



CAMBRIDGESHIRE & PETERBOROUGH COMBINED
AUTHORITY –
DRAFT MINUTES

AUDIT AND GOVERNANCE COMMITTEE: MINUTES

Date: 29 January 2021

Time: 10:00am

Location: Virtual Zoom Meeting

Present:

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

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

Officers:

Robert Parkin
Anne Gardiner
Kim Sawyer
Jon Alsop
Robert Emery

Monitoring Officer
Scrutiny Officer
Chief Executive Officer
Chief Finance Officer (S73 Officer)
Deputy (S73 Officer)

Francesca Houston
Daniel Harris
Jay Desai
Suresh Patel

Transport Programme Coordinator
RSM
RSM
Ernst & Young

1. Apologies for Absence and Declarations of Interest

1.1 Apologies received from Cllr Goldsack.

1.2 No declarations of interest were made.

2. Chair's Announcements

2.1 The Chair made the following announcements:

1) There would be an extra Audit and Governance Committee meeting held on the 5th March to review the Assurance Framework and other additional items.

The Assurance Framework would also include an update on how the recommendations on Lancaster Way have been implemented.

2) Report on Independent Climate Change Commission to come to April meeting, to align with timing of the report being published.

3) The meeting calendar for the committee had been revised at the request of the Chair and would be circulated to members.

3. Minutes of the last Meeting

3.1 The minutes from the meeting held on the 27th November 2020 were agreed as a correct record.

3.2 The Actions from the previous meeting were discussed with the following points raised:-

- Cllr Mason requested that following from the discussion at the last meeting around information provided by Ernst and Young on the payments made to previous members of staff that the Committee should have standing enquiries that would provide a high level view on any claims of fraud and similar matters.
The Monitoring Officer advised that a report with proposals for how the committee could consider updates on whistleblowing, fraud and complaints would be brought back to the March meeting.
- The Chief Finance Officer provided some information relating to the action which asked for more detail on how much was being spent on the three officers mitigating the EU exit plan. - The Chief Finance Officer advised that there were two tranches of EU funding which had been used to support local businesses. An external contractor had been appointed to deliver this. There was £136k of funding to support business around future requirements of importing and exporting and it was believed the Chamber of Commerce would be mandated to provide this support. No staff had been appointed directly by the Combined Authority.
- The Trading Companies Development Session for members had been scheduled into the work programme for 2021/22.

3.3 The remaining actions were noted.

4. Combined Authority Update

4.1 The Committee received a verbal update from the Interim Chief Executive, Kim Sawyer who outlined the below issues which had been considered by the CA Board:-

- The CA Board had reviewed and signed off the MTF Plan and the Draft Business Plan and the Mayoral Budget.
- The Board had considered the performance report. The main area that needed highlighting to the committee was the Housing Performance Review; there were ongoing discussions with MHCLG around the Business Case and the release of the funding for the programme.
- The other area of housing which was important to note was that the housing funds already received were being used to deliver affordable homes and the Combined Authority were continuing to focus on the £100k homes; there had

been an announcement that some of the £100k homes had been built and people had been allocated to them.

- The programme for Community Land Trusts had just begun.
- In relation to the Transport Levy, the Interim Chief Executive Officer advised that the passenger transport functions were being brought in house from April and that officers were busy working on the transfer.
- The Business Growth Service had been started.
- There had been number of investments in the Market Town Master Plans
- There had been an investment of £14.5m from the 'Getting Building Fund' that had gone into the first phase of the Peterborough University building. There had also been a report on the Research and Development Centre which outlined work being done with local businesses to enhance investments into this centre - with the investment currently standing at around £19m.
- There was no report on the CAM but officers committed to providing further information on this area in future.
- There had been work done around the Ox/Cam Arc; with a prospectus being put to government and the Combined Authority had entered into a partner strategy to work with the different LEP's for the areas and 10 universities within the area including the University of Cambridge and University of Oxford. The Combined Authority was awaiting an update on funding going forward.
- The returning officer had been appointed for the elections in May and the Monitoring Officer would be providing some pre-election guidance.

4.2 In response to questions from members the following points were discussed:-

4.3 The passenger transport funding was now being brought in house as the Combined Authority was now in a position to take this on; the first Transport Plan had been published and the authority was in a position to deliver operationally. As transport was an area that was always of public interest there would be many platforms where the Combined Authority could engage with members of the public and local councillors.

There would be Transport induction training for all new members appointed to the Combined Authority following the elections.

The Combined Authority would be keen to ensure there were good relationships locally and to learn from lessons that Peterborough City Council and Cambridgeshire County Council had experienced as the previous transport authority for the area.

4.4 In response to a question about the CAM and the working relationships on the Transport Committee the officer advised that the key change would be for the Transport and Infrastructure committee members to learn about the functions that it had in relation to passenger transport.

In addition, the GCP and the Transport Committee would have to work well together and to that end officers had set up a steering group to help ensure members were kept well informed.

4.5 In response to a question about the Mayoral elections, the officer advised that the Combined Authority was working with the district councils and other Combined Authorities. There were mixed views on whether the elections could proceed.

4.6 In response to a question around the Community Land Trusts the officer advised that as proposals were received they would go through the planning process as normal. Further information would be circulated to Cllr Mason on how the planning process worked from officers.

4.7 The Committee thanked the Interim Chief Executive Officer for providing the update and answering the committee's questions.

5. Internal Audit Update

5.1 The Committee received the report from the Internal Auditors which provided an update to the work that RSM have conducted against the internal audit plan for 2020/21 agreed at the November Audit and Governance Committee meeting.

The paper also provided the conclusions and recommendations of RSM's review of the Combined Authority's Risk Management processes. This provided a Partial Assurance, and the Combined Authority had accepted all the Report's recommendations

5.2 The below points were raised during the discussion:-

- This was the first review completed by the internal auditors. In future the full report would only be brought to the committees' attention when the assurance level was less than Reasonable. Otherwise an executive summary with the auditor's opinion would be provided.
- The Internal Auditors noted that there had been a new risk strategy introduced last year and that this was still being embedded.
- Actions from the Audit needed to be completed by the end of the financial year, Progress would then be reported back to the committee.

5.3 In response to a question about the delegation of powers to companies, and how the committee would consider the risk registers for the newly set up One CAM Ltd, the officers advised that the arrangements were still to be finalised. and until the non-executive directors and the Chief Executive were in place they wouldn't know exactly how they would want to operate. Lord Mair, as Chair for the One CAM Ltd, was very keen to focus on risk; the structure for the company included an Audit and Risk Committee and there was a risk register already in place.

5.4 The Chair requested that the Assurance Framework include how the Audit Committee would review the governance arrangements of trading companies being set up by the Combined Authority to manage projects.

5.5 The Chair asked for clarification on how the Audit findings would be reported to the CA Board. He was advised that, the next time the CA Board received an update on Risk, officers would include a synopsis of the recommendations received from the internal auditors and an update on the progress made.

5.6 The Committee AGREED:

- 1) In future only Internal Audit reports that provided less than a reasonable assurance would be reported to the committee in full.
- 2) That officers include how the Audit Committee will review the governance arrangement of trading companies within the Assurance Framework.
- 3) That when the Risk Register is next taken to the CA Board that officers explain that the Audit and Governance Committee had reviewed the Internal Auditor's recommendations would monitor implementation of the recommendations by officers.
- 4) Note the report.

6. Corporate Risk Register

- 6.1 The Committee reviewed the Combined Authority Corporate Risk Register.
- 6.2 In response to a question about the risk from the delay in funding for the Housing Programme, the committee were advised that discussions with MHCLG were still ongoing but that the Mayor was confident that the funding would materialise. The MTFP assumptions were based on funding for the project being received.
- 6.3 The Committee Agreed that they would withhold comments on the Risk Register and Strategy until officers had progressed the recommendations from the Internal Auditor's and a report had been brought back to the Committee.

7. External Audit

- 7.1 The Committee received the report from the External Auditors which provided the committee with the annual audit letter 2019/20.
- 7.2 In response to a question about how the external auditors opinion was reported back to the CA Board, the members were advised that a financial update was taken to each CA Board meeting and that the external auditors opinion would be included in the next update.
- 7.3 The Committee noted the report.

8. Treasury Management

- 8.1 The Committee received the report which outlined the Treasury Management and Capital Strategies for 2021-22 and requested that the committee note the in-year performance against the adopted 2020-21 prudential and treasury indicators.
- 8.2 The Committee were advised that due to an administrative error, the Capital Strategy had not been published with the other documents and therefore had been sent via email to members on the morning of the meeting.
- 8.3 The officer outlined the key changes within the strategies for the committee; various limits on investments and forecasts had been updated to reflect the capital programme approved by the CA Board.

The Capital Strategy recognised that the CAM financing programme was proceeding at pace and that public sector borrowing might be required in future. This would require a rewriting of the financial strategy and members would be kept informed on this.

The Investment Strategy (non treasury investments) had changed the focus on the proposed top up fund; the £40m housing investment fund; previously the plan had been to use treasury management balances but this would limit the length of the loans that could be offered so now officers were looking to get loans from Public Loans Work Board (PLWB) and then loaning them forward. There should not be any change to the rates, but it would offer a longer length for the loans.

The only change to the Treasury Management Strategy the was that the counter party limits table had been simplified and the money market fund limits had been increased to 'no limit'. That was useful for short term liquidity for the authority on the delivery of programmes. The other change was to the interest risk indicator, which had been increased to £1.5m due to the authority breaching the original figure as they were spending more money; it seemed sensible to increase the figure.

The Minimum Revenue Provision was expected to be zero for the medium term.

- 8.4 In response to a question about commercial investments, and whether ethical or environmental considerations would be taken on board the officer, advised that if there were recommendations from the Commission on Climate Change then these would be taken on board in future considerations.
- 8.5 In response to a question on property investment and restrictions on yield, the officer advised that as long as the aim of the Combined Authority was the delivery of social housing then they would not fall foul of the new restrictions imposed. Due diligence would be carried out before any new loans were taken out.
- 8.6 In response to a question about the monitoring of the implementation of the strategies, the committee were advised that both internal and external auditors monitor the implementation of the strategies.

The Committee were advised by both the Internal Auditors and External Auditors that Internal Audit would review the controls in place to ensure the strategies were implemented; they would look at the design and compliance and this could be as part of a review or as part of key financial controls.

The external auditors would take an exception view and review the overarching approach to ensure it was in line with guidance and regulations and that it was accounted for appropriately.

- 8.7 The Committee **RESOLVED:-**

That they review the Capital Strategy at their next meeting in March as, due to an administration error, the report had not been circulated to members beforehand

That in future reports that changes within the strategies would be highlighted.

To note the Treasury Management Strategies.

9. Work Programme for the Audit & Governance Committee

- 9.1 The Committee received the Work Programme report.

- 9.2 The Committee noted the report and **RESOLVED:**

1. That an extra meeting in March was scheduled and the following items would be added to the work programme for that meeting:

i) Proposals for how the committee could consider updates on whistleblowing, fraud, complaints.

ii) Capital Strategy

2) That a private meeting with the external and internal auditors be arranged prior to the April 6th Committee meeting.

10. Date of next meeting

- 10.1 Friday, 5th March from 10.00 a.m. via the Zoom platform.

Meeting Closed: 11:32am