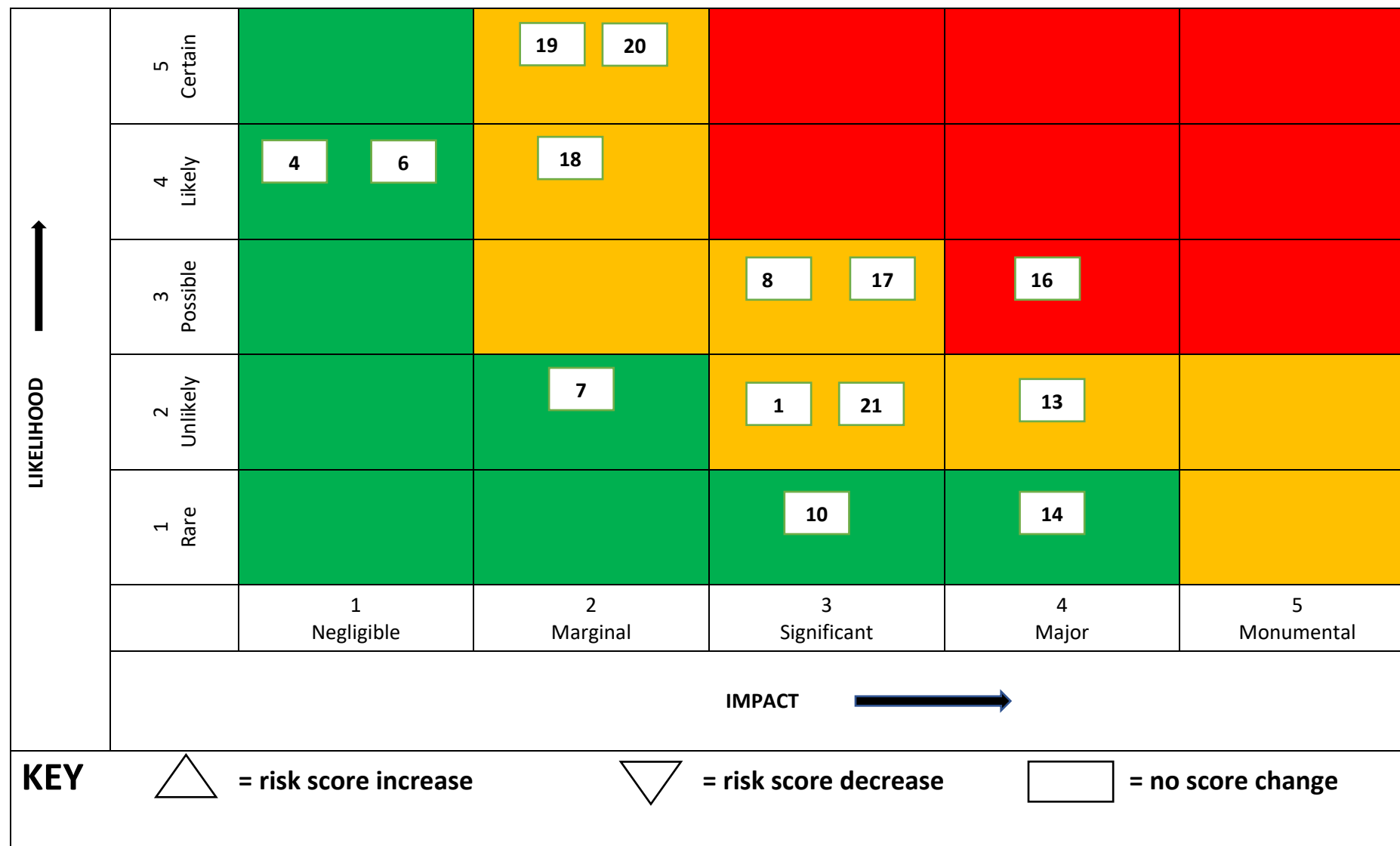
<b><u>Background Documents</u></b>	<b><u>Location</u></b>
None	



Corporate Risk Register																						
Risk ID	Date Identified	Cause(s)	Risk Event	Effect(s)	Risk Type	Risk Status	Risk Proximity	Likelihood (1-5)	Impact (1-5)	Inherent RAG score	Date Last Review	Mitigation Plan	Mitigation Action	Action Owner	Date Action Closed	Likelihood (1-5)	Impact (1-5)	Residual RAG score	Comments/Notes /Assumptions	Risk Owner	Escalation Required?	Date Closed
										Total								Total				
16	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	11/11/2020	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. CPCA grants	Business Restoration and Business Recovery Groups 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 Executive		3	4	12		Chief Executive	N/A	
19	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	11/11/2020	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. CPCA grants	Business Restoration and Business Recovery Groups 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. CPCA grants	Chief Executive		5	2	10				
20	11/11/2020	Potential impact of Brexit on delivery of the Combined Authority's Growth Ambition Programme (B)	Potential impact of Brexit on delivery of the Combined Authority's Growth Ambition Programme in the long term.	Potential financial uncertainty and economic instability leading to insufficient investment in priority projects in the long term.	Strategic	Open	Approaching	4	4	16	11/11/2020	Appointment of SRO to advise on BREXIT mitigation strategy and oversee implementation Appointment of INTERIM assistant to SRO to assist with strategy and implementation Engagement with Business Advisory Panel & Business Board - to balance views of businesses Engagement with business organisation (FSB, CBI etc) stakeholders to augment resources	Monitoring of daily/weekly 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	Director of Business & Skills (Brexit Lead)		5	2	10				
8	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	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	4	3	12	11/11/2020	Work is progressing at developing the 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 resources and CPCA resources allocated to move projects to those funding decisions. The funding for all projects listed in 'leveraged future schemes' appendix to the 2021 MTFP will be considered within business cases which will be brought to the Board for approval.	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		3	3	9		Chief Finance Officer	N/A	
17	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	5	3	15	11/11/2020	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. 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 (vi) regular project reporting to Board and Committees (vii) review of historic overruns to establish cause. (viii) updating project management guidance inline with audit recommendations e.g. Lancaster Way	Director of Delivery & Strategy		3	3	9		Chief Executive and Chief Finance Officer	N/A	
13	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	3	5	15	11/11/2020	Provision of persuasive evidence to the Gateway Review demonstrating the good management and value for money delivered through Gainshare funding. Processes are in place to allow a proven delivery record.	(i) Effective working with the evaluation contractors SQW (ii) provision of good evidence to the evaluation (iii) effective briefing of internal and external contributors to the review process (iv) the production of an impactful Complementary Report (v) collective CMT engagement in preparation for the review	CMT Members, Roberta Fulton, Mike Spiter		2	4	8		Director of Delivery & Strategy	N/A	
18	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	11/11/2020	CPCA funding an independent climate change commission to provide advice and recommendations on how to deliver Combined Authority ambitions and to achieve net-zero Strategic combined authority policies require business cases for the delivery of projects to be consistent with the net-zero ambition.	Supporting the independent climate change commission and implementing its recommendations in due course (Feb 2021) Widening the range of policy requirements on CA projects to be net-zero consistent Accommodation, travel and internal policies to reduce scope one & two emissions	All Directors		4	2	8		Chief Executive	N/A	
1	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	3	12	11/11/2020	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.	(i) Ensuring compliance with CPCA project management guidance (ii) 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 delivery partners on some projects (ix) housing team to monitor changes to the market and potential impacts following this	CMT Members, PMO, Project Managers		2	3	6		Director of Delivery & Strategy	N/A	
21	11/11/2020	MHCLG Review of £100m Housing programme	Up to £45m of Government funding not provided and change of end date of £100m Housing Programme from 31st March 2022 to 31st March 2021	£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. Potential reputational damage to CPCA housing programme likely.	External	Open	Approaching	3	5	15	06/11/2020	Continued communication with BEIS & MHCLG about progress and outcome of review. Escalate for political intervention and provide information to substantiate case. Inform Committees members and stakeholders. Prioritise and defer funding decisions with focus on achieving delivery targets by supporting those schemes with earliest starts on site.		Housing Director		2	3	6	Mitigation implemented and escalated through political channels.	Housing Director		
4	01/09/2019	Forth coming elections	Changes in Political Management which could lead a change of priorities for CPCA	Impact on funding, contractual arrangements and investor confidence in the CPCA	Strategic	Open	Approaching	4	2	8	11/11/2020	Clarity around existing priorities and contractual obligations.	MTFP, Business Plan, Leaders Strategy meetings in light of the forth coming elections.	Chief Executive		4	1	4	Elections are bound to have an impact on the priorities on the organisation, but there are systems in place that are able to adapt to the change in priority	Chief Executive	N/A	
6	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	4	2	8	11/11/2020	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 which builds resilience in case of individual staff members incapacity	Chief Executive		4	1	4		Chief Executive	N/A	
7	01/09/2019	Potential impact of Brexit 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	4	16	11/11/2020	Appointment of SRO to advise on BREXIT mitigation strategy and oversee implementation Appointment of INTERIM assistant to SRO to assist with strategy and implementation Engagement with Business Advisory Panel & Business Board - to balance views of businesses Engagement with business organisation (FSB, CBI etc) stakeholders to augment resources	Monitoring of daily/weekly 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	Director of Business & Skills (Brexit Lead)		2	2	4	Assumption being that CPCA re-calibrate our objectives to a new GVA figure	Director of Business & Skills (Brexit Lead)	N/A	
14	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	4	16	11/11/2020	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. Liaison with delivery partners to ensure continuity. Monthly Budget monitoring reports	Chief Executive		1	4	4		Chief Executive	N/A	
10	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	2	5	10	11/11/2020	A comprehensive Medium Term Financial Plan was approved at Board in January 2020, and is in the process of being reviewed as part of the COVID-19 response to focus 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 reports.	Corporate approach to Monitoring & Evaluation and Action. CPCA project management approach applied across the portfolio and reviewed in October	Chief Finance Officer		1	3	3		Chief Finance Officer	N/A	
2	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	2	4	8	31/03/2020	Outline Business Cases are funded and underway for the major priority projects in the Business Plan. Clear funding routes have been identified in the initial SQBC 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 underway.	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	3	4	12	End of 19/20 financial year	Director of Delivery & Strategy	N/A	31/03/2020
3	01/09/2019	Development and changing organisation. Changes to existing 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	2	5	10	13/05/2020							0	Moved to Corporate Services Risk Register		N/A	18/08/2020
5	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	3	4	12	03/03/2020	CEO and Section 73 Officer actively engaging with MS 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	3	3	9		Director of Delivery & Strategy	N/A	03/03/2020
9	30/09/2020	Critical skills shortage/hiring difficulties	Discriminatory practices Hiring unsuitable candidates., Availability of relevant Skills, Competency of candidates	Potential claims High turnover Poor performance Understaffing/overstaffing. Staff morale	Financial, Reputational, Strategic	Closed	Imminent	2	3	6	01/10/2020							0	Moved to Corporate Services Risk Register		N/A	18/08/2020
11	01/10/2020	No Democratic Services SLA in place	Failure to meet statutory deadlines for publication of Committee agendas and minutes.	Combined Authority fails to meet deadlines resulting in reputational damage and contravention of the Local Government Act	Reputational, Financial	Closed	Imminent	2	5	10	01/10/2020							0	Moved to Corporate Services Risk Register		N/A	18/08/2020
12	30/09/2020	Staff and managers not adhering to CPCA standards of ethics and behaviour.	Discriminatory practices. Non compliance with Company policies and procedures (e.g. discrimination, anti-bribery, Coe)	Affects organisational image and culture. Any reputational damage can also negatively impact on recruitment, retention and engagement.	Reputational, Financial	Closed	Imminent	2	4	8	30/09/2020							0	Moved to Corporate Services Risk Register		N/A	18/08/2020
15	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	1	4	4	23/09/2020							0	Moved to Corporate Services Risk Register		N/A	18/08/2020



# Combined Authority Corporate Risk Heat Map





<b>AUDIT AND GOVERNANCE COMMITTEE</b>	<b>AGENDA ITEM No: 8</b>
<b>27 NOVEMBER 2020</b>	<b>PUBLIC REPORT</b>

## **AUDITED STATEMENT OF ACCOUNTS 2019/20 AND EXTERNAL AUDITORS REPORT**

### **1.0 PURPOSE**

1.1. The purpose of the report is to:

- (a) Receive and approve the final Statement of Accounts 2019/20
- (b) Receive and approve the Annual Governance Statement 2019/20
- (c) Receive and approve the Management Representation Letter 2019/20
- (d) Receive and note the External Auditors report 2019/20

<b><u>DECISION REQUIRED</u></b>	
<b>Lead Officer:</b>	<b>Jon Alsop – Head of Finance (S73)</b>
<p>The Audit and Governance Committee is recommended to:</p> <ul style="list-style-type: none"><li>(a) Receive and approve the final Statement of Accounts 2019/20</li><li>(b) Receive and approve the Annual Governance Statement 2019/20</li><li>(c) Receive and approve the Management Representation Letter 2019/20</li><li>(d) Receive and note the External Auditors Report 2019/20</li></ul>	

### **2.0 BACKGROUND**

#### **Approval of the Audited Statement of Accounts 2019/20**

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

*No. 3.2 – Approve the annual statement of accounts.*

*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. 3.13 – 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. 3.14 – Consider whether accounting policies were appropriately followed and any need to report concerns to the Combined Authority Board.*

*No. 3.15 – Consider any issues arising from the External Auditor's audit of the accounts.*

- 2.2. Due to the impact of COVID-19 on local authorities, MHCLG amended the publication date for final, audited, accounts from 31 July (for Category 1 authorities) to 30 November 2020 for all local authority bodies.
- 2.3. At the meeting of 31 July 2020, the Committee reviewed the draft Statement of Accounts. The Committee suggested a number of changes to be made to the statement of accounts before they were published as 'draft' on the Combined Authority's website on 27<sup>th</sup> August 2020, together with the notice of the exercise of public rights.
- 2.4. The period for the exercise of public rights ended on 9 October 2020. No-one exercised their rights during this period.
- 2.5. Since the publication of the draft Statement of Accounts a small number of adjustments have been identified, none of which impact on the General Fund balance. The current version of the Statement of Accounts is attached at Appendix A, and a summary of the changes since the published draft accounts is attached at Appendix B.
- 2.6. In accordance with the Accounts and Audit (2015) Regulations and the Committee's terms of reference, following the conclusion of the audit, the Committee must approve the Final Statement of Accounts and Annual Governance Statement ahead of their publication by 30 November 2020.

### **Audit of the Accounts**

- 2.7. Ernst & Young LLP (EY) have been auditing the draft Statement of Accounts and will present their findings to the Audit and Governance Committee. Their statutory report is attached at Appendix C.
- 2.8. EY's report also covers the Mayor's request to provide a view on the Authority's governance arrangements in the context of the letter received from the Minister for Regional Growth and Local Government (MRGLG). EY's response to the Mayor is attached at Appendix D.
- 2.9. At the time of publication of papers for this meeting, the audit is substantially complete. In the event that any changes are required to the accounts between the meeting and the publication deadline, delegated authority will need to be

given to the Audit and Governance Committee Chair to approve these changes if the publication deadline is to be met.

## **Management Letter of Representation**

- 2.10. The Chief Finance Officer (S73) 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 E for review by the Audit and Governance Committee.

## **3.0 FINANCIAL IMPLICATIONS**

- 3.1. The fee for the planned code work is £26,950. EY's proposed uplift is £2,695 and additional fees are expected to be between £18,900 and £19,800. The total audit fee for the year is therefore expected to be between £48,545 and £49,545. Last year's total fee was £35,350, and the estimate of 19/20 fees provided to the 2 October 2020 meeting was between £38,645 and £45,645.

The additional fees cover the following:

Value for Money Conclusion significant risk - £5,750

Significant risk – incorrect capitalisation - £1,000 to £2,000

IAS 19 audit of pension disclosures - £3,700

Correspondence from the public - £3,050

*New since 2 October 2020:*

Impact of Covid 19 - £1,500

Mayor's request in respect of correspondence with MRCLG - £3,900

- 3.2. Additional Fees need to be agreed with CPCA and Public Sector Audit Appointments

## **4.0 LEGAL IMPLICATIONS**

- 4.1. As set out in the body of the report.

## **5.0 SIGNIFICANT IMPLICATIONS**

- 5.1. None.

## **6.0 APPENDICES**

- 6.1. Appendix A – Statement of Accounts 2019/20  
6.2. Appendix B – Schedule of changes since published draft accounts  
6.3. Appendix C – Audit Results Report for the Year Ended 31 March 2020  
6.4. Appendix D – EY Response to CPCA Mayor  
6.5. Appendix E – Management Letter of Representation

<u>Source Documents</u>	<u>Location</u>
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None.	
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**CAMBRIDGESHIRE  
& PETERBOROUGH**  
COMBINED AUTHORITY

**JAMES PALMER**  
CAMBRIDGESHIRE &  
PETERBOROUGH MAYOR

# Statement of Accounts

## 2019/20

Draft – Subject to Audit

DRAFT





# Cambridgeshire and Peterborough Combined Authority

## Statement of Accounts 2019/20

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# Narrative Report:

## 1. Introduction

The Code of Practice on Local Authority Accounting in the United Kingdom affirms the need for a Narrative Report to be published by local authorities in England, Northern Ireland and Wales with their financial statements. The purpose of the narrative report is to provide information on the Cambridgeshire and Peterborough Combined Authority, its main objectives and strategies, to provide a commentary on how the Combined Authority has used its resources to achieve its desired outcomes, and to demonstrate how it is equipped to deal with the challenges ahead.

This report provides the narrative to Cambridgeshire and Peterborough Combined Authority's financial statements for the year ended 31 March 2020

## 2. Organisational Overview and External Environment

The Combined Authority is made up of eight founding members across Cambridgeshire and Peterborough. Each of the following Constituent Authorities is represented by their nominated representative or substitute at Combined Authority meetings.

Cambridge City Council  
Cambridgeshire County Council  
East Cambridgeshire District Council  
Fenland District Council  
Huntingdonshire District Council  
Peterborough City Council  
South Cambridgeshire District Council

The Business Board also has representation on the Combined Authority Board. By virtue of their office, the Chair of the Business Board is the voting representative on the Combined Authority and the Deputy Chair is the substitute representative

The following bodies have co-opted member status:

The Police and Crime Commissioner for Cambridgeshire  
Cambridgeshire and Peterborough Fire Authority representative  
Clinical Commissioning Group representative

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

The Business Board builds upon the strengths of established LEP services to create a stronger new model and focuses on:

- Local Industrial Strategy – strategy development, implementation oversight, and monitoring of key objectives
- Place-based growth plans – including master plan development for our market towns, oversight of implementation, making investment recommendations, strategically managing business growth zones (including Enterprise Zones)

- Key sectors – determining our priority sectors, agreeing plans for their growth, overseeing the products and services that directly stimulate sector growth
- International trade and exports – import and export strategies, fostering key places in the world for trade accords, with particular focus on post-Brexit trade and export planning
- Skills – strategy and delivery plans to achieve a pipeline of people with skills required by business
- Major investment opportunities – maintaining an overview and management of the pipeline of direct investment opportunities open to the area
- Devolution – employment improvement and increased exporting impacting on Gross Value Added

The Business Board gives commerce a stronger voice in developing the Combined Authority's plans and decision making, and is committed to advising the Combined Authority on achieving its Growth Ambition. It ensures that a clear business perspective is brought forward as the Combined Authority seeks to be at the frontier of accelerating delivery and securing new investment models, with and across Government, the private sector and the local area.

At its meeting on 25 September 2019 the Combined Authority Board agreed to amendments to the Constitution. Those amendments included the establishment of three Executive Committees and provision for the appointment of Lead Members.

The changes to the constitution were made in response to the threats to the Cambridgeshire and Peterborough economy, as outlined in the Cambridgeshire and Peterborough Independent Economic Review (CPIER) report and to support a dynamic and innovative approach to delivering the growth necessary to ensure the long term prosperity of the area.

The Combined Authority Board will decide the strategic direction of the Combined Authority but will delegate many of its decision-making powers for operational matters to the Transport & Infrastructure Committee, the Skills Committee and the Housing & Communities Committee.

### **3. Governance**

Cambridgeshire and Peterborough Combined Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for. The Combined Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

In May 2019, the Business Board and Combined Authority Board approved a revised single Assurance Framework following the Ministry of Housing, Communities & Local Government's revised National Local Growth Assurance Framework for Mayoral Combined Authorities with a Single Pot and Local Enterprise Partnerships.

This single Assurance Framework has subsequently been submitted to and approved by the Ministry of Housing, Communities and Local Government.

By creating a single Assurance Framework, the Combined Authority and the Business Board will have a robust, singular framework that brings cohesion to the work of the single officer team, ensuring clarity, transparency and openness for Government, partners and members of the public around governance and compliance processes, and a singular approach to the recommendation and decision-making processes of both Boards.

#### **4. Operational Model**

The Devolution Deal for Cambridgeshire and Peterborough sets out key ambitions for the Combined Authority to make our area a leading place in the world to live, learn and work. These include:

- Doubling the size of the local economy
- Accelerating house building rates to meet local and UK need
- Delivering outstanding and much needed connectivity in terms of transport and digital links
- Providing the UK's most technically skilled workforce
- Transforming public service delivery to be much more seamless and responsive to local need
- Growing international recognition for our knowledge-based economy
- Improving the quality of life by tackling areas suffering from deprivation

A significant element of the devolution deal was the award of a single pot of investment. This single pot for Cambridgeshire and Peterborough initially comprised of a devolved, multi-year transport settlement and an additional long-term investment fund grant, worth up to £600 million over 30 years.

#### **5. Risks and Opportunities**

##### **COVID-19**

On 25 March 2020, the Combined Authority set out its response to COVID-19 to support recovery and formulated an approach covering an immediate, short term and medium-term response.

The immediate response was to remain 'open for business' with the Combined Authority's workforce being fully mobilised to work from home, meetings taking place virtually, and the Mayor's general power of competence being relied upon to make decisions.

Innovations to support local businesses affected by COVID-19 have included:

- The re-design and re-purpose of resources towards growth coaching, advice, grants and equity investments, to provide a rapid response to support businesses.
- Supporting clients to access information regarding the Central Government Support Packages and to provide signposting to appropriate local sector Business networks
- Allocate grant funding for short term support grants to COVID recovery and regrowth strategies for local firms.

The medium-term response includes undertaking a review of all priorities to focus on those which will increase the ability of economic recovery.

The Combined Authority Board approved the budget for 2020/21 and Medium Term Finance Plan (MTFP) in January 2020. The MTFP set out assumed future funding streams and a full capital programme of investments for the period to 2023/24. The whole of the MTFP has been reviewed to consider risks to delivery and to focus on priorities which will support economic recovery.

The review updated the assumptions made in the MTFP on the funding of projects to which central government and its agencies have now made a clear public commitment. This highlights the 'promoter' role of the Combined Authority and its success in obtaining future funding commitments from central government.

The 'remodelled' MTFP confirms that the current mayoral priorities are still affordable within the existing MTFP funding envelope, that the refresh has refocused funds towards the immediate COVID-19 response and has enabled the release of some resources to support economic recovery, including an increased commitment to market towns and funding to support the development of the Cambridgeshire Autonomous Metro (CAM). The proposed changes, which were approved by the Board in June 2020 leave the revenue and capital budgets balanced and affordable across the lifetime of the MTFP, whilst maintaining a £1m Contingency Reserve.

Despite the potential impact of COVID-19 on local authority financial sustainability, the Combined Authority is able to maintain a balanced and affordable budget and to continue to operate for the foreseeable future. It is therefore appropriate to prepare the financial statements on a going concern basis.

### **The Combined Authority's Gateway Review**

The Combined Authority receives an annual grant of £20m from Government, locally referred to as 'Gainshare' funding. This grant was indicatively awarded for 30 years but is subject to a gateway review every five years at which point Government assesses the Combined Authority to determine whether it has been demonstrating good management and achieved value for money. As this grant provides for the majority of the running costs of the Combined Authority it is a risk that must be recognised.

The Combined Authority is confident that its processes, and achievements to date, will clearly demonstrate to Government the value of the money invested in the Combined Authority. Showing that this funding leads to the unlocking of previously stalled projects and the delivery of nationally impactful schemes which grows the country's economy

and provides positive outcomes for the people and businesses within Cambridgeshire and Peterborough.

### **Absence of funding for ambitious projects**

The most ambitious projects that the Combined Authority is developing, for example the Cambridge Autonomous Metro, Garden Villages, and the University of Peterborough, will require clear and innovative funding strategies to deliver; these schemes will need to combine private and public funding and financing to unlock their maximum potential. As with any large-scale project there are internal and external factors which pose risks and opportunities: the general economic conditions will affect the availability, and costs, of loan finance and national political shifts could affect the level of public sector funding which could be available.

This risk is not material to the day to day operation of the Combined Authority, rather to its ability to achieve its long-term ambition to make Cambridgeshire and Peterborough the leading place to live, work and learn. Active steps are being taken to maximise the opportunities currently available, from submitting bids to recently announced Government grant schemes through lobbying for key projects to be recognised in the comprehensive spending review to discussions with interested private sector stakeholders to ensure engagement and buy in across all sectors.

### **Unbudgeted for increases in project expenditure**

As the Combined Authority's role in Local Government is of a predominantly strategic nature the vast majority of its annual expenditure is on projects, rather than the provision of services as is the case in a traditional Local Authority. Unbudgeted for increases in project expenditure would therefore have a greater impact on the Combined Authority's overall budget – substantial increases could impact on its ability to deliver on the business plan and achieve a balanced budget.

This risk is mitigated through a variety of actions embedded within our local growth assurance framework including: following the Treasury's guidance on building robust business cases, regular reporting of budget and expenditure to Senior Officers, Committees and Boards, promoting close relationships with our delivery partners to ensure early identification of potential issues, as well as learning from the past by reviewing historic overruns to establish lessons to be learnt.

### **Brexit**

The Combined Authority has not received any material funding from EU sources in 2019-20; however, it currently has bids being evaluated by both the European Social Fund (ESF) and European Regional Development Fund (ERDF). Both these funds are available to UK projects to spend by the end of March 2023 regardless of the outcome of Brexit negotiations. The Combined Authority does not consider Brexit itself a risk to these funding streams.

If there is a delay in the funding decisions being made, or the projects slip, then replacement funding would need to be identified, or the project scope scaled back.

## **Our Growth Ambition**

The Combined Authority has a Growth Ambition Statement to summarise its strategy and response to the Cambridgeshire & Peterborough Independent Economic Review (CPIER).

The CPIER endorsed the Devolution Deal ambition of doubling GVA over 25 years and said that growth is of strategic importance for the future global competitiveness of Britain. It emphasised the diversity of our economy and the difference between the challenges the strongly-growing large cities and other parts of the area face.

The CPIER has also thrown down a challenge by saying that current efforts are not enough to secure that growth. It has highlighted the risk that the Greater Cambridge economy may decelerate unless there is investment in transport infrastructure and housing. It provides clear evidence that we need to do more to develop the productivity of firms, raise skill levels, make home ownership affordable, address health and educational inequalities, and generate revenue to pay for public services in the future.

Not enough homes have been built in the past. The Combined Authority will therefore lead work to review future housing demand and needs. That review will take place in a way that makes new analysis available to support those of our planning authorities which have committed to review their plans in the near future.

New homes need to be affordable. The Combined Authority's Housing Strategy aims to exceed the 2,500 affordable homes committed to in the Devolution Deal. We will also use the new Spatial Framework and direct investment in new settlements to encourage extra affordable housing provision, including by developing homes for first time buyers with a price target based on earnings.

In striking a balance between the different possible patterns for future settlements through the Spatial Framework, the Combined Authority will encourage development, where good transport can be provided, including along transport corridors and new garden villages. By linking the Spatial Framework and Local Transport Plan, this approach will be based on ensuring that transport and other infrastructure investment precedes housing development.

The Combined Authority's identified key transport priorities reflect a commitment to improve connectivity both East to West and North to South, to reduce commuting times in line with a journey to work target of within 30 minutes, and to support future development. We are committed to rigorous prioritisation based on business cases which assess the impact of the projects on future growth.

Bringing transport and spatial planning together around projects like the Cambridgeshire Autonomous Metro (CAM) creates opportunities to fund future investment through Land Value Capture. The Combined Authority will consider acquiring and promoting strategic housing sites along the proposed CAM routes. We will work to develop these as possible future garden villages.

Responding to the growth challenge means public sector interventions to help firms raise their productivity, especially outside the Greater Cambridge area. Our Local Industrial Strategy (LIS) will reflect the CPIER's recommendations about key sectors and the drivers of productivity. Our LIS will recognise the different economic roles that

different towns play and will be about targeting support to businesses in areas that need it. It will focus on improving productivity and encouraging exporting. As part of this, the Combined Authority is already supporting digital connectivity for businesses.

The CPIER highlighted the existence of a low level of skills and educational aspiration in some communities, and mismatches with employer needs in the education system, alongside the high-skilled economy of Cambridge. The Combined Authority will continue to prioritise skills interventions, including supporting the establishment of a new university in Peterborough with a course mix driven by local employer demand for skills in both public and private sectors, encouraging apprenticeships, and through the LIS working to activate employer demand and motivate learners and their families to aspire.

The CPIER recognised that growing our economy is not just about our two large cities and emphasised the role of Market Towns. We will continue to support the Market Town Masterplans and will be ready to support proposals for delivery that come out of those masterplans. This will include supporting digital connectivity to help develop the economy of market towns.

Growth, educational attainment, health and social mobility are linked. More skilled, more productive, higher-earning Market Towns will also be healthier. That requires consideration of how public services can best be organised to focus on improving the wider determinants of health and encouraging education aspiration. The Combined Authority has launched an Independent Commission on public service reform and commissioned work on achieving a stronger health and care system.

## **6. Strategy and Resource allocation**

### **LOCAL INDUSTRIAL STRATEGY**

Implementing the Growth Ambition for Cambridgeshire and Peterborough requires a focussed Local Industrial Strategy (LIS) defining how the Combined Authority will support businesses and key sectors to grow and become more productive, and people in our communities to gain the skills for these jobs. Led by the Business Board in development and implementation, the LIS sets out priority productivity and skills activities for the Combined Authority for the medium-term. The LIS, which is co-produced with Government, explores the further support and investment national Government could offer to deliver the UK Industrial Strategy locally.

The local industrial strategy can be viewed [here](#).

### **STRATEGIC SPATIAL FRAMEWORK**

As part of the Devolution Deal, the Combined Authority is developing a non-statutory spatial strategy for Cambridgeshire and Peterborough. This will align essential infrastructure, housing and job growth, and set out how growth can be delivered. It links to other strategies of the Combined Authority. Local planning authorities, all of whom are represented on the Combined Authority Board, retain their statutory planning powers.

The Strategic Spatial Framework can be viewed [here](#).



## SKILLS STRATEGY

The Skills Strategy supports our vision of a local skills system that is world-class in matching the needs of our employers, learners and communities. The principles of the Strategy include simplifying access to skills support for employers and learners and tailoring interventions to appropriate geographies, sectors and learners by the development of the Progression and Apprenticeship Market Place, the new University of Peterborough and use of the devolved Adult Education Budget (AEB). The strategic priorities ensure local provision is matched to industry need, making sure people are work-ready, raising aspirations, and influencing choices.

The Skills Strategy can be viewed [here](#).

## LOCAL TRANSPORT PLAN

Following devolution, the Combined Authority is now the Local Transport Authority with strategic transport powers. The Local Transport Plan provides an overview of the area's aims and objectives, its strategies to address challenges and summarises the major transport schemes required to achieve targeted growth and place-making across the Combined Authority geography.

During the September refresh of the business plan, six projects were included as additions to the key projects list which the Board monitors quarterly. These projects are:

- Fenland Stations Regeneration – a project to deliver a range of interventions at train stations across March, Manea and Whittlesea and to promote more frequent and later services from these stations;
- Bus Review Task Force – this is a programme of work designed to implement the recommendations and findings of the 2018 Strategic Bus Review. This includes building business cases for possible franchising or other bus delivery models by early 2021;
- Adult Education Budget – responsibility for the devolved Adult Education funding;
- Community Land Trusts – increasing the potential CLTs in the area;
- £100,000 Homes – enabling the delivery of the first £100,000 homes;
- Business Board – tracking and monitoring progress in The Business Board's programme to deliver the Local Industrial Strategy as a key project.

The local transport plan is still in the public consultation phase and the consultation documentation can be viewed [here](#).

## 7. Outlook

The Combined Authority restates its commitment to double GVA over 25 years. We recognise that this will require action and investment by both the public and private sectors. It is the role of the Combined Authority to lead and to convene partners in order to make that happen.

Partnership will be essential to delivery. The public sector in particular needs to work more closely to leverage all our resources, human and financial. We also need to depoliticise what we do about growth and build a consensus that gives our communities, businesses and central government the confidence that when they make

decisions to live, grow and invest in our region they do so knowing there's not a better area in the country to do it.

Key and valued local partnerships for the Combined Authority include those with constituent authorities, with the Business Board and employers in the area, with the Greater Cambridge Partnership, and those involving cross-border working with neighbouring councils.

The Business and Skills Directorate and the Business Board, for which it supplies the executive support, is focused on the Combined Authority's vision to double our economy. Its strategic approach in achieving this is to:

- **Improve the long-term capacity for growth in Greater Cambridge** to support the expansion of this innovation powerhouse and, crucially, reduce the risk of any stalling in the long-term high growth rates that have been enjoyed for several decades.
- **Increase sustainability and broaden the base of local economic growth**, by identifying opportunities for high growth companies to accelerate business growth where there is greater absorptive capacity, beyond the current bottlenecks to growth in Greater Cambridge.
- **Do this by expanding and building upon the clusters and networks** that have enabled Cambridge to become a global leader in innovative growth, creating an economy-wide business support eco-system to promote inclusive business growth.

The Delivery and Strategy Directorate promotes the Mayor and Combined Authority's growth ambition by:

- Supporting their role as the Transport Authority, developing and overseeing the delivery of new transport schemes, developing the Local Transport Plan, and ensuring the provision of subsidised public transport by delivery partners;
- Supporting Local Planning Authorities by developing an overall spatial framework for the area;
- Providing programme and performance management to ensure successful delivery of Combined Authority projects; and
- Supporting the Mayor and Combined Authority's role in public service reform.

In 2017, the Combined Authority successfully negotiated £170 million from Government for delivery of an ambitious housing programme providing 2,500 new affordable homes by March 2022.

Within this programme, £100 million is available to be used across the Combined Authority area to deliver 2,000 affordable homes and £70 million is available to Cambridge City Council to deliver 500 new council homes.

The Housing and Development Team at the Combined Authority is working with officers in all partner local authorities (via the Cambridgeshire and Peterborough Housing Board) to identify new schemes to come forward for support from the Affordable Housing Programme. The Team is also building relationships with landowners, developers and housing providers to seek opportunities to influence, enable and accelerate delivery of new affordable housing across the Combined Authority area.

## **Basis of Preparation and Presentation**

This Statement of Accounts has been prepared in accordance with statutory requirements, detailed in the Local Government Act 2003, the Accounts and Audit Regulations 2015 and The Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code).

The Statement of Accounts brings together the major financial statements for the Combined Authority for the financial year 2019/20. The financial statements, along with the notes that accompany them, aim to give a full and clear picture of the financial position of Cambridgeshire and Peterborough Combined Authority. The key contents of the various sections are as follows:

- Statement of Responsibilities – sets out the responsibilities of the Combined Authority and the Chief Finance Officer in respect of the Statement of Accounts.
- Comprehensive Income and Expenditure Statement – shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.
- Movement in Reserves Statement – this statement shows the movement in the year on the reserves held by the Combined Authority.
- Balance Sheet – shows the value of the assets and liabilities recognised by the Combined Authority as at 31 March 2020.
- Cash Flow Statement – summarises the inflows and outflows of cash, and cash equivalents, arising from transactions with third parties.
- Notes to the Financial Accounts - the various statements are supported by technical notes and by the Statement of Accounting Policies.
- Annual Governance Statement – sets out how the Combined Authority's governance arrangements comply with the principles of the Local Code of Governance.

Jon Alsop  
Chief Finance Officer (S73)

# Independent Auditors' Report to the Members of Cambridgeshire and Peterborough Combined Authority

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**This report will be provided after the audit of the Authority's accounts is completed.**

# Statement of Responsibilities for the Statement of Accounts

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## The Combined Authority's Responsibilities

The Combined Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Combined Authority, that officer is the Chief Finance Officer
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

## The Section 73 Officer's Responsibilities

The Section 73 Officer is responsible for the preparation of the Combined Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code.

The Section 73 Officer has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

## Section 73 Officer's Certificate

I certify that the accounts set out on pages xx to xx present a true and fair view of the financial position of the Combined Authority at 31 March 2020 and its income and expenditure for the year ended 31 March 2020.

Jon Alsop  
Chief Finance Officer and  
Section 73 Officer:

Date:

## Approval of the Statement of Accounts

I confirm that these accounts were approved by the Audit and Governance Committee at the meeting held on 27 November 2020.

Chair of the Audit Committee:

Date:

# Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Combined Authority has the ability to levy a council tax precept, but this power has not been utilised in 2019-20.

2018/19 (Restated*)			CIES	2019/20		
Gross Exp. (Restated)	Gross Income (Restated)	Net Exp (Restated)	Notes	Gross Expend'	Gross Income	Net Exp
£000	£000	£000		£000	£000	£000
4,103	0	4,103	Combined Authority Staffing Costs	4,064	0	4,064
606	(80)	526	External Support Services	291	0	291
820	(0)	820	Corporate Overheads	985	0	985
(13)	0	(13)	Election Costs	0	0	0
0	(102)	(102)	Financing Costs	0	(503)	(503)
89	0	89	Governance Costs	17	0	17
1,058	(348)	710	Economic Strategy	1,691	(720)	971
439	(24)	415	Mayor's Office	370	0	370
14,064	(14,132)	(69)	Housing	12,561	(524)	12,037
45,641	(41,711)	3,930	Transport	38,824	(35,379)	3,445
704	(338)	366	Strategy, Planning and Performance	553	(277)	276
3,583	(3,848)	(265)	Business and Skills	11,724	(4,219)	7,505
<b>71,094</b>	<b>(60,583)</b>	<b>10,512</b>	<b>Net Cost of Services</b>	<b>71,080</b>	<b>(41,622)</b>	<b>29,458</b>
0	(1,410)	(1,410)	Financing & Investment Income & Expenditure	37	(1,646)	(1,609)
0	(41,961)	(41,961)	Taxation & Non-Specific Grant Income	0	(39,149)	(39,149)
<b>71,094</b>	<b>(103,954)</b>	<b>(32,860)</b>	<b>(Surplus) / Deficit on Provision of Services</b>	<b>71,117</b>	<b>(82,417)</b>	<b>(11,300)</b>
132	0	132	(Surplus) / deficit from investments in equity instruments designated at fair value through other comprehensive income	76	0	76
			Actuarial (Gains) / Losses on Pension Assets / Liabilities	1,028	0	1,028
		<b>132</b>	<b>Other Comprehensive Income &amp; Expenditure</b>			<b>1,104</b>
		<b>(32,728)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>			<b>(10,196)</b>

\* In 2018-19 the Combined Authority took on the operation of the Local Enterprise Partnership (the Business Board). In the year of acquisition, accounting regulations required that the Combined Authority's accounts present the income and expenditure associated with the Business Board in a separate line on the combined income and expenditure statement so that the 2018-19 figures were comparable with the prior year in which the Business Board was not part of the Combined Authority.

This year, and going forward, to reflect the reality of the Business Board's holistic relationship with the Combined Authority the expenditure on the operation and projects of the Business Board are reflected within the area that is responsible for the works, predominantly Business and Skills, and Transport.

## Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end of the year on reserves held by the Combined Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and other 'unusable reserves'. The Statement shows how the movements in year of the Combined Authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

Movement in Reserves	Note	General Fund Balance	Earmarked General Fund Reserves	Capital Grants Unapplied Account	Usable Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Combined Authority Reserves
		£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2018		(9,997)	(1,690)	(99,789)	(9,189)	(120,665)	(7,125)	(127,790)
Total Comprehensive Income & Expenditure		(32,859)	0	0	0	(32,859)	132	(32,727)
Adjustments between accounting basis & funding basis under regulations	13	30,814	0	(31,190)	(1,947)	(2,323)	2,323	0
Net Increase before Transfers to Earmarked Reserves		(2,045)	0	(31,190)	(1,947)	(35,182)	2,455	(32,727)
Transfers to / (from) Reserves		857	(857)	0	0	0	0	0
Increase / (Decrease) in 2018/19		(1,188)	(857)	(31,190)	(1,947)	(35,182)	2,455	(32,727)
Balance at 31 March 2019 Carried Forward		(11,185)	(2,547)	(130,979)	(11,136)	(155,847)	(4,670)	(160,517)
Balance at 1 April 2019		(11,185)	(2,547)	(130,979)	(11,136)	(155,847)	(4,670)	(160,517)
Total Comprehensive Income & Expenditure		(11,300)	0	0	0	(11,300)	1,104	(10,196)
Adjustments between accounting basis & funding basis under regulations	13	7,995	0	26,087	128	34,210	(34,210)	0
Net Increase before Transfers to Earmarked Reserves		(3,305)	0	26,087	128	22,910	(33,106)	(10,196)
Transfers to / (from) Reserves		554	(554)	0	0	0	0	0
Increase / (Decrease) in 2019/20		(2,751)	(554)	26,087	128	22,910	(33,106)	(10,196)
Balance at 31 March 2020 Carried Forward		(13,936)	(3,101)	(104,892)	(11,008)	(132,937)	(37,776)	(170,713)

## Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Combined Authority. The net assets of the Combined Authority (assets less liabilities) are matched by the reserves held by the Combined Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Combined Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is that which the Combined Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31st March 2019 £000	Balance sheet		31st March 2020 £000
208	Property, Plant & Equipment	Notes 20	544
209	Long Term Investments	23, 24	133
4,459	Long Term Debtors	26, 23, 24	19,677
<b>4,876</b>	<b>Long Term Assets</b>		<b>20,354</b>
1,235	Short Term Debtors	26, 23, 24	26,434
57,743	Short Term Investments	23, 24	80,699
109,758	Cash and Cash Equivalents	23, 24, 29	80,565
<b>168,736</b>	<b>Current Assets</b>		<b>187,698</b>
(10,786)	Short Term Creditors	27, 23, 24	(21,407)
<b>(10,786)</b>	<b>Current Liabilities</b>		<b>(21,407)</b>
0	Other Long Term Liabilities	7	(1,554)
(2,309)	Capital Grants Receipts in Advance	28	(14,378)
<b>(2,309)</b>	<b>Long Term Liabilities</b>		<b>(15,932)</b>
<b>160,517</b>	<b>Net Assets</b>		<b>170,713</b>
(155,847)	Usable Reserves	13	(132,937)
(4,670)	Unusable Reserves	13	(37,776)
<b>(160,517)</b>	<b>Total Reserves</b>		<b>(170,713)</b>

Chief Finance Officer and Section 73  
Officer:

Date:



## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Combined Authority during the reporting period. The statement shows how the Combined Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Combined Authority are funded by way of taxation and grant income or from the recipients of services provided by the Combined Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Combined Authority's future service delivery.

2018/19 £000	Cash Flow Statement	Notes	2019/20 £000
(32,859)	Net (Surplus) / Deficit on the Provision of Services		(11,300)
(33,199)	Adjust net (Surplus)/Deficit on the Provision of the Services for non cash movements		(17,881)
0	Adjust for items included in the net (surplus)/Deficit on the Provision of Services that are Investing & Financing Activities		0
(66,059)	Net Cash Flows from Operating activities		(29,180)
30,295	Investing activities	29	58,373
0	Financing activities		0
(35,763)	Net (Increase)/Decrease in Cash & cash Equivalent		29,193
73,994	Cash & Cash Equivalent at the beginning of the Reporting Period		109,758
35,763	Increase / (Decrease) in Cash and Cash Equivalents		(29,193)
109,758	Cash & Cash Equivalents at the end of the Reporting Period	30	80,565

# Notes to the Accounts

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## 1 Accounting Policies

### General Principles

The Statement of Accounts summarises the Combined Authority's transactions for the 2019/20 financial year and its position at the year-end 31 March 2020. The Combined Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015.

The Statement of Accounts must be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### 1.1 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not when cash is paid or received. In particular;

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### 1.2 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the reporting date and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Combined Authority's cash management.

### 1.3 Charges to Revenue for Non-current Assets

Services and support services are debited with the following amounts to record the cost of holding non-current assets during the year:

depreciation attributable to the assets used by the relevant service

revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off

amortisation of intangible assets attributable to the service.

Depreciation, revaluation and impairment losses and amortisation are not charges to the Combined Authority's General Fund. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal an amount calculated on a prudent basis determined by the Combined Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by MRP by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## **1.4 Employee Benefits**

### **1.4.1 Benefits Payable During Employment**

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave.

### **1.4.2 Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### **1.4.2 Post-employment Benefits**

Employees of the authority are can become members of the Local Government Pensions Scheme, administered by Cambridgeshire County Council.

The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the authority.

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the pension fund attributable to the Authority are included in the balance sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of based on the indicative rate of return on high quality corporate bonds
- The assets of the pension fund attributable to the Authority are included in the balance sheet at their fair value:
  - o quoted securities – current bid price
  - o unquoted securities – professional estimate
  - o unitised securities – current bid price
  - o property – market value.

The change in the net pensions liability is analysed into the following components:

- Service cost comprising:
  - o current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the comprehensive income and expenditure statement to the Combined Authority Staffing Costs line
  - o past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited in the comprehensive income and expenditure statement to the Combined Authority Staffing Costs line
  - o net interest on the net defined benefit liability (asset), ie net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the financing and investment income and expenditure line of the comprehensive income and expenditure statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
  - o the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the pensions reserve as other comprehensive income and expenditure
  - o actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the pensions reserve as other comprehensive income and expenditure.
  - o contributions paid to the pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the general fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the movement in reserves statement, this means that there are transfers to and from the pensions reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the pensions reserve thereby measures the beneficial impact to the general fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

#### *Discretionary benefits*

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

### **1.5 Events after the Reporting Period**

These are events that occur between the end of the accounting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- If events provide new evidence of conditions that existed at the balance sheet date the Statement of Accounts is adjusted;
- Other events are only indicative of conditions that arose after the balance sheet date. The Statement of Accounts is not adjusted. But where such a category of events would have a material effect, disclosure is made in the notes. The note sets out of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

## **1.6 Financial Instruments**

### **1.6.1 Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Combined Authority is contractually committed to a financial instrument. They are initially measured at fair value. They are carried at their amortised cost.

The amount charged to revenue is based on the effective interest rate. The effective interest rate discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

The carrying value for most loans is outstanding principal repayable plus accrued interest. Interest charged to the CIES is the amount payable under the agreement.

Annual charges for these loans are made to the Financing and Investment Income and Expenditure line in the CIES. The charge is the carrying amount of the liability multiplied by the effective rate of interest.

For these loans, the difference between the annual charge and the cash paid is reversed out in the MIRS.

### **1.6.2 Financial Assets**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

#### **1.6.2.1 Financial Asset Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

### **1.6.2.2 Financial Asset Measured at Fair Value through Other Income and Expenditure (FVOCI)**

Where the authority has eligible assets it may elect to account for them at Fair Value through Other Income and Expenditure. This means that any gains or losses in Fair Value are charged to Other Income and Expenditure and reversed out through the MIRS to the Financial Instrument Revaluation Reserve.

### **1.6.2.3 Financial Assets Measured at Fair Value through Profit or Loss**

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### **1.6.3 Expected Credit Loss Model**

The Combined Authority recognises expected credit losses on all of its financial assets held at amortised cost either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Combined Authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

## **1.7 Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Combined Authority when there is reasonable assurance that;

- the Combined Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received

Amounts recognised as due to the Combined Authority are not credited to the CIES until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Non-specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the CIES.

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the MIRS. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## **1.8 Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

### **1.8.1 The Authority as Lessee**

#### **1.8.1.1 Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a rent-free period at the commencement of the lease).

## **1.9 Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

### **1.9.1 Recognition**

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense when it is incurred.

### **1.9.2 Measurement**

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

In 2019/20, in addition to Vehicle, plant, furniture & equipment, there have been some expenditure classified as Assets Under Construction measured at the same basis as above incurred for the University of Peterborough project.

Assets included in the Balance Sheet are held at current value.

### **1.9.3 Impairment**

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

### **1.9.4 Depreciation**

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (ie assets under construction).

Depreciation is calculated on the following bases:

- Vehicle, plant, furniture and equipment – Depreciation is calculated from the year of acquisition, on a straight line basis, over a period of five years.
- Assets Under construction – Assets in the course of construction are not depreciated until they are brought into use.

The useful lives of assets are reviewed regularly. Where necessary, the life of an asset is revised and the carrying amount of the asset is then depreciated over the remaining useful life.

## **1.10 Programme Management of Delegated Funds**

Some funds are delegated to CPCA that HM Government require it to distribute and manage to achieve the desired outcomes. Government subsequently require officers of CPCA to monitor activity and report thereon regularly. Such funds require specific project management and this sets out the methodology for funds under management in 2019/20.

### **1.10.1 Local Growth Fund**

This programme was inherited from the former GCGP LEP. Funding is allocated by the Business Board based upon the 2014/15 funding agreement to deliver increased GVA in the area. It ceases in 2021. Programme management costs are allowed by the funding agency, Department for Business, Energy and Industrial Strategy (BEIS) as determined by the Accountable Body. Previously 4% was agreed but this has been reviewed, since it became the CPCA's responsibility in 2018/19, to 2% of the funds received in year.

### **1.10.2 Housing Investment Fund**

£170m has been devolved by HM Government to deliver 2,500 affordable homes by 2022. This seeks out opportunities and delivers grant to achieve this stretched target. Regular reporting and review is undertaken with the Ministry of Housing, Communities and Local Government. In 2017/18, this was undertaken by a constituent council on behalf of CPCA and paid for from the programme fund. In 2018/19, that arrangement was terminated and staff employed specifically to deliver the programme management. The costs of that programme management function is paid for from the fund.

## **1.11 Provisions, Contingent Liabilities and Contingent Assets**

### *Provisions*

Provisions are made where an event has taken place that gives the Combined Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Combined Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Combined Authority has an obligation, and are



measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Combined Authority settles the obligation.

#### *Contingent Liabilities*

A contingent liability arises where an event has taken place that gives the Combined Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the balance sheet but disclosed in a note to the accounts.

#### **1.12 Reserves**

The Combined Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year. It is included in the Surplus or Deficit on the Provision of Services in the CIES.

The reserve is then transferred back into the General Fund Balance in the Movement in Reserves Statement.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits. These reserves are not usable resources for the Combined Authority – these reserves are explained in the relevant policies.

#### **1.13 Revenue Expenditure Funded from Capital under Statute (REFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the General Fund Balance.

The Combined Authority receives many capital funds from H.M. Government to achieve outcomes in the area. Such funds include Gainshare (Capital), Transforming Cities Fund, Housing Investment Fund and Local Growth Fund. The CPCA is primarily a commissioning organisation and seeks to deliver the outcomes through third parties such as constituent authorities by giving capital grants to deliver these capital projects. Under the CIPFA prudential code such expenditure is treated as REFCUS.

### **1.14 Value Added Tax (VAT)**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

### **1.15 Going Concern**

Despite the potential impact of COVID-19 on local authority financial sustainability, the Combined Authority is able to maintain a balanced and affordable budget and to continue to operate for the foreseeable future. The Combined Authority has undertaken cash flow modelling which, taking account of the cash balances of £38.4 million at 31 October 2020 and forecast cash balances of £58.9 million at 31 December 2021, demonstrates the Combined Authority does not have any liquidity concerns over the next 12 months. It is therefore appropriate to prepare the financial statements on a going concern basis.

## **2 Accounting Standards that have been Issued but have Not Yet Been Adopted**

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

The above changes in accounting requirements which have been introduced by the 2020/21 code are not anticipated to have a material impact on the authority's financial performance or financial position.

## **3 Critical Judgement in Applying Accounting Policies**

In applying the accounting policies set out above, the Combined Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- The Combined Authority has received a number of capital grants. A judgement has been required for each one, and although some of the grants have been ring fenced for specific purposes, not all of these have conditions in place that satisfy the requirements of the Code to treat the unspent elements of the grants as Capital Grant Receipts in Advance. Unspent capital grant funding in relation to these grants has been accounted for in the CIES and transferred to the Capital Grants Unapplied Reserve.

#### 4 External Audit Costs

The Combined Authority has incurred the following cost in relation to the audit of the Statement of Accounts provided by the Combined Authority's external auditors, Ernst & Young LLP (EY).

2018/19 £ 000	External Audit Costs	2019/20 £ 000
35	Fees payable with regard to external audit services carried out by the appointed auditor	46
	PSAA audit refund	(3)
<b>35</b>	<b>Total</b>	<b>42</b>

#### 5 Mayor's and Members' Allowances

The Mayor is the only Member of the CPCA Board who receives an allowance and expenses as the other Members are Leaders of their respective Constituent Authority and receive expenses and an allowance through this.

The 18-19 allowances have been restated to reflect that, while an allowance for the interim Chair of the Business Board in 2018-19 was accrued, he subsequently waived his allowance and therefore there was no actual cost realised – a new chair took up the role in 2019-20 and thus there have been payments made for both allowance and expenses.

	Allowances (Restated)		Expenses		Total	
Role	2018/19 (Restated)	2019/20	2018/19	2019/20	2018/19	2019/20
Mayor	£75,000	£75,000	£5,835	£4,471	£80,835	£79,471
Chair of the Business Board	£0	£18,204	£0	£2,585	£0	£20,789
Chair of Audit and Governance Committee	£1,534	£1,534	£0	£0	£1,534	£1,534

#### 6 Officers' Remuneration

The Accounts and Audit Regulations 2015 require the disclosure of certain details relating to employees whose remuneration was £50,000 or more. Additional disclosures are required relating to the organisation's Senior Employees.

These requirements only apply to directly employed staff.

During 2018/19 some Combined Authority staff were contractually employed by Peterborough City Council. For clarity of the accounts, these staff have been included in the prior year's figures to enable meaningful comparisons.

## Senior Employees

Senior employees whose salary is £50,000 or more, but less than £150,000, are required to be listed individually by way of job title. Employees whose salary is £150,000 or more must also be identified by name. In this context, a senior employee is identified as follows:

- the designated head of paid service, a statutory chief officer or a non-statutory chief officer of a relevant body, as defined under the Local Government and Housing Act 1989;
- any person having responsibility for the management of the relevant body, to the extent that the person has power to direct or control the major activities of the body, in particular activities involving the expenditure of money, whether solely or collectively with others.

	2018-19 Comparator by total post remuneration £000	Name(s) of post holders in 2019-20	Total Remuneration including Employer Pension Contributions £000			
			2019/20			
			Pay	Pension	3rd Party Payments <sup>7</sup>	Total
Co-Chief Executive <sup>1</sup>	350	John Hill	-	-	129	129
Co-Chief Executive <sup>1,2</sup>		Kim Sawyer	82	13	-	95
Director of Corporate Resources <sup>2</sup>			82	13	-	95
Monitoring Officer <sup>3</sup>	166	Robert Parkin	2	-	-	2
		Dermot Pearson	-	-	156	156
		Howard Norris	-	-	35	35
Chief Finance Officer <sup>4</sup>	201	Jon Alsop	77	12	-	89
		Noel O'Neill	-	-	46	46
Director of Business and Skills	161	John T Hill	148	-	-	148
Director of Delivery and Strategy <sup>5</sup>	77	Paul Raynes	135	22	-	157
Director of Housing <sup>5</sup>	109	Roger Thompson	135	22	-	157
Director of Transport <sup>6</sup>	171		-	-	65	65
Total	1,235		661	81	431	1,173

1. CPCA has two joint CEOs (Kim Sawyer and John Hill) have been in post since 26th September 2018, prior to this the CPCA had a single Chief Executive
2. Kim Sawyer covers both the role of Director of Corporate Resources and Co-Chief Executive thus the costs are split across both budgets
3. H Norris was in post between March 2019 and May 2019, D Pearson was in this post between June 2019 and March 2020 and R Parkin was appointed as the Monitoring Officer in March 2020.
4. N O'Neill was Chief Finance Officer until the end of May 2019 and J. Alsop was appointed from June 2019.
5. Directors of Housing and Delivery and Strategy were appointed part way through 2018-19
6. The Director of Transport role was removed as a result of restructuring.
7. Where these posts were covered by non-employees (consultants) these costs are shown here. The services of John Hill are provided under a shared services agreement with East Cambridgeshire District Council, those of the other identified third parties were outside IR35.

### Employee remuneration above £50,000

Including individuals shown in the senior officers table on the previous page, the number of Combined Authority staff with remuneration (comprising salary, fees, expenses, allowances and any exit package) above £50,000 is as follows:

Remuneration Banding	2018-19	2019-20
£50,000-£54,999	2	6
£55,000-£59,999	2	3
£60,000-£64,999	2	3
£65,000-£69,999	2	-
£70,000-£74,999	2	1
£75,000-£79,999	3	3
£80,000-£84,999	2	-
£85,000-£89,999	-	-
£90,000-£94,999	-	1
£105,000-£109,999	1	-
£135,000-£139,999	-	2
£140,000-£144,999	1	-
£150,000-£154,999	-	1
£165,000-£169,999	-	1
£195,000-£199,999	1	-
<b>Total</b>	<b>18</b>	<b>21</b>

### Exit Packages

The number of exit packages in terms of compulsory and other departures is set out in the table below, total amount paid per banding is excluded as it would allow individual packages to be identified and includes pension strain payments where applicable.

	Number of compulsory redundancies		Number of other departures with exit packages		Total number of exit packages	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
£0-£20,000	1	-	-	1	1	1
£80,001-£100,000	-	-	1	-	1	-
£200,000 - £250,000	-	1	-	-	-	1
<b>Totals</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>2</b>

### Pay Multiple

The pay multiple is defined as the ratio between the highest paid taxable earnings for a given year (including base salary, variable pay, bonuses, allowances and the cash value of any benefits-in-kind) and the median earnings figure of the whole of the authority's workforce.

For 2019-20 the Combined Authority's pay ratio takes into account those members of staff employed by the CA and was 3.74 (18/19 5.09)

## **7 Defined Benefit Pension Scheme**

Following the transfer of employment contracts held by Peterborough City Council on 1 May 2019, the Authority became an admitted body to the Local Government Pension Scheme, administered locally by Cambridgeshire County Council. The scheme assets and liabilities related to these staff transferred to the Authority on a fully funded basis. For reasons of comparability between funds the Code prescribes the use of specific rates for discounting the scheme liabilities, which are different from the locally determined ones used in the calculation of the funding position and contribution rates. Therefore, under the actuarial calculations used for the accounts the Authority's share of the scheme showed an opening net liability of £1,351k. This is not a real cost to the General Fund and has no impact on the funding calculation.

As part of the terms and conditions of employment of its officers, the authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The authority participates in the Local Government Pension Scheme, administered locally by Cambridgeshire County Council – this is a funded defined benefit scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The Cambridgeshire County Council pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Fund Committee of Cambridgeshire County Council. Policy is determined in accordance with the Pensions Fund Regulations. The Fund invests the contributions in accordance with the Investment Strategy Statement (<https://pensions.cambridgeshire.gov.uk/app/uploads/2019/04/Investment-Strategy-Statement.pdf>) which manages risks with diversification of asset classes, geography and asset managers.

Other principal risks to the authority of the scheme are the demographic risks, statutory changes to the scheme, changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the general fund the amounts required by statute as described in the accounting policies note.

### **Transactions relating to post-employment benefits**

The cost of retirement benefits in the reported cost of services is recognised when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, the charge that is required to be made against the General Fund is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the general fund via the movement in reserves statement.

The following transactions have been made in the comprehensive income and expenditure statement and the general fund balance via the movement in reserves statement during the year.

2018/19	2019/20
£000 <i>Comprehensive Income and Expenditure Statement</i>	£000
<b>Cost of Services:</b>	
<b>Service cost comprising:</b>	
- Current Service Cost	975
- Past Service Costs Including Curtailments	105
- (Gain)/ Loss from Settlements	-
<b>Financing &amp; Investment Income &amp; Expenditure</b>	
- Net Interest Expense	37
<b>Total Post Employment Benefit Charged to the (Surplus)/Deficit on the Provision of Services</b>	<b>1,117</b>
Other post-Employment Benefits Charged to the Comprehensive Income & Expenditure Statement	
<b>Remeasurement of the net Defined Benefit Liability</b>	
<b>Comprising:</b>	
Recognition of net Defined Benefit Liability on transfer on IAS19 basis	1,351
- Return on Plan Assets (excluding amounts included in net interest)	289
Actuarial (Gains)/Losses Arising on Changes in Demographic Assumptions	-
Actuarial (Gains)/Losses Arising on Changes in Financial Assumptions	(588)
- Other	(24)
<b>Total Post Employment Benefit Charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>2,145</b>
<b>Movement in Reserves Statement</b>	
Reversal of net charges made to the (Surplus)/Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(2,145)
<b>Actual Amount charged against the General Fund Balance for pensions in the year:</b>	
- Employers' contributions payable to scheme	591
- Retirement benefits payable to pensioners	(1,554)

### Pensions assets and liabilities recognised in the balance sheet

The amount included in the balance sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

31-Mar-19	31-Mar-20
£000 <i>Pension Assets &amp; Liabilities Recognised in the Balance Sheet</i>	£000
- Present value of the defined benefit obligation	(4,404)
- Fair Value of Plan Assets	2,850
-	(1,554)

## Reconciliation of the movements in the fair value of scheme (plan) assets

31-Mar-19	31-Mar-20
<b>£000</b>	<b>£000</b>
<b>Reconciliation of the Movements in the Fair Value of the Scheme (plan) Assets</b>	
- Opening Fair Value of Scheme Assets at transfer 1st May 2019	2,271
- Interest Income	61
Remeasurement Gain/(Loss)	
Return on Plan Assets, excluding amounts included in the net	
- interest expense	(289)
- Contributions from employer	591
- Contributions from employees into the scheme	216
- Benefits Paid	-
<b>- Closing Fair Value of Scheme Assets</b>	<b>2,850</b>

## Reconciliation of present value of the scheme liabilities (defined benefit obligation)

31-Mar-19	31-Mar-20
<b>£000</b>	<b>£000</b>
<b>Reconciliation of Present Value of the Scheme Liabilities (defined benefit obligation)</b>	
- Opening balance at transfer 1st May 2019	3,622
- Current Service Cost	975
- Interest Cost	98
- Contributions from Scheme Participants	216
Remeasurement (Gains) & Losses	
Actuarial (Gains)/Losses Arising from Changes in Demographic	
Assumptions	-
Actuarial (Gains)/Losses Arising from Changes in Financial	
Assumptions	(588)
Other	(24)
- Past Service Cost	105
- Benefits Paid	-
<b>- Closing balance at 31 March</b>	<b>4,404</b>



## Local Government Pension Scheme assets comprised

<b>Local Government Pension Scheme Assets Comprised</b>					<b>Period Ended 31st March 2020</b>			
<i>Period Ended 31st March 2019</i>								
	<i>Quoted Prices in Active Markets £000</i>	<i>Quoted Prices not in Active Markets £000</i>	<i>Total £000</i>	<i>Percent of Total Assets</i>	<i>Quoted Prices in Active Markets £000</i>	<i>Quoted Prices not in Active Markets £000</i>	<i>Total £000</i>	<i>Percent of Total Assets</i>
<b>Debt Securities</b>								
UK Government	-	-	-	0%	-	147.5	147.5	5%
<b>Private Equity</b>								
All	-	-	-	0%	-	233.8	233.8	8%
<b>Real Estate</b>								
UK Property	-	-	-	0%	-	213.3	213.3	7%
<b>Investment Funds &amp; Unit Trusts</b>								
Equities	-	-	-	0%	-	1,727.4	1,727.4	61%
Bonds	-	-	-	0%	-	193.3	193.3	7%
Infrastructure	-	-	-	0%	-	257.0	257.0	9%
<b>Total Investment Funds &amp; Unit Trusts</b>	-	-	-	0%	-	2,177.7	2,177.7	77%
<b>Derivatives</b>								
Other	-	-	-	0%	-	34.7	34.7	1%
<b>Cash &amp; Cash Equivalents</b>								
All	-	-	-	0%	43.0	-	43.0	2%
<b>Total Assets</b>	-	-	-	0%	<b>43.0</b>	<b>2,807.0</b>	<b>2,850.0</b>	<b>100%</b>

## Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The Local Government Pension Scheme liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates for the county council fund being based on the latest full valuation of the scheme as at 31 March 2019.

The significant assumptions used by the actuary have been:

31-Mar-19 <i>Basis for Estimating Assets &amp; Liabilities</i>	31-Mar-20
<b>Mortality Assumptions</b>	
Longevity at 65 for Current Pensioners:	
- Men	22.0 years
- Women	24.0 years
Longevity at 65 for Future Pensioners:	
- Men	22.7 years
- Women	25.5 years
<b>Financial Assumptions</b>	
- Rate of inflation	1.8%
- Rate of increase in salaries	2.3%
- Rate of increase in pensions	1.8%
- Rate for discounting scheme liabilities	2.3%
- Take-up of option to convert annual pension into retirement lump sum for Pre-April 2008 service	25.0%
- Take-up of option to convert annual pension into retirement lump sum for Post-April 2008 service	64.0%

The liabilities include an estimated allowance with respect to the McCloud judgement which relates to transitional protection given to some scheme members with respect to changes in the scheme which the Court of Appeal ruled was unlawful discrimination.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie on an actuarial basis using the projected unit credit method.

Changes in Assumptions at 31 March 2020	Approximate % Increase to Defined Benefit Obligation	Approximate Monetary Amount £000
0.5% Decrease in Real Discount Rate	13%	590
0.5% Increase in the Salary Increase Rate	2%	100
0.5% Increase in the Pension Increase Rate	11%	482
1 Year Increase in Member Life Expectancy	3-5%	132-220

### Impact on the authority's cash flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The county council has agreed a strategy with the scheme's actuary to achieve a 70% likelihood of a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis.

The next triennial valuation is due to be completed on 31 March 2022.

The authority anticipated to pay £505k expected contributions to the scheme in 2020/2021.

## 8 Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure

2018/19 £000	Financing & Investment Income & Expenditure	2019/20 £000
(1,410)	Interest Receivable & Similar Income	(1,646)
0	IAS 19 - Pension Interest & Return on Assets	37
(1,410)	<b>Total</b>	<b>(1,609)</b>

## 9 Comprehensive Income & Expenditure Statement – Non Specific Grant Income

There are two material differences in the funding received by the Combined Authority between 2018-19 and 2019-20:

- 1) the Adult Education Budget was devolved to the authority for the first time for the academic year 2019-20 and the funding associated with these responsibilities was therefore received.
- 2) No payments for the Cambridge and General Housing grants were received in 2019-20. The Cambridge grant was paid directly to the City Council, who deliver the programme, however overall responsibility for this devolved programme remains with the Combined Authority. The General element's release was delayed due to discussions with Government around the expenditure profile of the programme. Once these are concluded the Combined Authority expects to receive the funds expected in 19-20 and those for 20-21 in the new financial year.

2018/19 £000	Taxation & Non-Specific Grant Income	2019/20 £000
	<b>Non-Specific Government Grants</b>	
(8,000)	Gain Share - Revenue	(8,000)
0	DfE - Adult education budget	(7,255)
(2,170)	other	(1,904)
(10,170)	<b>Total Non-Specific Grants</b>	<b>(17,159)</b>
	<b>Capital Grants &amp; Contributions</b>	
(11,332)	Gain Share - Capital	(9,946)
(14,539)	Housing Grant - General	0
(3,458)	Housing Grant - Cambridge	0
(2,462)	Growth Deal	(12,044)
(31,791)	<b>Total Capital Grants &amp; Contributions</b>	<b>(21,990)</b>
(41,961)	<b>Total Income</b>	<b>(39,149)</b>

## 10 Related Parties

The Combined Authority is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Combined Authority or to be controlled or influenced by the Combined Authority.

### a) Central Government

The UK Central Government has significant influence over the general operations of the Combined Authority, it is responsible for providing the statutory framework, within which the Combined Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Combined Authority has with other parties.

The funds received from the Central Government in year were as follows;

2018/19 £000	Income	2019/20 £000
(9,928)	CLG – revenue grants	(14,884)
(60,705)	CLG – capital grants	(29,199)
(33,055)	DfT – capital grants	(43,658)
(2,500)	DWP – career and pay progression	(1,400)
(237)	DfE – adult education budget and skills panel	(7,255)
<b>(106,425)</b>	<b>Total Income</b>	<b>(96,396)</b>

### b) Cambridgeshire and Peterborough Constituent Councils

The Leaders of the district councils, county council and unitary authority also serve as members of the Combined Authority.

The period's transactions, and period end balances were as follows;

2018/19 £000		2019/20 £000
	<b><u>Expenditure</u></b>	
	<i>Expenditure with Councils</i>	
12,889	Cambridge City Council	12,654
34,882	Cambridgeshire County Council	23,093
(3)	East Cambridgeshire District Council	286
501	Fenland District Council	556
20	Huntingdonshire District Council	265
8,683	Peterborough City Council	5,873
0	South Cambridgeshire District Council	(210)
<b>56,973</b>		<b>42,516</b>
	<b><u>Creditors</u></b>	
	<i>General creditors with Councils</i>	
(2,684)	Cambridge City Council	(5,459)
(984)	Cambridgeshire County Council	3,953
0	East Cambridgeshire District Council	(0)
(185)	Fenland District Council	(506)
(20)	Huntingdonshire District Council	(50)
(688)	Peterborough City Council	(2,643)
0	South Cambridgeshire District Council	0
<b>(4,562)</b>		<b>(4,704)</b>

### c) Members

The Members of the Combined Authority have direct control over the Combined Authority's financial and operating policies.

Cllr Holdich is a director of Cross Keys Homes Limited to whom the Combined Authority has provided grants for affordable homes, City College Peterborough which the Combined Authority provides funding for Adult Education and the Health and Care Sector Academy, and University Centre Peterborough which the Combined Authority has provided funding to support an earlier phase in the development of the University of Peterborough.

Cllr Fuller is a director of Luminus Homes Limited to whom the Combined Authority has provided housing grants to.

Amounts paid are as follows:

2018-19 £000	Company	2019-20 £000
651	Cross Keys Homes	75
31	City College Peterborough	1,033
204	University Centre Peterborough	183
0	Luminus Homes Limited	309

### d) Officers

The senior officers of the Combined Authority may have direct control over the Combined Authority's financial and operating policies.

Inner Circle Consulting Limited provided consultancy and project management support to the Combined Authority. One of the Directors of Inner Circle, Chris Twigg, fulfilled the role of Interim Director of Transport for the Combined Authority for part of the preceding year. Expenditure with the company during the year was £367k (£577k 18/19).

John Hill and Charles Roberts are directors East Cambs Trading Company Limited which the Combined Authority has provided loans to, see note 26.

## 11 Expenditure and Income Analysed by Nature

2018/19 (Restated) £000	Expenditure and Income Analysed by Nature	2019/20 £000
	<b>Expenditure</b>	
1,095	Employee Expenses - Contracts held by CPCA	5,193
2,137	Employee Expenses - Contracts held by PCC	181
59,958	Capital Grants made treated as REFCUS	50,737
52	Depreciation	52
7,853	Other Service Expenses	14,954
<b>71,095</b>	<b>Total Expenditure</b>	<b>71,117</b>
	<b>Income</b>	
(1,410)	Interest & Investment Income	(2,226)
(101,965)	Government Grants & Contributions	(79,471)
(579)	Other Income	(720)
<b>(103,954)</b>	<b>Total Income</b>	<b>(82,417)</b>
<b>(32,859)</b>	<b>Deficit / (Surplus) on the Provision of Services</b>	<b>(11,300)</b>

## 12 Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (e.g. government grants) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Combined Authority's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES).

2018/19				2019/20		
Expenditure Chargeable to the General Fund (Restated)	Adjustments between the Funding and Accounting Basis (Restated)	Net Expenditure in the Comprehensive Income and Expenditure Statement (Restated)		Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
4,103	0	4,103	Combined Authority Staffing Costs	3,593	471	4,064
526	0	526	External Support Services	291	0	291
768	52	820	Corporate Overheads	933	52	985
(13)	0	(13)	Election Costs	0	0	0
(102)	0	(102)	Financing Costs	(503)	0	(503)
89	0	89	Governance Costs	17	0	17
710	0	710	Economic Strategy	377	594	971
415	0	415	Mayor's Office	352	18	370
(69)	0	(69)	Housing	420	11,617	12,037
1,851	(4,640)	(2,790)	Transport	2,871	574	3,445
366	0	366	Strategy, Planning and Performance	276	0	276
762	5,693	6,455	Business and Skills	8,350	(845)	7,505
<b>9,407</b>	<b>1,105</b>	<b>10,512</b>	<b>Net Cost of Services</b>	<b>16,977</b>	<b>12,481</b>	<b>29,458</b>
(11,452)	(31,919)	(43,371)	Other Income and Expenditure	(20,282)	(20,476)	(40,758)
<b>(2,045)</b>	<b>(30,814)</b>	<b>(32,859)</b>	<b>Surplus or Deficit</b>	<b>(3,305)</b>	<b>(7,995)</b>	<b>(11,300)</b>
(11,687)			Opening General Fund Balance	(13,732)		
(2,045)			Less/Plus Surplus or (Deficit) on General Fund Balance in Year	(3,305)		
<b>(13,732)</b>			<b>Closing General Fund Balance</b>	<b>(17,037)</b>		

Adjustments between funding and accounting basis:

2018/19					2019/20			
Adjustments for Capital Purposes <sup>1</sup>	Net Change for the Pensions Adjustments <sup>2</sup>	Other Differences <sup>3</sup>	Total Adjustments		Adjustments for Capital Purposes <sup>1</sup>	Net Change for the Pensions Adjustments <sup>2</sup>	Other Differences <sup>3</sup>	Total Adjustments
£000	£000		£000		£000	£000		£000
0	0	0	0	Combined Authority Staffing Costs	0	471	0	471
0	0	0	0	External Support Services	0	0	0	0
52	0	0	52	Corporate Overheads	52	0	0	52
0	0	0	0	Election Costs	0	0	0	0
0	0	0	0	Financing Costs	0	0	0	0
0	0	0	0	Governance Costs	0	0	0	0
0	0	0	0	Economic Strategy	594	0	0	594
0	0	0	0	Mayor's Office	0	18	0	18
0	0	0	0	Housing	11,617	0	0	11,617
(4,640)	0	0	(4,640)	Transport	574	0	0	574
0	0	0	0	Strategy, Planning and Performance	0	0	0	0
5,693	0	0	5,693	Business and Skills	(845)	0	0	(845)
1,105	0	0	1,105	Net Cost of Services	11,992	489	0	12,481
(31,791)	0	(128)	(31,919)	Other Income and Expenditure	(20,500)	37	(13)	(20,476)
(30,686)	0	(128)	(30,814)	Difference between general fund surplus or deficit and comprehensive income and expenditure statement surplus or deficit on the provision of services	(8,508)	526	(13)	(7,995)

1. Adjustments for Capital Purposes:

- for service lines this column adds in depreciation, Revenue Expenditure Funded by Capital Under Statute and associated grant funding and the expected credit losses on capital loans.

- the other income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

2. Net change for the pension adjustments:

- for service lines this represents the removal of the employer pension contributions made by the Combined authority as allowed by statute and the replacement with current service costs and past service costs.

- for other income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

3 Other Statutory adjustments for other income and expenditure this column recognises adjustments to the general fund for the timing differences for premiums and discounts.

### **13 Movement in Reserves Statement – Adjustments between Accounting Basis and Funding Basis under Regulations**

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement (CIES) recognised by the Combined Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Combined Authority to meet future capital and revenue expenditure.

- **General Fund Balance** - is the statutory fund into which all the receipts of the Combined Authority are required to be paid, and out of which all liabilities of the Combined Authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Combined Authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Combined Authority is required to recover) at the end of the financial year.
- **Capital Receipts Reserve** – holds the proceeds from the disposal of land or other assets and repayment of loans and continues to be restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure.
- **Capital Grants Unapplied Account** – holds the grants and contributions received towards capital projects for which the Combined Authority has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is not restricted by grant terms as to the capital expenditure against which it can be applied and / or the financial year in which this can take place.

Usable Reserves are those reserves that can be applied to fund expenditure. The Capital Grants Unapplied Account can only be used to finance the Capital Programme and the General Fund is used by the Combined Authority to maintain a prudent level of reserves.

Unusable Reserves are those reserves that absorb the timing differences arising from different accounting arrangements.



Adjustments between Accounting Basis and Funding Basis under Regulations 2019/20	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
<b>Adjustments involving the Capital Adjustment Account:</b>	£000	£000	£000	£000
<u>Reversal of items debited or credited to the CIES:</u>				
Depreciation & impairment of non-current assets	(52)			(52)
Capital grants and contributions	38,797			38,797
Reversal of Expected credit loss on capital loans	(643)			(643)
Revenue expenditure funded from capital under statute	(50,720)			(50,720)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants & contributions unapplied from the CIES	21,673		(21,673)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	(547)		47,760	47,213
<b>Adjustments involving the Capital Receipts Reserve:</b>				
Redemption of Financial Assets (Loans)		(254)		(254)
Application of capital receipts to capital financing transferred to the Capital Adjustment Account		382		382
<b>Adjustments involving the Pension Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the CIES	(526)			(526)
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>				
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements.	13			13
<b>Total Adjustments</b>	<b>7,995</b>	<b>128</b>	<b>26,087</b>	<b>34,210</b>

Adjustments between Accounting Basis and Funding Basis under Regulations 2018/19	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts	Capital Grants	
<b>Adjustments involving the Capital Adjustment Account:</b>	£000	£000	£000	£000
<u>Reversal of items debited or credited to the CIES:</u>				
Depreciation & impairment of non-current assets	(52)			52
Capital grants and contributions	58,905			(58,905)
Revenue expenditure funded from capital under statute	(59,958)			59,958
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants & contributions unapplied from the CIES	31,791		(31,791)	-
Application of grants to capital financing transferred to the Capital Adjustment Account			601	(601)
<b>Adjustments involving the Capital Receipts Reserve:</b>				
Redemption of Financial Assets (Loans)		(3,000)		3,000
Application of capital receipts to capital financing transferred to the Capital Adjustment Account		1,053		(1,053)
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>				
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements.	128			(128)
<b>Total Adjustments</b>	<b>30,814</b>	<b>(1,947)</b>	<b>(31,190)</b>	<b>2,323</b>

- **Summary of Usable and Unusable Reserves**

The table below shows the movement on each reserve to give total balances as at

31 March for usable and unusable reserves.

01-Apr-18 Movement	31-Mar-19	Summary of Usable and Unusable Reserves			01-Apr-19 Movement	31-Mar-20
£000	£000	£000			£000	£000
Usable Reserves						
(9,997)	(1,188)	(11,185)	General Fund Balance	(11,185)	(2,751)	(13,936)
(1,690)	(857)	(2,547)	Specific Earmarked Reserves	(2,547)	(554)	(3,101)
(9,189)	(1,947)	(11,136)	Capital Receipts Reserve	(11,136)	128	(11,008)
(99,789)	(31,190)	(130,979)	Capital Grants Unapplied Account	(130,979)	26,087	(104,892)
(120,665)	(35,182)	(155,847)	Total Usable Reserves	(155,847)	22,910	(132,937)
Unusable Reserves						
(7,310)	2,451	(4,859)	Capital Adjustment Account	(4,859)	(34,723)	(39,582)
185	(128)	57	Financial Instruments Adjustment Account	57	(13)	44
0	132	132	Financial Instruments Revaluation Reserve	132	76	208
0	0	0	Pensions Fund Reserve	0	1,554	1,554
(7,125)	2,455	(4,670)	Total Unusable Reserves	(4,670)	(33,106)	(37,776)
(127,790)	(32,727)	(160,517)	Total Usable and Unusable Reserves	(160,517)	(10,196)	(170,713)

#### 14 Movement in Reserves Statement – Transfers to / (from) Earmarked Reserves

This note sets out the amounts set aside from the General Fund Balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure.

General Fund Earmarked Reserves	01-Apr-19 £000	Trf. Out £000	Trf. In £000	Movement £000	31-Mar-20 £000	Purpose of the Earmarked Reserve
Revenue Reserve	1,000	0	0	0	1,000	This reserve provides a working balance to cover risks to the revenue budget.
Elections Costs Reserve	260	0	260	260	520	This reserve smooths the impact on the revenue budget of the Mayoral elections which take place every four years.
AEB Reserve	0	0	659	659	659	This reserve holds the balance of adult education budget funding to maintain a locally determined ringfence between financial years.
Departmental Reserves	1,287	(364)	0	(364)	923	These represent unspent grant funding which does not require repayment, but is earmarked for projects in future years.
<b>Total Reserves</b>	<b>2,547</b>	<b>(364)</b>	<b>919</b>	<b>555</b>	<b>3,101</b>	

#### 15 Capital Grants Unapplied Reserve

Capital Grants Unapplied Reserve Reserves	31-Mar-19 £000	Transfers In £000	Transfers Out £000	31-Mar-20 £000
Gain Share - Capital	33,785	9,946	(388)	43,343
Housing Grant - General	52,148		(35,761)	16,387
Housing Grant - Cambridge	23,864		(9,885)	13,979
Local Growth Fund	21,182	11,727	(1,726)	31,183
<b>Total Reserves</b>	<b>130,979</b>	<b>21,673</b>	<b>(47,760)</b>	<b>104,892</b>

## 16 Capital Adjustment Account

2018/19 £'000		2019/20 £'000
(7,310)	Balance Brought Forward	(4,859)
(58,905)	Reversal of Items Debited or Credited to the Comprehensive Income & Expenditure Statement: Capital Grants & Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to Capital Financing	(38,797)
59,958	Revenue Expenditure Funded from Capital under Statute	50,720
3,000	Redemption of financial assets (loans)	254
(1,053)	transfer from usable capital receipts	(382)
52	charges for depreciation	52
0	charges for expected credit loss relating to capital loans	643
0	Application of grants to finance capital loans from the Capital Grants Unapplied Accounts	(35,284)
(601)	Application of Grants to Capital Financing from the Capital Grants Unapplied Account	(11,929)
(4,859)		(39,582)

## 17 Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions.

2018/19 £000	Financial Instruments Adjustment Account:	2019/20 £000
185	Balance at start of year	57
(128)	Amounts arising from timing differences associated with the certain financial instruments	(13)
57	Balance at end of the year	44

## 18 Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains and losses made by the Combined Authority arising from changes in the value of its investments that are measured at fair value through other comprehensive income.

2018/19 £000	Financial Instruments Revaluation Reserve:	2019/20 £000
-	Balance at start of year	132
132	Impairment of Equity Instrument	76
132	Balance at end of the year	208

## 19 Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Combined Authority accounts for post-employment benefits in the comprehensive income and expenditure statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing

assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Combined Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a shortfall in the benefits earned by past and current employees and the resources the Combined Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2018/19 £000	Pensions Reserve:	2019/20 £000
-	Balance at start of year	-
-	Recognition of net Defined Benefit Liability on transfer on IAS19 basis	1,351
-	Remeasurements of the net defined benefit liability/(asset)	(323)
-	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the comprehensive income and expenditure statement	1,117
-	Employer's pensions contributions and direct payments to pensioners payable in the year	(591)
-	Balance at end of the year	1,554

## 20 Property Plant and Equipment

Property, Plant & Equipment	Vehicle, Plant, furniture & equipment	Assets under construction	Total Property, Plant & Equipment
	£000	£000	£000
<b>Cost or valuation</b>			
At 01 April 2019	261	0	261
Additions	27	361	388
At 31 March 2020	287	361	648
<b>Accumulated Depreciation &amp; Impairments</b>			
At 01 April 2019	52	0	52
Depreciation charge	52	0	52
At 31 March 2020	104	0	104
<b>Net book value</b>			
At 31 March 2019	208	0	208
At 31 March 2020	183	361	544

## 21 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the following table, together with the resources that have been used to finance the expenditure.

<b>2018/19 £000</b>	<b>Capital Financing Requirement</b>	<b>2019/20 £000</b>
0	<b>Opening Capital Financing Requirement</b>	0
	<b>Capital Investment</b>	
59,958	Revenue Expenditure Funded From Capital Under Statute	50,720
260	Property Plant and Equipment	388
341	Equity Instruments	0
0	Capital loans	35,284
	<b>Sources of Finance</b>	
(1,053)	Usable Capital receipts	(382)
(601)	Capital grants unapplied	(47,213)
(58,905)	Capital Grants & Contributions	(38,797)
0	<b>Closing Capital Financing Requirement</b>	0

<b>2018/19 £000</b>	<b>Reconciliation of Grant Funding Applied to Capital Financing</b>	<b>2019/20 000</b>
601	Applied from Capital Grants Unapplied Account	47,213
	<b>Grants used to Fund Revenue Expenditure Funded from Capital under Statute:</b>	
58,905	In Year	38,797
59,506	<b>Total Grants &amp; Contributions applied</b>	86,010

<b>2018/19 £000</b>	<b>Body of Grant Funding Applied</b>	<b>2019/20 £000</b>
24,522	Dept for Transport - Local Transport Grant	23,541
4,667	Transforming Cities Fund	4,103
1,596	National Productivity Infrastructure Fund	3,944
13,249	Local Growth Fund	5,155
86	C&P Housing Capital Grant	0
13,542	Cambridge Housing Grant	0
894	Gainshare Funding - Capital	2,054
58,556		38,797

## 22 Combined Authority Leasing Arrangements

### Combined Authority as Lessee - Operating Leases

The Combined Authority's operating leases are for the office in Alconbury and the Mayor's office in Ely, however there are two other leases relating to equipment held under operating leases.

<b>2018/19 £000</b>	<b>Combined Authority as Lessee - Operating Leases</b>	<b>2019/20 £000</b>
212	Not later than one year	216
742	Later than one year & not later than five years	733
1,634	Later than five years	1,461
2,588		2,410

The amount charged to Cost of Services in the Comprehensive Income and Expenditure Statement during the year in relation to these leases is shown in the table below:

2018/19		2019/20
£000	Combined Authority as Lessee - Operating Leases	£000
143	Minimum lease payments	212
<b>143</b>		<b>212</b>

## 23 Financial Instruments

Under IFRS 9 the financial assets on the Balance Sheet are now classified by one of the following categories in the table below:

- Amortised Cost
- Fair Value through the Income and Expenditure (FVOCI)
- Fair Value through the Profit and Loss (FVPL)

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

2018/19		2019/20
£000	Financial Assets	£000
(1,410)	Interest Income	(1,646)
-	Financial Liabilities	-
<b>(1,410)</b>	Net (gain)/loss for the year	<b>(1,646)</b>

The following categories of financial instrument are carried in the Balance Sheet:

31-Mar-19			31-Mar-20		
Long Term	Current		Long Term	Current	
£000	£000	Financial Instruments Balances	£000	£000	
<b>Assets at Amortised Cost:</b>					
-	57,743	Investments - Amortised Cost	-	80,699	
209	-	Medtech Shares - FVOCI	133	-	
-	109,758	Short Term Investments classed as Cash & Cash	-	80,565	
4,459	-	Equivalents	-	-	
-	1,235	Debtors - Amortised Cost	19,677	-	
-	-	Debtors - Other	-	20,377	
<b>4,667</b>	<b>168,736</b>		<b>19,809</b>	<b>181,641</b>	
<b>Liabilities at Amortised Cost:</b>					
-	(10,786)	Creditors	-	(21,407)	
-	(10,853)		-	(21,407)	

## 24 Fair Value of Financial Assets and Financial Liabilities

Financial liabilities and financial assets represented by loans and receivables are carried in the balance sheet at amortised cost.

Their fair value has been assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- the prevailing rate of a similar instrument with a published market rate has been used as the discount factor for other loans receivable and payable;
- no early repayment is recognised;
- where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount.

All Financial Assets and Liabilities held by the Combined Authority are assessed for Fair Value and are therefore held at the carrying amount, except loans. The input level in the fair value hierarchy is Level 1 for all Financial Assets held except the Medtech shares which are Level 2.

With the introduction of IFRS 9 the authority has designated the Medtech shares at 31 March 2020 as fair value through other comprehensive income. This is because the shares are not held for trading or income generation, rather a longer term policy initiative.

The Fair Values calculated are as follows:

31-Mar-19		Financial Liabilities	31-Mar-20	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
(10,786)	(10,786)	Creditors	(21,407)	(21,407)
(10,786)	(10,786)	Total	(21,407)	(21,407)

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

31-Mar-19			31-Mar-20	
Carrying Amount £000	Fair Value £000	Financial Assets	Carrying Amount £000	Fair Value £000
57,500	57,500	Temporary Investments	80,000	80,000
243	243	Interest associated with Temporary Investments	699	699
209	209	Medtech Shares - FVOCI	133	133
109,300	109,300	Short Term Investments classified as Cash & Cash Equivalents	79,921	79,921
289	289	Interest associated with Short Term Investments	-	-
169	169	Total Cash & Bank	644	644
4,459	4,459	Debtors - Loans	39,662	40,127
-	-	12 months ECL on loans	(643)	-
1,235	1,235	Other Debtors	1,735	1,735
173,403	173,403		202,152	203,259

## 25 Nature and Extent of Risks Arising from Financial Instruments

The Combined Authority's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Combined Authority.

- Liquidity risk – the possibility that the Combined Authority might not have funds available to meet its commitments to make payments.
- Market risk – the possibility that financial loss might arise for the Combined Authority as a result of changes in such measures as interest rates and money market movements.

The Combined Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. During the 2019-20 year risk management was carried out by PCC's Capital and Treasury Team, under policies approved by the Combined Authority in the Annual Treasury Management Strategy, this function has been brought in house for 2020-21 and will be supported by the creation of a new post within the Combined Authority's Finance department. The Combined Authority provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

### **Credit risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Combined Authority's customers.

The risk is minimised through the Annual Investment Policy set out in the approved Treasury Strategy, which requires that investments are not made with financial institutions unless they meet minimum credit criteria in accordance with the Fitch Moody's and Standard & Poor's Credit Ratings Services. This Policy also imposes a maximum sum to be invested with a financial institution located within each category.

The 2019/20 Annual Investment Policy sets out the credit criteria below although the Combined Authority actually minimised the risk further by only investing with the Debt Management Office, other local authorities, its banking provider (Barclays), and the CCLA money market fund.

The credit criteria in respect of financial assets held by the Combined Authority are as follows:

- Deposits could be made with banks and other financial institutions that have been rated by recognised independent credit rating agencies with a minimum score of "A", with £100m of the total amounted deposited in the highest rated category. The credit element of the methodology focuses solely on the Short and Long Term investment ratings, therefore no longer including the viability and financial strength of the institution.
- Deposits can be made with other institutions that have not found it necessary to maintain a credit rating e.g. local authorities, and these are subject to an assessment of risk that is carried out internally. Deposits to these bodies are limited to £200m in total.
- No more than £15m is held with any one banking institution, except for the Debt Management Office (DMO), regardless of standing or duration, and a range of counterparties that operate in different sectors in the UK is used to reduce risk exposure.
- All the counterparties used are licensed to accept deposits in the United Kingdom and are regulated by the Financial Conduct Authority.
- Creditworthiness advice and market intelligence is received from treasury advisors as required.

The Combined Authority had a total of £159.9m deposited with the Debt Management Office (DMO), other local authorities, UK banks and CCLA at 31



March 2020. As the DMO is within the scope of HM Treasury this reduces the overall credit risk. There is a specific risk attached to amounts deposited with the individual institutions based on their ability to make interest payments and repay the principal outstanding, it is however more difficult to assess the risk in general terms. Recent experience has shown that it is rare for such entities to not meet their commitments. Whilst there is a risk of recoverability with regard to these deposits, there was no evidence that this was likely at 31 March 2020. We are in constant communication with our treasury advisors to update our position in accordance with their advice on managing emerging risks particularly relating to COVID 19.

Expected Credit Loss calculations on loans outstanding at year end have been adjusted for the expected impact of COVID-19 across the relevant sector.

### **Liquidity Risk**

The Combined Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. In the unlikely event that unexpected movements happen, the Combined Authority has ready access to borrowings from the Public Works Loans Board (PWLb) and the money market generally. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

### **Market risk**

#### **Interest rate risk**

The Combined Authority is exposed to risk in terms of its exposure to interest rate movements on its and investments. Movements in interest rates have a complex impact on the Combined Authority. For instance, a rise in interest rates would have the following effects:

- investments at fixed rates – the fair value of the assets will fall
- investments at variable rates – the interest income credited to the (Surplus) / Deficit on the Provision of Services will rise

The Finance Team assesses interest rate exposure which feeds into the setting of the annual budget and is used to update the forecasts during the period. This allows any adverse changes to be accommodated.

#### **Price Risk**

The Combined Authority holds shares in a single company outside its group, which is not publicly traded. Its value in the accounts is based on the shareholder funds held on the 31st March 2020, rather than a market share value, as such we do not consider there to be exposure to losses arising from movements in the traded price of shares.

#### **Foreign Exchange Risk**

The Combined Authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

## 26 Debtors

31-Mar-19 £000	Short Term Debtors	31-Mar-20 £000
547	Central government bodies	616
487	Other local authorities	226
201	Other entities and individuals	19,535
0	Prepayments	6,057
<b>1,235</b>	<b>Total Debtors</b>	<b>26,434</b>

31-Mar-19 £000	Long Term Debtors	31-Mar-20 £000
4,459	Other entities and individuals	19,677
<b>4,459</b>	<b>Total Debtors</b>	<b>19,677</b>

'Other' includes loans of £26.3m to East Cambs Trading Company, £6.8m to other housing developers and £5.9m of Growth Fund loans (18/19 £4.5m of Growth Fund Loans).

## 27 Creditors

31-Mar-19 £000	Creditors	31-Mar-20 £000
(3,520)	Central government bodies	(8,652)
(4,562)	Other local authorities	(4,704)
(2,704)	Other entities and individuals	(8,051)
<b>(10,786)</b>	<b>Total Creditors</b>	<b>(21,407)</b>

## 28 Capital Grants Receipts in Advance

The Combined Authority has received a number of capital grants that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the funding body if not met. The balances at the year-end are as follows:

31-Mar-19 £000	Capital Grants Receipt In Advance	31-Mar-20 £000
(988)	Pothole and Flood Resistance	0
(371)	Transforming Cities Fund	(13,268)
(950)	National Productivity Infrastructure Fund	(1,110)
<b>(2,309)</b>	<b>Total Creditors</b>	<b>(14,378)</b>

## 29 Cash Flow Statement – Investing Activities

Short Term Investments are sums invested with a maturity of greater than three months but less than 12 months at the balance sheet date. Sums invested with a maturity of less than three months at the balance sheet date are classified as Cash

and Cash Equivalents, see note 30. The cash flows for investing activities include the following items:

2018/19	Cash Flow Statement - Investing Activities	2019/20
£000		£000
32,694	Purchase of Short Term Investments	22,956
601	Purchase of Property, Plant & Equipment	387
0	Cash advanced for capital loans	35,284
(3,000)	Proceeds from loan repayments	(254)
<u>30,295</u>	<u>Net Cash flows from investing activities</u>	<u>58,373</u>

### 30 Cash Flow Statement – Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is shown in the following table. The 'Bank Current Accounts' line includes payments that have not yet cleared in the actual bank accounts.

2018/19	Cash Flow Statement - Cash & Cash Equivalent	2019/20
£000		£000
109,589	Short Term Cash Investments	79,921
169	Bank Accounts	644
<u>109,758</u>		<u>80,565</u>

### 31 Contingent Liabilities

The Combined Authority has an outstanding matter in relation to pension obligations relating to the transfer of ex-GCGP LEP staff to the Combined Authority in April 2018. The Combined Authority is working with the pension fund providers to confirm the nature and timing of the obligation and of the quantum of any liability attached to this obligation. The total potential liability is not expected to be more than £250k.

### 32 Group Accounts

The CPCA's group structure includes one wholly owned subsidiary, Angle Holding Ltd, which itself has a wholly owned subsidiary (Angle Development (East) Ltd). The CPCA's total investment in Angle Holdings is £100, the company has not undertaken any trading activity and has incurred expenses of <£10k in 19-20 thus is deemed immaterial and not consolidated in to CPCA accounts as of 31 March 2020 in compliance with the definition in the Code of Practice.

# Glossary

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*Accounting Period* - 1 April to 31 March is the local authority accounting period. It is also termed the financial year.

*Accruals* - Revenue and capital income and expenditure are recognised as they are earned or incurred, not as money is received or paid. Transactions are accrued with income and expenditure due but unpaid at 31 March brought into the accounts.

*Annual Governance Statement* – Identifies the systems that the Combined Authority has in place to ensure that its business is conducted in accordance with the law and proper standards and that public money is safeguarded.

*Balance Sheet* – This statement is fundamental to the understanding of the Combined Authority's financial position at the year-end. It shows the balances and reserves at the Combined Authority's disposal and its long term indebtedness. It also shows the long term and net current assets employed in its operations.

*Balances* – The non-earmarked reserves of the Combined Authority. These are made up of the accumulated surplus of income over expenditure. This is known as the General Fund Balance. Adequate revenue balances are needed to meet unexpected expenditure or a shortfall in income. The Combined Authority may decide to use its revenue balances to reduce its budget and thus its call on the Collection Fund.

*Budget* - A statement of an Combined Authority's plans for net revenue and capital expenditure.

*Capital Expenditure* - Expenditure on the acquisition or development of major assets which will be of use or benefit to a Authority in providing its services beyond the year of account.

*Capital Grant* - A grant received towards the capital expenditure incurred on a particular service or project. Capital grants can be made by an Authority.

*Cash Equivalent* – An investment that is liquid and matures within three months. There is no significant risk to the value on redemption.

*Code of Practice on Local Authority Accounting* – The statutory accounting code published by CIPFA.

*Comprehensive Income and Expenditure Statement or CIES*- Reports the income and expenditure for all the Combined Authority's services. The CIES demonstrates how services have been financed from general government grants and income from taxpayers.

*Creditor* - An amount owed by the Combined Authority for work done, goods received or services rendered to the Combined Authority within the accounting period but for which payment has not been made.

*Current Asset* - An asset which can be expected to be consumed or realised during the next accounting period.

*Current Liability* - An amount which will become payable or could be called in within the next accounting period.

*Debtor* - An amount owed to the Combined Authority within the accounting period, but not received at the Balance Sheet date.

*Effective Rate of Interest* – The rate of interest that is consistent with estimated cash flows over the life of a financial instrument and its initial value in the balance sheet. It is calculated using discounted cash flow.

*Fair Value* – Fair value is an important in setting the value for various assets in the balance sheet. It is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

*Financial Asset* – A right to future economic benefits controlled by the Combined Authority. Examples include bank deposits, investments made and loans receivable by the Combined Authority.

*Financial Instrument* – This is an important definition in understanding the accounts. It includes both financial assets and liabilities. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

*Financial Liability* – An obligation to transfer economic benefits controlled by the Combined Authority. Examples include borrowings, financial guarantees and amounts owed to trade creditors.

*General Fund* - The main fund of the Combined Authority that meets the cost of most services provided by the Combined Authority. The services are paid for from Council Tax, business rates, government grant and other income.

*Government Grants and Subsidies* - Grants towards either the revenue or capital cost of Combined Authority services. These may be either in respect of particular services or purposes, (specific and supplementary grants), or in aid of local services generally such as Revenue Support Grant.

*Movement in Reserves Statement or MIRS* – This statement shows the movement in the year on the different reserves held by the Combined Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves.

*Non-current asset* - An asset which has value beyond one financial year.

*Non-Domestic Rates (NDR) or business rates* - The rates payable by businesses on their properties are calculated by applying a nationally determined multiplier to the rateable value of the property. There is a lower multiplier for small businesses.

*Precept* – The Combined Authority is not empowered to bill council tax payers directly. Instead it may raise a precept on the billing authorities that are its members.

*Reserves* - Amounts set aside for purposes falling outside the strict definition of provisions are considered as reserves. Reserves include earmarked reserves set aside for specific projects or service areas, or expected future commitments.

*Revenue Expenditure* - The day-to-day running costs the Combined Authority incurs in providing services (as opposed to capital expenditure).

*Usable Reserves* – Those reserves that can be applied by the Combined Authority to fund expenditure or reduce local taxation.

*Unusable Reserves* – Those reserves that absorb the timing differences arising from different accounting arrangements. Unusable reserves are not available to fund expenditure or reduce local taxation.

# Annual Governance Statement

For the year ended 31 March 2020

## **Cambridgeshire and Peterborough Combined Authority**

### **Annual Governance Statement – 2019/20**

#### **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.)

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, having regard to a combination of economy, efficiency and effectiveness.

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.

As the Authority was formally established on 3 March 2017, the organisation is at the start of its fourth year of operation and this is its fourth statement. The Authority has made good progress which is described in this statement and further progress will be made throughout the year. A copy of the Authority’s constitution, assurance framework and monitoring and evaluation framework is 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. For this reason, two reviews have been undertaken by Internal Audit, into the corporate governance of the Authority and into the governance of the Local Enterprise Partnership following its amalgamation into the Authority as the Business Board, to establish progress in implementing its governance arrangements against the 2016 principles and the National Local Growth Assurance Framework.

## **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. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. 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.

As the organisation is now starting its fourth year, the governance framework remains in its development stage.

## **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 until May 2021.

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

- Control of a new additional £20 million a year funding allocation, over 30 years, to be invested to the Cambridgeshire and Peterborough Single Investment Fund, to boost growth.
- £170 million 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 come into force over the past year 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 strategic in nature. The Authority has adopted a commissioning model with delivery being undertaken by those best qualified to do so across the public and private sector.

### **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.

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) nominates one of its Members, normally the Chair and a substitute member.

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 Board meets monthly.

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 the agreed Lead Members from amongst the Members of the seven constituent councils and 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. The Mayor has appointed two deputies.

### **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 the new 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 the new governance arrangements will be kept under review by the Authority's Audit & Governance Committee.

### **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.

It 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. One request was made to call-in a Combined Authority decision in the last year but this was unable to proceed because the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 were not brought into force in time to enable a virtual meeting of the Committee to take place.

The committee undertake 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.

#### **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 committee has reviewed and revised the following Authority policies and procedures in 2018/19:

- (a) Corporate Risk Strategy
- (b) Assurance Framework
- (c) Data Protection Policy
- (d) Data Protection policy

The Committee has also received a report on Freedom of Information requests, fraud, whistleblowing and complaints together with the Internal Audit reviews of the governance of the Authority and the Business Board referred to above.

This statement has been reviewed against the Joint Business Board and Combined Authority Assurance Framework.

#### **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 now 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/Deputy Mayor 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 Assurance Framework for the Authority and the Business Board.

### **Strategic Direction**

Over the past year the Authority has made good progress in developing its strategic direction.

1. As reported previously, 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](http://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. In May 2018, the Combined Authority agreed its **2030 prospectus** to articulate its longer-term ambition and aspirations for Cambridgeshire and Peterborough. It also agreed its **Four-Year Plan** which set out how the Combined Authority planned to deliver its strategic growth ambitions and priority programmes in the period 2018/19 – 2021/22. It brings together the plans to support delivery of the 2030 ambitions for the benefit of all our communities. The Four-Year Plan has been developed through working closely with Leaders, Chief Officers and partners.
5. The **Cambridgeshire and Peterborough Combined Authority Business Plan** was agreed in January 2018 and set out the investment priorities for the period to 2020. It was most recently updated in January 2020 covers 2020-21. The Combined Authority has been

developing its detailed strategies for key areas of activity including:

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

6. The Local Industrial Strategy was published in July 2019.
7. Following the statutory process the Local Transport Plan was adopted by the Authority in January 2020.
8. The Combined Authority has 16 priority programmes based upon the CPIER objectives and the strategies highlighted above. These 16 priority programmes are reflected in the Business Plan.
9. On 29<sup>h</sup> January 2020 the Authority approved a four-year Medium-Term Financial Plan that forms the investment plan for the Combined Authority. This allocates resources to deliver the next stages of these priority programmes.

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 will therefore enable members to monitor performance against the Business Plan priorities

The Business Plan will be reviewed in parallel with mid-year review of the Budget and Medium-Term Financial Plan (MTFP).

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 Framework complies with the National Local Growth Assurance Framework 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 Local Enterprise Partnership and the Section 73 Officer, 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 March 2019, the Authority agreed 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.

In January 2020, the Authority approved the incorporation of a Local Growth Fund Monitoring & Evaluation Plan into the Monitoring & Evaluation Framework. Being able to show the efficacy and impact of the Business Board's investments will enable a positive case to be made to Government in discussions regarding the allocation and responsibility for future funding streams

## **Decision Making**

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

A Forward Plan identifying strategic decisions that will be made by the Board over a four-month period is updated and presented to the Combined Authority Board each month. It will also



include all forthcoming key decisions which require at least 28 days' notice. The Business Board has also agreed to publish its own Forward Plan.

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 reviewed by Directors and presented to the Combined Authority Board monthly 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.

### **Developing Capacity**

The member structure is well defined and a permanent staffing structure is now in place.

### **Internal Audit**

Peterborough City Council provides the internal audit function. The Chief Internal Auditor presented the audit plan to the Audit & Governance Committee and has provided the Committee with regular updates on it throughout the year.

The Chief Internal Auditor also presented the audit plan for the Business Board.

### **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. A revised Corporate Risk Strategy has been agreed by the committee as above.

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

## **Managing Performance**

Given the level of investment the combined authority will generate, it is vital that robust programme management processes are developed for its programmes, across distinct themes and for collective consideration of outputs and outcomes. As stated above, a monitoring and evaluation framework has been agreed by the Combined Authority Board and Government. 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.

## **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.

There were Internal Reviews during the year into the governance of the Authority and the Business Board as set out above:

The objective of the Internal Audit review of the governance of the Authority was to provide assurance that the systems of control in respect of Corporate Governance were adequate and being consistently applied. The areas of focus were:

- **Organisational Structure / Roles and Responsibilities:** To confirm that the Authority has an open and transparent organisational structure and that roles and responsibilities are clearly defined and communicated across the organisation
- **Decision Making:** To confirm that there is a clear and transparent decision making process within the Authority and decisions taken adhere to these processes as set out in the assurance framework
- **Strategy and Planning:** To confirm that the Authority's strategies are up to date and communicated across the organisation. To confirm that strategies complement and support each other and are linked to key aims and priorities.

Together with verification that Human Resources processes were robust and followed best practice.

The main findings of the review were that improvements had been made to the governance arrangements as the Combined Authority had evolved and previous actions had been progressed. Following extending the review to other areas of governance the part of the business requiring most attention was that of Human Resources. While the audit focus was primarily to look at the recruitment process – which the auditors were unable to place any reliance on – the audit also touched upon the performance management framework and similarly there was nothing in place in relation to employees. A detailed action plan was required to take this key business activity forward.

Of the fifteen activity areas reviewed, two received substantial assurance ratings, twelve received reasonable assurance ratings and one [HR] received no assurance rating.

A report on progress with the Human Resources recommendations was taken to the meeting of the Audit & Governance Committee on 19 July 2019 and progress continues to be monitored.

For the Internal Audit review of the governance of the Business Board the matters under review included that:

- The LEP has a local assurance framework in place, as required by the Government's National Assurance Framework
- The LEP is operating under a clear governance framework.

The main findings of the review were that there has been good progress in establishing a clear framework which brought together the previous arrangements. A number of areas were identified which need to be addressed to ensure governance was effective. Those identified as requiring attention included:

- Increased transparency in relation to data available and how value for money is achieved;
- Development of a consistent brand identity; and
- Processes in place for the recovery of funds should any project be deemed to have misused public monies etc.

The findings of the audit give Reasonable Assurance on the effectiveness of the governance arrangements that has been established within the Assurance Framework. Eight recommendations were made to tighten up the assurance framework.

The Head of Internal Audit of a Local Authority is required annually to provide their opinion on the overall systems of internal control and their effectiveness. This is informed by the work that has been described above and, for the financial year 2019-20, the opinion was as follows:

*I am satisfied that sufficient quantity and coverage of Internal Audit work and other independent assurance work has been undertaken to allow me to draw a reasonable conclusion on the adequacy and effectiveness of the Authority's risk management, control and governance processes. In my opinion the CPCA has adequate systems of*

*internal control in place to manage the achievement of its objectives. In giving this opinion, it should be noted that assurance can never be absolute and, therefore, only reasonable assurance can be provided that there are no major weaknesses in these processes. Notwithstanding my overall opinion, Internal Audit's work identified a number of opportunities for improving control procedures which management has accepted and are documented in each individual audit report.*

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

There have been no significant events or developments relating to the governance systems between the date of the accounts and the current date. 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.

#### Assurance in Relation to the CPCA's Core Financial Systems

During 2019-20 the CPCA's core financial systems were provided by Peterborough City Council, namely the General Ledger, Accounts Payable and Accounts Receivable systems. With regard to assurance on the operation of these systems the Head of Internal Audit has advised:

*Internal Audit perform reviews of main financial systems on a risk based approach for [Peterborough City Council]. and as part of these reviews we look for assurance in relation to regular reconciliations etc. For 2019/20, no issues were brought to our attention. Should any matters be identified, these would be referred through to CPCA via the quarterly Finance meetings.*

#### **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 the year and we are committed to making continued improvements during the course of the next year.

**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.

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.

Signed:

Signed:

James Palmer, Mayor of Cambridgeshire  
and Peterborough Combined Authority

Kim Sawyer, Chief Executive Officer of  
Cambridgeshire and Peterborough  
Combined Authority

Date:

Date:

## **Summary of Changes from Draft Accounts to Final Accounts**

### **Movement in Reserves Statement, Balance Sheet and Note 13 – Adjustments between Accounting Basis and Funding Basis under Regulations**

£2.7m adjustment between Capital Grants Unapplied and Capital Adjustment Account had been reflected with an incorrect sign in some working papers leading to a £5.4m adjustment which impacted on these tables.

### **Cashflow statement and Note 29 Investing Activities**

Advance of cash for capital loan now shown in investing activities rather than adjustment to surplus / deficit of services for non cash movement

### **Note 1 – Accounting Policies**

Additional detail to demonstrate Covid-19 hasn't impacted on the Going Concern basis for accounts preparation.

### **Note 6 – Officers' Remuneration**

Senior Employees – Added third party costs for 19/20 for Director of Transport  
Employee remuneration above £50,000 - 19/20 figures updated to remove employers pension amounts from calculation.  
Pay Multiple - Amended from 4.21 to 3.74

### **Note 7 – Defined Benefit Pension Scheme**

Basis for estimating assets and liabilities table – financial assumption percentages updated.

### **Note 10 – Related Parties**

Additional disclosures in relation to transactions with Related Parties linked to Members and Officers.

### **Note 31 – Contingent Liabilities**

Contingent Liability note added

# **Cambridgeshire and Peterborough Combined Authority Audit results report**

Year ended 31 March 2020

17 November 2020





17 November 2020

Dear Audit & Governance Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Audit & Governance Committee. This report summarises our preliminary audit conclusion in relation to the audit of Cambridgeshire and Peterborough Combined Authority (the Authority) for 2019/20.

At the date of this report our audit of the Authority's accounts for the year ended 31 March 2020 is substantially complete. However, subject to concluding the outstanding matters listed in our report, we anticipate issuing an unqualified audit opinion on the financial statements in the form at Section 3 of this report. We also expect to have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

As set out on page 5, a number of issues have arisen as a result of COVID-19 which have impacted our work.

This report is intended solely for the use of the Audit and Governance Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement given the additional pressures they have faced responding to the pandemic and working remotely.

We welcome the opportunity to discuss the contents of this report with you at the Audit & Governance Committee meeting on 27 November 2020.

Yours faithfully

Suresh Patel

Associate Partner

For and on behalf of Ernst & Young LLP

Encl



# Contents



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psaa.co.uk](http://www.psaa.co.uk)). This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities / Terms and Conditions of Engagement. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



# 01 Executive Summary

## Executive Summary

### Scope update

In our Audit Plan dated 11 March 2020, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- ▶ Changes to reporting timescales - As a result of Covid-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, have been published and came into force on 30 April 2020. This announced a change to the publication date for approved financial statements from 31 July to 30 November 2020 for all relevant authorities.
- ▶ Changes to our risk assessment as a result of Covid-19:
  - ▶ Disclosures on Going Concern - Financial plans for 2020/21 and medium term financial plans will need revision for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the Local Authority would not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19 and the Authority's actual year end financial position and performance. See Section 2 of this report for further details.
  - ▶ Events after the balance sheet date - We identified an increased risk that further events after the balance sheet date concerning the current Covid-19 pandemic will need to be disclosed. The amount of detail required in the disclosure needed to reflect the specific circumstances of the Authority.
  - ▶ Adoption of IFRS16 - The adoption of IFRS 16 by CIPFA/LASAAC as the basis for preparation of Local Authority Financial Statements has been deferred until 1 April 2021. We therefore no longer consider this to be an area of audit focus for 2019/20.
  - ▶ The continued impact of the Covid-19 pandemic increases the risks to the material accuracy of financial statements and disclosures. To ensure we are providing the right assurances to the Authority and its stakeholders the firm has introduced a rigorous consultation process for all auditor reports to ensure that they include the appropriate narrative.
- ▶ Changes in materiality - We updated our planning materiality assessment using the draft statement of accounts and have also reconsidered our risk assessment. Based on our materiality measure of 2% of gross expenditure on provision of services, we have updated our overall materiality assessment to £1.422 million (same as the audit). This results in updated performance materiality, at 75% of overall materiality, of £1.067 million, and a threshold for reporting misstatements of £0.071 million.
- ▶ Information Produced by the Entity (IPE) - We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Authority's systems. We undertook the following to address this risk:
  - ▶ Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
  - ▶ Agree IPE to scanned documents or other system screenshots.

As disclosed in the audit plan, additional risks require additional audit input and an associated additional audit fees which will be agreed in advance with S73 officer and then PSAA.

## Executive Summary

### Status of the audit

We have substantially completed our audit of the Cambridgeshire & Peterborough Combined Authority financial statements for the year 31 March 2020 and have performed the procedures outlined in our Audit Plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise:

- Related party transactions - we are awaiting a register of interests update from officers;
- REFCUS expenditure testing; and

The final procedures required to complete the audit are:

- Completion of our final review processes
- Review of the final version of the financial statements;
- Complete a subsequent events review;
- Review the signed management letter of representation; and
- Present this final version of the Audit Results Report.

## Executive Summary

### Audit differences

#### Unadjusted differences

At the date of this report there are two unadjusted differences that the Committee needs to consider.

1. Pension Liability (IAS 19): There has been an increase of £0.170 million in the pension liability as a result of the updated pension fund asset valuations. Given the changes are immaterial, management have chosen to not amend the original figures in the statement of accounts.
2. Understatement of creditors and expenditure of £0.382 million - our testing of unrecorded liabilities identified two invoices received in 2020/21 which should have been accrued for in the statement of accounts as they related to expenditure incurred by the Authority in 2019/20.

#### Adjusted differences

At the date of this there are adjusted differences we wish to highlight from the draft statement of accounts presented for audit on 25 May 2020.

1. Classification adjustment of £19.0 million from short-term investments to cash and cash equivalents. This adjustment was identified by officers and was corrected for the statement of accounts published on 27 August 2020. There is no general fund impact as a result of this adjustment.
2. Classification adjustment of £0.746 million from long-term debtors to short-term debtors. This adjustment was corrected for the statement of accounts published on 27 August 2020. There is no general fund impact as a result of this adjustment.
3. Correction of a mis-posting of £2.7 million between capital grants unapplied reserve and the capital adjustment account. This adjustment was identified by officers and does not impact the general fund balance.
4. IAS 19 pension disclosures - the draft statement of accounts did not contain the IAS 19 pension disclosures as the Authority was still concluding this work. The figures were included in the statement of accounts published on 27 August 2020.
5. Cash flow statement - workings and disclosures updated. Removal of non-trivial balancing figure in the working papers.
6. Other updates - other areas that were incomplete at the time of the draft statement of accounts presented for audit have been updated; officers remuneration, pay multiple and employee expenses.
7. A revised disclosure on going concern.

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 & Governance Committee in this report.

## Executive Summary

### Areas of audit focus

Our audit plan identified key areas of focus for our audit of the Authority's financial statements. In total we identified two significant risks and three areas of audit focus. We summarise below our findings.

Significant risk	Findings & conclusions
Misstatements due to fraud or error - management override	We have completed our testing of journals, sought evidence of bias in material estimates and remained alert to unusual transactions. We have found no indications that management have overridden controls to deliver a desired financial outturn.
Misstatements due to fraud or error - incorrect treatment of capital expenditure as revenue	We are in the process of completing our testing of a sample of capital expenditure, including Revenue Expenditure Funded from Capital Under Statute (REFCUS) to verify that revenue costs have not been inappropriately treated as capital. We have also verified that adjustments between the accounting basis and funding basis have been correctly made in accordance with the Code, and reflected appropriately in the Authority's Movement in Reserves Statement (the MiRS). To-date we have found no indications that management have overridden controls to deliver a desired financial outturn.

Area of audit focus	Findings & conclusions
Pension Liability Valuation & Pensions Assets	We have completed our work and identified an understatement of the net liability of £0.170 million on the pension liability as a result of the updated Cambridgeshire Pension Fund asset valuations.
New accounting standards	<p>Leases (IFRS 16) - The adoption of IFRS 16 by CIPFA/LASAAC as the basis for preparation of Local Authority Financial Statements has been deferred until 1 April 2021.</p> <p>Going Concern (ISA 570) - We have worked with the Authority to update their going concern and events after the balance sheet date disclosures in light of the Covid-19 pandemic, see detailed findings in Section 2 for further information.</p>

This report sets out our observations and conclusions on the above matters, and any others identified, in the "Areas of Audit Focus" section of this report. We ask you to review these and any other matters in this report to ensure:

- ▶ There are no other considerations or matters that could have an impact on these issues; and
- ▶ You agree with the resolution of the issues; and there are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to your attention.

## Executive Summary

### Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls. However, from the results of substantive procedures performed we have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statement.

### Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Plan we identified the Authority's ambitious capital programme as a significant risk. We have completed our procedures and found that the Authority has the expected arrangements in place to manage the capital programme delivery.

There are two other matters we have dealt with:

1. Correspondence from a member of the public in respect of the Authority's loan to East Cambridgeshire Trading Company  
We reported to the Committee in July 2020 with our progress report that we sought and obtained evidence that the Authority had the arrangements in place we would expect to see in respect of providing loans to a local authority trading company. We repeat our findings in Section 05.
2. Correspondence to the Mayor from the Minister for Regional Growth and Local Government (MRGLG) and the Mayor's subsequent request to EY  
On 13 July 2020 the MRGLG wrote to the Mayor highlighting concerns over the governance of the Authority. On 7 August the Mayor requested our view, as your external auditor, on the Authority governance arrangements in the context of the MRCLG letter. We agreed to respond to the request on the basis of our responsibilities under the Local Audit and Accountability Act 2014 and National Audit Office's (NAO) 2015 Code, i.e. under the VFM conclusion. We have shared our response to the Mayor with the Audit and Governance Committee.

We expect to issue an unqualified value for money conclusion. We include further details in Section 05.

### Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We are not required to carry out any procedures on the Authority's Whole of Governance Accounts (WGA) submission as the Authority falls below the National Audit Office (NAO) threshold.

### Independence

Please refer to Section 8 for our update on Independence. There are no relationships from 1 April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.





## 02 Areas of Audit Focus





## Areas of Audit Focus

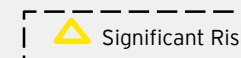
### Significant risk

#### Risk of misstatements due to fraud or error – management override of controls

##### What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.



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

We performed the following audit procedures:

- ▶ Identified fraud risks during the planning stages.
- ▶ Enquired of management about risks of fraud and the controls put in place to address those risks.
- ▶ Understood the oversight given by those charged with governance of management's processes over fraud.
- ▶ Considered the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Tested journals at year-end to ensure that there were no unexpected or unusual postings.
- ▶ Reviewed accounting estimates for evidence of management bias.
- ▶ Looked for and investigated any unusual transactions.

We used our data analytics capabilities to assist with our work, including journal entry testing. We assessed journal entries for evidence of management bias and evaluated for business rationale. We specifically reviewed any elements where judgement could influence the financial position or performance of the Authority in a more positive or more favourable way.

##### What are our conclusions?

We did not identify any material weaknesses in controls or evidence of material management override. We have not identified any instances of inappropriate judgements being applied or management bias. We did not identify any other transactions during our audit which appeared unusual or outside the normal course of business.



## Areas of Audit Focus

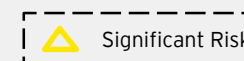
### Significant risk

#### Misstatements due to fraud or error – the incorrect capitalisation of revenue expenditure and REFCUS

##### What is the risk?

The Authority has a revenue budget it needs to operate within. Manipulating expenditure is a key way to achieve this objective.

We consider the risk applies to capitalisation of revenue expenditure and revenue expenditure funded from capital under statute (REFCUS). Management could manipulate revenue expenditure by incorrectly capitalising expenditure which is revenue in nature and should be charged to the comprehensive income and expenditure account.



##### What judgements are we focused on?

We identified a risk of expenditure misstatement due to fraud or error that could affect the income and expenditure accounts.

We focused on the Authority's judgement that an item is capital expenditure in nature and the judgement that expenditure treated as REFCUS is associated to an asset not owned by the Authority.

##### What did we do?

Our approach focused on:

- Testing a sample of capital expenditure, including Revenue Expenditure Funded from Capital Under Statute (REFCUS) to verify that revenue costs have not been inappropriately treated as capital.
- Verifying adjustments between the accounting basis and funding basis have been correctly made in accordance with the Code, and reflected appropriately in the Authority's Movement in Reserves Statement (the MiRS).

##### What are our conclusions?

We are currently concluding our procedures on the incorrect capitalisation of the revenue expenditure and REFCUS and will report to the Audit & Governance Committee once this is concluded.



## Areas of Audit Focus



### Other Areas of Audit Focus - Pension Liability Valuation & Pensions Assets

The Authority became an admitted body of the Cambridgeshire Pension Fund in 2019/20 and was therefore be required to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Cambridgeshire County Council.

We are uncertain at the audit planning stage what the size of the pension liability would be in the balance sheet as at 31 March 2020. This has now been confirmed as a net liability of £1.554 million which is material to the Authority. The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the County Council.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. 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.

Our approach has focused on:

- ▶ Liaising with the auditors of Cambridgeshire Pension Fund to obtain assurances over the information supplied to the actuary in relation to Cambridgeshire & Peterborough Combined Authority;
- ▶ Assessing 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 NAO for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- ▶ Reviewing and testing the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.

An additional consideration in 2019/20 will be the impact of Covid-19 on the valuation of complex (Level 3) investments held by Cambridgeshire Pension Fund (for example private equity investments) where valuations as at 31 March 2020 will have to be estimated. This is likely to impact on the IAS19 reports provided by the actuary and the assurances over asset values that are provided by the pension fund auditor, and consequently the assurance we are able to obtain over the net pension liability.

#### Findings and conclusions

We have received assurances from the Cambridge Pension Fund auditor, which states that there is a £0.170 million increase in net pensions liability from the original IAS19 report provided, as a result of the valuation of investment assets. As the amount is immaterial, Management will not be updating the figures in the statement of accounts, and as such this will be an unadjusted audit difference.



## Areas of Audit Focus



### Other Areas of Audit Focus – Going concern disclosure

There is presumption that the Authority will continue as a going concern. However, the current and future uncertainty over government funding and other sources of Authority revenue as a result of Covid-19 increases the need for the Authority to undertake a detailed going concern assessment to support its assertion. In light of the unprecedented nature of Covid-19, its impact on the funding of public sector entities and uncertainty over the form and extent of government support, we requested that management provide a documented consideration to support their assertion regarding the going concern basis. We also reviewed the Authority's subsequent new disclosure note.

Our approach has focused on:

- Assessing the adequacy of disclosures required in 2019/20;
- Discussing with management the going concern assessment and challenging management's underlying assumptions;
- Considering the impact on our audit report, including completing the EY consultation requirements.

### Findings and conclusions

The draft accounts did not include a going concern disclosure but the Authority has carried out an assessment of the impact of the Covid-19 pandemic on the Authority's income, expenditure, balances and reserves. We reviewed the assessment, focusing on the reasonableness of the financial impact assessment, cashflow and liquidity forecasts, known outcomes, sensitivities, mitigating actions and key assumptions. We also discussed with management the need to make specific disclosures in the 2019/20 statements.

We have concluded that the assumptions applied are appropriate given the limited impact Covid-19 has had on CPCA given that it does not provide services in the same way other local authorities do. CPCA's income is mainly received via government grant and this is secured for the period of the MTFP. The only impact of Covid-19 is on how and where CPCA spends its monies moving forward. The Board has already had a report in June 2020 on re-prioritising policy areas and the 2020/21 budget. Given that as at 31 March 2020 the Authority held £80m in cash and cash equivalents and £80m on short term deposits it's liquidity is secure over the next 12 months.

We have now reviewed the new going concern disclosure included in the statement of accounts, and are satisfied that it adequately reflects the Authority's assessment and informs the reader of the limited impact of the pandemic on the Authority's finances.



## 03 Audit Report



# Audit Report

## Our opinion on the financial statements

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY

#### Opinion

We have audited the financial statements of Cambridgeshire & Peterborough Combined Authority for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cash Flow Statement, the related notes 1 to 31, and the Statement of Accounting Policies.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial position of Cambridgeshire & Peterborough Combined Authority as at 31 March 2020 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



# Audit Report

## Our opinion on the financial statements

### Other information

The other information comprises the information included in the Statement of Accounts 2019/20, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in April 2020, we are satisfied that, in all significant respects, Cambridgeshire & Peterborough Combined Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

### Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.





# Audit Report

## Our opinion on the financial statements

### Responsibility of the Chief Financial Officer

As explained more fully in the Statement of Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in April 2020, as to whether Cambridgeshire & Peterborough Combined Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Cambridgeshire & Peterborough Combined Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.





# Audit Report

## Our opinion on the financial statements

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Cambridgeshire & Peterborough Combined Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

## Use of our report

This report is made solely to the members of Cambridgeshire & Peterborough Combined Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Suresh Patel (Key Audit Partner)*  
*Ernst & Young LLP (Local Auditor)*  
*Cambridge*  
*XX November 2020*



## 04 Audit Differences



## Audit Differences

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 adjusted differences

#### Adjusted differences

At the time of writing there are a number of adjusted differences we wish to highlight from the draft statement of accounts presented for audit on 25 May 2020.

1. Classification adjustment of £19.0 million from short-term investments to cash and cash equivalents. This adjustment was identified by officers and was corrected for the statement of accounts published on 27 August 2020. There is no general fund impact as a result of this adjustment.
2. Classification adjustment of £0.746 million from long-term debtors to short-term debtors. This adjustment was corrected for the statement of accounts published on 27 August 2020. There is no general fund impact as a result of this adjustment.
3. Correction of a mis-posting of £2.7 million between capital grants unapplied reserve and the capital adjustment account. This adjustment was identified by officers and does not impact the general fund balance.
4. IAS 19 pension disclosures - the draft statement of accounts did not contain the IAS 19 pension disclosures as the Authority was still concluding this work. The figures were included in the statement of accounts published on 27 August 2020.
5. Cash flow statement - workings and disclosures updated. Removal of non-trivial balancing figure in the working papers.
6. Other updates - other areas that were incomplete at the time of the draft statement of accounts presented for audit have been updated; officers remuneration, pay multiple and employee expenses.

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 & Governance Committee in this report.



## Audit Differences

### Summary of unadjusted differences

#### Unadjusted differences

At the time of writing there are two unadjusted differences we wish to highlight from the draft statement of accounts presented for audit on 25 May 2020.

1. Pension Liability (IAS 19): There has been an increase of £0.170 million in the pension liability as a result of the updated pension fund asset valuations. Given the changes are immaterial, management have chosen to not amend the original figures in the statement of accounts.
2. Understatement of creditors and expenditure of £0.382 million - our testing of unrecorded liabilities identified two invoices received in 2020/21 which should have been accrued for in the statement of accounts as they related to expenditure incurred by the Authority in 2019/20.

The Authority have decided not to update the financial statements for this difference. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit & Governance Committee and provided within the Letter of Representation.





05

## Value for Money Risks

01



# Value for Money

## Background

We are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

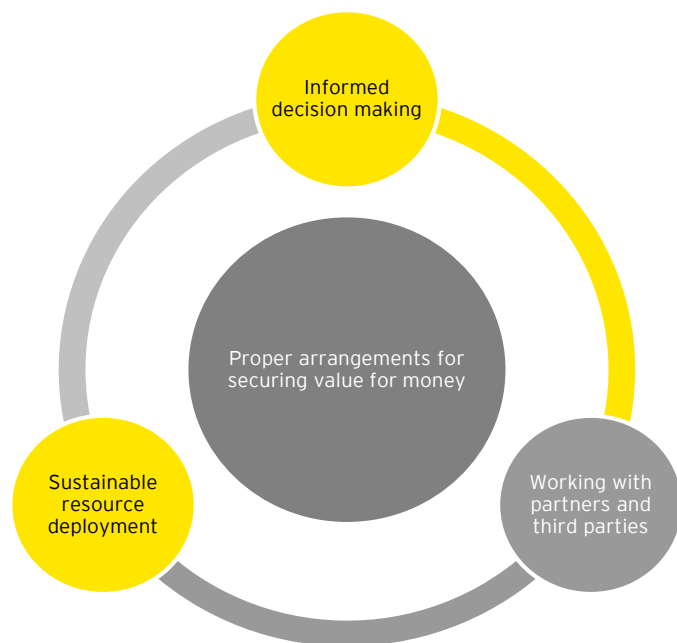
For 2019/20 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.



## Impact of covid-19 on our Value for Money assessment

On 16 April 2020 the National Audit Office published an update to auditor guidance in relation to the 2019/20 Value for Money assessment in the light of Covid-19. This clarified that in undertaking the 2019/20 Value for Money assessment auditors should consider Local Authorities' response to Covid-19 only as far as it relates to the 2019-20 financial year; only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019-20 VFM arrangements conclusion.

## Overall conclusion

In our Audit Plan dated 11 March 2020 we identified one significant risk around these arrangements. The tables below present our findings in response to this risk. In addition, we have dealt with two items of correspondence which we have treated as information brought to our attention that is relevant to our VFM responsibilities. Overall we have no matters to include in the auditor's report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.



## Value for Money

### Value for Money Risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as: *"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"*

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

We present below the findings of our work in response to the risks areas in our audit plan as well as the additional risk identified since then.

What is the significant value for money risk?	What arrangements did the risk affect?	What did we do?
<p><b><u>Delivery of Ambitious Capital Programme</u></b></p> <p>As at November 2019 the Authority's anticipated 2019/20 capital programme delivery is at £111.1 million.</p> <p>On 29 January 2020 the Combined Authority Board approved a capital programme of £187.6 million for 2020/21, which represents an increase of 69% against anticipated 2019/20 delivery.</p> <p>The Authority has several large capital projects planned, including the University of Peterborough, King's Dyke, Wisbech Access Strategy, Soham Station and the Housing Programme. There is a risk that, given the relative size of the Authority and the number of projects in operation, the Authority does not have the capacity or expertise to successfully deliver these projects within budget and in a timely manner to deliver the benefits identified and needed.</p> <p>The projects present challenges for the Authority in terms of governance, financial and risk management as well as partnership working. Given the significance and importance of these decisions to the Authority's strategic, operational and financial priorities, the effectiveness of the governance and risk management arrangements related to these projects is crucial.</p>	<ul style="list-style-type: none"><li>• Informed decision making</li><li>• Deploying resources in a sustainable manner</li><li>• Working with partners and other third parties</li></ul>	<p>Our approach focused on the effectiveness of the Authority's arrangements to exercise oversight of the capital programme. This included reviewing:</p> <ul style="list-style-type: none"><li>▶ The information provided to Members and Officers when taking decisions in relation to the programme;</li><li>▶ The consideration of any advice taken by the Authority, including legal and financial advice;</li><li>▶ The extent to which the Authority identified, considered, and mitigated the risks around the programme;</li><li>▶ The extent to which the Authority considered the funding of the programme;</li><li>▶ The governance arrangements and judgement made during any tender processes; and</li><li>▶ The adequacy of the processes established by the Authority to review and monitor delivery of any agreed outputs.</li></ul> <p>Please see the following slide for a summary of our findings.</p>



# Value for Money Risks

### What are our findings?

The Assurance Framework includes a 10-point guide to CPCA Project Management that includes detailed information on the various stages of a project's life cycle, from initiation to final closure. There is also a high-level Monitoring & Evaluation Framework and Business Plan, which are reviewed and approved annually by the Board. Funding of the capital programme is clearly assigned and approved in the medium-term financial plan.

The CPCA is continually making improvements to its processes and the latest project highlight report was circulated in May 2020. These are reported to the Board and Business Board on a regular basis along with a copy of the exceptions report which flags the projects rated as amber and red. A performance dashboard is created each monthly from the highlight reports and circulated separately to each member of senior management team.

We have seen evidence that appropriate approval of the tender process has been performed. The Authority has access to, and regularly seeks, external advice when required. For example, legal support on large complex projects such as the University of Peterborough and the Cambridgeshire Automated Metro (CAM).

We also note that Internal Audit has issued substantial assurance on their reviews of Performance Management and Project Management.

Overall, we have observed a structured and well organised approach to the project management of the capital programme. The framework in place supports the Authority's objectives and assists the Board in decision making.





## Value for Money

### Correspondence from a member of the public

In October 2019 information was brought to our attention in the form of correspondence from a member of the public. We considered this information to be relevant for our consideration of the Authority's arrangements for the effective use of resources for 2019/20 and our subsequent value for money conclusion. The letter highlighted concerns over the governance and accountability arrangements in respect of the loans given by the Authority to East Cambridgeshire Trading Company (ECTC).

#### Summary of matters highlighted

The correspondence highlighted three key concerns:

1. How does the Authority assure itself on an ongoing basis that there are no conflicts of interest in its relationship with ECTC?
2. What are the arrangements that the Authority has in place to gain assurance on the robustness of ECTC's financial forecasts?
3. How is the Authority managing the risk of ECTC being unable to repay its loan commitments and how is this factored into the Authority's Medium Term Financial Strategy?

#### Summary of procedures carried out by EY

We have made relevant enquiries to the Chief Financial Officer (CFO) and asked a series of questions in respect of the three issues identified above. As these procedures have formed part of our VFM work we have not carried out any testing of information provided but through requesting information and asking questions we have sought evidence that arrangements are in place. The CFO has responded promptly and comprehensively to all of our enquiries. We have also been provided with the internal audit follow up report on ECTC loans (dated June 2020). We concur with their findings and do not repeat them here.

### Background

ECTC was incorporated on 14 March 2016 as a wholly owned subsidiary of East Cambridgeshire District Council. Its principle business is providing markets services, ground maintenance and property consultancy and development services.

On the 28 March 2018, the Authority's Board approved in principle a £6.5m two year loan to ECTC subject to the completion of the business case, due diligence being undertaken and agreement of loan terms. The loan was to facilitate a housing development in Haddenham. In May 2018, the interim CFO at the time reported on the due diligence that was undertaken to support the loan. This included due diligence by members of the Authority's Finance and Legal teams, discussions with the Portfolio lead for Fiscal, discussions with the ECTC management team and advice from external treasury advisors. In addition, specific legal advice was sought and obtained to develop a facilities agreement and provide assurance that all conditions precedent were met prior to the first drawdown. The loan was then approved by the Chief Executive, Monitoring Officer and interim CFO. Details of the background to the decision to approve the loan are included in the Officer Decision Notice. The loan facility agreement was signed on 26 November 2018.

The loan terms include the Authority having First Legal Charge over the land and housing assets of ECTC in relation to the loan. In addition to the repayment of the interest, the loan terms also include for the Authority an element of profit share. The Authority identified the provision of the loan facility as 'concept funding', meaning that it was the first time the Authority had provided a loan to a third party on this basis and for the fulfilment of key Authority strategic objectives. According to the CFO the principles of this first loan have been applied to subsequent loan applications.

On the 31 July 2019, the Authority agreed a further facility with ECTC to provide a £24m two year loan to ECTC for the purposes of delivering the MOD Ely development.



## Consideration of the matters highlighted by the correspondence

### 1. How does the Authority assure itself on an ongoing basis that there are no conflicts of interest in its relationship with ECTC?

The Authority obtains its own Register of Interest forms from all Authority Board members and members of constituent authorities who sit on the Authority's committees. This process is repeated for each municipal year. In addition, the monitoring officer reviews each loan arrangement and is present at Board meetings to identify and advise on conflicts of interest. The Board members who made the decision to provide a loan to ECTC declared no interests in the company.

These arrangements appear reasonable to identify potential or actual conflicts of interest.

### 2. What are the arrangements that the Authority has in place to gain assurance on the robustness of ECTC's financial forecasts?

The Authority places significant emphasis on the initial due diligence it carries out before it agrees loan facilities. The Authority uses the loan drawdown process effectively as the valuation of the work in progress, on which the loan is being drawn. The Authority receives regular monitoring reports which documents the process upon which the CFO then approves when satisfied.

These arrangements appear reasonable to identify potential or actual issues with ECTC's financial forecasts.

### 3. How is the Authority managing the risk of ECTC being unable to repay its loan commitments and how is this factored into the Authority's Medium Term Financial Strategy?

The Authority aims to reduce the impact of the risk that ECTC cannot repay its loan commitments through the inclusion of loan terms providing it with First Legal Charge over the land and housing assets of ECTC in relation to the loan. In addition, the Authority relies on the ongoing financial monitoring as outlined above. The CFO is also required by the Investment Strategy (approved at the 25 March 2020 Board) to regularly consider all investment loans and if appropriate provide a loss allowance in the accounts, which will then also be reflected in the Medium Term Financial Strategy.

These arrangements appear reasonable to identify potential or actual risks if ECTC being unable to repay its loan commitments.



## Value for Money

### Correspondence to the Mayor from the Minister for Regional Growth and Local Government (MRGLG) and the Mayor's subsequent request to EY

On 13 July 2020 the MRGLG wrote to the Mayor to highlight concerns over the governance of the Authority. The letter was made public soon after. On 7 August 2020 the Mayor wrote to EY request our view, as external auditor, of CPCA's governance arrangements in the context of the MRGLG letter.

We agreed to respond to your request on the basis of the auditor's responsibilities under the Local Audit and Accountability Act 2014 and National Audit Office's (NAO) 2015 Code of Audit Practice - in respect of the value for money conclusion.

We provided a response to the Mayor on 30 October drawing on matters that we had previously reported to Audit and Governance Committee and reporting our consideration of other matters we determined to be relevant to our responsibilities as your external auditor and that had come to our attention following the MRGLG letter.

#### **Summary of procedures carried out by EY**

We made relevant enquiries to one of the Interim Chief Executives, the Monitoring Officer and the Chief Financial Officer (CFO) and asked a series of question in respect of the issues highlighted in the MRGLG letter. As these procedures have formed part of our VFM work we have not carried out any testing of information provided but through requesting information and asking questions we have sought evidence that arrangements are in place. All officers responded promptly and comprehensively to all of our enquiries.

We responded to the Mayor on 30 October and have shared our response with the Audit and Governance Committee.



## 06 Other reporting issues

01

## Other reporting issues

### Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2019/20 with the audited financial statements. We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2019/20 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements. Management has agreed to update the statement to include Covid-19 related considerations as required by CIPFA. We have no other matters to report.

### Whole of Government Accounts

We are not required to carry out any procedures on the Authority's Whole of Governance Accounts (WGA) submission as the Authority falls below the National Audit Office (NAO) threshold.

### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.





07

## Assessment of Control Environment



# Assessment of Control Environment

## Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware. However, there is one matter we wish to report:

- The Authority has had to carry out procedures during the audit to collate declarations of interest made by members to help inform its accounting for and disclosure of related party transactions and to support its assertions that the disclosures are complete. We have carried out our own procedures to gain assurance that the disclosures are complete.

We recommend that the Authority puts in place a structured process for collating the declarations of interest made by members during Authority committee and board meetings.



08

## Independence





## Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our audit plan dated 11 March 2019.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit & Governance Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit & Governance Committee on 27 November 2020.

We confirm we have not undertaken any non-audit work outside the NAO Code requirements in relation to our work.



## Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats. There are no relationships from 1 April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

### Services provided by Ernst & Young

The table overleaf includes a summary of the fees that you have paid to us in the year ended 31 March 2020 in line with the disclosures set out in FRC Ethical Standard and in statute.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

## Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2019.

We confirm that we have not undertaken non-audit work outside the NAO Code requirements. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO.

In our Audit Plan and subsequent reporting to the Audit & Governance Committee, we have communicated our proposal to increase the 2019/20 scale fee and planned fees in March 2020. This proposal is currently being considered by PSAA as part of their national consideration of EY's fee proposals.

	Final Fee 2019/20 (£)	Planned Fee 2019/20 (£)	Scale Fee 2019/20 (£)	Final Fee 2018/19 (£)
	£	£	£	£
Scale Fee - Code work	26,950	26,950	26,950	26,950
Suggest uplift to scale fee	2,695	2,695		-
Additional fees (Note 1)				
- VFMC significant risk	5,750	3,000-6,000		3,500
- Significant risk - incorrect capitalisation of revenue expenditure and REFCUS	1,000-2,000	1,000-2,000		1,500
- IAS 19 audit of pension liability & disclosures	3,700	2,500-4,000		-
- Correspondence from the public	3,050	2,500-4,000		
- Impact of Covid-19	1,500	-		
- Mayor's request in respect of correspondence with MRGLG	3,900	-		
- CEO Severance	-	-		1,000
- Area of focus - Business Board transfer	-	-		2,400
<b>Total audit fees</b>	<b>TBC</b>	<b>38,645-45,645</b>	<b>26,950</b>	<b>35,350</b>

*All fees exclude VAT*

**Note 1:** We have performed additional work as a result of the risks identified in this audit results report. These items are outside of the PSAA scale fee and will be subject to agreement with the CFO and then PSAA.

# Independence

## New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

### Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
  - Tax advocacy services
  - Remuneration advisory services
  - Internal audit services
  - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Audit & Governance Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the audit committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

### Next Steps

We do not provide any non-audit services which would be prohibited under the new standard.

## Other communications

### EY Transparency Report 2020

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2020: <https://assets.ey.com/content/dam/ey-sites/ey-com/en-uk/about-us/transparency-report-2020/ey-uk-2020-transparency-report.pdf>






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## Appendices

## Appendix A

# Required communications with the Audit & Governance Committee

There are certain communications that we must provide to the audit committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

Our Reporting to you		
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Audit & Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Plan - March 2020
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Plan - March 2020
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit Results Report - November 2020



## Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	No conditions or events were identified, either individually or together to raise any doubt about the Authority's ability to continue for the 12 months from the date of our report
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit Results Report - November 2020
Subsequent events	<ul style="list-style-type: none"> <li>▶ Enquiry of the Audit &amp; Governance Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial</li> </ul>	Audit Results Report - November 2020
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the Audit &amp; Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving:                             <ol style="list-style-type: none"> <li>Management;</li> <li>Employees who have significant roles in internal control; or</li> <li>Others where the fraud results in a material misstatement in the financial statements.</li> </ol> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▶ Any other matters related to fraud, relevant to Audit &amp; Governance Committee responsibility.</li> </ul>	Audit Results Report - November 2020

## Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures, Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the Authority</li> </ul>	Audit Results Report - November 2020
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2016:</p> <ul style="list-style-type: none"> <li>▶ Relationships between EY, the company and senior management, its affiliates and its connected parties</li> <li>▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence</li> <li>▶ Related safeguards</li> <li>▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees</li> <li>▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit</li> </ul>	Audit Plan - March 2020 and Audit Results Report - November 2020

## Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
	<ul style="list-style-type: none"> <li>▶ Details of any inconsistencies between the Ethical Standard and Authority's policy for the provision of non-audit services, and any apparent breach of that policy</li> <li>▶ Details of any contingent fee arrangements for non-audit services</li> <li>▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard</li> <li>▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence</li> </ul>	
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	We have received all requested confirmations
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit &amp; Governance committee may be aware of</li> </ul>	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit.</li> </ul>	Audit Results Report - November 2020



## Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Written representations	<ul style="list-style-type: none"> <li>Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit Results Report - November 2020
Material inconsistencies or misstatements	<ul style="list-style-type: none"> <li>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit Results Report - November 2020
Auditors report	<ul style="list-style-type: none"> <li>Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit Results Report - November 2020
Fee Reporting	<ul style="list-style-type: none"> <li>Breakdown of fee information when the audit plan is agreed</li> <li>Breakdown of fee information at the completion of the audit</li> <li>Any non-audit work</li> </ul>	Audit Plan - March 2020 and Audit Results Report - November 2020

# Management representation letter

## Management Rep Letter

[To be prepared on the entity's letterhead]

27 November 2020

Suresh Patel  
Associate Partner  
Ernst & Young LLP  
1 More London Place  
London  
SE1 1AF

Dear Suresh

This letter of representations is provided in connection with your audit of the financial statements of Cambridgeshire & Peterborough Combined Authority ("the Authority") for the year ended 31 March 2020. 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 Authority financial position of Cambridgeshire & Peterborough Combined Authority as of 31 March 2020 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 2019/20.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), 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 ourselves:

### 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 the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. We acknowledge, as members of management of the Authority, our responsibility for the fair presentation of the financial statements. We believe the 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 Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

4. As members of management of the Authority, we believe that the 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 2019/20, 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. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor on the grounds of materiality.

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

1. We acknowledge that we are responsible to determine that the Authority's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address 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 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 or regulations, including fraud that may have affected the 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 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 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.

# Management representation letter (continued)

## Management Rep Letter

### C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - 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. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic
3. We have made available to you all minutes of the meetings of the Authority and Audit & Governance Committee held through the year to the most recent meeting on 27 November 2020.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we 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 [period] end. These transactions have been appropriately accounted for and disclosed in the 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 Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter through the date of this letter we have disclosed to you any unauthorised access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorised 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 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 confirm there are no liabilities related to litigation and claims, both actual and contingent, that require disclosure in the financial statements.

### E. Subsequent Events

1. We confirm there have been no events 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 and the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

### G. Retirement benefits

1. We agree that on the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the 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 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 2019/20.
4. We confirm that the significant assumptions used in making the valuation of the pension 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 Authority's financial statements with respect to the accounting estimate(s) are complete and made in accordance with

# Management representation letter (continued)

## Management Rep Letter

the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

6. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Authority's financial statements due to subsequent events.

### H. Use of the Work of a Specialist – Pension Liabilities

1. 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 Authority's 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.

### I. Valuation of Pension Liabilities

1. 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 2019/20.
2. We confirm that the significant assumptions used in making the valuation of the pension liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the Authority's financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Authority's financial statements due to subsequent events.

*Yours faithfully,*

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Chief Financial Officer

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Chair of the Audit & Governance Committee

**About EY**

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ED None

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Mr. James Palmer  
Mayor  
Cambridgeshire and Peterborough Combined Authority  
72 Market Street  
Ely  
CB7 4LS

30 October 2020

Ref: CPCA/19-20/M1

Direct line: 020 7951 2340

Email: [SPatel22@uk.ey.com](mailto:SPatel22@uk.ey.com)

Dear James

## External Audit and Combined Authority Governance

We are writing in response to your email to EY dated 7 August 2020 where you requested our view, as your external auditor, of CPCA's governance arrangements in the context of the 13 July 2020 letter you received from the Minister for Regional Growth and Local Government (MRGLG).

We agreed to respond to your request on the basis of the auditor's responsibilities under the Local Audit and Accountability Act 2014 and National Audit Office's (NAO) 2015 Code of Audit Practice. It is useful to clarify that these responsibilities require us to:

1. Form an opinion on CPCA's financial statements; and
2. Consider whether CPCA has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is more commonly known as the value for money (VFM) conclusion.

In respect of VFM, we are required to carry out a risk assessment against criteria specified by the NAO. These comprise arrangements that CPCA has for:

- Taking informed decisions;
- Deploying resources in a sustainable manner; and
- Working with partners and other third parties.

In considering your VFM arrangements and carrying out the risk assessment we consider items such as the annual governance statement. We are only required to determine whether there are any risks that we consider significant, which the Code defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public".

You can find further details about the Code and the auditor's responsibilities on the NAO's website - <https://www.nao.org.uk/code-audit-practice/> . The Code has changed for financial years 1 April 2020 onwards. We would be happy to explain more about the role of the external auditor if you wish.

Our response in this letter is a combination of repeating matters that we have previously reported to CPCA's Audit and Governance Committee and reporting our consideration of the matters we have determined to be relevant to our responsibilities as your external auditor and have come to our attention following the MRCLG July letter.

We include as Appendix 1 our consideration of the matters raised by the MRCLG in the July letter, as well as other matters that have come to our attention following enquiries we have made with one of CPCA's interim joint Chief Executives (Kim Sawyer), the Monitoring Officer and the Section 73 Officer.

We are happy for you to share this letter with the MRCLG and we are also happy to meet with the MRCLG or their representatives to provide any further information to this letter.

If you have any further queries or questions, then please let me know.

Yours sincerely



Suresh Patel  
Associate Partner  
For and on behalf of Ernst & Young LLP

cc. Kim Sawyer, Interim Joint Chief Executive  
John Pye, Chair of the Audit & Governance Committee.

Appendix 1 – EY consideration of matters arising

## APPENDIX 1 – EY consideration of matters arising

	MRCLG Issue (as per 13/7/20 letter)	EY considerations	EY conclusion
1	Factual errors in the Constitution.	<p>We do not ‘audit’ the factual accuracy of the Constitution as part of a Code audit unless we identify a risk relevant to our responsibilities. Prior to the MRCLG we have not identified a risk in relation to the Constitution.</p> <p>We note that in May 2020, the document was amended to reflect the Mayor’s appointment of political advisors. (which is pertinent to other MRCLG issues).</p> <p>As a result of the MRCLG letter, in August 2020 we made enquires with officers about how they have assurance that the Constitution is consistent with the statutory roles and responsibilities of the CPCA.</p> <p>Officers provided evidence about the single error identified in the Constitution in respect of the Protocol on Appointments within the Mayoral Office [which forms an Annex to the Officer Employment Procedure Rules] and which was adopted in September 2019. The error arose via advice from counsel and has since been corrected.</p> <p>The CPCA Board approved a revised Constitution in September 2020 following a review checking the statutory basis of the contents.</p>	We have no matters to report.



	MRCLG Issue (as per 13/7/20 letter)	EY considerations	EY conclusion
2	Employment Committee not always part of senior executives' appointments process.	<p>We do not review the role of the Employment Committee in senior executive appointments as part of a Code audit unless we identify a risk relevant to our responsibilities. Prior to the MRCLG letter we have not identified a risk in relation to the role of the Employment Committee.</p> <p>As a result of the MRCLG letter we made enquiries with officers about the role of the Employment Committee and senior executive appointments since April 2019.</p> <p>The roles of interim joint Chief Executives were extended by the Board in May 2019. The Section 73 Officer and the interim Monitoring Officer were appointed at the same meeting. None of these appointments were considered by the Employment Committee. The terms of reference of the Committee state that it should 'make recommendations to CPCA on the appointment and dismissal of the Monitoring Officer, S73 Officer and the Chief Executive.' Officers' view was that this does not include interim appointments.</p> <p>However, the Monitoring Officer appointment in March 2020 was approved directly by the Board rather than the Employment Committee. Officers state that this was because the interim Monitoring Officer was due to leave at the end of March. In addition, officers highlight that the Employment Committee was made up of 6 members of the 8 elected voting members of the Board.</p> <p>Officers have accepted MRCLG's point that the Employment Committee should have been involved in the appointment of the Monitoring Officer.</p> <p>The revisions to the Constitution referred to in 1 above now state in the Officer Employment Procedure Rules that the Employment Committee shall make interim appointments for senior posts.</p>	<p>We note that CPCA has accepted that the Employment Committee should have considered the appointment of the Monitoring Officer in March 2020.</p> <p>We also note that CPCA has revised its arrangements to require the Employment Committee to make interim senior executive appointments.</p>

	MRCLG Issue (as per 13/7/20 letter)	EY considerations	EY conclusion
3	Failure to obtain all aspects of legal advice for the appointment of Chief of Staff.	<p>We do not review the appointment of staff as part a Code audit unless we identify a risk relevant to our responsibilities. Prior to the MRCLG letter we have not identified a risk in respect the appointment of staff.</p> <p>As a result of the MRCLG letter we have now reviewed the information provided by CPCA to MRCLG including their legal advice and associated correspondence.</p> <p>The matters relate to the appointment of political assistants and the application of the rules on political restriction.</p> <p>CPCA obtained legal advice at the time but have subsequently accepted that the advice referred incorrectly to s.112 of Local Government Act 1972 when it should have referred to Part I of the Local Government and Housing Act 1989 and the Local Government Officers (Political Restrictions) Regulations 1990, which is applied to Combined Authorities by section 21(1)(b).</p> <p>The appointments to the Mayor's office had been made using the Mayor's General Power of Competence (GPC). MRCLG's view is that the exercise of the GPC is subject to pre-commencement limitations and so is subject to the 1989 Act in relation to the appointment of staff.</p> <p>MRCLG have stated that the CPCA, while not having the specific power to appoint a political assistant to the Mayor, is able to appoint an assistant to the Mayor, so long as that appointment is made on merit, and the post should be one that is politically restricted.</p> <p>CPCA have agreed to update their protocol on political appointments to reflect the position proposed by MRCLG.</p> <p>This has since been reported to the September 2020 Board. CPCA also agreed to incorporate the change into future employment procurement rules.</p>	<p>We note that CPCA obtained legal advice at the time of making the appointment.</p> <p>We also note the CPCA have accepted MRCLG's view in respect of politically restricted appointments and have since revised its protocol and employment procedures.</p>

	MRCLG Issue (as per 13/7/20 letter)	EY considerations	EY conclusion
4	Delivery capacity of the CPCA needs improvement.	<p>Under the Code, as part of our value for money conclusion (VPMC) responsibilities we consider at a high level the arrangements that CPCA has in place for the year of audit to deliver effective, efficient and economical use of its resources. The Code specifically states that the auditor does not question the merits of an entity's policy decisions but focuses on the arrangements relating to use of resources.</p> <p>For 2019/20 we identified a VPMC risk around the arrangements that CPCA had in place to manage the risks associated to its ambitious programme of capital developments. We will be reporting our detailed findings to the 30 November Audit &amp; Governance Committee meeting. We have found that CPCA did have in place for 2019/20 the proper arrangements we would expect to see.</p>	We will have no matters to report in the VPMC part of the audit opinion for 2019/20.
5	The Lead Member for Finance and Investment abstained from a vote on reallocation of budgets in June '20.	<p>We do not review all the all decisions made by the Board as part a Code audit unless we identify a risk relevant to our responsibilities. Prior to the MRCLG letter we have not identified a risk in respect of decisions made by the Board on budgets.</p> <p>As a result of the MRCLG letter we made enquiries to officers to understand the matter.</p> <p>This relates to the 3 June 2020 Board meeting and as per the minutes stems from the fact that the Lead Member for Finance and Investment (LMF&amp;I) indicated that he was not sufficiently consulted on the Budget Monitor Update report (item 2.1). The original version of the report had stated that the author was the LMF&amp;I, but it was subsequently changed to the Mayor. The minutes record that the LMF&amp;I had concerns over the lack of member involvement in re-prioritising budgets as a result of C-19 and in particular the significant increases to budgets</p>	We note that CPCA accepts that the Lead Member for Finance and Investment should have been consulted on the Budget Monitor Update reported to the June Board meeting.

		<p>associated with the Cambridge Autonomous Metro (CAM) budget.</p> <p>Officers have stated that the reason why the LMF&amp;I was not consulted on changes to the budget, is that the review of priorities and budgets was a policy response to Covid-19 and as the Mayor is the policy lead for the CPCA he led the review and his name was included as the author of the paper (corrected after the initial error). However, given that the review of priorities and budgets had such a significant impact on the finances of the CPCA, the S73 officer accepts that he should have consulted the LMF&amp;I. We have seen email exchanges between the S73 Officer and the LMF&amp;I which also suggest that there was insufficient time allowed in drafting the Budget Monitor Update report to enable effective consultation. Officers have taken this as a lesson learned. The S73 Officer has confirmed that the LMF&amp;I is being consulted on a further update to the Budget for the November Board.</p>	
6	In May '21, there needs to be a full, open and transparent recruitment process for the new CEO.	N/A to the auditor's Code responsibilities.	None
7	Disagreements between CPCA and the Greater Cambridgeshire Partnership are hindering delivery.	As part of the VFMC risk assessment for 2019/20 we did not identify any risks in relation to partnership working and as a result have not considered the working relationship between the C&PCA and the GCP.	None
8	Needs to be an improvement in local partnership working arrangements.	As part of the VFMC risk assessment for 2019/20 we did not identify any risks in relation to partnership working.	None
	<b>MRCLG issues raised at the March '20 discussions with CPCA</b>		
9	The appointment of CPCA senior officers and mayoral staff	See 2 and 3 above	n/a

	MRCLG Issue (as per 13/7/20 letter)	EY considerations	EY conclusion
10	The departure of the Chief Executive and the Interim Chief Finance Officer	<p>The Chief Executive left the employment of CPCA at the end of September 2018 by mutual agreement with a severance payment. We considered the lawfulness of CPCA's decision making and composition of the severance as part of the 2018/19 audit.</p> <p>We verbally updated the March 2019 Audit &amp; Governance Committee that we had completed our procedures and found that CPCA had followed proper processes. We provided written details in the 17 September 2019 Audit Results Report.</p> <p>The Interim Chief Finance Officer was dismissed in December 2018 (he had been in post since August). We considered this matter as part of the 2018/19 audit. We obtained an understanding of the reasons for his departure. We also determined that as an interim appointment he was on a contract that allowed CPCA to terminate the appointment with no notice and no severance. CPCA sought legal advice to support the decision. As there was no severance (i.e. an item of account) in 2018/19, we did not report anything on this item to the Committee. Officers have since informed us that CPCA had reached financial settlement with the Interim Chief Finance Officer and this is included as an item of expenditure in the 2019/20 accounts.</p>	We have no matters to report other than the findings we reported to the 27 September 2019 Audit & Governance Committee.
11	The CPCA's relationship with the Greater Cambridge Partnership	See 7 above	None
12	An individual piece of legal advice on the declaration of interests	<p>We were not made aware of this issue at the time.</p> <p>It relates to the Monitoring Officer advice to a Member on declaration of interests at a Board meeting on 27 June 2018 regarding the report on Strategic Community Land Trust (CLT) Programme Development. The minutes show that the Member declared an interest and spoke on the item but did not vote.</p>	We have no matters to report.

	MRCLG Issue (as per 13/7/20 letter)	EY considerations	EY conclusion
13	The governance of the CPCA	<p>Whilst we have over the last 3 years identified risks relating to governance as part of the VFMC we have not identified any significant weaknesses.</p> <p>Similarly, in respect of governance as outlined in CPCA's Annual Governance Statement, we have found the disclosures to be consistent with our knowledge and understanding.</p> <p><b>VFMC - history</b></p> <p>CPCA was formed in early March 2017 and was required by MRCLG to prepare accounts to 31.3.17. We were then required to carry out a full Code audit but agreed with the NAO that our VFMC work could be proportionate to the fact that the entity was only in operation for 3 weeks of the year. Our 2016/17 VFMC focus was therefore relatively narrow.</p> <p>For 2017/18 we identified a significant VFMC risk across all three criteria on the basis that the entity was putting in place its arrangements. This included governance. We carried out a significant piece of work to consider those arrangements and reported in detail as part of the Audit Results Report. We gave an unqualified VFMC. We summarised this in the 2017/18 Annual Audit Letter.</p> <p>For 2018/19 we identified four significant VFMC risks:</p> <ol style="list-style-type: none"> <li>1. Follow up the 2017/18 'arrangements being put into place'</li> <li>2. Focus on the governance of bringing the LEP into the entity</li> <li>3. Risk associated with accelerating delivery of projects (we actually found no examples of accelerated delivery)</li> <li>4. Focus on the robustness of the Medium-Term Financial Strategy (this involved reviewing the work carried out by a consultant engaged by CPCA. We agreed with their findings that there were no significant issues).</li> </ol>	<p>Our formal reporting to the Audit &amp; Governance Committee in Audit Results Reports and Annual Audit Letters, includes unqualified value for money conclusions for 2016/17, 2017/18, 2018/19 and we anticipate the same for 2019/20.</p>

		<p>For risks 1 and 2 we were satisfied that there was sufficient evidence to demonstrate that arrangements were in place. This included reference to IA's work on governance.</p> <p>We reported our findings and conclusions in the 2018/19 Audit Results Report and 2018/19 Annual Audit Letter.</p> <p>For 2019/20, we identified the significant risk included in item 4 above.</p>	
14	The funding of a charity ball	We were made aware of this issue by the Interim CFO on 12 March 2019. The sums involved were less than £1,000 and the explanation given was reasonable, and we concluded that this was a matter that did not impact on auditor responsibilities.	None
15	A member of the mayoral staff being appointed as a prospective parliamentary candidate	See 3 above	See 3 above



Mayor's Office CPCA  
72 Market Street  
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CB7 4LS  
27 November 2020

Suresh Patel  
Associate Partner  
Ernst & Young LLP  
1 More London Place  
London  
SE1 1AF

Dear Suresh

This letter of representations is provided in connection with your audit of the financial statements of Cambridgeshire & Peterborough Combined Authority ("the Authority") for the year ended 31 March 2020. 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 Authority financial position of Cambridgeshire & Peterborough Combined Authority as of 31 March 2020 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 2019/20.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), 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 ourselves:

#### **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 the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. We acknowledge, as members of management of the Authority, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance

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(or results of operations) and cash flows of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and are free of material misstatements, including omissions. We have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Authority, we believe that the 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 2019/20, 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. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor on the grounds of materiality.

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

1. We acknowledge that we are responsible to determine that the Authority's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address 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 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 or regulations, including fraud that may have affected the 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 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 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 we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- 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. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic

3. We have made available to you all minutes of the meetings of the Authority and Audit & Governance Committee held through the year to the most recent meeting on 27 November 2020.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we 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 [period] end. These transactions have been appropriately accounted for and disclosed in the 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 Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

7. From the date of our last management representation letter through the date of this letter we have disclosed to you any unauthorised access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorised 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 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 confirm there are no liabilities related to litigation and claims, both actual and contingent, that require disclosure in the financial statements.

#### **E. Subsequent Events**

1. We confirm there have been no events 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 and the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

#### **G. Retirement benefits**

1. We agree that on the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the 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 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 2019/20.
4. We confirm that the significant assumptions used in making the valuation of the pension 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 Authority's financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.



6. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Authority's financial statements due to subsequent events.

#### **H. Use of the Work of a Specialist – Pension Liabilities**

1. 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 Authority's 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.

#### **I. Valuation of Pension Liabilities**

1. 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 2019/20.
2. We confirm that the significant assumptions used in making the valuation of the pension liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the Authority's financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Authority's financial statements due to subsequent events, except for those include in the accompanying schedule.

*Yours faithfully,*

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Chair of the Audit & Governance Committee

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Cambridgeshire  
CB7 4LS



## **Unadjusted Audit Differences Schedule**

1. Pension Liability (IAS 19): There has been an increase of £0.170 million in the pension liability as a result of the updated pension fund asset valuations. This is due to the timing of the valuations performed by the actuary. Given the changes are immaterial and retrospectively updating an accounting estimate, we have chosen to not amend the original figures in the statement of accounts.
2. Understatement of creditors and expenditure of £0.382 million – EY testing of unrecorded liabilities identified two invoices received in 2020/21 which should have been accrued for in the statement of accounts as they related to expenditure incurred by the Authority in 2019/20. Given the invoices are immaterial, we have chosen to not amend the original figures in the statement of accounts.



# CAMBRIDGESHIRE AND PETERBOROUGH COMBINED AUTHORITY

Internal Audit Strategy 2020/21 - 2024/25 (including the 2020/21 Internal Audit Plan)

Presented at the Audit & Governance Committee meeting of 27 November 2020

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



# EXECUTIVE SUMMARY

Our Internal Audit Plan for 2020/21 is presented for consideration by the Audit Committee.

As the developments continue around the COVID-19 pandemic, we understand this will continue to impact on all areas of the organisation's risk profile, we will 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.

The key points to note from our plan are:



**2020/21 Internal Audit priorities:** Internal audit activity for 2020/21 is based on analysing your corporate objectives, risk profile and assurance arrangements as well as other factors affecting you in the year ahead, including changes within the sector.

Specifically, our audit areas are linked into the Combined Authority's Risk Register and the proposed areas have been identified following discussions with the CMT during meetings held in October 2020. Our detailed plan for 2020/21 is included at Section 2.



**Level of Resource:** The level of resource required to deliver the proposed plan for 2020/21 plan has been discussed and agreed with the Chief Finance Officer. The plan details areas highlighted as part of the recent audit needs assessment process undertaken with the CMT, which were highlighted as priority areas for audit coverage in 2020/21.



**Committee Development Session:** We have agreed with the Combined Authority to hold a development session for the members of the Audit & Governance Committee on developing your internal audit service ahead of the 2021/22 financial year, this will include the role of internal audit, our approach, methodology, reporting and how the Combined Authority can benefit from the value of Internal Audit.



**Core Assurance:** The core assurance pieces for the 2020/21 audit plan includes the review of Key Financial Controls which have been planned to consider the Accounts Payable function which is being developed by the Combined Authority during quarter three and four of the 2020/21 financial year. In addition, as part of our work to support and inform the Head of Internal Audit Opinion we will review the effectiveness of the organisations Risk Management arrangements.



**'Agile' approach:** Our approach to working with you will always be one where we will respond to your changing assurance needs, which is particularly important in light of the COVID-19 pandemic. By employing 'agile' or a 'flexible' approach to our service delivery, we are able to change the focus of audits / audit delivery; keeping you informed of these changes in our progress papers to Audit & Governance committee during the year.

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# 1. YOUR INTERNAL AUDIT PLAN 2020/21

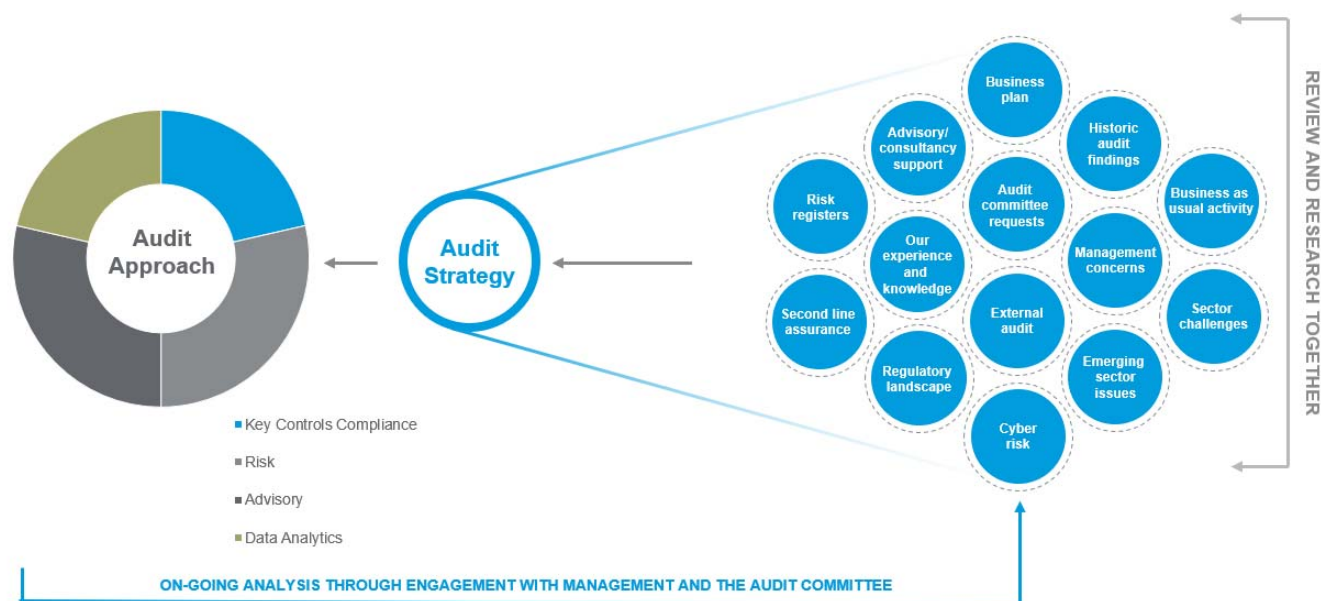
Our approach to developing your internal audit plan is based on analysing your corporate objectives, risk profile and assurance framework as well as other, factors affecting Cambridgeshire and Peterborough Combined Authority in the year ahead, including changes within the sector.

## Risk management processes

In developing our Internal Audit Strategy, we have met with the officers detailed below to gain a thorough understanding of the current issues faced by the Combined Authority. We have also reviewed the Risk Register to gain an understanding of the key risks facing the organisation together with the controls in place to manage them:

- Kim Sawyer – Joint CEO
- John Hill – Joint CEO
- Jon Alsop – Chief Finance Officer
- Robert Parkin – Chief Legal Officer (LMO)
- Paul Raynes – Delivery & Strategy Director
- Roger Thompson – Housing Director
- Anne Gardiner – Scrutiny Officer
- Robert Fox – Scrutiny Officer
- Jon Pye – Audit and Governance Committee Chair
- Steve Crabtree – Head of Internal Audit (Peterborough City Council)
- Suresh Patel – Ernst & Young LLP (External Auditors)

Figure A: Audit considerations – sources considered when developing the Internal Audit Strategy.



Based on our understanding of the organisation, the information provided to us by stakeholders, and the regulatory requirements, we have developed an annual internal plan for the coming year and a high level strategic plan (see Section 2 and Appendix B for full details).

## 2. INTERNAL AUDIT PLAN 2020/21

The table below shows each of the reviews that we propose to undertake as part of the internal audit plan for 2020/21. The table details the linked strategic objectives which may warrant internal audit coverage. This allows us to ensure that the proposed plan will meet the organisation's assurance needs for the forthcoming and future years. As well as assignments designed to provide assurance or advisory input around specific risks, the strategy also includes time for tracking the implementation of actions and an audit management allocation.

Objective of the review	Audit approach	Proposed timing	Proposed Audit Committee
<b>Risk Based Assurance</b>			
<b>Impact of COVID-19 on CPCA delivery of projects</b> <b>Proposed Audit Coverage:</b> To provide assurance over the governance arrangements in place to monitor and manage the delivery of projects of the Combined Authority following the disruption of the COVID-19 pandemic. <b>Risk ID 16: Disruption of the delivery of the Combined Authority objectives.</b>	Risk Based	March 2021	April 2021
<b>Climate Change</b> <b>Proposed Audit Coverage:</b> To review the arrangements in place for the Combined Authority's role in approaching climate change. Our review will consider the responses received by the Combined Authority to its questionnaire to the public in October/November 2020, subsequent road-map and actions plans. <b>Risk ID 18: Climate change related events, policies and political pressures</b>	Risk Based	January 2021	April 2021
<b>Appointments to Boards and Committees sponsored by the Combined Authority</b> <b>Proposed Audit Coverage:</b> To provide assurance over the processes in place for the appointment of Members to the Combined Authority's Boards and Committees. The review could consider the following key areas: <ul style="list-style-type: none"> <li>• Board Appointment Plan and Procedures;</li> <li>• Attendance;</li> <li>• Effectiveness reviews;</li> <li>• Member skills consideration;</li> <li>• Succession Planning;</li> <li>• Code of Conduct; and</li> <li>• Declarations of Interest.</li> </ul> <b>Risk ID 6: Lack of structural resilience / insufficient internal resources</b>	Risk Based	January 2021	April 2021

Objective of the review	Audit approach	Proposed timing	Proposed Audit Committee
<b>Core Assurance</b>			
<b>Grant Verification - Additional Dedicated Home to School and College Transport</b>	Compliance	February 2021	April 2021
<b>Proposed Audit Coverage:</b> <p>The verification of grants received by the Combined Authority and distributed to the relevant constituent councils. This will include a review of compliance of the constituent councils with the terms and conditions associated with monies provided by government bodies to support the relevant expenditure.</p>			
<b>Risk Management</b>	Systems based	November 2020	January 2021
<b>Proposed Audit Coverage:</b> <ul style="list-style-type: none"> <li>The arrangements in place for the identification of key risks threatening the achievement of the organisation's objectives and the documenting of these on the risk register together with the controls in place to manage these; and</li> <li>The effectiveness of arrangements in place for monitoring the management of key risks at Board and Committee level, including the use of the Assurance Framework as a tool to deliver this.</li> </ul> <p>We will utilise a risk management culture questionnaire as part of our audit approach to gauge the views of staff throughout the organisation on the effectiveness of risk management arrangements in place.</p>			
<b>Key Financial Controls – Accounts Payable</b>	Key Controls Compliance	November 2020	January 2021
<b>Proposed Audit Coverage:</b> <p>To provide assurance that the Combined Authority has appropriate and effective financial controls in place for its Accounts Payable function with a particular focus on;</p> <ul style="list-style-type: none"> <li>Supplier set up and amendments;</li> <li>Purchasing controls and payment of invoices to suppliers;</li> <li>Use and management of Procurement Cards; and</li> <li>Payment runs and purchase ledger reconciliations.</li> </ul>			
<b>Risk ID 10: Absence of Resource Planning &amp; Financial Management.</b>			

Objective of the review	Audit approach	Proposed timing	Proposed Audit Committee
<b>IT Controls Assessment</b> <b>Proposed Audit Coverage:</b> An assessment of the overall general IT control framework with an audit methodology underpinned by best practice standards. The review will also produce a key controls gap analysis against a range of IT control objectives to inform a follow up remediation plan (where applicable) and will also be used to inform and direct future years IT audit coverage.	Systems based	January 2021	April 2021
<b>Risk ID 14: Disruption to the operation of the Combined Authority.</b>			
<b>Other Internal Audit Activity</b>			
<b>Follow up</b> - To meet internal auditing standards, and to provide assurance on action taken to address recommendations previously agreed by management.	N/A	March 2021	April 2021
<b>Advice and Consultancy</b> - To provide advice on an ongoing basis on all aspects of governance, risk management and internal control.	N/A	Ongoing	Ongoing
<b>Management</b> This will include: <ul style="list-style-type: none"> <li>• Annual planning;</li> <li>• Preparation for, and attendance at, audit and governance committee;</li> <li>• Regular liaison and progress updates;</li> <li>• Liaison with external audit and other assurance providers;</li> <li>• Preparation of the annual opinion.</li> </ul>	N/A	Ongoing	Ongoing

A detailed planning process will be completed for each review, and the final scope will be documented in an Assignment Planning Sheet. This will be issued to the key stakeholders for each review.

## 2.1 Working with other assurance providers

The Audit & Governance Committee is reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not, seek to cover all risks and processes within the organisation.

We will however continue to work closely with other assurance providers, such as external audit to ensure that duplication is minimised, and a suitable breadth of assurance obtained.

# APPENDIX A: YOUR INTERNAL AUDIT SERVICE

Your internal audit service is provided by RSM Risk Assurance Services LLP. The team will be led by Dan Harris as your Head of Internal Audit, supported by Jay Desai as your client manager.

## Core team

The delivery of the 2020/21 audit plan will be based around a core team. However, we will complement the team with additional specialist skills where required, for example Technology risk specialists for the IT audit.

## Conformance with internal auditing standards

RSM affirms that our internal audit services are designed to conform to the Public Sector Internal Audit Standards (PSIAS).

Under PSIAS, internal audit services are required to have an external quality assessment every five years. Our risk assurance service line commissioned an external independent review of our internal audit services in 2016 to provide assurance whether our approach meets the requirements of the International Professional Practices Framework (IPPF) published by the Global Institute of Internal Auditors (IIA) on which PSIAS is based.

The external review concluded that “there is a robust approach to the annual and assignment planning processes and the documentation reviewed was thorough in both terms of reports provided to audit committee and the supporting working papers.” RSM was found to have an excellent level of conformance with the IIA’s professional standards.

The risk assurance service line has in place a quality assurance and improvement programme to ensure continuous improvement of our internal audit services. Resulting from the programme, there are no areas which we believe warrant flagging to your attention as impacting on the quality of the service we provide to you.

## Conflicts of interest

We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under internal auditing standards.

## APPENDIX B: INTERNAL AUDIT STRATEGY 2020 - 2025

The table below shows an overview of the audit coverage to be provided through RSM's delivery of the internal audit strategy. This has been derived from the process outlined in Section 1 above, as well as our own view of the risks facing the sector as a whole.

		Internal Audit – Third Line of Assurance (Independent review / assurance)				
		2020/21	2021/22	2022/23	2023/24	2024/25
Audit Area	Linked Risk Ref					
Climate Change Strategy	<i><b>Risk ID 18: Climate change related events, policies and political pressures</b></i>	✓			✓	
COVID-19 – Impact of COVID-19 on CPCA delivery of Projects	<i><b>Risk ID 16: Disruption of the delivery of the Combined Authority objectives.</b></i>	✓				
Appointments to Boards and Committees sponsored by the Combined Authority	<i><b>Risk ID 6: Lack of structural resilience / insufficient internal resources</b></i>	✓				
Government Funding	<i><b>Risk ID 8: Ambitious and long stalled programmes cannot proceed due to lack of government funding and or private investment</b></i>			✓		✓
Public Communication and Perception						✓
Political Changes and Priorities	<i><b>Risk ID 4: Changes in Political Management which could lead a change of priorities for CPCA</b></i>		✓			
Brexit	<i><b>Risk ID 7: Potential impact of Brexit on delivery of the</b></i>		✓			

	<b><i>Combined Authority's Growth Ambition Programme</i></b>			
Partnerships and Collaboration	<b><i>Risk ID 10: Absence of Resource Planning &amp; Financial Management</i></b>		✓	
Strategic Planning and Partnerships	<b><i>Risk ID 10: Absence of Resource Planning &amp; Financial Management</i></b>			✓
The Business Board		✓		✓
Local Industry Strategy	<b>Risk ID 8: Ambitious and long stalled programmes cannot proceed due to lack of government funding and or private investment</b>		✓	
Local Transport Plan	<b>Risk ID 8: Ambitious and long stalled programmes cannot proceed due to lack of government funding and or private investment</b>			✓
Skills Strategy	<b>Risk ID 8: Ambitious and long stalled programmes cannot proceed due to lack of government funding and or private investment</b>			✓
IT Controls Assessment / IT Strategy	<b><i>Risk ID 14: Disruption to the operation of the Combined Authority.</i></b>	✓	✓	
Cyber Security/ Network Security	<b><i>Risk ID 14: Disruption to the operation of the Combined Authority</i></b>		✓	✓
Information Governance				✓

Remote Working and Operational Resilience	<b><i>Risk ID 16: Disruption to the operation of the Combined Authority.</i></b>	✓				
Digitalisation			✓			
Corporate Governance	<b>Risk ID 6: Lack of structural resilience / insufficient internal resources</b>				✓	
Governance, Transparency and Decision Making	<b>Risk ID 6: Lack of structural resilience / insufficient internal resources</b>		✓			
Subsidiary Governance	<b>Risk ID 6: Lack of structural resilience / insufficient internal resources</b>	✓				
Project Planning and Delivery (could include deep dives into key projects such as Adult Education Budget, Affordable Housing, £100k Homes)	<b>Risk ID 8: Ambitious and long stalled programmes cannot proceed due to lack of government funding and or private investment</b>	✓	✓	✓	✓	
Business Continuity and Disaster Recovery	<b><i>Risk ID 14: Disruption to the operation of the Combined Authority.</i></b>				✓	
Procurement and Contract Management	<b><i>Risk ID 10: Absence of Resource Planning &amp; Financial Management</i></b>					✓
Fraud Risk Assessment	<b><i>Risk ID 14: Disruption to the operation of the Combined Authority.</i></b>	✓				✓
Capital Programme	<b><i>Risk ID 10: Absence of Resource Planning &amp; Financial Management</i></b>		✓			
Financial Planning and Delivery	<b><i>Risk ID 10: Absence of Resource Planning &amp; Financial Management</i></b>				✓	



People Management	<i><b>Risk ID 10: Absence of Resource Planning &amp; Financial Management</b></i>					✓
Recruitment	<i><b>Risk ID 10: Absence of Resource Planning &amp; Financial Management</b></i>			✓		
Data Quality and Performance Management					✓	
Grant Verification		✓	✓	✓	✓	✓
Risk Management		✓	✓			✓
Key Financial Controls	<i><b>Risk ID 10: Absence of Resource Planning &amp; Financial Management.</b></i>	✓	✓	✓	✓	✓
Payroll	<i><b>Risk ID 10: Absence of Resource Planning &amp; Financial Management.</b></i>			✓		
Follow Up		✓	✓	✓	✓	✓

# APPENDIX C: INTERNAL AUDIT CHARTER

## Need for the charter

This charter establishes the purpose, authority and responsibilities for the internal audit service for Cambridgeshire and Peterborough Combined Authority. The establishment of a charter is a requirement of the Public Sector Internal Audit Standards (PSIAS) and approval of the charter is the responsibility of the audit committee.

The internal audit service is provided by RSM Risk Assurance Services LLP (“RSM”).

We plan and perform our internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that the organisation has in place, focusing in particular on how these arrangements help you to achieve its objectives. The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:

- Core principles for the professional practice of internal auditing;
- Definition of internal auditing;
- Code of ethics; and
- The Standards.

## Mission of internal audit

As set out in the PSIAS, the mission articulates what internal audit aspires to accomplish within an organisation. Its place in the IPPF is deliberate, demonstrating how practitioners should leverage the entire framework to facilitate their ability to achieve the mission.

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*“To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight”.*

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## Independence and ethics

To provide for the independence of internal audit, its personnel report directly to the Partner, Dan Harris (acting as your head of internal audit). The independence of RSM is assured by the internal audit service reporting to the chief executive, with further reporting lines to the Chief Financial Officer.

The head of internal audit has unrestricted access to the chair of audit committee to whom all significant concerns relating to the adequacy and effectiveness of risk management activities, internal control and governance are reported.

Conflicts of interest may arise where RSM provides services other than internal audit to Cambridgeshire and Peterborough Combined Authority. Steps will be taken to avoid or manage transparently and openly such conflicts of interest so that there is no real or perceived threat or impairment to independence in providing the internal audit service. If a potential conflict arises through the provision of other services, disclosure will be reported to the audit committee. The nature of the disclosure will depend upon the potential impairment and it is important that our role does not appear to be compromised in reporting the matter to the audit committee. Equally we do not want the organisation to be deprived of wider RSM expertise and will therefore raise awareness without compromising our independence.

## Responsibilities

In providing your outsourced internal audit service, RSM has a responsibility to:

- Develop a flexible and risk based internal audit strategy with more detailed annual audit plans. The plan will be submitted to the audit committee for review and approval each year before work commences on delivery of that plan.
- Implement the internal audit plan as approved, including any additional tasks requested by management and the audit committee.
- Ensure the internal audit team consists of professional audit staff with sufficient knowledge, skills, and experience.
- Establish a quality assurance and improvement program to ensure the quality and effective operation of internal audit activities.
- Perform advisory activities where appropriate, beyond internal audit's assurance services, to assist management in meeting its objectives.
- Bring a systematic disciplined approach to evaluate and report on the effectiveness of risk management, internal control and governance processes.
- Highlight control weaknesses and required associated improvements together with corrective action recommended to management based on an acceptable and practicable timeframe.
- Undertake follow up reviews to ensure management has implemented agreed internal control improvements within specified and agreed timeframes.
- Report regularly to the audit committee to demonstrate the performance of the internal audit service.

For clarity, we have included the definition of 'internal audit', 'senior management' and 'board'.

- Internal audit – a department, division, team of consultant, or other practitioner (s) that provides independent, objective assurance and consulting services designed to add value and improve an organisation's operations. The internal audit activity helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.
- Management team who are the team of individuals at the highest level of organisational management who have the day-to-day responsibilities for managing the organisation.

- Combined Authority Board - The highest-level governing body charged with the responsibility to direct and/or oversee the organisation's activities and hold organisational management accountable. Furthermore, "board" may refer to a committee or another body to which the governing body has delegated certain functions (eg an audit committee).

## Client care standards

In delivering our services we require full cooperation from key stakeholders and relevant business areas to ensure a smooth delivery of the plan. We proposed the following KPIs for monitoring the delivery of the internal audit service:

- Discussions with senior staff at the client take place to confirm the scope four weeks before the agreed audit start date.
- Key information such as: the draft assignment planning sheet are issued by RSM to the key auditee four weeks before the agreed start date.
- The lead auditor to contact the client to confirm logistical arrangements at least 10 working days before the commencement of the audit fieldwork to confirm practical arrangements, appointments, debrief date etc.
- Fieldwork takes place on agreed dates with key issues flagged up immediately.
- A debrief meeting will be held with audit sponsor at the end of fieldwork or within a reasonable time frame.
- Draft reports will be issued within 10 working days of the debrief meeting and will be issued by RSM to the agreed distribution list / Sharefile.
- Management responses to the draft report should be submitted to RSM.
- Within three working days of receipt of client responses the final report will be issued by RSM to the assignment sponsor and any other agreed recipients of the report.

## Authority

The internal audit team is authorised to:

- Have unrestricted access to all functions, records, property and personnel which it considers necessary to fulfil its function.
- Have full and free access to the audit committee.
- Allocate resources, set timeframes, define review areas, develop scopes of work and apply techniques to accomplish the overall internal audit objectives.
- Obtain the required assistance from personnel within the organisation where audits will be performed, including other specialised services from within or outside the organisation.

The head of internal audit and internal audit staff are not authorised to:

- Perform any operational duties associated with the organisation.

- Initiate or approve accounting transactions on behalf of the organisation.
- Direct the activities of any employee not employed by RSM unless specifically seconded to internal audit.

## Reporting

An assignment report will be issued following each internal audit assignment. The report will be issued in draft for comment by management, and then issued as a final report to management, with the executive summary being provided to the audit committee. The final report will contain an action plan agreed with management to address any weaknesses identified by internal audit.

The internal audit service will issue progress reports to the audit committee and management summarising outcomes of audit activities, including follow up reviews.

As your internal audit provider, the assignment opinions that RSM provides the organisation during the year are part of the framework of assurances that assist the board in taking decisions and managing its risks.

As the provider of the internal audit service we are required to provide an annual opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements. In giving our opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the board is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The annual opinion will be provided to the organisation by RSM Risk Assurance Services LLP at the financial year end. The results of internal audit reviews, and the annual opinion, should be used by management and the Board to inform the organisation's annual governance statement.

## Data protection

Internal audit files need to include sufficient, reliable, relevant and useful evidence in order to support our findings and conclusions. Personal data is not shared with unauthorised persons unless there is a valid and lawful requirement to do so. We are authorised as providers of internal audit services to our clients (through the firm's terms of business and our engagement letter) to have access to all necessary documentation from our clients needed to carry out our duties.

## Quality Assurance and Improvement

As your external service provider of internal audit services, we have the responsibility for maintaining an effective internal audit activity. Under the standards, internal audit services are required to have an external quality assessment every five years. In addition to this, we also have in place an internal quality assurance and improvement programme, led by a dedicated team who undertake these reviews. This ensures continuous improvement of our internal audit services.

Any areas which we believe warrant bringing to your attention, which may have the potential to have an impact on the quality of the service we provide to you, will be raised in our progress reports to the audit committee.

## **Fraud**

The audit committee recognises that management is responsible for controls to reasonably prevent and detect fraud. Furthermore, the audit committee recognises that internal audit is not responsible for identifying fraud; however internal audit will be aware of the risk of fraud when planning and undertaking any assignments.

## **Approval of the internal audit charter**

By approving this document, the internal audit strategy, the audit committee is also approving the internal audit charter.

# FOR FURTHER INFORMATION CONTACT

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## **rsmuk.com**

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 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.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

RSM Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.



<b>AUDIT AND GOVERNANCE COMMITTEE</b>	<b>AGENDA ITEM No: 9</b>
<b>27 November 2020</b>	<b>PUBLIC REPORT</b>

## **INTERNAL AUDIT PLAN**

### **1.0 PURPOSE**

- 1.1. This report presents the Committee with the proposed 2020/21 internal audit plan and three-year internal audit strategy.

<b><u>DECISION REQUIRED</u></b>	
<b>Lead Officer:</b>	<b>Jon Alsop – Head of Finance (S73)</b>
<p>The Audit and Governance Committee is recommended to:</p> <p>(a) Consider and approve the proposed Internal Audit Strategy 2020/21 to 2024/25 and the 2020/21 internal audit plan.</p>	

### **2.0 BACKGROUND**

- 2.1. According to its Terms of Reference, the Audit and Governance Committee shall:
- (a) Provide assurances over the effectiveness of internal audit functions and assuring the internal control environments of key partners;
  - (b) Review internal audit requirements undertaken by the Combined Authority;
  - (c) Approve the internal audit plan;
  - (d) Consider reports and assurances from the Chief Finance Officer in relation to:
    - Internal Audit performance;
    - Annual Assurance Opinion on the adequacy and effectiveness of the framework of governance, risk management and control;
    - Risk management and assurance mapping arrangement;
    - Progress to implement recommendations including concerns or where managers have accepted risks that the Authority may find unacceptable.
- 2.2. At its October meeting, the Committee was introduced to the Combined Authority's newly appointed internal auditors, RSM Risk Assurance Services



LLP (RSM), who presented the Committee with their draft internal audit strategy and plan for 2020/21.

2.3. Following feedback from the Committee, RSM have further developed the strategy and plan, which are now presented to the Committee for consideration and approval (see appendix 1).

2.4. The key points of the proposed audit plan are as follows:

- (a) 2020/21 Internal Audit priorities: Internal audit activity for 2020/21 is based on analysing the Combined Authority's corporate objectives, risk profile and assurance arrangements as well as other factors affecting the Combined Authority in the year ahead, including changes within the sector.

Specifically, audit areas are linked into the Combined Authority's Risk Register and the proposed areas have been identified following discussions with the CPCA's Corporate Management Team (CMT).

- (b) Level of Resource: The level of resource required to deliver the proposed plan for 2020/21 plan has been discussed and agreed with the Chief Finance Officer. The plan details areas highlighted as part of the recent audit needs assessment process undertaken with the CMT, which were highlighted as priority areas for audit coverage in 2020/21.
- (c) Committee Development Session: RSM have agreed with the Combined Authority to hold a development session for the members of the Audit & Governance Committee on developing the internal audit service ahead of the 2021/22 financial year, this will include the role of internal audit, RSM's approach, methodology, reporting and how the Combined Authority can benefit from the value of Internal Audit.
- (d) Core Assurance: The core assurance pieces for the 2020/21 audit plan includes the review of Key Financial Controls which have been planned to consider the Accounts Payable function which is being developed by the Combined Authority during quarters three and four of the 2020/21 financial year. In addition, as part of our work to support and inform the Head of Internal Audit Opinion we will review the effectiveness of the organisations Risk Management arrangements.
- (e) 'Agile' approach: RSM's approach to working with the Combined Authority will always be one where RSM will respond to CPCA's changing assurance needs, which is particularly important in light of the COVID-19 pandemic. By employing 'agile' or a 'flexible' approach to their service delivery, RSM are able to change the focus of audits / audit delivery; keeping CPCA informed of these changes in RSM's progress papers to the Audit & Governance Committee during the year.

2.5. The full Internal Audit Strategy 2020/21 – 2024/25, including the proposed 2020/21 Internal Audit Plan is shown at appendix 1.

### **3.0 FINANCIAL IMPLICATIONS**

- 3.1. The service is provided on a daily rate basis and will be dependent on the level of internal audit activity agreed, and within the allocated budget.

### **4.0 LEGAL IMPLICATIONS**

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

### **5.0 APPENDICES**

Appendix 1. RSM draft 'Internal Audit Strategy 2020/21 – 2024/25 (including the proposed 2020/21 Internal Audit Plan).

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



<b>AUDIT AND GOVERNANCE COMMITTEE</b>	<b>AGENDA ITEM No: 10</b>
<b>27 NOVEMBER 2020</b>	<b>PUBLIC REPORT</b>

## **ADULT EDUCATION BUDGET AUDIT AND ASSURANCE PROGRAMME**

### **1.0 PURPOSE**

- 1.1 To present an update for the Committee on the Adult Education Budget arrangements for Audit and Assurance.

<b><u>DECISION REQUIRED</u></b>
<b>Lead Officer:</b> John T Hill, Director of Business & Skills
<b>Author:</b> Janet Warren, Interim Senior Responsible Officer – Adult Education
<b>RECOMMENDATIONS:</b>  1. To note the update to the arrangements previously provided by the Department for Education and the Education and Skills Funding Agency for provision of Audit and Assurance in the delivery of Adult Education in Cambridgeshire and Peterborough.

### **2.0 BACKGROUND**

- 2.1 The Education and Skills Funding Agency (ESFA) and the Mayoral Combined Authorities (MCAs) fund adult skills in England and both organisations have a duty to demonstrate that they spend public money in accordance with HM Treasury's guidelines.
- 2.2 Since Adult Education Budgets were devolved in 2019 to the MCAs, the Education and Skills Funding Agency and the devolved authorities have continued to cooperate in respect of their audit and assurance arrangements. Regular meetings have been taking place with the relevant lead officers from each organisation, and the ESFA as the lead in Year 1. At each meeting topics include:
- Updates on Fraud and Investigations
  - Updates on Audit and Assurance
  - Collective Discussions

The next meeting is due to take place on 25<sup>th</sup> November, in addition to the above, officers and the ESFA will discuss and agree arrangements going forwards for the Year 2 Audits.

- 2.3 The MCAs are responsible for their own assurance processes, for the Cambridgeshire and Peterborough Combined Authority (the CA) this includes:
- Audit of annual accounts
  - Funding data returns by the provider to CA
  - Financial health assessments
  - Regular and robust contract management
  - Targeted work on any identified concerns
  - Information sharing with Ofsted
- 2.4 The CA has been responsible for the delivery of Adult Education since 1<sup>st</sup> August 2019. In preparation for this, the CA carried out both a grant award process to fund Further Education colleges and Local Authorities within the CA area, as well as procuring a number of Independent Training Providers based on the priorities outlined within the Local Industrial Strategy and the Skills Strategy. The procurement process included the initial first year contract and an option to extend for a further two years along with the option to adjust the learning outcomes to reflect any changes required by the above strategies. In Spring 2020, the CA awarded its second-year contracts to 11 Grant funded providers and 4 procured independent training providers to the value of £10,459,644.

### **3.0 MAIN ISSUES**

- 3.1 The ESFA proposed support for Audit, Assurance and Fraud Investigations for the provision of Adult Education in academic year 2019/20 for the audit year April 2020 to March 2021, known as Year 1.
- 3.2 Within the Year 1 ESFA offer, the CA had been requested to identify 3 out of the 17 providers in the 2019/20 academic year for audit selection, who were identified within the ESFA random sample. The chosen providers were:
- Cambridgeshire County Council
  - West Suffolk College
  - TCHC Group
- 3.3 Due to the COVID-19 pandemic and subsequent first national lockdown earlier in 2020, external audit firms were prevented from carrying out their usual audit functions unless in case of an emergency investigation. These firms are now returning to duties and have adopted a remote practice and file sharing approach; however, this means that the audits are taking place later than planned and are taking longer to complete. Officers at the CA have been in contact with the two audit firms carrying out our assurance, and the results of our Year 1 audits are expected in early January.
- 3.4 The MCAs shall take responsibility for providing their own audit functions from April 2021, known as Year 2. For the CA this means we need to procure audit firms with the relevant experience of the ESFA assurance approach. A procurement exercise has been initiated with the in-house procurement team,

with the intention being to bring the appointed education auditor online from 1<sup>st</sup> April 2021.

- 3.5 Independent Training Providers are usually audited between April and October, and Colleges between September and October. This is on a lagged basis i.e. for the 2019/20 funding year auditors would start in April 2020 if this was a normal year. This year has been impacted by COVID-19 and firms are not undertaking audits to normal timings, and ESFA expect a similar situation for next year.

### **Funding Validation**

- 3.6 Adult Education Providers receive funding under grant funding agreements and contracts for services with the CA. These agreements and contracts require providers to comply with the CA's funding and performance rules, maintain individualised learner records (ILRs) and submit monthly ILR data returns to the CA in support of their funding claims.
- 3.7 The CA conducts a programme of funding validation, which involves explaining to providers how to correct any incorrect data and pointing out that submitting inaccurate data is a breach of contract. The CA conducts data validation to ensure that funding has been legitimately earned and therefore paid to each provider.

### **Audits**

- 3.8 The ESFA conducts a programme of direct audits based on both random and risk-based sampling of providers which provides sector-wide assurance over funding claimed.
- 3.9 As described in Year 1 audits, the CA has held planning meetings with the appointed external audit firms to discuss details of local flexibilities, and they will be using 2019/20 funding for the audits.
- 3.10 External auditors are then responsible for identifying any errors in a sample and asking the provider to carry out a 100% check where these errors appear to be systematic. This will enable them to arrive at an overall error rate and identify actual funds at risk. At this point, it will be the CA's responsibility to take action concerning recovery of funds, and we would in the first instance consult our Legal team.

### **Fraud and Investigations**

- 3.11 If either the ESFA or CA suspect fraud or receive information and/or allegations in relation to a provider, including a subcontractor which is funded by both ESFA and the CA an action plan has been set out by the ESFA which is discussed and reviewed on a quarterly basis.

## Financial Health

- 3.11 The ESFA will continue to share financial health grades and key financial indicators with the CA.
- 3.12 The information will be shared under a Data Sharing Agreement (DSA) on an agreed timetable utilising current arrangements about sharing financial dashboards with Colleges and financial health details with ITPs.

### 4.0 FINANCIAL IMPLICATIONS

- 4.1 In 2021 it will be necessary for the CA to seek its own assurance as to the effectiveness of its spend on Adult Education. To fund its own audits of three providers the likely cost would be £30,000 based upon applying similar resources for each audit as the ESFA regime.
- 4.2 This funding will be sourced from the AEB top slice figure that is used to facilitate the running of the programme and will therefore have no effect on the wider CA budget.

### 5.0 LEGAL IMPLICATION

- 5.1 The Cambridgeshire and Peterborough Combined Authority (Adult Education Functions) Order 2018 conferred specified adult education functions of the Secretary of State onto the Combined Authority.

### 6.0 EQUALITIES IMPLICATION

- 6.1 There are no equalities implication on the process for the Combined Authority to gain audit and assurance on the provision of Adult Education.

### 7.0 APPENDICES

N/A

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



<b>AUDIT AND GOVERNANCE COMMITTEE</b>	<b>AGENDA ITEM No: 11</b>
<b>27 November 2020</b>	<b>PUBLIC REPORT</b>

## **WORK PROGRAMME**

### **1.0 PURPOSE**

- 1.1 To provide the Committee with the draft work programme for Audit and Governance Committee, looking ahead to the 2020/21 municipal year.

<b><u>DECISION REQUIRED</u></b>
<b>Lead Officer: Robert Parkin – Chief Legal Officer and Monitoring Officer</b>
That the Committee:  a) Notes the work programme for the Audit and Governance Committee for the 2020/21 municipal year attached at Appendix 1 and agree to regularly review the work programme at each meeting.  b) Notes the Audit and Governance Work Programme items for the year.

### **2.0 BACKGROUND**

- 2.1 In accordance with the Constitution, the Audit and Governance Committee must perform certain statutory duties including the approval of accounts, governance arrangements, financial reporting and code of conduct.
- 2.2 A draft work programme which outlines when these decisions are taken for the current municipal year is attached at Appendix 1.
- 2.3 The document attached at Appendix 1 provides commentary on items received by the Committee over the last two municipal years (including the current one) alongside future items to be received throughout the remainder of this municipal year. This includes those items that must be considered annually by the committee.

### **3.0 FINANCIAL IMPLICATIONS**

- 3.1 There are no financial implications

#### **4.0 LEGAL IMPLICATION**

4.1 There are no legal implications

#### **5.0 EQUALITIES IMPLICATION**

5.1 None

#### **6.0 APPENDICES**

6.1 Work Programme with commentary.

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



## AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME 2019/20 – 2020/21

Meeting Date 2020/21	Item	COMMENTS
27 November 2020 Virtual Meeting		
	<b>DEVELOPMENT SESSION</b>	<b>VALUE FOR MONEY</b>
	<b>The Mayor of the Combined Authority</b>	Mayor James Palmer will be in attendance
	<b>Combined Authority Board Update</b>	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.
	<b>Lancaster Way Update</b>	
	<b>Minutes of the previous meeting</b>	Standing item on the agenda for the committee to agree the minutes from the last meeting.
	<b>Corporate Risk Register</b>	Standing item by request of the committee to be considered at each meeting.
	<b>Work Programme</b>	Standing item for the committee to consider their upcoming work programme.
	<b>Internal Audit: Internal Audit Plan</b>	Report from the Internal Auditors to provide an update on the progress of the current internal

		audits.
	<b>External Audit and Opinion 2019/20</b>	To receive the External Audit and Opinion from Ernst & young for the previous financial year.
	<b>End of Year Financial Statements 2019/20</b>	
	<b>Adult Education Budget</b>	
<b>Meeting Date 2020/21</b>	<b>Item</b>	<b>COMMENTS</b>
<b>29 January 2021 Virtual Meeting</b>	<b>Combined Authority Board Update</b> - Update on MCHLG work	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.
	<b>Minutes of the previous meeting</b>	Standing item on the agenda for the committee to agree the minutes from the last meeting.
	<b>Corporate Risk Register</b>	Standing item by request of the committee to be considered at each meeting.
	<b>Work Programme</b>	Standing item for the committee to consider their upcoming work programme.
	<b>Assurance Framework</b>	Agreed at the meeting of the Committee related to the Constitution that the Assurance Framework is presented to this meeting prior to the Business Board and then the CA Board.
	<b>Information Security and Governance</b>	
	<b>Internal Audit – Progress Report</b>	Report from the Internal Auditors to provide an

		update on the progress of the current internal audits.
	<b>External Audit – Draft Audit Plan</b>	The Committee receive the draft Audit Plan and comment whether the planned audit is aligned with the Committee's expectations.
	<b>Treasury Management Strategy Update</b>	The Committee receive the report which provides the Audit and Governance Committee with an update on the Combined Authority (CPCA)'s Treasury Management Strategy.
	<b>Risk Strategy</b>	
	<b>Data Protection</b>	
	<b>Independent Commission on Climate Change</b>	Update requested at 31 July 2020 meeting
<b>Meeting Date</b>	<b>Item</b>	<b>COMMENTS</b>
<b>6 April 2021 Venue: TBA</b>		
	<b>WORKSHOP</b>	<b>INTERNAL &amp; EXTERNAL AUDIT</b>
	<b>Combined Authority Board Update</b>	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.
	<b>Minutes of the previous meeting</b>	Standing item on the agenda for the committee to agree the minutes from the last meeting.
	<b>Corporate Risk Register</b>	Standing item by request of the committee to be

		considered at each meeting.
	<b>Work Programme</b>	Standing item for the committee to consider their upcoming work programme.
	<b>Internal Audit – Progress Report</b>	Report from the Internal Auditors to provide an update on the progress of the current internal audits.
	<b>External Audit – Audit Plan</b>	The Committee receive and approve the final audit plan prepared by the external auditors
	<b>Internal Audit Plan: Progress Report</b>	Details of audit activity for the following year.
	<b>Treasury Management Strategy Summary</b>	The Committee receive the report asks for comments comment on the draft Treasury Management Strategy.
	<b>Code of Corporate Governance</b>	Code of Corporate Governance is based upon the CIPFA / SOLACE publication entitled “Delivering Good Governance in Local Government: Framework 2016 Edition.” An annual review is undertaken each year.
	<b>Assurance Framework</b>	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.

	<b>Governance (decision-making) Review</b>	Committee to receive an update to review any issues/concerns raised (Executive Committees) etc
<b>Meeting Date 2020/21</b>	<b>Item</b>	<b>COMMENTS</b>
<b>25 May 2021 Venue: TBA</b>	<b>Combined Authority Board Update</b>	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.
	<b>Minutes of the previous meeting</b>	Standing item on the agenda for the committee to agree the minutes from the last meeting.
	<b>Corporate Risk Register</b>	Standing item by request of the committee to be considered at each meeting.
	<b>Work Programme</b>	Standing item for the committee to consider their upcoming work programme.
	<b>Internal Audit – Progress Report</b>	Report from the Internal Auditors to provide an update on the progress of the current internal audits.
	<b>Draft Annual Report of the Chair of the Audit &amp; Governance Committee</b>	
<b>ITEMS TO BE SCHEDULED</b>		
	<b>Governance Review of the Business Board</b>	
	<b>Trading Companies (Development Session)</b>	AUTUMN/WINTER 2020/21

	<b>Audit &amp; Governance Committee Annual Constitution Review</b>	AUTUMN 2021
	<b>Member Skills Training (joint session with the O&amp;S Committee)</b>	WINTER 2021
	<b>Occurred Meetings – Work Programmes</b>	
<b>19 July 2019 Fenland District Council</b>	<b>Internal Auditors Annual Report</b>	The Committee considered and endorsed the Annual Report and Opinion from Internal Audit for the year ended 31st March 2019
	<b>Statement of Accounts 2018/19 and External Audit Final Results</b>	<p>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.</p> <p>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.</p> <p>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.</p> <p>iv) That the Committee receive and approve, in principle, the final Statement of Accounts.</p>

	<p>v) That the Committee agree to the additional recommendations below:</p> <p>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;</p> <p>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;</p> <p>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;</p> <p>d) In the event that amendments arising from the final Audit Opinion would constitute a "material</p>
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		<p>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</p> <p>e) That the Committee receive and approve the Annual Governance Statement 2018/19 as included within the statement of accounts.</p>
	<b>Chairman’s Annual Audit Report</b>	The Annual Report of the Chair of the Committee be submitted to the Combined Authority Board was approved.
	<b>Internal Audit Plan</b>	The Committee considered and endorsed the Annual Report and Opinion from Internal Audit for the year ended 31st March 2019.
	<b>Value for Money Report</b>	The Committee noted the Combined Authority’s approach to delivering value for money.
	<b>Treasury Management Annual Report</b>	The Committee reviewed the actual performance for the year to 31st March 2019, against the adopted prudential and treasury indicators.
	<b>Human Resources Risk Reduction Update</b>	The Committee noted the update.
	<b>Work Programme</b>	The Committee agreed updates to the work programme and noted the report.
<b>Meeting Date 2019/20</b>	<b>Item</b>	<b>COMMENTS</b>
<b>27 September 2019 Cambridge City Council</b>	<b>Audit Results Reports &amp; Statement of Accounts 2018/19</b>	The Committee received the audit results report for the year ended 31st March 2019.
	<b>Transport Acceleration and Risk Report</b>	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.
	<b>Medium-Term Financial Plan and Business Plan</b>	The report was noted.
	<b>Combined Authority Board Update</b>	The Committee noted the update.
	<b>Business Board Update</b>	The Committee noted the priorities and objectives of the Business Board.
	<b>Internal Audit Update</b>	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.
	<b>Governance Review Report</b>	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.
	<b>Risk Register and Performance Update</b>	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.
	<b>Report on Freedom of Information, Whistleblowing and Fraud</b>	The Committee would advise how the Combined Authority communicated the Whistleblowing Policy and encouraged its use.
	<b>Response to National Audit Office</b>	The proposed changes to the Code of Audit

	<b>Consultation</b>	practice and the potential impact on reporting to the Committee for local audit work was noted.
	<b>Work Programme</b>	The update was noted.
<b>Meeting Date 2019/20</b>	<b>Item</b>	<b>COMMENTS</b>
<b>16 December 2019 South Cambridgeshire District Council</b>	<b>Assurance Framework</b>	A paper will be produced for Audit & Governance Committee meeting in March 2020. The Committee noted the revised Assurance Framework
	<b>Corporate Risk Register</b>	The proposed revised Strategy and changes to the Corporate Risk Register were recommended.
	<b>Data Protection Policy</b>	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
	<b>Internal Audit Progress Report</b>	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.
	<b>Adult Education Budget and Assurance Programme</b>	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.
	<b>Treasury Management Strategy Update</b>	The update was reviewed by the Committee.
	<b>Combined Authority Board Update</b>	The Committee noted the update.
	<b>Work Programme</b>	The Committee agreed updates to the work programme and noted the report.
<b>Meeting Date 2020/21</b>	<b>Item</b>	<b>COMMENTS</b>
<b>26 May 2020 Remote Meeting</b>	<b>Confirmation of Membership of the Audit &amp; Governance Committee</b>	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.
	<b>Combined Authority Board Update</b>	The Committee noted the update.
	<b>Statement of Accounts 2019/20</b>	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.
	<b>External Audit Update</b>	A further report will be received at the 31 July 2020 meeting of the Committee.
	<b>Internal Audit Update</b>	The Internal Audit with opinion be received at the 31 July 2020 meeting of the Committee.
	<b>Draft Annual Report of the Chair of the Audit &amp; Governance Committee</b>	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.
	<b>Corporate Risk Register</b>	The Committee recommended climate change is included on the on the Risk Register in future.

	<b>Complaints Procedures</b>	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.
	<b>Treasury Management Strategy</b>	The Committee noted the strategies.
	<b>Trading Companies</b>	A development session on the trading companies be held, possibly in autumn 2020.
	<b>Revised Guide for Project Management</b>	The Committee received and noted the revised guide.
	<b>Work Programme</b>	The Committee requested greater clarity on the work programme for future meetings.
	<b>Urgent Item: Lancaster Way</b>	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.
<b>Meeting Date 2020/21</b>	<b>Item</b>	<b>COMMENTS</b>
<b>31 July 2020 Remote Meeting</b>	<b>Appointment of a Vice-Chairman of the Audit &amp; Governance Committee</b>	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.
	<b>Combined Authority Board Update</b>	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.
	<b>Minutes of the previous meeting</b>	Standing item on the agenda for the committee to agree the minutes from the last meeting.
	<b>Corporate Risk Register</b>	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.
	<b>Work Programme</b>	Standing item for the committee to consider their upcoming work programme.
	<b>Internal Audit 2020/21</b>	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.
	<b>Internal Audit – Annual Report</b>	A report provided by the Internal Auditors on the effectiveness of the Authority's systems of governance; risk management and internal control.
	<b>External Audit Final Results</b>	The Committee receive the audit results report from the external auditors.
	<b>Annual Governance Statement</b>	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.
	<b>Draft Financial Statements 2019/20</b>	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
	<b>Independent Commission on Climate Change</b>	Committee to receive a report on the procedures undertaken in the appointment of the Independent Chair of the Commission
<b>Meeting Date 2020/21</b>	<b>Item</b>	<b>COMMENTS</b>
<b>2 October 2020 Venue: TBA</b>	<b>Combined Authority Board Update</b>	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.
	<b>Minutes of the previous meeting</b>	Standing item on the agenda for the committee to agree the minutes from the last meeting.
	<b>Corporate Risk Register</b>	Standing item by request of the committee to be considered at each meeting.
	<b>Work Programme</b>	Standing item for the committee to consider their upcoming work programme.
	<b>Internal Audit Plan 2020/21</b>	Report from the Internal Auditors on the Internal

		Audit Plan for the municipal year.
	<b>Financial Statement 2019/20 and External Audit Update</b>	
	<b>Treasury Management Strategy Review</b>	The Committee receive the report which review the current performance against the prudential indicators included within the Treasury Management Strategy.