



**CAMBRIDGESHIRE  
& PETERBOROUGH**  
COMBINED AUTHORITY

**CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY**  
**AUDIT AND GOVERNANCE COMMITTEE**

**29<sup>th</sup> March 2019**

**10am**

**Suite 0.1A, Huntingdonshire District Council, Pathfinder House, St Mary's  
Street, Huntingdon, Cambs PE29 3TN**

**AGENDA**

**Open to Public and Press**

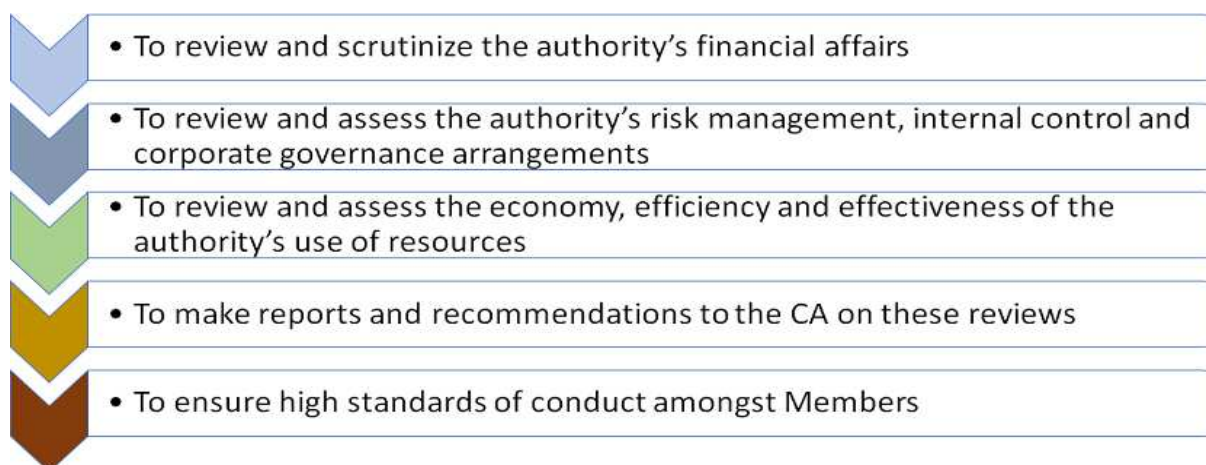
<b>Number</b>	<b>Agenda Item</b>	<b>Chief Officer</b>	<b>Papers</b>	<b>Pages</b>
1	Apologies and Declarations of Interests	Chair	No	Oral
2	Chair's Announcements	Chair	No	Oral
3	Minutes – to approve the minutes of the meeting held on 30 <sup>th</sup> November 2018	Chair	Yes	Page 4
<b>Audit</b>				
4	a) Finance Review b) Internal Auditors Update Budget Review	Programme Director - CIPFA Internal Auditor	Yes Oral	Page 15
5	Internal Audit Progress Report	Internal Auditor	No	Page 28

Number	Agenda Item	Chief Officer	Papers	Pages
6	Treasury Management	Head of Finance	Yes	Page 36
7	External Audit Plan 2018/19	Ernst & Young	Yes	Page 63
8	Internal Audit Plan	Internal Auditor	Yes	Pages 102
Governance				
9	Combined Authority Board Update	Interim Chief Executive	Yes	Page 107
10	Business Board Governance Update	Interim Chief Executive	Yes	Page 141
11	Corporate Risk Register Annual Review	Assurance Manager	Yes	Page 145
12	Assurance Framework	Assurance Manager	Yes	Page 150
13	Staffing Structure Update	Interim Chief Executive	Yes	Page 153
14	Work Programme	Chair	Yes	Page 155
	<b>Date of next meeting</b>			
15	31 <sup>st</sup> May 2019 at East Cambridgeshire District Council	Chair	Oral	

### **Audit and Governance Committee Membership**

Chair: Mr John Pye (Independent Person)  
Councillor Mac McGuire - Huntingdonshire District Council  
Councillor Antony Mason - South Cambridgeshire District Council  
Councillor Nichola Harrison - Cambridgeshire County Council  
Councillor Chris Morris - East Cambridgeshire District Council  
Councillor Anne Hay - Fenland District Council  
Councillor David Seaton - Peterborough City Council  
Councillor Richard Robertson - Cambridge City Council

### **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.

For more information about this meeting, please contact Anne Gardiner  
[anne.gardiner@cambridgeshirepeterborough-ca.gov.uk](mailto:anne.gardiner@cambridgeshirepeterborough-ca.gov.uk) or 07961240442



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

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

**Date:** 30<sup>th</sup> November 2018

**Time:** 11am

**Location:** East Cambridgeshire District Council

**Present:**

Mr J Pye  
Cllr Mac McGuire  
Cllr Anthony Mason  
Cllr Nichola Harrison  
Cllr Chris Morris  
Cllr Anne Hay  
Cllr David Seaton  
Cllr Richard Robertson

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

**Officers:**

Patrick Arran  
Anne Gardiner  
Jon Alsop  
Noel O'Neil  
Darren Edey  
Louise Cooke

Interim Monitoring Officer  
Scrutiny Officer  
Head of Finance  
Section 151 for Business Board  
Compliance Manager  
Group Auditor (Peterborough City Council)

**Others in attendance:**

Suresh Patel

Associate Partner – Ernst & Young LLP,  
External Auditor

**Also in attendance – Mayor James Palmer**

**1. Apologies and Declarations of Interests**

1.2 No apologies were received.

1.3 No declarations of interest were made.

**2. Minutes of the meeting held on 24<sup>th</sup> September 2018**

2.1 The minutes of the meeting held on the 24<sup>th</sup> September 2018 were agreed as a correct record.

2.2 The Committee reviewed the action sheet and the following points were raised: -

The Chair requested that they receive a written update from the Chief Executive Officer regarding the governance review at the next meeting

The Chair noted that it was helpful to have the top five risks included in the Risk Register report.

**3. Combined Authority Board Update**

3.1 The Chairman invited the Mayor for the Combined Authority to provide the committee with an overview of the Combined Authority activities.

3.2 The following points were made:-

- The Combined Authority had been in existence for 18 months but was now a very different organisation than originally planned as the LEP had now been taken on and that had also led to an increased budget for the next year.
- The Combined Authority had been hampered by the number of schemes that had needed to be worked up from scratch, which had taken longer than previously thought.
- After the resignation of the Chief Executive Officer over the summer the Mayor had realised that the Authority needed to be looked at structurally. So, John Hill, an experienced Chief Executive from East Cambridgeshire, had been asked to carry out a review of the existing structure and governance arrangements.
- The Mayor advised that the incumbent Interim Chief Finance Officer had been dismissed from his position that morning, 30 Nov 2108, for misleading facts to the Combined Authority Overview and Scrutiny Committee.
- Committee members raised concerns around the news of the Interim Chief Finance Officer's dismissal, especially as he was perceived to be a high quality director who had been making good progress.
- The Chair expressed concern that this was the fourth Section 151 officer to leave the Combined Authority. He asked if the Mayor could offer any reassurance about the effectiveness of the Authority's financial

management given the high turnover in this role. The Mayor said that he was frustrated that the Authority had not secured a permanent Chief Finance Officer yet, but that the process to do so was underway; in the meantime, Noel O'Neil, the Deputy Chief Finance Officer was more than capable of covering the role.

- The Mayor confirmed that the decision to terminate the Interim Chief Finance Officer's employment had been taken unanimously by himself, the Deputy Mayor and the two interim Chief Executive Officers that morning.
- The Chair again expressed concern about the lack of chief financial officer continuity, especially at a time when the Authority's top two risks were about weaknesses in financial management
- In response to a question about the Ely bypass the Mayor advised that in his previous role as Leader of East Cambridgeshire District Council he had ensured that the project was delivered and had pushed officers to get it delivered as quickly as possible. The Mayor felt that infrastructure always took far too long to deliver, and it was right to look at alternative options to try to speed up the process. The cost to the economy if there was a delay or if it failed to deliver would be greater.
- Currently the Combined Authority had not delivered a project on a scale that required a gateway review but once they did the Mayor would ensure that there would be a gateway review and lessons' learned process in place – Kings Dyke would be the first project of this scale for the authority.
- Funding for larger projects would come incrementally over future years and it was important for the authority to be realistic on the delivery timescale for these projects.

3.4 The Committee thanked the Mayor for attending to provide a progress update and to answer the Committee's questions.

#### **4. Treasury Management Update**

4.1 The Committee received the report from the Head of Finance which provided the Audit and Governance Committee with an update on the Combined Authority (CPCA)'s Treasury Management.

4.2 In response to a question regarding the £24m loan to East Cambridgeshire Trading Company, the Committee were advised that this decision was approved at the Board meeting on Wednesday 28 Nov 2018. The scheme involved the purchase of 88 ex Ministry of Defence Houses; there were 88 houses which would be refurbished, with some being divided, to provide 92 units in total and then sold, with 15 of those dwellings being set aside as affordable housing. The Business Plan put forward demonstrated that the risk to the authority was low.

4.3 In response to a question on whether it was within the remit of the Combined Authority to lend money for schemes to produce a profit, officers advised that the Housing Strategy for the Combined Authority provided a toolkit with a variety of options which included providing loans for housing. The aim was that the

Combined Authority would get interest and a return on the loan which would feed into the revolving fund.

4.4 The Treasury Management Strategy was due to come back to the committee in March; the Chair requested that the cost of the strategy, where inflation eroded capital value, be factored into the report.

4.5 The Committee noted the report.

## **5. External Audit – Outline Audit Plan**

5.1 The Committee received the report from the External Auditor which provided the 2018/19 Outline Audit Plan as prepared by Ernst & Young LLP (EY).

5.2 The external auditors advised that this was an outline of the external audit plan and there would be revisions, especially in regard to the latest developments around the Section 151 officer departure.

5.3 The Business Board was an area where the external auditors needed to gain further understanding around the financial and governance arrangements.

5.4 The external auditors highlighted their focus on the risk that the Combined Authority would be capitalising expenditure which it should be treating as running costs; for example, expenditure on a feasibility study where there was no resultant asset. Officers reassured the committee that they were working with the financial team at Peterborough City Council to ensure that the accounting treatment of expenditure was in line with the rules for the Combined Authority.

5.5 The Committee asked the external auditors for their view on how the Combined Authority could measure how it had achieved value for money. The external auditor suggested that the Combined Authority should establish some metrics to assess its value for money. The Section 151 officer for the Business Board agreed to bring back more detail on how the Combined Authority could measure the value for money that was being achieved.

5.6 The Committee noted the report.

## **6. Chief Executive Resignation**

6.1 The Committee received the report from the Interim Monitoring Officer which outlined provided them with the factual background relating to the circumstances of the resignation of the former Chief Executive.

6.2 The following points were made:-

- The External Auditor reported that the Interim Monitoring Officer had provided requested information relating to the Chief Executive's departure and subsequent severance. Based on that information, the external auditor had concluded that the Combined Authority had acted lawfully and reasonably.
- The Committee were advised that the Mayor had the authority to get external legal advice and commit the authority to expenditure, as he had the general power of competence which was set out in the legislation.

- Under the Localism Act 2011 the Mayor, like other local authorities, had to work within the budget set by the Authority.
- The Committee were assured by the external auditors that the severance package provided to the Chief Executive Officer was 'reasonable'.

- 6.3 The Committee discussed their concerns around the termination of the most recent two senior officer roles and the impact such decisions could have on the reputation of the Combined Authority.

The Committee agreed that they would like to recommend to the Combined Authority Board that a review be undertaken on the procedures for the termination of the employment of senior officers, as the Committee were concerned that recent events surrounding officers leaving the Combined Authority were creating reputational damage.

- 6.4 The Committee noted the report.

## **7. Corporate Risk Register Review**

- 7.1 The Committee received the report from the Assurance Manager, which asked the Committee to review the Combined Authority Corporate Risk Register and suggest any changes they would like to put forward as a recommendation to the Board.

- 7.2 The Compliance Manager advised that the risk register would now be a standing item at the Directors' meeting for consideration and discussion. The officer was also organising a workshop for officers.

- 7.3 The Chair requested that in future reports that the top five risks be detailed along with the previous top five risks, so that the Committee could understand how matters were progressing.

- 7.4 The Committee discussed other areas of risk they felt should be considered on the risk register; these included reputational risk, senior staff retention rates and ability of the organisation to recruit, and control of expenditure.

The Compliance Manager advised he would feed this back to the directors.

- 7.5 The Committee welcomed the progress being made and agreed to note the risk register.

## **8. Internal Audit – Progress Report**

- 8.1 The Committee received the report from the Group Auditor which provided details of the progress made in delivering the approved Audit Plan for 2018 / 2019.

- 8.2 The Group Auditor advised that there were currently several reviews being undertaken for the Combined Authority. There was the review of the LEP governance arrangements; the Adult Education Budget and the East Cambridgeshire Trading Company.



There was also the corporate governance review which had been extended to include recruitment and HR processes.

All completed grant reviews were certified by the auditors and if there were any concerns these would be raised with the Committee.

Work was on track for the results to be reflected in the annual Internal Audit Opinion.

- 8.3 The practice was for Internal Audit reports to be shared with the Committee when the level of the opinion was below 'satisfactory'. However, the Chair asked that the report of Governance Review be brought back to the Audit Committee, for the members to consider regardless of the level of opinion,

The Chair requested that a timeline and delivery dates for all the ongoing reviews be provided in future reports.

- 8.4 The Committee noted the report.

## **9. Audit Committee Self-Assessment Actions and Review**

- 9.1 The Committee received the report which requested the Audit and Governance Committee to review the proposed actions from the Committee's first annual self-assessment exercise.

- 9.2 The following points were discussed:-

- The Chair advised he was halfway through the 1:1's with the committee members.
- The Officers advised that a separate area on the Combined Authority system was being set up for the Audit and Governance Committee members to allow access to training and development material.
- The Scrutiny Officer advised that an induction pack would be provided at the first Audit and Governance Committee meeting of the civic year.
- The Committee requested that a short meeting with both the internal and external auditors be arranged prior to the start of the March meeting.

- 9.3 The Committee agreed that they would like to consider the draft accounts in a public forum, and therefore they would like the May informal meeting to be rearranged to a later date in June.

- 9.4 The Committee agreed to note the progress of the actions in the report.

## **10. Staffing Structure**

- 10.1 The Committee received the report from the Interim Monitoring Officer which explained the situation and timelines regarding a permanent senior staffing structure and provided assurance about how good governance was being maintained in the interim.

- 10.2 The following points were raised during the discussion:-

The Committee were assured that there was an interim staffing structure and a system of delegation in place for officers.

The senior management structure was agreed at the Employment Committee held in November. The recruitment for permanent Directors of Transport and Finance would start as soon as possible.

- 10.3 The Committee requested that the Chief Executive Officer provide an update on staffing structure at the March Audit and Governance meeting.

The Committee requested that the interim staffing structure be circulated to committee members.

- 10.4 The Committee noted the report.

## **11. Work Programme**

- 11.1 The Committee received the report which provided the draft work programme for Audit and Governance Committee for the remainder of the 2018/19 municipal year.

- 11.2 The Committee agreed that an update on the Combined Authority staffing structure be added to the March meeting agenda.

- 11.3 The Committee agreed that the informal meeting scheduled for May be rearranged for a public meeting in June to discuss the draft accounts.

- 11.4 The Committee agreed a calendar what the Committee needs to consider over the municipal year should be included with future work programmes.

- 11.5 The Committee agreed and noted the work programme.

## **12. Date and Location of the Next Meeting**

- 12.1 The Committee agreed the next meeting shall be held on 29<sup>th</sup> March 2019 at Huntingdonshire District Council.

Meeting Closed: 13:30pm.

### Audit and Governance Committee Action Sheet – 30<sup>th</sup> November 2018

Date	Action	Officer	Delegated officer	Completed
30 <sup>th</sup> November 2018	Further detail on how the Combined Authority could measure the value for money that it had achieved to be provided at the next meeting.	Noel O'Neil		
	Committee requested that a recommendation is made to the CA Board that they undertake a review on the current procedures for the termination of senior officers as they committee were concerned that recent events were creating reputational damage to the Combined Authority  -the draft wording to be sent to Chair, copy to Vice Chair, who would circulate to colleagues for any feedback.	Anne Gardiner/Patrick Arran		
	More legible version of the risk register to be made available to members.	Darren Edey/Anne Gardiner		
	Internal auditors to include a timeline and delivery date for all reviews in their future reports.	Steve Crabtree		
	Circulate staffing structure to Audit members	Anne Gardiner		
	Rearrange the informal meeting in May to review the draft accounts to be held in June as a public meeting.	Anne Gardiner		

	CEO provide an update on staffing structure at March meeting to reassure committee that there is a structure in place for the authority following the review.	Anne Gardiner/Kim Sawyer		
	Calendar of items that must be considered annually by the committee to be added to the work programme.	Anne Gardiner		
	A private meeting with both the internal and external auditors be arranged prior to the start of the March meeting.	Anne Gardiner		

### Audit and Governance Committee Action Sheet – 30<sup>th</sup> November 2018

Date	Action	Officer	Delegated officer	Completed/Comments
30 <sup>th</sup> November 2018	Further detail on how the Combined Authority could measure the value for money that it had achieved to be provided at the next meeting.	Noel O'Neil		Report to be brought back to the A&G July meeting
	Committee requested that a recommendation is made to the CA Board that they undertake a review on the current procedures for the termination of senior officers as they committee were concerned that recent events were creating reputational damage to the Combined Authority  -the draft wording to be sent to Chair, copy to Vice Chair, who would circulate to colleagues for any feedback.	Anne Gardiner/Patrick Arran		30/01/19
	More legible version of the risk register to be made available to members.	Darren Edey		
	Internal auditors to include a timeline and delivery date for all reviews in their future reports.	Steve Crabtree		29/03/19
	Circulate staffing structure to Audit members	Anne Gardiner		06/12/18

	Rearrange the informal meeting in May to review the draft accounts to be held in June as a public meeting.	Anne Gardiner		After further discussion with officers – the Chair has agreed that the 31 <sup>st</sup> May meeting originally scheduled will be held in public.
	CEO provide an update on staffing structure at March meeting to reassure committee that there is a structure in place for the authority following the review.	Kim Sawyer		29/03/19
	Calendar of items that must be considered annually by the committee to be added to the work programme.	Anne Gardiner		29/03/19
	A private meeting with both the internal and external auditors be arranged prior to the start of the March meeting.	Anne Gardiner		29/03/19



<b>AUDIT AND GOVERNANCE COMMITTEE</b>	<b>AGENDA ITEM No: 4a</b>
<b>29<sup>th</sup> MARCH 2019</b>	<b>PUBLIC REPORT</b>

## **INDEPENDENT BUDGET REVIEW**

### **1.0 PURPOSE**

- 1.1 The Committee are asked to note the independent financial review (Appendix 1) that has been carried out by CIPFA's Consultancy Service. Ian Kirby will be attending to present his report.

<b><u>RECOMMENDATIONS</u></b>
<b>Lead Officer: Noel O'Neil – Interim Section 73 Officer</b>
<p>The Audit and Governance Committee are recommended to:</p> <p>Note the specific Governance recommendation and consider how Committee can ensure that budget review processes are effective in 2019/20.</p>

### **2.0 BACKGROUND**

- 2.1 CIPFA C.Co Ltd (C.Co) was commissioned by the interim Chief Executive, John Hill, of Cambridgeshire & Peterborough Combined Authority to undertake an independent assurance review related to the production of the Authority's 2019/20 budget. The Authority was specifically seeking to ensure that:
- The process for completing the budget met all statutory and, internal, constitutional requirements
  - The assumptions made within it are suitable and robust
  - Appropriate control and governance are in place to support its delivery

Specifically, the review was scoped to:

- Review the process undertaken to complete the 2019/20 budget

- Assess and/or test the assumptions that underpin it, including funding sources and the split of revenue and capital
  - Assess the governance in place to report, assess and, where appropriate, intervene in the delivery of the budget
- 2.2 The Authority required the review to be complete in January in order to inform the budget sign-off process and, specifically, the Combined Authority Board (the Board) meeting scheduled for 30 January 2019.
- 2.3 Submission of the final report was provided on the 29<sup>th</sup> January and was considered by the Portfolio Holder for Finance and the Audit and Governance Chairman for comments; with the final report being brought to Audit and Governance at their March meeting to review.

### **3.0 FINANCIAL IMPLICATIONS**

- 3.1 There are no direct financial implications of receiving the report. However, it is crucial that Audit & Governance Committee continue to monitor the effectiveness of the procedures.

This report is part of that reassurance now alongside the on-going work of Internal and External Audit.

### **4.0 LEGAL IMPLICATION**

- 4.1 There are no direct legal implications

### **5.0 APPENDICES**

- 5.1 Independent 2019/20 Budget Review

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





# Independent 2019/20 Budget Review

## Final Report

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Author: Ian Kirby

Date: 29 January 2019



**CAMBRIDGESHIRE  
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## Document Control

<b>Document Title:</b>	Independent 2019/20 Budget Review		
<b>Date:</b>	29 January 2019	<b>Version:</b>	1.0
<b>Issue:</b>			
<b>Sponsor:</b>	John Hill – Chief Executive		
<b>SRO:</b>	Ben Bastable – Interim Finance Manager		
<b>Portfolio Holder</b>			
<b>Authors</b>	Ian Kirby		

Date	Approval	Version	Signature

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# Introduction

## Purpose

CIPFA C.Co Ltd (C.Co) was commissioned by the Cambridgeshire & Peterborough Combined Authority (the Authority) to undertake an independent assurance review related to the production of the Authority's 2019/20 budget. The Authority was specifically seeking to ensure that:

- The process for completing the budget met all statutory and, internal, constitutional requirements
- The assumptions made within it are suitable and robust
- Appropriate control and governance are in place to support its delivery

Specifically, the review was scoped to:

- Review the process undertaken to complete the 2019/20 budget
- Assess and/or test the assumptions that underpin it, including funding sources and the split of revenue and capital
- Assess the governance in place to report, assess and, where appropriate, intervene in the delivery of the budget

The Authority required the review to be complete in January in order to inform the budget sign-off process and, specifically, the Combined Authority Board (the Board) meeting scheduled for 30 January 2019.

## Approach

Following an initial scoping meeting with the Chief Executive, C.Co met with the Interim Finance Director and Finance Manager immediately after the Christmas break to discuss the context and process to complete the 2019/20 budget and to table an initial document request. The document request was completed in full by the Interim Finance Manager.

A detailed document review formed the principal basis of this review and enabled C.Co to determine its initial findings, to seek clarification where appropriate and to determine its emerging recommendations. This stage of the review identified a number of additional document requests which were again completed in full. Particularly relevant was the draft budget report presented to the Board on 28 November, the specific recommendations contained within the minutes and the subsequent development of the content and presentation of the draft, final budget report for the 30 January Board. The full list of documents reviewed, split initial and subsequent, is attached at Appendix 1.

An initial summary document was produced and shared with the Chief Executive on 18 January. This document enabled C.Co to present its approach, initial findings and emerging recommendations. It provided an opportunity for the Authority to challenge the findings, provide additional information to mitigate recommendations and request, within the scope of the review, any further meetings with Authority employees.

Please note that all observations and findings represent a ‘true and fair view’ based upon discussions with key officers and the documentation provided.

## Third Party Assurance

In undertaking this review within the agreed timescales, C.Co took account and, to a certain extent, relied upon relevant information and documentation provided to the Authority by third party organisations such as their External Auditors (Ernst & Young).

Of particular relevance is Ernst & Young’s assessment of materiality as “£821,000, which is 2% of gross expenditure”; their technical review, and satisfactory conclusion, on Revenue Expenditure from Capital under Statute (REFCUS); and the “Unqualified Audit Opinion” on the 2017/18 financial statements as reported in the Annual Audit Letter (August 2018).

C.Co has also taken account of Authority’s Internal Audit report (March 2018) that provided a ‘Reasonable Assurance’ assessment of the Authority’s corporate governance control framework.

## Executive Summary

Having reviewed the 19 documents referred to in Appendix 1 and following initial and subsequent discussion with key officers, principally the interim Finance Director and Finance Manager, C.Co is satisfied that:

- The Authority has prepared and is in the process of signing off its 2019/20 Budget and Medium Term Financial Plan in accordance with its own policies and procedures as outlined in its Constitution.
- That the 2019/20 Budget’s content, including assumptions and revenue/capital split, are clear and appropriate.
- The Authority has in place robust and comprehensive budget monitoring and reporting processes and procedures that will now include regular reporting to the Combined Authority Board including regular monthly reports and a detailed mid-year review.

There are no material findings and/or failings have been identified as part of this review. A number of non-material recommendations are included to support the enhancement of processes already in place.

# Findings

## Process to produce the 2019/20 Budget

Chapter 7 of the Authority's Constitution (version 5 – 26 September 2018) clearly sets out the formal governance process for the approval of its budget, including that of the Mayor.

A draft budget is required to be submitted to the Combined Authority Board by 31 December each year for consideration and approval to consult upon it. A 2019/20 draft Budget and Medium Term Financial Plan 2019 to 2023 was presented as a public report at the 28 November Cambridgeshire & Peterborough Combined Authority Board.

Minute 270 confirms that the revenue and capital budgets were approved for consultation subject to a review and reduction of Combined Authority overheads in time for publication within the final budget report.

The consultation document and request for comment was made available on the Authority's website on 3 December 2018, with a closing date of Friday 4 January. In addition, a targeted mail out was sent to Overview and Scrutiny members, S151 officers, Chief Executives and Business Board members.

The final budget report is scheduled to be considered at the Authority's Business Board on 30 January 2019. Although approvals are not yet in place, C.Co is satisfied that the draft final report:

- Meets the time dependent requirements of the Authority's Constitution
- Incorporates the Mayor's budget which is subject to a complementary but separate approval process
- Identifies a significant reduction in Combined Authority overheads from the draft report, in particular a reported £1.5m reduction in staffing costs
- Appropriately addresses the reported consultation feedback

## Budget Presentation

As part of this review, a like-for-like comparison was conducted between the Draft Budget and MTFP report (28th November) and the Final Draft intended for the 30 January Board. The January report is much clearer in its presentation and narrative, particularly in regard to control over capital spend. The clear distinction of 'directly controlled' and 'passported' expenditure, with a clear indication of where control and/or decision-making sits supports good governance and clear financial reporting.

The Revenue budget summary table is clearly presented in terms of income and expenditure and net position. The Capital summary table is less clear and adopting a similar format to the Revenue table may improve the presentation of it. A minor improvement would be to show both Revenue and Capital on the same cost basis, Revenue is currently shown as £000s and Capital in £m.

## Assumptions

C.Co's assessment of the Authority's 2019/20 budget has been predominantly a desk-based review of key documents. Our role therefore is to provide an opinion on clarity and consistency of the budget and whether the information provided is sufficient and coherent – in our opinion the budget, its treatment of both Revenue and Capital expenditure and any assumptions therein are clear and transparent.

The one area that would benefit from greater consideration and narrative within the budget report is the impact of the absorption of the Adult Education Budget (AEB) for the area, its employees and expenditure. Although the £12.1m revenue budget is referenced in the report and our understanding is that over 90% of the funding is already committed and will be distributed to relevant projects/organisations, it is not clear what budgetary and operational risk this will bring to the Authority.

## Revenue/Capital Split

Without detailed testing, this review relies upon the quality of the documentation provided, any relevant third-party assurance and the ability to follow up questions/queries with key officers. The split of Revenue and Capital within the 2019/20 Budget and MTFP is clear and consistent with income streams, as stated. Clarification, within the narrative regarding the use of revenue funding for “the feasibility work for major priorities” is particularly helpful. C.Co is satisfied with the split as presented and is confident that the wider governance monitoring and reporting is now in place to support effective delivery and, where appropriate, timely intervention.

## Additional Observations

In reviewing the individual line items within the 2019/20 draft revenue budget, C.Co raise the following (non-material) observations:

- £20k for 'Software and Licenses' appears small for an Authority of this size and may be worth reviewing in light of current and future operational requirements. The immaturity of the Finance System is a corporate risk. As the system and its use mature, particularly in terms of remote technology, there is likely to be an increasing, not flat, spend in this area.
- There is no budget against the line item for 'Recruitment'. This assumes then that there will be no turnover of staff and/or that the cost of future recruitment is being absorbed from within existing salaries. It may be worth clarifying this issue for the final budget report.
- Whilst a staffing evaluation has been undertaken and the budget line reduced accordingly, the £4.8m salary budget should be kept under review, alongside wider corporate overheads, to ensure they are proportionate for the roles and outputs required.

## Financial Governance & Monitoring

Sound Financial Governance enables the Authority to fulfil its strategic objectives, deliver its core services and intervene in a timely, efficient way to address shortfalls in performance and/or delivery. It also enables the Authority to react appropriately and flexibly to new opportunities as they arise.

The 'Governance Tracker' spreadsheet is a useful capture of key governance issues raised by the Authority, its Internal Auditors and acknowledged by the External Auditors Ernst & Young. The document is a helpful reporting tool. However, although the document has an evidence column no references or links to evidence that remedies or mitigates the issues identified are captured.

The 'Tracker' makes specific reference to a number of 'budget setting' and 'budget management' areas for attention'. For the purposes of this review, the Authority's progress is assessed in the following areas:

**Single-year budget setting** – changes to the budget setting process for 2019/20 include the addition of a 4 year Medium Term Financial Plan (MTFP) with an appropriate capture of current and future years' spending proposals. Although evidence is not referenced in the 'Tracker', C.Co has had access to relevant, mitigating evidence in this regard.

**Budget Setting Documentation** – in acknowledging the use of Peterborough City Council's templates for budget documentation purposes the narrative suggests that "there is no need to reference budget cuts" as the Combined Authority is a commissioning organisation. However, the Authority now has an annual revenue budget of around £24m and is responsible for securing the efficient, effective and economic delivery of its operational activity. The minute of the 28 November Board clearly references the challenge and requirement to review salary costs. It is important, that any future efficiency plans are incorporated into budget monitoring and tracking process.

**Financial Reporting** – Internal and External Audit both referenced the need for budget monitoring to be reported wider than just internally to the organisation. A budget monitoring report was taken to the Board on 28 November and there is a commitment to report monthly to the Board moving forward. This commitment was affirmed by the Interim Finance Director during on-site discussion. The 'Budget Monitor' update report provides a comprehensive picture of both revenue and capital income and expenditure in sufficient detail to inform and enable challenge from Board Members and public alike.

**Alignment of Investment & Delivery arrangements** – The development of a 4-year MTFP alongside the 2019/20 budget and Treasury Management Strategy provides greater clarity and oversight of these arrangements. Clarity on 'draw down' approvals provides increased governance to mitigate the related risks.

**Corporate Risk Register** – although the majority of the risks on the register can be argued to be Finance-related, the corporate risk register identifies three main Finance risks, two of which are scored as the Authority's top risks. An underdeveloped 'investment strategy' is the top risk, however the alignment of the 2019/20 Budget, the MTFP and the Investment Strategy, supported by strong reporting and governance, will go some to mitigate this risk. Financial transition is the second risk and is assumed to relate to the absorption of the LEP (Business Board) and the Adult Education Board responsibilities. There is no evidence that this is being poorly managed but the risk score appropriately reflects the impact for the Combined Authority. The addition of an impact statement for the Authority



as a result of these significant changes would enhance the final budget report. The maturity of the finance system reflects the immaturity of the organisation and the “basic processes” it has in place. The risk highlights the need to keep pace with a changing/evolving organisation and its inclusion in the register is appropriate.

It is pleasing to note the evidence of increased rigour regarding ‘contingencies’ between the draft and final Budget reports. For example, Capacity funding, reserved funding for reactive work to emerging ideas, now states ‘utilisation of this funding will require the approval of the Chief Executive’.

## Recommendations

Although no material findings and/or failings have been identified as part of this review. A number of non-material recommendations are provided below to support the enhancement of processes already in place. The recommendations are themed in line with the review scope.

Theme	Recommendation
1. Process	Satisfactory – no recommendation
2. Budget Presentation	a) Review the Capital summary table within the Budget report and, where appropriate, more closely align to the Revenue summary table.
3. Budget Assumptions	<p>Revenue:</p> <ul style="list-style-type: none"> <li>a) Software &amp; Licenses – A flat rate of £20k is budgeted to March 2023 and appears low in the context of an “immature Finance System” and developments in mobile technology. A review of this element is recommended.</li> <li>b) Recruitment – Given the forecast outturn for 2018/19, a zero budget against recruitment appears odd. Clarification on the revenue funding source for future recruitment is recommended.</li> <li>c) Accommodation/Office Running Costs – it would be useful to clarify the distinction between the two.</li> <li>d) Corporate Overheads – accepting that significant progress was made to reduce the salary element of the budget between draft and final budget reports, it would be prudent to review all corporate elements of the budget to ensure that the Authority continues to deliver value for money.</li> </ul>
4. Revenue/Capital Split	Satisfactory – no recommendation
5. Governance	a) The introduction of monthly reporting to the Board, including proposals for a detailed mid-year review, is a positive step from a governance perspective. However, it is important that the content, format and impact of monthly reporting is kept under review to ensure that it continues to support effective delivery of both revenue and capital expenditure.

# Appendices

## Appendix 1 – Document Review List

The key documents reviewed/considered as part of this assurance review were:

Original Document Request:

1. Final signed 2017/18 financial statements
2. Annual Audit Letter (Ernst & Young)
3. Internal Audit - Scoping document for HR process review
4. Internal Audit – Draft Audit Report for 2017/18
5. Outline audit plan for 2018/19 (Ernst & Young)
6. CPCA Corporate Governance review tracker
7. 4 year Business Plan report from May 18
8. 4 year Business Plan MTFP working papers
9. MTFP Board Report to November Board
10. Draft January Board report

Additional/Supplementary Documentation Requested and Reviewed:

11. Final Constitution (September 2018)
12. CPCA Board Minutes (28 November 2018)
13. 2019/20 Budget Consultation Web page
14. 2019/20 Budget Consultation Document
15. 2019/20 Stakeholder Budget Consultation Letter and distribution
16. Budget Monitor Update (28 November Board Agenda)
17. 2018/19 November Budgetary Control Spreadsheet
18. Audit & Governance Committee Minutes (26 March 2018)
19. Corporate Risk Register as reported to Audit & Governance Committee (30 November 2018)



<b>AUDIT AND GOVERNANCE COMMITTEE</b>	<b>AGENDA ITEM No: 5</b>
<b>29 MARCH 2019</b>	<b>PUBLIC REPORT</b>

## **INTERNAL AUDIT: PROGRESS REPORT 2018 / 2019**

### **1.0 PURPOSE**

- 1.1. Internal Audit provide assurance to the Audit and Governance Committee that activities undertaken across the Combined Authority are appropriately managed, monitored and delivered in accordance with set governance, controls and risk management frameworks. This report provides details of the progress made in delivering the approved Audit Plan for 2018 / 2019.

<b><u>DECISION REQUIRED</u></b>	
<b>Lead Officer:</b>	<b>Steve Crabtree, Peterborough City Council</b>
The Audit and Governance Committee is recommended that the progress report from Internal Audit is considered.	

### **2.0 BACKGROUND**

- 2.1. In March 2018 Audit and Governance Committee discussed and agreed the Internal Audit Plan for 2018 / 2019. In accordance with the agreed work programme for Internal Audit, the reports provide an independent and objective opinion on the Combined Authority's effectiveness in managing risk management, governance and the control environment.
- 2.2. The reports will also feed into the Annual Internal Audit report that will be prepared at the end of the financial year. The Annual Report will provide an overall audit opinion on the adequacy and effectiveness of the governance, risk management and internal control processes, based upon the outcome of the reviews completed during the year. This opinion can then be used to feed into the Combined Authority's Annual Governance Statement that accompanies the Annual Statement of Accounts.

- 2.3. **Appendix 1** provides commentary of progress made against the plan.
- 2.4. Since the last report, no frauds / irregularities have been reported to Internal Audit. No additional areas have been referred to Audit for inclusion / consideration as part of their works.

### **3.0 FINANCIAL IMPLICATIONS**

- 3.1. The cost of undertaking Internal Audit activities is contained within the charges contained within the Combined Authority's budget and are set out within the Service Level Agreement. Any increase in the required audit coverage will be agreed with Peterborough City Council on an ongoing basis.

### **4.0 LEGAL IMPLICATIONS**

- 4.1. The Accounts and Audit Regulations 2015, Regulation 5, requires 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 SIGNIFICANT IMPLICATIONS**

- 5.1. There are no direct wider CPCA implications arising from this report.

### **6.0 APPENDICES**

- 6.1. Appendix 1: Internal Audit Plan 2018 / 2019: Progress

<u><b>Source Documents</b></u>	<u><b>Location</b></u>
List background papers:	

**APPENDIX 1**

## **INTERNAL AUDIT PLAN 2018 / 2019 PROGRESS REPORT**

**ANNUAL REPORT**

1. Introduction
2. Summary of Audit Reviews

This report has been prepared for the use of Members and management of the Cambridgeshire and Peterborough Combined Authority. Details may be made available to specified external organisations, including external auditors, but otherwise the report should not be used or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

The matters raised in this report are only those that came to our attention during the course of our work – there may be weaknesses in governance, risk management and the system of internal control that we are not aware of because they did not form part of our work programme, were excluded from the scope of individual audit engagements or were not brought to our attention. The opinion is based solely the work undertaken as part of the agreed Internal Audit plan.

## 1. **INTRODUCTION**

- 1.1 The purpose of this report is to bring the Audit and Governance Committee up to date with the progress made against the delivery of the 2018 / 2019 Internal Audit Plan.
- 1.2 The Committee has a responsibility to review the effectiveness of the system of internal controls and to monitor arrangements in place relating to corporate governance and risk management arrangements. Internal Audit is an assurance function which provides an independent and objective opinion to the organisation on the control environment, comprising risk management, control and governance. This work update provides the Committee with information on recent audit work that has been carried out to assist them in discharging their responsibility by giving the necessary assurances on the system of internal control.
- 1.3 The information included in this progress report will feed into, and inform our overall opinion in our Internal Audit Annual Report issued at the year end. Where appropriate each report we issue during the year is given an overall opinion based on the following criteria:

<b>TABLE 1: ASSURANCE RATINGS</b>	
<b>Opinion / Assurance</b>	<b>Description</b>
SUBSTANTIAL	The internal control system is well designed to meet objectives and address relevant risks, and key controls are consistently applied. There is some scope to improve the design of, or compliance with, the control framework in order to increase efficiency and effectiveness.
REASONABLE	The internal control system is generally sound but there are some weaknesses in the design of controls and / or the inconsistent application of controls. Opportunities exist to strengthen the control framework and mitigate further against potential risks.
LIMITED	The internal control system is poorly designed and / or there is significant non-compliance with controls, which can put the system objectives at risk. Therefore, there is a need to introduce additional controls and improve compliance with existing ones to reduce the risk exposure for the Authority.
NO	There are significant weaknesses in the design of the internal control system, and there is consistent non-compliance with those controls that exist. Failure to improve controls will expose the Authority to significant risk, which could lead to major financial loss, embarrassment or failure to achieve key service objectives.

## 2. **SUMMARY OF AUDIT REVIEWS COMPLETED**

- 2.1 The Audit Plan is re-profiled throughout the year when the risks profile of the Combined Authority changes and to react to emerging issues, management requests or Audit and Governance Committee requests. Following on from its initial approval, additional reviews have been requested. This has increased the number of days to be delivered from 75 to 105 days. This is reflected in the Service Level Agreement provided to Finance.
- 2.3 Progress against the works to date are as follows:

<b>TABLE 2: AUDIT PLAN PROGRESS</b>	
<b>AUDITED AREAS</b>	<b>AUDIT OPINION</b>
<p><b>BEIS LEP PROJECT GRANTS</b></p> <p>The Greater Cambridge and Greater Peterborough Local Enterprise Partnership (GCGP LEP) was a recipient of a grant from the Department for Business, Energy and Industry Strategy. When it ceased to operate as of 1 April 2018, its functions were transferred to the CPCA and was replaced by the Business Board.</p> <p>Internal Audit were commissioned to review the adequacy, or otherwise, of the financial records maintained and ensure that the grant sums claimed were in line with its conditions.</p> <p>The deadline for approval and return to BEIS was 25 June 2018.</p> <p><i>(This audit did not form part of the original audit plan as the LEP was at the time considered outside of scope of the CPCA).</i></p>	<p>Following review of the financial records maintained, supporting documentation and the grant conditions imposed, we were able to confirm that the monies claimed were appropriate.</p> <p>The grant letter was signed and issued in line with the timetable.</p> <p><b>Opinion: Grant conditions met</b></p>
<p><b>TRANSPORT GRANTS</b></p> <p>Four grants coordinated through the CPCA require a declaration to be sent to the Department for Transport, these being Capital Block Funding; Challenge Fund Tranche 2A; Local Transport Grant and Pothole Action Fund.</p> <p>Based on the determination letters, monies are spent separately by PCC and CCC. Where monies are spent directly by County they undertake a review of the appropriateness of spending and provided statement returns to that effect. Similar arrangements were undertaken by PCC.</p> <p>As Chief Internal Auditor for the CPCA, I have looked to place reliance on their works.</p>	<p>Following review of claims and completed statements we confirmed to DfT that monies had been spent in line with the determination letters.</p> <p><b>Opinion: Grant conditions met</b></p>



<p><b>TREASURY MANAGEMENT</b></p> <p>As part of the original audit plan, due to the Treasury Management Strategy being agreed, a review was undertaken as to how the processes were being delivered and monitored.</p> <p>The work is complete and a final report was issued on 8 March 2019.</p>	<p>The <b>overall opinion</b> is '<b>Reasonable</b>', reflecting an internal control framework that is generally sound but with opportunities to strengthen further.</p> <p>Recommendations include introducing the approval and documentation of investment decisions and updating the authorisation matrix, which will enhance the audit trail and ensure clarity of accountability.</p> <p>Although we plan to follow-up audits within 6 months, we have been advised that 4 of the 8 recommendations have already been implemented.</p>
<p><b>LEP GOVERNANCE (NEW REQUIREMENT)</b></p> <p>Discussions at the Informal Audit and Governance Committee meeting 22 May 2018 considered the LEP transfer into CPCA. It was noted that a temporary Business Board had been created to oversee a number of the decision making processes until such time that appropriate business leaders are appointed. A separate report at the Audit and Governance Committee in 28 September 2018 provided further details at to the arrangements in relation to the LEP and the Business Board going forward together with member appointments.</p> <p>The LEP has to have its governance arrangements approved by February each year. A national study was undertaken earlier in 2018 – the Mary Ney review – and this reviewed the workings of all LEPs to build on best practice so as to provide recommendations to make all LEPs “best in class”. As a result of this the previous assurance framework has been extensively revised.</p> <p>CPCA are due to have submitted their assurance framework in November.</p> <p>We have reviewed the contents of the Assurance Framework for consistency across the organisation. Furthermore, it has been externally validated and signed off as appropriate by CLGU.</p> <p>We have concluded our fieldwork and the report is being drafted.</p> <p>Due to the similarities between the LEP Assurance Framework and the Local Code of Corporate Governance, we note that the CPCA has taken the decision to reduce the level of bureaucracy by combining into one document. This is scheduled for production in March 2019.</p>	<p>Report being prepared.</p>

<p><b>PROJECTS: ADULT EDUCATION BUDGETS</b></p> <p>Adult Education Budgets are due to be devolved to the CPCA from 2018 / 2019. A report was been submitted to the Board earlier in the summer as well as Audit and Governance Committee.</p> <p>Our review has incorporated:</p> <ul style="list-style-type: none"> <li>• Consulting on and attending an Assurance and Knowledge Working Group with the Education and Skills Funding Agency and other MCAs on assurance processes and the agreement of an assurance MOU for the first year of service delivery. A series of meetings have taken place throughout October, November and December. A MOU has been produced and audit involvement has concluded for this area of activity.</li> <li>• Undertaking a health / compliance review of the AEB Project to date to ensure that information contained within Readiness Conditions are being followed in accordance with project delivery and timelines.</li> </ul>	<p>Fieldwork has concluded and report being produced.</p>
<p><b>PROJECTS: EAST CAMBRIDGE TRADING COMPANY</b></p> <p>Internal Audit has identified the allocation of monies for housing projects in relation to the East Cambridge Trading Co. Ltd as an area for review. Initial reviews have taken place in relation to this.</p> <p>It should be noted the scope of the work was increased to cover the more recent loan of £24.4m and further information is awaited in this regard.</p>	<p>–</p>
<p><b>CORPORATE GOVERNANCE</b></p> <p>The original audit plan was to focus on areas which had not been developed or embedded previously. However, following Audit and Governance Committee the scope for this review was extended to include additional areas which had been identified. The scoping document was included on the last agenda.</p> <p>Fieldwork has been completed and a draft report issued in relation to the main areas. Key points were discussed at the Governance Workshop.</p> <p>Separate points of clarification are being sought about the relationship and improvements in concerning the CPCA and the CPSB.</p>	<p>Draft report issued.</p> <p>A separate report will cover the CPCA / CPSB.</p>

**FUTURE PROPOSALS**

Since the last Audit and Governance Committee:

- No fraud / irregularities have been reported to Internal Audit
- No new areas have been identified, however the Audit Plan remains a fluid document which will be reviewed regularly.



<b>AUDIT AND GOVERNANCE COMMITTEE</b>	<b>AGENDA ITEM No: 6</b>
<b>29 MARCH 2019</b>	<b>PUBLIC REPORT</b>

## **TREASURY MANAGEMENT STRATEGY**

### **1.0 PURPOSE**

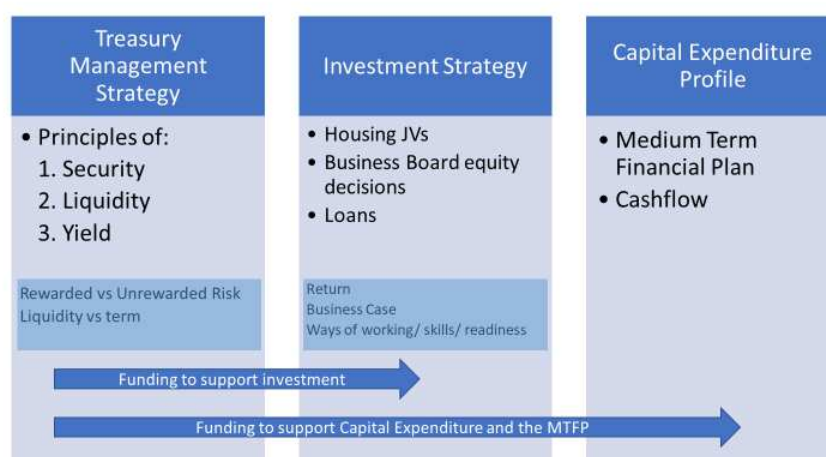
- 1.1. The purpose of this report is for the Audit and Governance Committee to receive an update on the development of the Combined Authority's draft Treasury Management Strategy for 2019/20.

<b><u>DECISION REQUIRED</u></b>	
<b>Lead Officer:</b>	<b>Noel O'Neill, Interim Chief Finance Officer</b>
<p>The Audit and Governance Committee is recommended to:</p> <p>(a) Note the development of the draft Treasury Management Strategy for 2019/20</p>	

### **2.0 BACKGROUND**

- 2.1. According to its Terms of Reference, the Audit and Governance Committee shall "ensure there is effective scrutiny of the treasury management strategy and policies in accordance with CIPFA's Code of Practice".
- 2.2. The Treasury Management in the Public Services: Code of Practice 2011 recommends that Members receive regular reports on the authority's treasury management policies, practices and activities, including an annual strategy in advance of the new financial year.
- 2.3. This report presents the first draft of the annual strategy for 2019/20.

- 2.4. The Combined Authority currently receives Treasury Management support through a Finance Service Level Agreement with Peterborough City Council. The Combined Authority recognises the responsibility for treasury management decisions remains with the Combined Authority, and also the value of employing external providers in order to access specialist skills and advice.
- 2.5. Whilst the Combined Authority has had access to specialist treasury management service providers through its relationship with Peterborough City Council, it is now appropriate for the Combined Authority to employ its own specialist providers directly.
- 2.6. An early requirement for the CPCA appointed providers will be to review the draft Treasury Management Strategy and recommend improvements to make it more appropriate for the current and future financial requirements, constraints and priorities of the Combined Authority.
- 2.7. A revised version of the Treasury Management Strategy will be presented to the Audit and Governance Committee when this exercise has been completed.
- 2.8. Previous treasury management update reports have identified categories of investment as set out in the table below



- 2.9. Surplus cash balances will be held in accordance with the principles set out in the Treasury Management Strategy in order to support strategic investment decisions and the Capital Programme and the Medium Term Financial Plan (MTFP).
- 2.10. The 2019/20 budget was approved after consultation by the Combined Authority Board in January 2019, alongside the MTFP which sets out the Capital programme for the three year period to 2021/22.
- 2.11. The draft Treasury Management Strategy reflects the objectives of the MTFP, and the cashflow forecast required to deliver it. The Treasury Management Strategy needs to ensure that funds are secure and available when required to support the Capital programme.

2.12. The purpose of the attached Treasury Management Strategy is to:

- (a) Manage external investments
- (b) Ensure debt is prudent and economic
- (c) Produce and monitor prudential indicators, and
- (d) Ensure that decisions comply with regulations

2.13. The Prudential Code underpins the system of capital finance. Prudential indicators are developed to ensure that:

- (a) Capital investment plans are affordable;
- (b) All external borrowing and other long-term liabilities are within prudent and sustainable levels; and
- (c) Treasury management decisions are taken in accordance with professional good advice.

2.14. Where it is necessary for investments to be undertaken in order to manage the Combined Authority's cash flows, the Combined Authority's primary principle is for the security of its investments. To support this principle, the Combined Authority will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security and monitoring their security.
- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed.

2.15. A Cashflow forecast has been developed based on the draft MTFP, with assumptions made on anticipated funding receipts and the drawdown of funds required to service future Revenue and Capital expenditure.

2.16. The Treasury Management Strategy will allow the Combined Authority to investigate the appropriateness of offerings to the market in light of the Combined Authority's risk appetite and the advice of independent advisors. Any potential investment identified would be subject to a full due diligence review.

2.17. The Combined Authority currently operates a restrictive lending list due to the continued economic uncertainty. Surplus cash is only invested for short periods with Barclays. The Combined Authority also invests with other Local Authorities, the Debt Management Office (DMO) and with facilities set up with Money Market Funds (MMF).

2.18. The draft Treasury Management Strategy for 2019/20 to 2021/22 is shown at appendix 1.

### **3.0 FINANCIAL IMPLICATIONS**

- 3.1. There are no other financial implications to bring to the Committee's attention other than those covered in the rest of the report.

### **4.0 LEGAL IMPLICATIONS**

- 4.1. Treasury Management activities have to conform to the Local Government Act 2003, the Local Authorities (Capital; Finance and Accounting) (England) Regulations 2003 (SI 2003/3146), which specifies that the Authority is required to have regard to the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice and also the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414), which clarifies the requirements of the Minimum Revenue Provision guidance. Local authorities must have regard to DCLG statutory investment guidance.

### **5.0 SIGNIFICANT IMPLICATIONS**

- 5.1. None.

### **6.0 APPENDICES**

- 6.1. Appendix 1 – Draft Cambridgeshire and Peterborough Combined Authority (CPCA) Treasury Management Strategy 2019/20.

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



**CAMBRIDGESHIRE  
& PETERBOROUGH**  
COMBINED AUTHORITY

# Treasury Management Strategy 2019/20 to 2021/22



## **1. Introduction**

### **1.1. Background**

1.1.1. The Combined Authority is required to operate a balanced budget, which means that cash raised through the year will meet cash expenditure. The Treasury Management Strategy (TMS) has four fundamental roles:

- Manage External Investments - Security, Liquidity and Yield
- Ensure Debt is Prudent and Economic
- Produce and Monitor the Prudential Indicators
- To ensure that decisions comply with regulations.

1.1.2. The role of treasury management is to ensure cash flow is adequately planned so that cash is available when it is needed. Surplus monies are invested in low risk counterparties commensurate with the Combined Authority's risk appetite ensuring that security and liquidity are achieved before considering investment return.

1.1.3. The second main function of the treasury management service is the funding of the Authority's capital plans. These capital plans provide a guide to the borrowing need of the Authority, essentially the longer-term cash flow planning, to ensure that the Authority can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Authority risk or cost objectives.

1.1.4. The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

1.1.5. Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.

1.1.6. CIPFA defines treasury management as:

*“ The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”*

1.1.7. Revised reporting is required for the 2019/20 reporting cycle due to revisions of the MHCLG Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes include the introduction of a capital strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011.

## 1.2. Reporting Requirements

### 1.2.1. Capital Strategy

1.2.2. The CIPFA revised 2017 Prudential and Treasury Management Codes require, for 2019/20, all local authorities to prepare an additional report, a capital strategy report, which will provide the following:

- a high-level long term overview of how capital expenditure, capital financing; and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed;
- the implications for future financial sustainability;

1.2.3. The aim of this Capital Strategy is to ensure that all members fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

1.2.4. This Capital Strategy is reported separately from the Treasury Management Strategy Statement and non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The Capital Strategy will show:

- the corporate governance arrangements for these types of activities;
- any service objectives relating to the investments;
- the expected income, costs and resulting contribution;
- for non-loan type investments, the cost against the current market value;
- the risks associated with each activity.

1.2.5. Where a physical asset is being bought, details of market research, advisers used, (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.

1.2.6. Where the Authority has borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required and why the MHCLG Investment Guidance and CIPFA Prudential Code have not been adhered to.

1.2.7. If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the Capital Strategy.

### 1.3. Treasury Management Reporting

1.3.1. The Combined Authority is required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

1.3.2. **Prudential and Treasury Indicators and Treasury Strategy** - The first report is forward looking and covers:

- the capital plans, (including prudential indicators);
- a Minimum Revenue Provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
- an investment strategy, (the parameters on how investments are to be managed).

1.3.3. **A Mid-Year Treasury Management Report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

1.3.4. **An Annual Treasury Report** – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

1.3.5. **Scrutiny**

1.3.6. The above reports are required to be adequately scrutinised and this role is undertaken by the Audit and Governance Committee.

1.4. **Treasury Management Strategy for 2019/20**

1.4.1. The strategy for 2019/20 covers:

**Capital issues**

- the capital expenditure plans and the associated prudential indicators;
- the MRP policy.

**Treasury management issues**

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Authority;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers.

1.4.2. These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code 2017, the MHCLG MRP Guidance, the CIPFA Treasury Management Code 2017, and the MHCLG Investment Guidance.

1.5. **Training**

1.5.1. The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This requirement is reviewed annually.

1.6. **Treasury Management Advisors**

1.6.1. The Authority recognises that responsibility for treasury management decisions remains with the Authority at all times and will ensure that undue reliance is not placed upon external advisors.

1.6.2. The Authority also recognises that there is value in employing external providers of treasury management services in order to access specialist skills and resources. The Authority will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed, documented and subjected to regular review.

1.6.3. The scope of investments within the Authority's operations may in the near future include both conventional treasury investments, (the placing of residual cash from the Authority's functions), and more commercial type investments, such as investment properties. The commercial type investments require specialist advisers.

## **1.7. Treasury Management Policy Statement**

- 1.7.1. The Treasury Management Policy Statement sets out the policies and objectives of Treasury Management Activities which is revised annually. It reflects April 2018 guidance.
- 1.7.2. The Combined Authority regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.
- 1.7.3. The Combined Authority acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.
- 1.7.4. Investments in the above definition covers all financial assets of the organisation, as well as other non-financial assets which the organisation holds primarily for financial returns such as investment property portfolios. This may therefore include investments which are not managed as part of normal treasury management or under treasury management delegations. All investments require an appropriate investment management and risk management framework.
- 1.7.5. The Combined Authority's high level policies for borrowing and investments are set out below.
- To invest available cash balances with a number of high quality investment counterparties over a spread of maturity dates in accordance with the Combined Authority's lending list.
  - To reduce the revenue cost of any debt the Combined Authority enters into by obtaining financing at the cheapest rate possible.
  - To seek to reschedule or repay debt at the optimum time.

## **1.8. The Treasury Management Role of the Section 73 Officer**

### **The S73 (responsible) officer must do the following:**

- recommend clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submit regular treasury management policy reports;
- submit budgets and budget variations;
- receive and reviewing management information reports;
- review the performance of the treasury management function;
- ensure the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensure the adequacy of internal audit, and liaising with external audit;
- recommend the appointment of external service providers;
- prepare a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long-term and provides value for money;
- ensure that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority;

- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing;
- ensure the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources;
- ensure that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long-term liabilities;
- provide to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees;
- ensure that members are adequately informed and understand the risk exposures taken on by an authority. This is done by regular training presentations to the Audit Committee;
- ensure that the authority has adequate expertise, either in house or externally provided, to carry out the above. This is done by regular attendance at course and conferences and joint working with Link Asset Services;
- create Treasury Management Practices (TMPs) which specifically deal with how non treasury investments will be carried out and managed, to include the following
  - Risk management TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;
  - Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;
  - Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;
  - Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken to the various committees;
  - Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

## 2. Capital Prudential Indicators 2019/20 to 2022/23

- 2.1. The Authority's capital programme is the key driver of the treasury management activity. The output of the capital programme is reflected in the prudential indicators which are designed to assist member's overview and confirm the capital programme.
- 2.2. The Capital expenditure incurred to date is largely REFCUS expenditure (Revenue Expenditure Funded from Capital Under Statute), which is defined as capital for funding purposes but does not form an asset to be carried in the Combined Authority's Balance Sheet. The figures for 2019/20 are taken from the Capital Programme which is part of the Authority's Medium Term Financial Plan.
- 2.3. **Indicator 1** – Capital Expenditure – this Prudential Indicator is a summary of the Authority's estimated capital expenditure for the current financial year (2018/19) and the following three financial years including how it will be funded either from grants, contributions, or capital receipts with the remaining being the 'net financing requirement'

<b>Capital Expenditure</b>	<b>17/18 Actual £m</b>	<b>18/19 Est £m</b>	<b>19/20 Est £m</b>	<b>20/21 Est £m</b>	<b>21/22 Est £m</b>
Transport & Infrastructure	31.3	49.1	56.5	73.1	59.6
New Homes & Communities	3.0	14.0	70.4	65.1	14.7
Education & Skills	0.0	3.2	25.7	35.3	11.0
Corporate	0.0	0.3	0.0	0.0	0.0
<b>Total</b>	<b>34.3</b>	<b>66.6</b>	<b>152.6</b>	<b>173.5</b>	<b>85.3</b>
<b>Financed by:</b>					
Capital grants contributions	(34.3)	(66.6)	(152.6)	(173.5)	(85.3)
<b>Net financing requirement</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

- 2.4. **Indicator 2** – Capital Financing Requirement (CFR) – the CFR is the total historical capital expenditure which has not yet been paid for from either revenue or capital resources. It is a measure of the Combined Authority's underlying borrowing requirement. Any capital expenditure which has not immediately been paid for will increase the CFR.
- 2.5. The Combined Authority currently does not have any debt, but is likely to borrow in the future as part of a wider funding strategy that will support future investment programmes.

<b>Capital Financing Requirement</b>	<b>17/18 Actual £m</b>	<b>18/19 Est £m</b>	<b>19/20 Est £m</b>	<b>20/21 Est £m</b>	<b>21/22 Est £m</b>
CFR brought forward	0.0	0.0	0.0	0.0	0.0
Borrowing	0.0	0.0	0.0	0.0	0.0
Repayment	0.0	0.0	0.0	0.0	0.0
CFR carried forward	0.0	0.0	0.0	0.0	0.0
<b>Movement in CFR</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Net financing requirement	0.0	0.0	0.0	0.0	0.0
Less MRP & other financing	0.0	0.0	0.0	0.0	0.0
<b>Movement in CFR</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

- 2.6. The difference between the borrowing requirement and the movement on the CFR is the MRP recharge made during the year.
- 2.7. **Indicator 3** – Actual and estimates of the ratio of financing costs to net revenue budget. This indicator identifies the proportion of the revenue budget which is taken up in Financing capital expenditure i.e. the net interest cost and the provision to repay debt.

<b>Ratio of gross financing costs to net revenue budget</b>	<b>17/18 Actual</b>	<b>18/19 Est</b>	<b>19/20 Est</b>	<b>20/21 Est</b>	<b>21/22 Est</b>
Total ratio	n/a	n/a	n/a	n/a	n/a

### 3. Minimum Revenue Provision Policy

- 3.1. Capital expenditure is generally expenditure on assets which have a life expectancy of more than one year e.g. buildings, vehicles, equipment, etc. Such expenditure is spread over several years in order to try to match the years over which such assets benefit the local community through their useful life. The manner of spreading these costs is through an annual Minimum Revenue Provision (MRP).
- 3.2. CLG Regulations require the Combined Authority to approve an MRP statement in advance of each year. A variety of options are provided to Local Authorities to calculate this revenue charge and the Authority must satisfy itself that the provision is prudent.
- 3.3. Local Authorities are allowed by statute to use capital receipts for the repayment of any borrowing previously incurred. The application of capital receipts to repay debt would reduce the level of MRP chargeable to revenue, but statutory guidance does not address how such a reduction should be calculated. When the Authority uses its capital receipts to redeem borrowing, the value of the MRP which would otherwise have been set aside for that year will be reduced by the amounts which have instead been repaid from capital receipts. This results in a prudent level of MRP, as there will be no reduction in the overall level of funding set aside to redeem debt.
- 3.4. Below is a table summarising the MRP Policy.

Capital Expenditure Incurred	MRP Policy
Expenditure funded by unsupported borrowing	Asset Life, annuity method – MRP will be based on the prevailing PWLB interest rate for a loan with a term equivalent to the estimated life of the project.
Finance Leases	Charged in relation to asset life on the annuity method
Secured Loans to third parties repaid in bullet form.	No MRP will be charged each year as reliance can be placed on the capital receipt that will be generated when the loan is repaid or, in the event of a default, the realisation of the security. If realisation of the security does not equate to the original loaned amount the Authority will recognise the associated impairment and will charge MRP for the outstanding loan amount over the next MTFS periods.

### 4. Current Treasury Position

- 4.1. The capital expenditure plans set out in Section 2 provide details of the service activity of the Authority. The treasury management function ensures that the Authority's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Authority's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

4.2. The overall treasury management portfolio as at 31 March 2018 and for the position as at 28 February 2019 are shown in the following table .

<b>Treasury Portfolio</b>	<b>Actual 31.03.18 £'000</b>	<b>Actual 31.03.18 %</b>	<b>Current 28.02.19 £'000</b>	<b>Current 28.02.19 %</b>
<b>Treasury Investments</b>				
Banks	11,700	11.9	14,000	8.4
Local Authorities	77,000	78.0	137,500	82.6
DMADF (HM Treasury)	0	0.0	5,000	3.0
Money Market Funds	10,000	10.1	10,000	6.0
<b>Total Treasury Investments</b>	<b>98,700</b>	<b>100.0</b>	<b>166,500</b>	<b>100.0</b>
<b>Treasury External Borrowing</b>				
Local Authorities	0	0.0	0	0.0
PWLB	0	0.0	0	0.0
LOBOs	0	0.0	0	0.0
<b>Total External Borrowing</b>	<b>0</b>	<b>n/a</b>	<b>0</b>	<b>n/a</b>
<b>Net Treasury Investments/(Borrowing)</b>	<b>(98,700)</b>		<b>(166,500)</b>	



- 4.3. **Indicator 4** - The Combined Authority's treasury position at 31 March 2019, with estimates for future years will be entered in the table below as future borrowing requirements become clear. The table below shows the actual external borrowing (Gross Debt) against the CFR.

Gross debt & capital financing requirement	17/18 Actual £m	18/19 Est £m	19/20 Est £m	20/21 Est £m	21/22 Est £m
<b>External Borrowing</b>					
Market Borrowing	0.0	0.0	0.0	0.0	0.0
Repayment of borrowing	0.0	0.0	0.0	0.0	0.0
Expected change in borrowing	0.0	0.0	0.0	0.0	0.0
Other long-term liabilities	0.0	0.0	0.0	0.0	0.0
<b>Gross Debt at 31 March</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
CFR	0.0	0.0	0.0	0.0	0.0
<b>% of Gross Debt to CFR</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>

- 4.4. Based on the prudential indicators there are a number of key measures to ensure that the Combined Authority operates its activities within defined limits. One of these is that the Combined Authority needs to ensure that its total borrowing does not, except in the short term, exceed the total of the CFR in the year plus the estimates of any additional CFR for 2018/19 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.
- 4.5. **Indicator 5** - The Operational Boundary - external borrowing is not normally expected to exceed this limit. If the operational boundary was exceeded this would be reported immediately to the members of the Audit and Governance Committee with a full report taken to the next committee meeting. The Operational Boundary is set out below:

Operational Boundary	17/18 Actual £m	18/19 Est £m	19/20 Est £m	20/21 Est £m	21/22 Est £m
Borrowing	0.00	0.00	74.61	74.61	74.61
Other long term liabilities	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>74.61</b>	<b>74.61</b>	<b>74.61</b>

- 4.6. **Indicator 6 - The Authorised Limit for external borrowing** - this represents a limit beyond which external borrowing is prohibited.

Authorised Limit	17/18 Actual £m	18/19 Est £m	19/20 Est £m	20/21 Est £m	21/22 Est £m
Borrowing	0.00	0.00	84.61	84.61	84.61
Other long term liabilities	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>84.61</b>	<b>84.61</b>	<b>84.61</b>

- 4.7. This is the borrowing cap agreed by HM Treasury with Cambridgeshire and Peterborough Combined Authority in advance of the making of the Combined Authorities (Borrowing) Regulations 2018.

## 5. Prospects for Interest Rates

- 5.1. The Combined Authority utilises the treasury services of Link Asset Services through its relationship with Peterborough City Council who provide Treasury Management Support to the Combined Authority. Part of their service is to assist the Combined Authority to formulate a view on interest rates to assist with borrowing and investment decisions.
- 5.2. The Link Asset Services forecast for bank base rate (as at November 2018) and PWLB new borrowing (as at November 2018) is as follows (note that the PWLB Borrowing Rate includes the Certainty Rate adjustment):

Interest Rate (All rates shown as %)	Bank Rate View	5yr PWLB Rate	10yr PWLB Rate	25yr PWLB Rate	50yr PWLB Rate
<b>Dec-18</b>	0.75	2.00	2.50	2.90	2.70
<b>Mar 19</b>	0.75	2.10	2.50	2.90	2.70
<b>Jun 19</b>	1.00	2.20	2.60	3.00	2.80
<b>Sep 19</b>	1.00	2.20	2.70	3.10	2.90
<b>Dec 19</b>	1.00	2.30	2.70	3.10	2.90
<b>Mar 20</b>	1.25	2.30	2.80	3.20	3.00
<b>Jun 20</b>	1.25	2.40	2.90	3.30	3.10
<b>Sep 20</b>	1.25	2.50	2.90	3.30	3.10
<b>Dec 20</b>	1.50	2.50	3.00	3.40	3.20
<b>Mar 21</b>	1.50	2.60	3.00	3.40	3.20
<b>Jun 21</b>	1.75	2.60	3.10	3.50	3.30
<b>Sep 21</b>	1.75	2.70	3.10	3.50	3.30
<b>Dec 21</b>	1.75	2.80	3.20	3.60	3.40
<b>Mar 22</b>	2.00	2.80	3.20	3.60	3.40

- 5.3. The Authority successfully applied to be one of the principal local authorities that would qualify for the Certainty Rate, during the period 1 November 2018 to 31 October 2019. This results in the Authority being able to benefit from reduced interest rates on PWLB loans by 20 basis points (0.20%). The Authority is assuming that there will be a similar scheme in place when this scheme expires. and will submit a new application accordingly.
- 5.4. The interest rate forecasts provided by Link Asset Services in paragraph 5.2 are predicated on an assumption of an agreement being reached on Brexit between the UK and the EU. In the event of an orderly non-agreement exit, Link Asset Services think it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall. If there was a disorderly Brexit, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.
- 5.5. The balance of risks to the UK:
- the overall balance of risks to economic growth in the UK is probably neutral.
  - the balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

- 5.6. One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed for ten years since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.
- 5.7. Link Asset Services interest rate forecasts, detailed above, are based on their views of the future economic climate, and below are some extracts taken from their economic forecasts:
- The flow of positive economic statistics since the end of the first quarter of 2018 has shown that pessimism was overdone about the poor growth in quarter 1 when adverse weather caused a temporary downward blip. Quarter 1 at 0.1% growth in GDP was followed by a return to 0.4% in quarter 2 and by a strong performance in quarter 3 of +0.6%. However, growth in quarter 4 is expected to weaken significantly.
  - At their November quarterly Inflation Report meeting, the MPC repeated their well-worn phrase that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary or contractionary), than before the crash; indeed they gave a figure for this of around 2.5% in ten years' time, but declined to give a medium term forecast. However, with so much uncertainty around Brexit, they warned that the next move could be up or down, even if there was a disorderly Brexit. While it would be expected that Bank Rate could be cut if there was a significant fall in GDP growth as a result of a disorderly Brexit, so as to provide a stimulus to growth, they warned they could also raise Bank Rate in the same scenario if there was a boost to inflation from a devaluation of sterling, increases in import prices and more expensive goods produced in the UK replacing cheaper goods previously imported, and so on. In addition, the Chancellor could potentially provide fiscal stimulus to support economic growth, though at the cost of increasing the budget deficit above currently projected levels.
  - It is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. Getting parliamentary approval for a Brexit agreement on both sides of the Channel will take well into spring 2019. However, in view of the hawkish stance of the MPC at their November meeting, the next increase in Bank Rate is now forecast to be in May 2019, (on the assumption that a Brexit deal is agreed by both the UK and the EU). The following increases are then forecast to be in February and November 2020 before ending up at 2.0% in February 2022.
  - Inflation. The Consumer Price Index (CPI) measure of inflation has been falling from a peak of 3.1% in November 2017 to 2.1% in December 2018. In the November Bank of England quarterly Inflation Report, inflation was forecast to still be marginally above its 2% inflation target two years ahead, (at about 2.1%), given a scenario of minimal increases in Bank Rate.
  - As for the labour market figures in October, unemployment at 4.1% was marginally above a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to 3.3%, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates less CPI inflation), earnings are currently growing by about 1.2%, the highest level since 2009. This increase in

household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This tends to confirm that the MPC was right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy.

- In the political arena, the Brexit deal put forward by the Conservative minority government was defeated on 15 January. It is unclear at the time of writing, how this situation will move forward. (Officers are likely to need to verbally update members as events are constantly evolving.) However, our central position is that Prime Minister May's government will endure, despite various setbacks, along the route to reaching an orderly Brexit though the risks are increasing that it may not be possible to get full agreement by the UK and EU before 29 March 2019, in which case this withdrawal date is likely to be pushed back to a new date. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary and fiscal policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

## **6. Investment and Borrowing Rates**

- 6.1. Investment returns are likely to remain low during 2019/20 but will be on a rising trend over the next few years.
- 6.2. Borrowing interest rates increased sharply after the result of the general election in June 2017 and then also after the September 2017 MPC meeting when financial markets reacted by accelerating their expectations for the timing of Bank Rate increases. Apart from that, there has been little change in rates during the current financial year. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.
- 6.3. Against this background and the risks within the economic forecast, caution will be adopted with the 2019/20 treasury operations. The Acting Corporate Director: Resources will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.
- 6.4. There will remain a cost of carry to any new long-term borrowing that temporarily increases cash balances. This revenue cost is the difference between borrowing costs and investment returns.

## **7. Borrowing Strategy**

- 7.1. On 8 February 2018, the Director Public Services of HM Treasury approved a cap agreement with the Combined Authority. The terms of this agreement are as follows:
- 7.2. CPCA must continue to ensure that its borrowing is lawful, and must continue to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities.

### **Debt caps**

- 7.3. The debt cap agreement brings into effect annual maximum limits on CPCA's long-term external debt from 2018-19 onwards. "External debt" refers to the closing balance for actual gross borrowing plus other long-term liabilities (as defined in The Prudential Code for Capital Finance in Local Authorities). Short-term external debt (i.e. less than 12 months) does not count towards the agreed limits.

- 7.4. The agreed limits for long-term external debt in each financial year of the agreement are as follows:

£	2018-19	2019-20
CPCA long-term external debt	55,910,000	84,610,000

- 7.5. CPCA will not allow its long-term external debt to exceed the relevant annual limit at any point during the relevant financial year.
- 7.6. The debt agreement, including the final limit on annual long-term external debt (£84,610,000), will remain in effect until superseded by another debt agreement between CPCA and HMT.

## Reviews

- 7.7. The current debt cap agreement will be reviewed before the end of 2019-20.
- 7.8. The debt cap agreement will also be reviewed in light of any initiative, local or national, that has material implications for CPCA borrowing totals. Either CPCA or HMT can request a review, and the parties will seek to agree revised totals within a reasonable period of time, or as otherwise agreed.

## 8. New Borrowing Approaches to Be Considered:

- 8.1. To achieve an even spread of loan maturities so that there is not an exceptional borrowing requirement in any future year. Currently under 10 year money and over 35 year money is historically at a low interest cost.
- 8.2. Link Asset Services have a product that will allow the Combined Authority to borrow from the market at current interest rates with a small premium but not draw down the funds until they are required - 'forward borrow'.

## 9. Treasury Debt Prudential Indicators

- 9.1. There are three debt treasury indicators which ensure debt structure remains within appropriate limits. This manages risk and reduces the impact of any adverse movement in interest rates.
- 9.2. **Indicator 7** – Upper limit on fixed interest rate exposure. This identifies a maximum limit for fixed interest rates based upon the debt position net of investments. This has been set at 100% of the borrowing requirement.
- 9.3. **Indicator 8** - Upper limit on variable rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments. This has been set at 25% of the borrowing requirement.

Interest Rate Exposure (Upper Limits)	17/18 Actual £m	18/19 Est £m	19/20 Est £m	20/21 Est £m	21/22 Est £m
(7) Limits on fixed interest rate net debt	0.00	0.00	74.61	74.61	74.61
% of fixed interest rate exposure	100%	100%	100%	100%	100%
(8) Limits on variable interest rate on net debt	0.00	0.00	18.65	18.65	18.65

<b>Interest Rate Exposure (Upper Limits)</b>	<b>17/18 Actual £m</b>	<b>18/19 Est £m</b>	<b>19/20 Est £m</b>	<b>20/21 Est £m</b>	<b>21/22 Est £m</b>
<b>% of variable interest rate exposure</b>	25%	25%	25%	25%	25%

- 9.4. **Indicator 9** - Maturity structure of borrowing. These gross limits are set to reduce the Combined Authority's immediate exposure to large fixed rate sums falling due for refinancing.

<b>Maturity Structure of borrowing</b>	<b>Upper Limit</b>
Under 12 months	40%
12 months to 2 years	40%
2 years to 5 years	80%
5 years to 10 years	80%
10 years and above	100%

#### **10. Policy on Borrowing in Advance of Need (Future Capital Expenditure)**

- 10.1. The Combined Authority will not borrow more than it requires, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed. However, at any time the Combined Authority may obtain a loan or other financing at what are considered advantageous terms in anticipation of future capital expenditure. The money borrowed will be invested temporarily. The Combined Authority may also borrow in the day-to-day management of its cash flow operations or as an alternative to redeeming higher yielding investments.
- 10.2. The Combined Authority will ensure there is a clear link between the capital programme across the future years and the maturity profile of the existing debt portfolio which supports the need to take funding in advance of capital expenditure.
- 10.3. The Combined Authority will ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered and factored into the MTFP.
- 10.4. Consideration will be given to the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.

#### **11. Investment Strategy Principles**

- 11.1. The Authority's investment priorities will be security first, portfolio liquidity second and then yield, (return).
- 11.2. The Authority's investment policy has regard to the following: -
- MHCLG's Guidance on Local Government Investments ("the Guidance")
  - CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
  - CIPFA Treasury Management Guidance Notes 2018
- 11.3. The MHCLG and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial

investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).

## **12. Investment Counterparty Selection Criteria and Financial Investment Strategy**

- 12.1. Where it is necessary for investments to be undertaken in order to manage the Combined Authority's cash flows, the Combined Authority's primary principle is for the security of its investments. After this main principle the Combined Authority will ensure that:
- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security and monitoring their security.
  - It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Combined Authority's prudential indicators covering the maximum principal sums invested.
- 12.2. The Chief Finance Officer will maintain a counterparty list as set out below. Any revision of the criteria will be submitted to the Board for approval as necessary.
- 12.3. The Combined Authority's minimum criteria will apply to the lowest rating for any institution according to the type of investment account being used. For instance, the credit rating criteria for the use of the Combined Authority's call accounts and Money Market Funds, which are used for short term investments only, will use the Short Term credit ratings in the table shown below if an institution is rated by the three credit agencies and two meet the Combined Authority's criteria and the other one does not, the institution will fall outside the lending criteria. This complies with a CIPFA Treasury Management Panel recommendation in March 2009 and the CIPFA Treasury Management Code of Practice.
- 12.4. In order to minimise the risk to investing, the Combined Authority has clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The Combined Authority uses the creditworthiness service provided by Link Asset Services which uses ratings from all three rating agencies, Fitch, Moody's and Standard and Poor's, as well as Credit Default Swap (CDS) spreads. Link Asset Services monitors ratings on a real time basis and notifies clients immediately on any rating changes or possible downgrades.
- 12.5. Minimum Credit Ratings Criteria – further explanations are given in Appendix 1

<b>Minimum Credit Ratings for Group 2 Banks</b>		
<b>Agency</b>	<b>Short Term</b>	<b>Long Term</b>
Fitch	F1	A
Moody's	P-1	Aa
Standard & Poor's	A-1	A

- 12.6. All credit ratings will be monitored weekly. The Combined Authority is alerted to changes to ratings of all three rating agencies by Link Asset Services
- 12.7. The Combined Authority does not place sole reliance on the use of Link Asset Service's advice as the Combined Authority uses internal expertise and knowledge to make decisions. Market data, market information, information on government support for banks and the credit ratings of that government support are also considered when making treasury decisions.
- 12.8. The criteria for providing a pool of high quality investment counterparties (both Specified and Non-Specified investments), and is shown in the order of use by the Combined Authority, as follows:

- Money Market Funds
  - UK Government (including gilts and the Debt Management Account Deposit Facility (DMADF)).
  - Bank of Scotland call account (part of the Lloyds Banking Group).
  - UK Local Authorities.
  - All of the above would be subject to continuous credit rating reviews
- 12.9. The Combined Authority also uses Barclays Bank, the Combined Authority's own banker. If Barclays fall below the criterion in 12.5 then the following strategy will be followed:
- With regard to the three credit rating agencies, if one reduces its rating but the other two remain the same or improve, no action will be taken with regards to funds held with Barclays, ie maximum of £5m in the call account
- If two or more credit rating agencies reduce their ratings only, as the Combined Authority will still require to use the Barclays accounts for transactional purposes, a maximum balance of £500k will be left overnight to prevent the account becoming overdrawn and incurring overdraft fees
- Seek advice from Link Asset Services
- 12.10. The above action applies to Barclays only due to its status as the Authority's banking provider. Use of other bank accounts would be subject to criteria set out in the point The above approach to Barclay's Bank has been developed following consideration that the Authority needs banking facilities to process daily banking transactions, and such activity presents a lower risk profile compared to investment activity the significant impact, resource requirement, and risk exposure of changing bank provider the possible state and stability of the banking sector and viable alternative suppliers.
- Banks Group 1 - Part nationalised UK banks - Lloyds Banking Group Plc. (Bank of Scotland and Lloyds) and Royal Bank of Scotland Group Plc. (National Westminster Bank, The Royal Bank of Scotland and Ulster Bank Ltd). These banks can be included if they continue to be part nationalised and / or they meet the required ratings.
  - Banks Group 2 – good credit quality - the Authority will only use banks which are UK banks and have the minimum credit ratings criteria relating to the type of investment being undertaken.
  - Building Societies – if they meet the ratings above
  - Money Market Funds - AAA rated by Fitch
- 12.11. The Combined Authority's lending list will comprise of the institutions that meet the investment criteria above. Each counterparty on the list is assigned a counterparty limit as per the table in Appendix 1. Counterparties that no longer meet the investment criteria due to a credit rating downgrade will be removed from the list and any changes will be approved by Combined Authority. Resources. Approval will also be required if any new counterparties are added to the lending list.
- 12.12. Link Asset Services approach to assessing creditworthiness of institutions is by combining credit ratings, credit watches and credit outlooks to produce a colour coding system. The Combined Authority will use counterparties within the following maximum maturity periods, in order to mitigate the risk of investing in these institutions:



Link Asset Services Banding	Description
Blue	1 year (only applies to nationalised / semi nationalised UK banks)
Orange	1 year
Red	6 months
Green	3 months
No colour	The Authority will not invest with these institutions

12.13. The proposed criteria for Specified and Non-Specified investments are shown in Appendix 1 for approval.

12.14. **Indicator 11** - Upper limit for total principal sums invested for over 365 days excluding loans. This limit is set with regard to the Combined Authority's liquidity requirements and to reduce the need for an early sale of an investment, and is based on the availability of funds after each year-end and up-dates are reported to the Audit and Governance Committee at midyear.

Overall limit for sums invested over 365 days	17/18 Actual £m	18/19 Est £m	19/20 Est £m	20/21 Est £m	21/22 Est £m
Principal sums invested 365 days	0.0	0.0	50.0	50.0	50.0

12.15. There have been some new offerings to the market, and to allow the Combined Authority to investigate the appropriateness of these investments, the credit criteria and limits of specified and non-specified investments are to be reviewed in light of the Combined Authority's risk appetite and on the advice of independent advisors. Any investment identified as a result of changes to the existing credit criteria and limits will be subject to a full due diligence review. Changes to limits and credit criteria will be in line with registered providers to allow flexibility in decision making following due diligence.

### 13. Loans Made to Third Parties

13.1. The Combined Authority may make secured loans to third parties to advance the Combined Authority's strategic interests.

13.2. Loans are only made after the Combined Authority's formal decision making process has been followed. This includes formal approval by the Chief Finance Officer

13.3. As part of the formal decision to make the loan, the security for the loan will be assessed as to its adequacy in the event of the third party defaulting on repayment.

13.4. Individual loan agreements provide for the recovery of the capital loan in the event of a default.

13.5. The Authority has approved the secured capital loans to third parties which are set about in the following table.

Third Party Details	Current Loan Advanced	Maximum Exposure
East Cambs Trading Company limited (Haddenham)	£nil	£6.5m
East Cambs Trading Company limited (MOD Ely)	£nil	£24.4m

#### **14. Non-financial investments**

- 14.1. The Combined Authority does not hold any non-financial investments whose purpose is to generate revenue to support core services.

#### **15. Treasury Management Scheme of Delegation**

- 15.1. The following is a list of the main tasks involved in treasury management and who in the Combined Authority is responsible for them:

##### CPCA Board / Audit and Governance Committee

- Receiving and reviewing reports on treasury management policies, practices and activities.
- Approval of Annual Strategy.

##### Audit and Governance Committee / S73 Officer

- Approval of / amendments to the Combined Authority's adopted clauses, Treasury Management Policy Statement and Treasury Management Practices.
- Budget consideration and approval.
- Approval of the division of responsibilities.
- Receiving and reviewing regular monitoring reports and acting on recommendations.

##### Section 73 Officer /Head of Finance

- Reviewing the Treasury Management Policy and procedures and making recommendations to the responsible body.
- Recommending clauses, treasury management policy/practices and making recommendations to the responsible body.
- Submitting regular treasury management reports.
- Submitting budgets and budget variations.
- Receiving and reviewing management information reports.
- Reviewing the performance of the treasury management function.
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
- Ensuring the adequacy of internal audit, and liaising with external audit.
- Recommending the appointment of external service advisors

##### Chief Finance Officer (S73 Officer) in consultation with the Fiscal Portfolio Holder

- Responsibility for any additional minor amendments required to the Treasury Management Strategy be delegated to the Chief Finance Officer in consultation with the Portfolio holder for Fiscal Strategy. All such amendments to be circulated to the Audit and Governance Committee and members of the Combined Authority Board.

## APPENDIX 1

### Specified Investment Credit Criteria and Limits

#### Specified Investment:

- Offer high perceived security such as placements with Central Government Agencies, Local Authorities or with organisations that have strong credit ratings
- They offer high liquidity i.e. short term or easy access to funds
- Are denominated in £ sterling
- Have maturity dates of no more than 1 year
- For an institution scheme to qualify as a 'Specified Investment' it must have a minimum rating (see Section 13.5)

Investment Type	Maximum Maturity Period	Minimum Credit Criteria	Collective Limit £m	Individual Limit £m
Deposit accounts with regulated UK Banks and UK Building Societies	Repayable on call, without notice	Minimum of two short term rating criteria	100	15
Money Market Funds repayable on call, no notice	Call	Minimum rating – AAA (Fitch)	50	10
Debt Management Agency Deposit Facility	6 months currently	UK Government backed	N/A	150
Term Deposits UK Government & Local Authorities	Maturities of up to 1 year	Sovereign risk high security not credit rated	200	20
Term Deposits & Certificates of Deposit Banks Group 1	Maturities of up to 1 year	Minimum of three short term rating criteria	100	75
UK Government & Local Authority Stock Issues	Maturities of up to 1 year	Sovereign risk high security not credit rated	100	20
Term deposits & Certificates of Deposit Banks Group 2	6 months	Minimum of three short term rating criteria	50	10
Forward Term Deposits with Regulated UK Banks	Maturities of up to 1 year	Minimum of three short term rating criteria	100	15

### Non-specified Investment Credit Criteria and Limits

- With the same institutions classified as “specified” investments but have maturity dates in excess of one year, or
- Are offered by organisations that are not credit rated or the credit rating does not meet the criteria set out above

Investment Type	Maximum Maturity Period	Minimum Credit Criteria	Collective Limit £m	Individual Limit £m
Term deposits with UK Government & Local Authorities	1-5 years	Sovereign risk high security not credit rated	200	20
Term deposits & Certificates of Deposit with Banks Group 1	1-5 years (tradable)	F1(Fitch - short term) AAA (long term)	10	10
UK Government & Local Authority Stock Issues	1-10 years (tradable)	Sovereign risk high security not credit rated	10	10
Term deposits & Certificates of Deposit with Banks Group 2	1-5 years (tradable)	F1 (Fitch-short term) A (long term)	20	10
Deposit accounts with regulated UK building societies	1 – 5 years	F1 (Fitch short term) A (long term)	5	5
Term deposits UK building societies no formal credit rating	Up to 1 year	Financial position assessed by Interim Corporate Director: Resources	5	5
Bonds issued by financial institution guaranteed by UK Govt	1-10 years (tradable)	UK Govt backed AAA (Fitch, S&P etc.)	5	5

<b>Explanation of credit ratings</b>		
<b>Agency</b>	<b>Short Term</b>	<b>Long Term</b>
Fitch	F1-Highest short-term credit quality. Indicates the strongest intrinsic capacity for timely payment of financial commitments; a “+” may be added to denote any exceptionally strong credit feature.	A-High credit quality. ‘A’ ratings denote expectations of low credit risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.
Moody’s	P-1-superior ability to repay short-term debt obligations	Aa-high quality and are subject to very low credit risk
Standard & Poor’s	A-1-The obligor’s capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor’s capacity to meet its financial commitment on these obligations is extremely strong.	A-more susceptible to the adverse effects of changes in circumstances and economic conditions. However the obligor’s capacity to meet its financial commitment on the obligation is still strong.



<b>AUDIT AND GOVERNANCE COMMITTEE</b>	<b>AGENDA ITEM No: 7</b>
<b>29 MARCH 2019</b>	<b>PUBLIC REPORT</b>

## **AUDIT PLAN 2018/19**

### **1.0 PURPOSE**

- 1.1. The purpose of this report is to receive and approve the final audit planning report 2018/19 as prepared by Ernst & Young LLP (EY).

<b><u>DECISION REQUIRED</u></b>	
<b>Lead Officer:</b>	<b>Jon Alsop, Head of Finance Suresh Patel, Associate Partner, EY</b>
<p>It is recommended that the Audit and Governance Committee:</p> <ol style="list-style-type: none"><li>1. Receive the Final Audit Plan for 2018/19 and consider:<ul style="list-style-type: none"><li>• whether the planned audit is aligned with the Committee's expectations</li></ul></li><li>2. Note the planned audit fees for the year.</li></ol>	

### **2.0 BACKGROUND**

- 2.1. According to its Terms of Reference, the Audit and Governance Committee shall consider the annual external audit of the Combined Authority's accounts.

- 2.2. The Final Audit Plan for 2018/19 as shown at appendix A is an update to the Outline Audit Plan previously presented to the Committee in November 2018. This final version follows the completion of EY's risk assessment procedures and sets out how EY intends to carry out their responsibilities as auditor.
- 2.3. The purpose of the plan is to provide the Audit and Governance Committee with a basis to review EY's proposed audit approach and scope for the 2018/19 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.
- 2.4. The Committee is asked to review the planned audit approach to ensure that it is aligned with the Committee's service expectations, and to consider whether there are other matters which may influence the audit.

### **3.0 FINANCIAL IMPLICATIONS**

- 3.1. The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code.
- 3.2. The fee for the planned code work is £26,950. Additional fees of £3,500 are expected for EY's 'value for money' code work and £1,000 for EY's work on the severance of the Chief Executive. Further costs will be incurred for additional code work on capital accounting issues.
- 3.3. All additional code work fees are subject to agreement with the S73 Officer and PSAA.

### **4.0 LEGAL IMPLICATIONS**

- 4.1. None.

### **5.0 SIGNIFICANT IMPLICATIONS**

- 5.1. None.

### **6.0 APPENDICES**

- 6.1. Appendix A: The CPCA Final Audit Plan 2018/19.

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





# **Cambridgeshire & Peterborough Combined Authority Final Audit planning report**

Year ended 31 March 2019

11 March 2019



11 March 2019

Audit & Governance Committee  
Cambridgeshire & Peterborough Combined Authority

Dear Members of the Audit & Governance Committee

Audit planning report

We are pleased to attach the Final Audit Plan for 2018/19 following the completion of our risk assessment procedures. This plan is an update to the Outline Audit Plan which we presented to the November 2018 meeting. The main changes relate to the risks we have identified, some based on information provided to us. We include a summary of these changes on the next page.

The Plan sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit & Governance Committee with a basis to review our proposed audit approach and scope for the 2018/19 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our current assessment of the key risks driving the development of an effective audit for the Combined Authority, and outlines our planned audit strategy in response to those risks.

This report is intended solely for the information and use of the Audit & Governance Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 29 March 2019 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Suresh Patel

Associate Partner

For and on behalf of Ernst & Young LLP

## Summary of changes to the risks identified for 2018/19

	Risk / area of focus	Outline Plan	Final Plan	Reason for change
1	Risk of fraud in revenue and expenditure recognition	Fraud risk	Not included	We have rebutted this risk but retain the risk around capital expenditure (see 3)
2	Misstatements due to fraud or error - management override of controls	Fraud risk	Fraud risk	n/a
3	Inappropriate capitalisation of revenue expenditure	Fraud risk	Fraud risk	No change but clearer link with management override of controls
4	New accounting standards	Area of focus	Area of focus	n/a
5	Severance payment to ex-CEO	Area of focus	Area of focus	n/a
6	Governance & financial arrangements of the Business Board	Area of focus	<ul style="list-style-type: none"> <li>Area of focus for the opinion</li> <li>VFM conclusion significant risk</li> </ul>	Separation of risks relating to the opinion and VFM conclusion
7	Revisit prior year VFM conclusion (VFMC) findings	Significant risk - VFMC	Significant risk - VFMC	n/a
8	Potential for accelerated delivery processes	Not identified	Significant risk - VFMC	New information
9	Robustness of the budget and the Medium Term Financial Strategy	Not identified	Significant risk - VFMC	New information

# Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/>). The 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 and further guidance (updated April 2018)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit & Governance Committee and management of Cambridgeshire & Peterborough Combined Authority (the Combined Authority) in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit & Governance Committee, and management of the Combined Authority those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit & Governance Committee and management of the Combined Authority for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.





01

# Overview of our 2018/19 audit strategy





## Overview of our 2018/19 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

### Audit risks and areas of focus

Risks	Risk identified	Change from PY	Details
Management Override: Misstatements due to fraud or error	Fraud risk	No change in risk	As identified in ISA 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 would otherwise appear to be operating effectively.
Risk of inappropriate capitalisation of revenue expenditure	Fraud risk	New risk	Given the nature of the Combined Authority's funding and its activities we have identified that the specific risk of management override is inappropriate capitalisation of revenue spending.

In addition to the risks outlined above we have identified two areas of audit focus.

Severance payment made to departing Chief Executive	The Chief Executive left the employment of the Authority at the end of September 2018 by mutual agreement with a severance payment. The Authority needs to ensure that it has acted lawfully and reasonably and makes the necessary disclosures in its statement of accounts.
New Accounting Standards	For 2018/19 the Authority needs to consider the new accounting standards relating to financial instruments (IFRS 9) and revenue from contracts (IFRS 15). The Authority needs to assess and evaluate the implications of these new standards on the 2018/19 statement of accounts.
Governance and financial arrangements of the Business Board	The Authority has established the Business Board to take on the role of the LEP and has put in place a governance structure and an assurance framework. The Authority needs to ensure that these arrangements are appropriate.

## Overview of our 2018/19 audit strategy

### Value for money conclusion

For 2017/18 we concluded that the Authority had the relevant proper arrangements in place to secure effective use of its resources. However, we reported that in light of the relatively short time since the Authority was established, there were aspects of the Authority's arrangements that had only been put into place at the end of the financial year. For 2018/19 we will revisit those arrangements to seek assurance from the Authority that they are not only in place but also demonstrating the outcomes that they have been designed to deliver. We recognise this as a significant risk for the value for money conclusion.

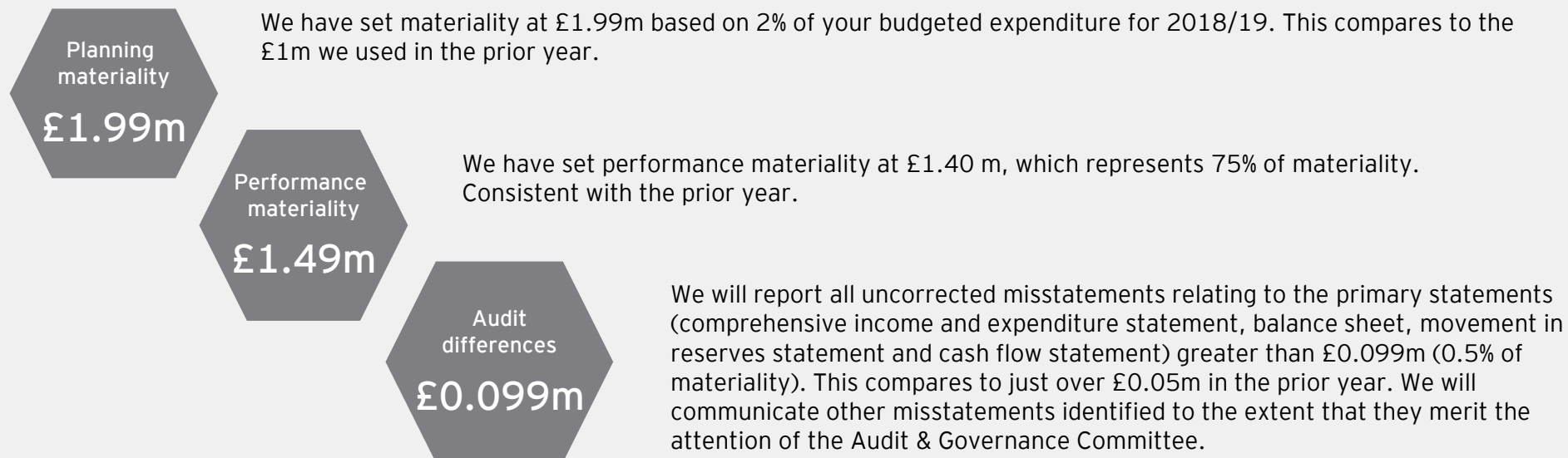
In addition, we will consider the two areas of focus outlined in the table on page 6, relating to the departure of the Chief Executive and the governance arrangements of the Business Board, as part of our assessment of the Authority's proper arrangements to secure value for money. We recognise the latter issue as a significant risk.

Finally and in light of information brought to our attention during the year, we have also identified as significant risks the potential for accelerated delivery processes and the robustness of the Authority's budget and medium term financial plan. We outlined these risks below.

VFM significant risk	Details
Governance and financial arrangements of the Business Board.	The Authority needs to ensure that it has appropriate governance and financial arrangements in place for the Business Board.
Accelerated deliver processes for Authority projects and schemes	The Authority may look to accelerate the delivery process for some of its major projects and schemes increasing the risk that proper arrangements are not in place to secure VFM.
Robustness of the budget and medium term financial plan	Following concerns raised by Members, the Authority has commissioned an independent external review of its 2018/19 budget and medium term financial plan.

## Overview of our 2018/19 audit strategy

### Materiality



The amount we consider material at the end of the audit may differ from our initial determination. At this stage however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

### Audit team changes

For 2018/19 Suresh Patel remains your Engagement Lead, as he has done since you were established. We have made a change to your Audit Manager, due to some internal moves, with Melanie Richardson replacing Kay McClennon. Melanie has the same length of experience as Kay and currently manages the audits of local authorities in Cambridgeshire and Suffolk.



## Overview of our 2018/19 audit strategy

### Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of the Authority give a true and fair view of the financial position as at 31 March 2019 and of the income and expenditure for the year then ended; and
- Our conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Authority's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Authority.



## 02 Audit risks





## Audit risks

### Our response to significant risks

#### Management Override: Misstatements due to fraud or error

*(Fraud Risk)*

#### What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error due to management override of internal controls.

As identified in ISA (UK and Ireland) 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.

For the Authority, we have assessed that this risk could manifest in:

- Inappropriate journal entries; specifically manual journals posted by management in the preparation of the financial statements.
- Significantly unusual transactions entered into by management that are outside of the normal scope of business of the Authority.
- Management bias in key accounting estimates and judgements.

#### What will we do?

We will:

- ▶ Identify fraud risks during the planning stages.
- ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks.
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud.
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determining an appropriate strategy to address those identified risks of fraud.
- ▶ Perform mandatory procedures in relation to journal entries, and other adjustments made in the preparation of the financial statements.
- ▶ Assess the nature of any significantly unusual transactions identified.
- ▶ Consider if management bias is present in the key accounting estimates and judgements in the financial statements.

# Our response to significant risks (continued)

Inappropriate capitalisation of revenue expenditure	What is the risk?	What will we do?
<b>Financial statement impact</b> <p>Misstatements that occur in relation to the risk of fraud in revenue and expenditure recognition could affect the income and expenditure accounts.</p>	<p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>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.</p> <p>The Authority has received capital funding for transport initiatives. However, such initiatives and related projects are currently at the feasibility stage with no associated asset. As a result, this expenditure is likely to be accounted for as revenue.</p> <p>There is a risk that the Authority will override controls to capitalise revenue expenditure inappropriately.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> <li>▶ 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.</li> <li>▶ Verify 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).</li> </ul>

## Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the area of focus?	What will we do?
<p><b><u>New Accounting Standards</u></b></p> <p>The Code requires the Authority to comply with the requirements of two new accounting standards for 2018/19:</p> <ul style="list-style-type: none"> <li>▸ IFRS 9 - Financial Instruments</li> <li>▸ IFRS 16 - Revenue from contracts with customers</li> </ul> <p>There are transitional arrangements within the standards and the 2018/19 Cipfa Code of practice on local authority accounting provides guidance on application.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>▸ Engage early with the Authority on their assessment and evaluation of the impact of each new accounting standard. We will also provide an early view on the Authority's proposed accounting for 2018/19.</li> </ul> <p>If we need to undertake additional audit procedures on the Authority's assessments we will discuss with the Chief Financial Officer the impact on the audit fee.</p>
<p><b><u>Severance payment to departing Chief Executive</u></b></p> <p>The Chief Executive left the employment of the Authority at the end of September 2018 by mutual agreement and a severance payment.</p> <p>Severance payments to senior officers attract a high profile and will need to be reported in the statement of accounts. The Authority needs to ensure it has acted lawfully and reasonably.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>▸ Request and review relevant information from the Authority's Monitoring Officer including legal advice and the rationale for the calculation and composition of the severance payment.</li> <li>▸ Review the proposed disclosure in the 2018/19 statement of accounts.</li> </ul>
<p><b><u>Governance and financial arrangements of the Business Board</u></b></p> <p>The Authority established The Business Board (TBB) on 1 April 2018, taking over from the former Greater Cambridge Greater Peterborough LEP. TBB is now responsible for all former LEP projects and programmes.</p> <p>In October 2018 the Authority published its Assurance Framework aimed at demonstrating how TBB will use public money responsibly and transparently. Given the profile of TBB and the level of funds within TBB's remit, the Authority needs to ensure governance and financial arrangements are appropriate.</p>	<p>For the opinion on the statement of accounts we will:</p> <ul style="list-style-type: none"> <li>▸ Check that the Authority's proposed disclosure of the TBB and its associated transactions in the 2018/19 statement of accounts is in line with the Code.</li> <li>▸ If TBB is disclosed as a separate source of income and/or expenditure, we will test these transactions for appropriate classification.</li> </ul>





03

## Value for Money Risks





# 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 2018/19 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.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice 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"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work. We consider business and operational risks insofar as they relate to proper arrangements at both sector and organisation-specific level. In 2018/19 this has included consideration of the steps taken by the Authority to consider the impact of Brexit on its future service provision, medium-term financing and investment values. Although the precise impact cannot yet be modelled, we anticipate that Authorities will be carrying out scenario planning and that Brexit and its impact will feature on operational risk registers.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. At this stage, this has resulted in us identifying four significant risks which we outline over the page.



## Value for Money Risks

What is the significant value for money risk?	What arrangements does the risk affect?	What will we do? We will...
<p><b><u>Proper arrangements</u></b></p> <p>2017/18 we concluded that the Authority had the relevant proper arrangements in place to secure effective use of its resources. However, we reported that in light of the relatively short time since the Authority was established, there were aspects of the Authority's arrangements that had only been put into place at the end of the financial year. For 2018/19 we will revisit those arrangements to seek assurance from the Authority that they are not only in place but also demonstrating the outcomes that they have been designed to deliver.</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>Seek evidence from the Authority to demonstrate that the proper arrangements put in place during 2017/18 are now operating as designed.</p>
<p><b><u>Governance &amp; Financial arrangements for The Business Board</u></b></p> <p>The Authority established TBB on 1 April 2018. It needs to ensure that the arrangements enable it to secure effective use of its resources.</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>Understand the Authority's arrangements for the governance and financial activity of TBB and evaluate how they support the Authority to secure effective use of resources.</p>
<p><b><u>Accelerated delivery processes</u></b></p> <p>There is potential for the Authority to accelerate delivery processes to increase the speed of project activity. There is a risk that projects may be accelerated without following the Authority's proper arrangements.</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>Select a small sample of projects where the Authority has accelerated delivery processes to check that the Authority's proper arrangements have been adhered to.</p>
<p><b><u>Robustness of the budget and the Medium Term Financial Strategy (MTFS)</u></b></p> <p>In late 2018 Members raised concerns over the robustness of the budget and the MTFS. As a result, the joint Chief Executives commissioned an independent external review of these items.</p>	<ul style="list-style-type: none"> <li>• Informed decision making</li> <li>• Deploying resources in a sustainable manner</li> </ul>	<ul style="list-style-type: none"> <li>▶ Review the findings of the independent external review</li> <li>▶ Form a view on the robustness of the 2018/19 budget and MTFS.</li> </ul>





04

## Audit materiality



# Audit materiality

## Materiality

For planning purposes, we have set materiality for 2018/19 at £1.99m. This represents 2% of the Authority's prior year gross expenditure (£11.74m revenue & £87.61m capital). This is consistent with the prior year. We will reassess materiality throughout the audit. We have provided supplemental information about audit materiality in Appendix C.



We request that the Audit & Governance Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

## Key definitions

**Planning materiality** - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

**Performance materiality** - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £1.49 m which represents 75% of planning materiality.

**Audit difference threshold** - we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, housing revenue account, & collection fund financial statements that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the audit committee, or are important from a qualitative perspective.

**Specific materiality** - We may set a materiality lower than that specified for specific accounts for e.g. remuneration disclosures, related party transactions, and exit packages which reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to this. If this is the case we will confirm this in our Audit Results Report.





05

## Scope of our audit



# Our Audit Process and Strategy

### Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Authority's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

#### 1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

##### Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

##### Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO [delete if not applicable]

#### 2. Arrangements for securing economy, efficiency and effectiveness (value for money)

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.

## Our Audit Process and Strategy (continued)

### Audit Process Overview

#### Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.

For 2018/19 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

#### Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit & Governance Committee.

#### Internal audit:

We will regularly meet with the Head of Internal Audit, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements. We will not rely on Internal Auditor's work and will adopt a fully substantive testing approach.





06

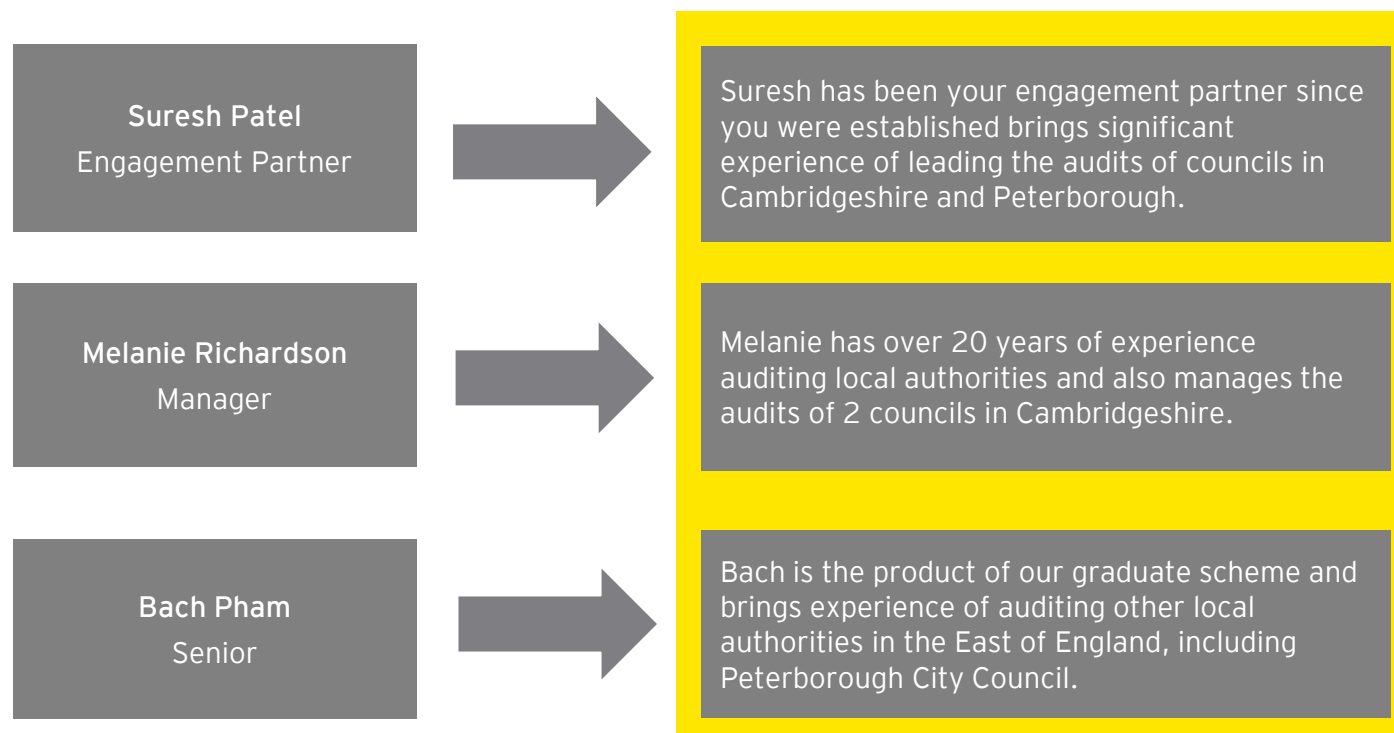
## Audit team



## Audit team

### Audit team structure:

Our audit team will continue to work closely with the Authority's finance team and the accountants at Peterborough City Council to help ensure a smooth and effective audit process.



When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. Based on our current knowledge and understanding of the Authority, there are no experts employed by management. As a result, at this stage, we do not expect to employ any specialists to complete the audit.





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## Audit timeline







## Audit timeline

### Timetable of communication and deliverables

#### Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2018/19. From time to time matters may arise that require immediate communication with the Audit & Governance Committee and we will discuss them with the Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Audit & Governance Committee timetable	Deliverables
Planning: Risk assessment and setting of scopes.	October		
	November	Meeting	Outline Audit Plan
Walkthrough of key systems and processes	December		
	January		
	February		
Testing of routine processes and controls Interim audit testing	March April	Meeting	Final Audit Plan
	May		
Year end audit Audit Completion procedures	June		
	July	Meeting	Audit Results Report Audit opinions and completion certificates
	August - October	Meeting	Annual Audit Letter



08

# Independence



## Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

### Required communications

Planning stage	Final stage
<ul style="list-style-type: none"> <li>▶ The principal threats, if any, to objectivity and independence identified by Ernst &amp; Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;</li> <li>▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;</li> <li>▶ The overall assessment of threats and safeguards;</li> <li>▶ Information about the general policies and process within EY to maintain objectivity and independence.</li> <li>▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard</li> </ul>	<ul style="list-style-type: none"> <li>▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;</li> <li>▶ Details of non-audit services provided and the fees charged in relation thereto;</li> <li>▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;</li> <li>▶ Written confirmation that all covered persons are independent;</li> <li>▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;</li> <li>▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and</li> <li>▶ An opportunity to discuss auditor independence issues.</li> </ul>

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services. We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted. We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

## Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

### Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Suresh Patel, your audit engagement partner and the audit engagement team have not been compromised.

### Self interest threats

A self interest threat arises when EY has financial or other interests in the Authority. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

At the time of writing, there are no non-audit fees.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

### Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements. There are no self review threats at the date of this report.

### Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Authority. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

## Relationships, services and related threats and safeguards

### Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

## Other communications

### EY Transparency Report 2018

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 ended 1 July 2018 and can be found here:

<https://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2018>





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## Appendices



## Appendix A

### Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

The fee for 2018/19 reflects the year 1 of the new 5 year contract awarded by PSAA.

	Planned fee 2018/19	Scale fee 2018/19	Final Fee 2017/18
	£	£	£
Planned Code work	26,950	26,950	35,000
Additional Code work:			
- Capital accounting issues	*TBC	-	1,700
- VFM risks	3,500**	-	2,000
- CEO severance	1,000	-	-
<b>Total Code work</b>	<b>TBC</b>	<b>26,950</b>	<b>38,700</b>
Non-audit services	-	-	-
<b>Total fees</b>	<b>TBC</b>	<b>26,950</b>	<b>38,700</b>

*All fees exclude VAT and all additional fees subject to agreement with s73 officer and PSAA.*

\* *Dependent on the extent of capitalisation issues*

\*\* *Subject to extent of procedures required to address VFM significant risks*

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Authority; and
- ▶ The Authority has an effective control environment.



If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Authority in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

## Appendix B

# Required communications with the Audit & Governance Committee




We have detailed the communications that we must provide to the Audit & Governance Committee.

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	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Outline Audit Plan November 2018 Final Audit Plan March 2019
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 to be presented to the July 2019 Audit & Governance Committee
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <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>	Audit results report to be presented to the July 2019 Audit & Governance Committee






## Appendix B

# Required communications with the Audit & Governance Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Corrected misstatements that are significant</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit results report to be presented to the July 2019 Audit & Governance Committee
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 entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ A discussion of any other matters related to fraud</li> </ul>	Audit results report to be presented to the July 2019 Audit & Governance Committee
Related parties	<ul style="list-style-type: none"> <li>▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</li> <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 entity</li> </ul>	Audit results report to be presented to the July 2019 Audit & Governance Committee
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, 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>	Outline Audit Plan November 2018, Final Audit Plan March 2019 and Audit Results Report to be presented to the July 2019 Audit & Governance Committee

## Appendix B

# Required communications with the Audit & Governance Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
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>	Audit results report to be presented to the July 2019 Audit & Governance Committee
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>▶ Enquiry of the Audit &amp; Governance 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>	Audit results report to be presented to the July 2019 Audit & Governance Committee
Internal controls	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit</li> </ul>	Audit results report to be presented to the July 2019 Audit & Governance Committee
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report to be presented to the July 2019 Audit & Governance Committee
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report to be presented to the July 2019 Audit & Governance Committee
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 to be presented to the July 2019 Audit & Governance Committee
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>	Outline Audit Plan November 2018, Final Audit Plan March 2019 and Audit results report to be presented to the July 2019 Audit & Governance Committee

## Additional audit information

### Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

#### **Our responsibilities required by auditing standards**

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Authority to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, the Audit Committee reporting appropriately addresses matters communicated by us to the Audit Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.

## Additional audit information (continued)

### Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- ▶ The locations at which we conduct audit procedures to support the opinion given on the financial statements; and
- ▶ The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

## EY | Assurance | Tax | Transactions | Advisory

### About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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<b>AUDIT AND GOVERNANCE COMMITTEE</b>	<b>AGENDA ITEM No: 8</b>
<b>29 MARCH 2019</b>	<b>PUBLIC REPORT</b>

## **INTERNAL AUDIT: DRAFT AUDIT PLAN 2019 / 2020**

### **1.0 PURPOSE**

- 1.1 Internal Audit look to provide assurance to the Audit and Governance Committee that activities undertaken across the Combined Authority are appropriately managed, monitored and delivered in accordance with set governance, controls and risk management frameworks. This report sets out how Internal Audit will look to support the Committee.
- 1.2 One element of this support is through the Annual Audit Plan. The Public Sector Internal Audit Standards states that a risk based plan of Internal Audit activity should be prepared to support an annual opinion on the effectiveness of the Authority's systems of governance; risk management and internal control. The Public Sector Internal Audit Standards emphasises the need for a strong working relationship between Internal Audit and the Audit Committee which should include arrangements for Audit Committee to "review and assess the annual internal audit work plan".

<b><u>DECISION REQUIRED:</u></b>	
<b>FROM:</b>	<b>Noel O'Neill</b>
<b>Lead Member:</b>	Steve Count, Cabinet Member (Fiscal)
<b>Lead Officer and Author:</b>	Steve Crabtree, Peterborough City Council
<b>Forward Plan Ref:</b>	<b>Key Decision:</b>
The Audit and Governance Committee is recommended to: 1. Scrutinise, challenge and agree the draft plans for 2019 / 2020 noting the resources proposed	

## 2.0 INTERNAL AUDIT PLANS

2.1 The purpose of this report is to advise Audit and Governance Committee of the development of the 2019 / 2020 Internal Audit Plan for the Combined Authority to facilitate Member input to the planning process by reporting on the approach, key characteristics and proposed audits. The Internal Audit Standards include the development of the annual plan which should:

- Outline the audit areas to focus in the year
- Their respective priorities and estimated resource requirements; and
- Differentiate between audit and other work

2.2 The scale of ongoing change throughout the year means that from an Internal Audit perspective there is a need for a flexible approach to audit planning and assurance work. There will be a need for assurance over key aspects of transition as well as assurance over cover strategies, systems and processes and the Combined Authority systems of governance, risk management and control.

2.3 The approach for 2019 / 2020 will include phases of support and assurance to reflect the needs of the authority in the following areas:

- Projects: Assessment of deliverables;
- Core finance and business activities; and
- Grant claims: assurance and certification of any grant claims (unless undertaken by constituent authorities)

2.4 A draft plan is set out in **Appendix 1** based on current known factors and is based on Peterborough City Council providing **150** audit days. This is an increase on previous years and will need to be reflected in the service level agreement together with representing an increase in cost.

2.5 To support the Committee throughout the year, the audit plan will be regularly reported through to the Committee. The proposals are to:

- Assignments: A written report will be issued to the CPCA following the conclusion of internal audit assignments. The report will include audit findings and recommendations and management responses to them. Should there be adverse conclusions i.e. No or Limited Assurance, the report will be provided for the Committee.
- Progress reports: Throughout the year, the Chief Internal Auditor will report to Audit Committee on progress with delivery against the plan including any necessary changes; findings and assurances from specific audits including any significant control issues identified; and progress made to implement recommendations from previous audit reports.

- Annual Audit Opinion: The Chief Internal Auditor will submit an annual report to Audit Committee which contains their annual assurance opinion and the out turn report against the annual plan. This report summarises audit assignments carried out in the year and assurances provided; reports achievement against the annual plan; and gives an assurance opinion on the adequacy and effectiveness of the internal control system which informs the Authority's Annual Governance Statement.

2.6 While Internal Audit's annual plan provides essential independent assurance over governance, risk management and internal control arrangements other sources of assurance include:

- Member assurance from committee review, scrutiny and approval of key decisions, policies, governance arrangements;
- Management assurance through day to day management review and self-assessment of governance arrangements and financial controls;
- Assurances obtained from Finance, Legal, Human Resources, Procurement teams as well as other officers across the Combined Authority; and
- Reports of External Audit and Inspectors.

### 3.0 FINANCIAL IMPLICATION

The cost of providing Internal Audit is reflected in the service level agreement in place between the Combined Authority and Peterborough City Council and is based upon the provision of 150 days.

### 4.0 LEGAL IMPLICATION

The Combined Authority in conjunction with the s151 Officer are expected to put in place appropriate plans and arrangements to manage and oversee their affairs.

### 5.0 EQUALITIES IMPLICATION

None.

### 6.0 APPENDICES

Appendix 1: Internal Audit Plan 2019 / 2020

<u>Source Documents</u>	<u>Location</u>
Included as part of the Appendices	Attached



## DRAFT AUDIT PLAN 2019 / 2020

Activity	Description	Days
Housing Schemes	Review of selection of projects at all stages (project initiation, robustness of business cases through to delivery and post implementation review)	25
Transport Schemes	Review of selection of projects at all stages (project initiation, robustness of business cases through to delivery and post implementation review)	20
Adult Education Budget	Review of payments / verification processes with education providers	15
Budget Management	Cost centre management responsibilities Monthly returns / forecasting Overheads	25
Human Resources	Review of service provision	20
Performance Management	Review of performance indicators	10
Grant certification	Verification of grants receivable from Department for Transport. This will include review of the assurance provided by Cambridgeshire County Council for monies associated with their expenditure. At present this will include, but not restricted to: <ul style="list-style-type: none"> <li>• Integrated Transport Block</li> <li>• Highways Maintenance</li> <li>• Pothole Action Fund</li> <li>• National Productivity Investment Fund</li> <li>• Drought Damage</li> </ul>	15
Advice and Consultancy	Provision of risk and control advice to officers, senior management and Members	5
Follow Up Provision	Revisit of audits after 6 months to monitor the implementation of recommendations	5
Fraud Assessment	Review of the potential fraud risks across the CPCA and mitigating actions	5

## DRAFT AUDIT PLAN 2019 / 2020

Activity	Description	Days
Annual Audit Planning / Opinion	<p>Production of risk assessed annual audit plan along with reporting on progress of the plan during the year.</p> <p>Production of report detailing work carried out and Head of Audit Opinion on governance, risk and controls in accordance with Public Sector Internal Audit Standards.</p>	5

The Audit Plan is based on **150 days** resource being utilised throughout the year and reflects the current known risks. This is an increase on previous years and will need to be reflected in the Service Level Agreement together with a commensurate increase in the level of recharge.

The Plan will remain under review throughout the year and will be adjusted as appropriate for emerging risks etc. in conjunction with discussions between the Chief Financial Officer and the Chair of Audit and Governance Committee.



<b>AUDIT AND GOVERNANCE COMMITTEE</b>	<b>AGENDA ITEM No: 9</b>
<b>29<sup>th</sup> MARCH 2019</b>	<b>PUBLIC REPORT</b>

## **1.0 COMBINED AUTHORITY BOARD UPDATE**

<b><u>RECOMMENDATIONS</u></b>
<b>Lead Officer: Kim Sawyer – Interim Chief Executive Officer</b>
<p>The Audit and Governance Committee are recommended to:</p> <p>a) consider the updates provided following the meetings of the Board held on the 26<sup>th</sup> September, 31<sup>st</sup> October, 28<sup>th</sup> November 2018, 30<sup>th</sup> January and 27<sup>th</sup> February 2019</p>

## **2.0 BACKGROUND**

- 2.1 This report provides an update on the activities of the Cambridgeshire and Peterborough Combined Authority (CPCA) Board meetings since September 2018 to date.
- 2.2 The decision sheets from those meetings are attached as appendices for the Audit and Governance Committees consideration.

## **3.0 RECOMMENDATION**

- 3.1 That the Audit and Governance Committee are recommended to consider the update provided following the meetings of the Board held on the 26<sup>th</sup> September, 31<sup>st</sup> October, 28<sup>th</sup> November 2018, 30<sup>th</sup> January and 27<sup>th</sup> February 2019

#### **4.0 FINANCIAL IMPLICATIONS**

4.1 There are no direct financial implications arising from the report

#### **5.0 LEGAL IMPLICATION**

5.1 There are no direct legal implications arising from the report,

#### **6.0 APPENDICES**

6.1 Appendix A – Decision Sheet for CPCA meeting 6<sup>th</sup> September 2018

6.2 Appendix B Decision Sheet for CPCA meeting 31<sup>st</sup> October 2018

6.3 Appendix C Decision Sheet for CPCA meeting 28<sup>th</sup> November 2018

6.4 Appendix D Decision Sheet for CPCA meeting 30<sup>th</sup> January 2019

6.5 Appendix E Decision Sheet for CPCA meeting 27<sup>th</sup> February 2019

<b><u>CAMBRIDGESHIRE &amp; PETERBOROUGH COMBINED AUTHORITY-</u></b>	
<b>Decision Summary</b>	
<b>Meeting:</b> 26 <sup>th</sup> September 2018 <a href="http://cambridgeshirepeterborough-ca.gov.uk/meetings/cambridgeshire-and-peterborough-combined-authority-board-4/?date=2018-09-26">http://cambridgeshirepeterborough-ca.gov.uk/meetings/cambridgeshire-and-peterborough-combined-authority-board-4/?date=2018-09-26</a>	

Item	Topic	Decision
	<b>Part 1 – Governance Items</b>	
1.1	Announcements, Apologies and Declarations of Interest	The Mayor introduced and welcomed Aamir Khalid who had been elected Chair of the Business Board at its meeting on 24 September 2018. Apologies were received from Councillor K Reynolds. Councillor Count declared a conflict of interest in relation to Agenda Item No.2.5, and explained that he would be acting in his capacity as Leader of Cambridgeshire County Council rather than Combined Authority Portfolio Holder for Investment and Finance in relation to this item.
1.2	Minutes – 25th July 2018	It was resolved to approve the minutes of the meeting of 25th July 2018 as a correct record.
1.3	Petitions	None received.
1.4	Public Questions	Two questions were received. A summary of the questions and responses is published at the following <a href="#">Cambridgeshire and Peterborough Combined Authority meeting 26/09/2018</a>
1.5	Forward Plan	The Board approved the draft Forward Plan of Executive Decisions, which listed decisions up to 29 May 2019, dated to be published on 1 October 2018.

1.6	Membership of Combined Authority and Committees - Amendments	<p>The Board was advised of amendments to its substitute membership and amendments to the membership of the Overview and Scrutiny Committee. It was resolved to:</p> <ul style="list-style-type: none"> <li>a) note the appointment by Cambridge City Council of Councillor Anna Smith as its substitute member on the Combined Authority Board for the remainder of the municipal year 2018/2019.</li> <li>b) note the appointment by Cambridge City Council of Councillor Dave Baigent as one of its substitute members on the Overview and Scrutiny Committee for the remainder of the municipal year 2018/2019.</li> <li>c) note the appointment by Peterborough City Council of Councillor June Stokes as one of its members on the Overview and Scrutiny Committee for the remainder of the municipal year 2018/19.</li> </ul>
1.7	Review of Constitution – Committee Structure and Other Related Matters	<p>The Board was reminded that it agreed at a previous meeting to establish three committees. It therefore considered proposed amendments to the constitution to take account of this decision. It was resolved:</p> <ul style="list-style-type: none"> <li>a) to approve the amendments to the constitution as set out in Appendix 1 of the report and summarised below.</li> <li>b) to note and agree the Mayor's nominations to portfolios and the membership of the committees including the Chairs of committees as set out in Appendix 2.</li> <li>c) that the Overview &amp; Scrutiny Committee be advised of the amendments to the constitution to include the Overview &amp; Scrutiny Committee's rights to call in these executive committee decisions.</li> <li>d) that a 6 month review of the committee process be undertaken and brought back to the Combined Authority Board in March 2019.</li> </ul>
1.8	Audit and Governance Committee – Annual Report and Constitution Review	<p>The Board was asked to note the Audit and Governance Committee Annual Report. It was resolved to:</p>

		<ul style="list-style-type: none"> <li>a) note the Audit and Governance Committee Annual Report and provide any feedback to the Committee.</li> <li>b) request that the Chief Finance Officer for the Business Board update the Audit and Governance Committee's Terms of Reference to reflect their role in regard to the Business Board for approval by a future meeting of the Board upon the recommendations of the committee.</li> </ul>
1.9	Overview & Scrutiny Committee - Recommendations	<p>Councillor Nethsingha presented a report proposing a public question scheme for the Committee, and requesting a budget be allocated for the Overview and Scrutiny Committee to help support future work. It was resolved to:</p> <ul style="list-style-type: none"> <li>a) agree that the Overview and Scrutiny Committee adopt a public question scheme as outlined in Appendix 2 of the report and that the constitution be amended accordingly.</li> <li>b) agree that an annual budget of £20k be available in the Combined Authority budget to support the work of the Overview and Scrutiny Committee; funds to be allocated subject to specific work programmes.</li> </ul>
1.10	Government review of LEPs - Strengthened Local Enterprise Partnerships	<p>The Government had launched a review of LEPs across the UK on 24 July 2018 with a requirement to respond to the question of geography by 28 September 2018, and separately on governance and performance matters by 31 October 2018. The Board was asked to agree the draft response from the Business Board on the question of geography. It was resolved to:</p> <ul style="list-style-type: none"> <li>a) act as the Accountable Body agree the draft response to Government from the Business Board as set out in Appendix A.</li> <li>b) agree the position on a coterminous boundary between the Local Enterprise Partnership area and Combined Authority area for submission to the Government.</li> <li>c) agree that any final insubstantial amendments that are required prior to submission of the response to Government.</li> </ul>

1.11	Appointment of Interim Chief Finance Officer (s73)	<p>The Board considered a report on the process which had led to the appointment of Karl Fenlon as Interim Chief of Finance and was asked to appoint Mr Fenlon as interim s73 Chief Finance Officer. It was resolved to:</p> <p>appoint Karl Fenlon as interim s73 Chief Finance Officer to the Combined Authority</p>
1.12	Interim Arrangements for Chief Executive	<p>The Board was asked to consider interim management arrangements following the resignation of Martin Whiteley, Chief Executive, Cambridgeshire and Peterborough Combined Authority (CPCA). It was resolved to:</p> <ul style="list-style-type: none"> <li>(i) appoint Kim Sawyer, Legal Counsel and Monitoring Officer, CPCA and John Hill, Chief Executive, East Cambridgeshire District Council as interim Chief Executives of the CPCA until 31<sup>st</sup> March 2019 (or until the appointment of a permanent Chief Executive, whichever is the sooner).</li> <li>(ii) appoint Patrick Arran as the CPCA interim Monitoring Officer until 31<sup>st</sup> March 2019 (or until the appointment of a permanent Chief Executive, whichever is the sooner).</li> </ul>
	<b>Part 2 – Combined Authority Matters</b>	
2.1	Housing Strategy	<p>The Board considered a report which set out an innovative and bold strategy to address the shortage in housing in all tenures in the area as quickly as possible. It was resolved to:</p> <ul style="list-style-type: none"> <li>a) agree the approach to delivering the Housing Strategy set out in the 31Ten report in Appendix 1 of the report.</li> <li>b) agree the concept of creating a revolving fund of monies from within the £100m programme for housing investment, to run within and beyond the 5 year programme.</li> </ul>



2.2	Affordable Housing Programme- Cambridge City Council £70m 2018/2019 Budget	<p>The Board considered a report detailing the baseline and current forecast programme expenditure and a specific request for the budget approval for the financial year 2018/19 to enable payments to be made to Cambridge City Council in accordance with claims and monitoring processes. It was resolved to:</p> <ul style="list-style-type: none"> <li>a) note the expenditure profile for 2018/19 financial year in respect of the Cambridge City Council £70 million, as part of the Authority's £170 million Affordable Housing Programme.</li> <li>b) approve the carry forward of 2017/18 approved budget of £387,041 to 2018/19.</li> <li>c) approve 2018/19 budget provision of £14,669,959, giving a 2018/19 total budget of £15,057,000 to enable the programme to proceed.</li> </ul>
2.3	Public Service Reform: Health and Social Care Proposal	<p>The commitment by partners to progress health and care transformation was enshrined within the Devolution Deal. There was a need to take this commitment forward given that the area's health economy was one of the most challenged in the country. It was resolved to:</p> <ul style="list-style-type: none"> <li>a) note the devolution deal commitment to, and the economic and administrative case for, taking action to implement new models of public service delivery.</li> <li>b) agree the proposal to design an innovative Cambridgeshire and Peterborough health and social care proposition based on further devolution which makes the case to Government for the further transfer of resources, decision-making and accountability relating to health and social care.</li> <li>c) agree the establishment of an independent Public Service Reform and Innovation Commission which will support, inform and challenge the development of the Cambridgeshire and Peterborough health and social care proposition.</li> <li>d) agree the commitment of up to £450,000 in 2018/19 from within the existing approved allocation for Public Sector Reform in the Medium Term Financial Plan (MTFP).</li> </ul>

2.4	Soham Rail Station- Budget Update	<p>The Combined Authority had assumed responsibility for the Soham Rail station from the County Council in June, 2018. The Authority had already allocated £1.5m to the delivery of the current phase, and an additional £1.7m was required to continue with the completion of GRIP 3. It was resolved to:</p> <ul style="list-style-type: none"> <li>a) approve a budget of £1.7m for GRIP Stage 3 for the acceleration and delivery of the Soham Rail Station.</li> <li>b) agree the DSA novation in principle and delegate to the Chief Finance Officer and Monitoring officer, in consultation with the Chair of the Transport Committee, to agree the terms of the novation.</li> <li>c) note that verbal commitments have taken place to progress this project at an accelerated pace and identify opportunities for early delivery.</li> <li>d) agree that an update will be provided to the CPCA Board, or other nominated meeting, prior to the end of GRIP Stage 3 to outline progress to date and identify the CPCA's requirements for the delivery of GRIP Stages 4 – 8.</li> <li>e) note how this work fits within the opportunities that have been identified to accelerate the transport projects; as reviewed in the July board.</li> </ul>
2.5	Business Rate Pilot	<p>The Board received a report detailing the one year business rate retention pilot bid to the Ministry of Housing, Communities and Local Government. It was proposed that all councils would be compensated for their expected business rates for the year. It was resolved to:</p> <ul style="list-style-type: none"> <li>a) ratify the Cambridgeshire and Peterborough 2019-20 Business Rates pilot bid submitted to MHCLG on the 25<sup>th</sup> September 2018.</li> </ul>
	<b>Part 3- Business Board matters</b>	
3.1	Business Board Recommendations of the last meeting	<p>The Board noted the recommendations of the meeting of the Business Board held on 23 July and received an oral update of the meeting held on 24 September 2018.</p>

3.2	Membership of Business Board	<p>The Board considered a report detailing the membership of the Business Board, following a recruitment campaign and interview process for private sector members. It was resolved to note:</p> <ul style="list-style-type: none"> <li>a) note the appointments of private sector members of the Business Board as set out in paragraph 2.16 of the report.</li> <li>b) note the appointment of Aamir Khalid as Chair and Andy Neely as Vice Chair of the Business Board.</li> <li>c) approve the Business Board's nomination of Aamir Khalid as a member of the Combined Authority Board to represent the Business Board and Andy Neely as his substitute member.</li> </ul>
3.3	Cambridgeshire & Peterborough Independent Economic Review	<p>The Board was informed that the Cambridgeshire and Peterborough Independent Economic Review (CPIER) had been published and that it was going to be used as evidence for the Local Industrial Strategy. It was resolved to:</p> <ul style="list-style-type: none"> <li>a) welcome the publication of the Cambridgeshire and Peterborough Independent Economic Review (CPIER) as a major milestone in the development of our Local Industrial Strategy and all 14 recommendations contained within the CPIER report. In doing so it agreed that these recommendations would form the basis of work undertaken by the Combined Authority in the development of a tailored Local Industrial Strategy which would incorporate the development of Growth, Business Investment, Skills Development, Housing and Spatial Planning Strategies.</li> <li>b) provide any initial opinions on the findings of the CPIER, in advance of the upcoming engagement sessions.</li> </ul>
3.4	Growth Prospectus 2018/19-	<p>The Business Board had approved the Growth Prospectus on 24 September 2018. The provisional date for the launch would be 8 October 2018. It was resolved to:</p> <ul style="list-style-type: none"> <li>a) agree the draft Growth Prospectus 2018/19 and the programmes contained therein, subject to final version to be signed off by Chief Executive (Acting).</li> </ul>

		<p>b) agree provisional allocations for each programme within the Prospectus, subject to review and cashflow within Growth Deal and Growing Places Fund budgets.</p> <p>c) agree processes for due diligence and appraisal, subject to review; and</p> <p>d) note that applications and business cases will be brought to the Business Board for consideration and recommendation to the Combined Authority, from November 2018 onwards.</p>
	<b>Part 4- Motion submitted under Committee Procedure Rule 14</b>	
4.1	<p>Motion from Councillor Bridget Smith:</p> <p>That the Combined Authority urgently commissions an organisation with suitable expertise to conduct an independent, full organisational review to be reported to the Combined Authority Board and senior officers, and to then be published in full. The review to include: delivery objectives for 2018/2019; governance, top to bottom staffing, operations and project delivery.</p>	The Board discussed the motion proposed by Councillor Smith and seconded by Councillor Herbert. On being put to the vote, the motion was lost.
	<b>Part 5- Date of next meeting</b>	
5.1	<p>Date: Wednesday, 31 October 2018 Council Chamber, Peterborough City Council Town Hall; Bridge Street, Peterborough PE1 1HG</p>	It was resolved to note the date of the next meeting.

<b>CAMBRIDGESHIRE &amp; PETERBOROUGH COMBINED AUTHORITY</b>	
<b>Decision Statement</b>	
<b>Meeting:</b>	31st October 2018
<b>Minutes:</b>	<a href="#">Cambridgeshire &amp; Peterborough Combined Authority</a>

Summary of decision taken at this meeting

Item	Topic	Decision
	<b>Part 1- Governance Items</b>	
1.1	<b>Announcements, Apologies and Declarations of Interest</b>	<p>The Mayor welcomed Patrick Arran to his first meeting since his appointment as Interim Monitoring Officer.</p> <p>Apologies were received from J Ablewhite, Police and Crime Commissioner, substituted by R Bisby, Deputy Police and Crime Commissioner.</p> <p>There were no declarations of interest.</p>
1.2	<b>Minutes – 25th July 2018</b>	<p>It was resolved to:</p> <p>a) approve the minutes of the meeting of 26 September 2018 as a correct record.</p>
1.3	<b>Petitions</b>	None received.
1.4	<b>Public Questions</b>	A question was received from Councillor Chris Boden, however he was not in attendance so his written question was read to the board.

1.5	<b>Forward Plan</b>	<p>The Board reviewed the Forward Plan of Executive Decisions which was published on 29 October 2018.</p> <p>It was resolved unanimously to:</p> <p>a) note the Forward Plan.</p>
1.6	<b>Appointment to Business Board</b>	<p>The Board considered a recommendation to appoint Councillor Wayne Fitzgerald as substitute for Councillor Charles Roberts on the Business Board in place of Councillor Anna Bailey.</p> <p>It was resolved unanimously to:</p> <p>d) appoint Councillor Wayne Fitzgerald as substitute for Councillor Charles Roberts, Portfolio for Economic Growth on the Business Board</p>
1.7	<b>Membership of the Combined Authority and Committees - Amendments</b>	<p>The Board considered changes to the substitute membership of the Combined Authority Board and Overview and Scrutiny Committee.</p> <p>It was resolved unanimously to note:</p> <p>a) the appointment by Cambridgeshire County Council of Councillor Ian Bates temporarily as its substitute member on the Combined Authority Board</p> <p>b) the appointment by Peterborough City Council of Councillor Shaz Nawaz as one of its substitute members on the Overview and Scrutiny Committee for the remainder of the municipal year 2018/19</p>
	<b>Part 2- Combined Authority Matters</b>	
2.1	<b>£100m Housing Programme - Scheme Approvals</b>	<p>The Board considered a report detailing a new scheme to consider in the context of the overall investment pipeline for the Combined Authority's £100m programme.</p> <p>It was resolved unanimously to:</p>

		c) commit grant funding of £1.634m from the £100m Affordable Housing Programme to support delivery of new affordable housing scheme at Lion Works, Station Road, Whittlesford.
2.2	<b>Commission of the Local Transport Plan</b>	<p>The Board considered a report seeking confirmation of the scope and outputs proposed in the commission of the Local Transport Plan (LTP) for the Combined Authority area.</p> <p>It was resolved unanimously to:</p> <ul style="list-style-type: none"> <li>c) agree the scope of the Local Transport Plan for the Combined Authority</li> <li>d) agree the stakeholder engagement strategy</li> </ul>
2.3	<b>East-West (North) Corridor – A47 Dualling Study – Strategy, Phasing and Prioritisation Stage 0</b>	<p>The Board considered a request to approve additional funding of up to £1m consisted of £800k to establish a supply chain and meet County Council and land costs plus a £200k contingency fund.</p> <p>It was resolved unanimously to:</p> <ul style="list-style-type: none"> <li>a) note the findings of the revised A47 Strategic Outline Business Case, and Options Appraisal Report which confirms that a strong case exists for the dualling of the whole section of the route.</li> <li>b) note the three identified route options being developed to the standards of both HE DCO Compliant PCF Stage 0 and SGAR.</li> <li>c) approve the continuation of Skanska consultancy support via the existing Cambridgeshire County Council framework arrangement and Budget of additional funding of up to £1,000,000, (at a level of £800,000 plus £200,000 contingency subject to CEO / CFO release) for the development of HE DCO Compliant PCF Stage 0 products to achieve a Green SGAR approval.</li> <li>d) note the need to identify funding for a contribution towards the development stage of up to £30,000,000 of an estimated total £60,000,000 over the period 2019 to 2025 as a contribution to the design and development of the preferred route.</li> <li>e) delegate authority to the Transport Director, in consultation with the Chairman of the Transport Committee, to consider and negotiate the concept of amending the continuation or cessation of</li> </ul>

		the current proposed Highways England Intervention at Guyhirn, to then utilise the funding in the development of the wider scheme.
2.4	<b>Cambridge Autonomous Metro: Update</b>	<p>The Board received an update on the CAM project and specifically on the decisions taken at the July Board.</p> <p>It was resolved by a majority to:</p> <ul style="list-style-type: none"> <li>a) note the progress of the CAM project towards the production of the Strategic Outline Business Case by December 2018</li> <li>b) agree the outcomes of the review of the A429 Camborne to Cambridge project, following the pause agreed at the July Combined Authority Board meeting</li> <li>c) note the progress of the work to assess the potential delivery models to ensure the priority transport projects (including the CAM) can be delivered at pace.</li> </ul>
2.5	<b>A605 Kings Dyke Level Crossing Closure</b>	<p>The Board considered a request for funding to enable the construction of King's Dyke level crossing closure scheme to proceed to completion in 2020, following the completion of detailed design.</p> <p>It was resolved unanimously to:</p> <ul style="list-style-type: none"> <li>a) note the independently reviewed Business case supporting the progression of the scheme as value for money</li> <li>b) agree to provide funding contribution of up to £16.4m over the original £13.6m allocation to enable the scheme to progress to construction</li> <li>c) agree the apportionment of 40 / 60 as a split of any under / over spend against the above budget between Cambridgeshire County Council and the Combined Authority as set out in the report.</li> </ul>
2.6	<b>Performance Reporting</b>	<p>The Board considered future performance reporting arrangements.</p> <p>It was resolved unanimously to:</p>



		c) agree the proposed performance reporting arrangements described in this paper.
	<b>PART 3- Date of Next Meeting</b>	
3.1	<b>Wednesday, 28 November 2018 Council Chamber, Fenland Hall, County Road, March PE15 8NQ</b>	

<b>CAMBRIDGESHIRE &amp; PETERBOROUGH COMBINED AUTHORITY</b>	
<b>Decision Statement</b>	
<b>Meeting:</b>	28th November 2018
<b>Minutes:</b>	<a href="#"><u>Cambridgeshire &amp; Peterborough Combined Authority Decision Statement</u></a>

Summary of decisions taken at this meeting

Item	Topic	Decision
	<b>Part 1 – Governance Items</b>	
1.1	Announcements, Apologies and Declarations of Interest	<p>Apologies were received from Councillor B Smith (substituted by Councillor A Van de Weyer) and Councillor S Count (substituted by Councillor I Bates)</p> <p>Declarations of interest were made in relation to Item 6.1: £100m Affordable Housing Programme – Scheme Approvals by Councillor C Roberts and John Hill as Directors of the East Cambridgeshire Trading Company.</p> <p>The Mayor stated that he did not consider that he had any interest to declare in relation to Item 1.6: Members’ Allowances Scheme.</p>
1.2	Minutes – 31st October 2018	It was resolved to approve the minutes of the meeting of 31st October 2018 as a correct record.
1.3	Petitions	None received.
1.4	Public Questions	None received.
1.5	Forward Plan	It was resolved to note the Forward Plan.

1.6	Members' Allowances Scheme	<p>The Combined Authority Board was asked to agree that the independent Remuneration Panel be requested to review the Members' Allowance Scheme in relation to the Mayor's allowance and to consider the payment of a standard allowance for any independent commissions set up by the Combined Authority. It was also asked to ratify the decisions taken by the Business Board in relation to convening an Independent Remuneration Panel to consider the level of allowances payable to the Chair, Vice-Chair and other private sector board members on the Business Board.</p> <p>It was resolved to:</p> <ul style="list-style-type: none"> <li>e) review the Members' Allowance Scheme (Mayor's Allowance);</li> <li>f) consider the payment of allowances/expenses to those appointed to any independent commissions set up by the Combined Authority; and</li> <li>g) ratify the decisions of the Business Board reported orally at the meeting.</li> </ul>
<b>PART 2- Finance</b>		
2.1	£2019/20 Draft Budget and Medium Term Financial Plan 2019 to 2023	<p>The Combined Authority Board was asked to approve the draft revenue and capital budgets for 2019/20 reflecting the current priorities and available resources and a medium term financial plan (MTFP). It was resolved to:</p> <ul style="list-style-type: none"> <li>d) agree the draft revenue budget for 2019/20 and the MTFP to 2023 to go forward for consultation with wider stakeholders;</li> <li>e) agree the draft capital programme to go forward for consultation with the wider community.</li> <li>f) that each element of the annual Combined Authority overheads budget be urgently reviewed and overheads spend significantly reduced for 2019/2020 from the projected figures when the annual budget is published in February 2019.</li> </ul>
2.2	Budget Monitor Update	<p>The Combined Authority Board considered a report providing a mid-year update of actual expenditure to date against the 2018/19 budget as presented to the Board in May 2018 as part of the draft Medium Term Financial Plan.</p>

		<p>It was resolved to:</p> <ul style="list-style-type: none"> <li>a) note the half year financial position of the Combined Authority for the year to 31 March 2019.</li> <li>b) agree the provisional outturn for 2018/19.</li> </ul>
	<b>PART 3- Combined Authority Matters</b>	
3.1	Wisbech to March Rail – Grip 3b Study	<p>The Combined Authority Board considered a report outlining the proposed plans for the Wisbech to March Rail project.</p> <p>It was resolved to:</p> <ul style="list-style-type: none"> <li>a) approve the budget of £1,500,000 (£1,300,000 estimated cost and £200,000 contingency for Chief Executive Officer/Chief Finance Officer discretionary release) as a proportion of the £3.25m indicated in March 2018 as part of the potential £6.5m Wisbech Garden Town funding, and</li> <li>b) agree to delegate authority to the Transport Director to appoint a supplier to deliver the study as successful tenderer in the current procurement exercise, and</li> <li>c) agree to delegate authority to the Transport Director to negotiate with all relevant stakeholders both in regard of the exploration of the rail link and low cost non-heavy rail alternative, in consultation with the Chairman/woman of the Transport Committee.</li> </ul>
3.2	Response to the Cambridgeshire and Peterborough Independent Economic Review (CPIER): A Growth Ambition Statement	<p>The Combined Authority Board considered a report recommending a formal response to recommendations of the Cambridgeshire and Peterborough independent Economic Review (CPIER).</p> <p>It was resolved to:</p>

		<ul style="list-style-type: none"> <li>a) agree the response to the CPIER main recommendations at Annex B;</li> <li>b) adopt the Growth Ambition Statement at Annex A;</li> <li>c) mandate officers to ensure consistency with the Growth Ambition Strategy in developing future strategy documents and business plans for transport, planning, business and skills, including reviewing previously agreed timescales to make aligning content more feasible.</li> <li>d) The Mayor and Combined Authority commence producing a comprehensive funding strategy for CAM Metro, covering both capital and operating cost, ahead of further decisions on CAM, and on the need for Mayoral Development Corporations as potential funding sources.</li> </ul>
3.3	Performance Reporting	<p>The Combined Authority Board considered a report providing a first quarterly update under the new performance reporting process agreed by the Board.</p> <p>It was resolved to note the November Delivery Dashboard.</p>
	<b>PART 4- Business Board Recommendations to Combined Authority</b>	
4.1	Growth Fund Projects	<p>The Combined Authority considered a report outlining the Growth Prospectus approved by the Business Board in September 2018. It was resolved to note the decisions of the Business Board and, subject to confirmation from Government that local growth funds had been released for allocation by the Business Board, to:</p> <ul style="list-style-type: none"> <li>a) accept and approve recommendations from officers of small grant awards to Small and Medium Enterprises (SMEs) totalling £19,490.</li> <li>b) agree delegated authority to approve small grants to SMEs between £2,000 and £20,000 to Director of Business &amp; Skills subject to Section 151 Officer approval, and regular reporting to the Business Board.</li> </ul>

		c) give approval to procure and appoint independent project appraisers of business cases over £20,000.
4.2	Eastern Agri-Tech Growth Initiative	<p>The Combined Authority considered a report informing the Business Board about the Eastern Agri-Tech Growth Initiative which had transferred over from the previous Local Enterprise Partnership and asked the Business Board to recommend to the Combined Authority Board that the initiative should continue until March 2021 with associated funding.</p> <p>It was resolved to note the decisions of the Business Board and, subject to confirmation from Government that local growth funds have been released for allocation by the Business Board, to:</p> <ul style="list-style-type: none"> <li>a) agree that the Eastern Agri-Tech Growth Initiative should continue across the existing geographical areas of both the BB and New Anglia Local Enterprise Partnership (NALEP);</li> <li>b) agree a funding allocation of £4m from new Growth Deal funding;</li> <li>c) agree the Terms of Reference for the Eastern Agri-Tech Programme Board.</li> <li>d) delegate authority to the Eastern Agri-Tech Programme Board to make decisions about applications for grant funding on behalf of both the CA/BB and NALEP;</li> <li>e) agree that the Eastern Agri-Tech Programme Board should become a Sub-Board of the BB, and</li> <li>f) agree that a member of the BB, nominated by the BB, should become Chair of the Eastern Agri-Tech Programme Board.</li> </ul>
4.3	<p>Growth Deal</p> <p>(a) Wisbech Access Strategy – Summary of study work and request to proceed to delivery of</p>	<p>The Combined Authority Board considered a report asking approval from the Business Board for the full release of the previously allocated £10.5m Growth Deal investment in October 2017. It was resolved to note the decisions of the Business Board and, subject to confirmation from Government that local growth funds have been released for allocation by the Business Board, to:</p>

	<p>design with simultaneous construction of phase 1 interventions</p> <p>(b) M11 Junction 8 Improvement Project</p>	<ul style="list-style-type: none"> <li>a) approve a budget of £10,500,000 to enable the procurement of an appropriate design and build contractor to immediately commence the delivery of an overlapped phased design and construction programme.</li> <li>b) delegate authority to the Transport Director, in consultation with the Chair of the Transport Committee, at key gateway stages to deliver this package of works on behalf of the Business Board.</li> <li>c) subject to BEIS Ministerial approval of the release of future Growth Deal funds, release of the £10.5m Growth Deal funding for the delivery of this vital scheme for the housing and economic growth of Wisbech.</li> </ul> <p>The Combined Authority Board considered a report detailing the M11 Junction 8 improvement project that is being led by Essex County Council (ECC) and requests that the Business Board support the recommendation to release £1million of Growth Funding towards this project. It was resolved to:</p> <p style="padding-left: 40px;">release the £1m Growth Deal funding to Essex County Council, to support the delivery of the range of improvements outlined within this paper for the M11 Junction 8.</p>
4.4	The Greater South East Energy Hub – Rural Community Energy Fund	<p>The Combined Authority Board considered a report asking to approve the inclusion of the RCEF as an additional funding support offer by the Greater South East Energy Hub in advance of final agreement by Combined Authority as Hub Accountable Body.</p> <p>It was resolved to note the decisions of the Business Board and, subject to confirmation from Government that local growth funds have been released for allocation by the Business Board, to:</p> <p style="padding-left: 40px;">agree that the Greater South East Energy Hub assumes the RCEF management role.</p>



	<b>Part 5- Skills Committee Recommendations to Combined Authority</b>	
5.1	University of Peterborough – Review and Evaluation for Phase 1 and 2 of the Programme	This report was withdrawn as there was no recommendation from the Skills Committee to the Board to agree.
5.2	Adult Education Budget Devolution	<p>The Combined Authority Board considered a report that sought to secure support to the proposal for progressing with the next steps of the Devolution of the Adult Education Budget (AEB) and its implementation by agreeing to the proposal for financial sustainability in AEB delivery, the progress towards the devolution programme, and the role of the Skills Committee in governing the AEB programme post 2019.</p> <p>It was resolved by a majority to note the recommendations of the Skills Committee and to:</p> <ul style="list-style-type: none"> <li>a) approve business case requesting a top slicing allocation up to 4.9% to ensure the delivery of the AEB is resourced appropriately.</li> <li>b) approve the proposed commissioning approach for the CPCA devolved AEB.</li> <li>c) authorise officers to enter into a negotiated grant commissioning process to develop and work with the 15 indigenous and contiguous Cambridgeshire and Peterborough Colleges and Local Authority providers currently grant funded by the Education Skills Funding Agency. (This would mean disinvestment in the remaining 120 Grant funded providers spatially distant from Cambridgeshire &amp; Peterborough.)</li> <li>d) agree to procure contracts for services for all other providers, including Independent Training Providers, Further Education Institutions based outside of the CPCA area and other organisations (which might include the voluntary &amp; community sector). Further to give delegated authority to the Director of Business &amp; Skills to award contracts.</li> </ul>

5.3	Skills Prioritisation Plan - Careers Enterprise Company	<p>The Combined Authority Board considered a report informing the Skills Committee of the next steps in the delivery of the Careers Enterprise Company (CEC) contract and to seek support for the proposed ways of working in the delivery of the contract post March 2019.</p> <p>It was resolved:</p> <ul style="list-style-type: none"> <li>(a) to approve that the CPCA cease resourcing the Careers Enterprise Company contract for delivery.</li> <li>(b) that delegated authority be provided to the Portfolio Holder and Director of Business and Skills to engage with the CEC to identify potential local partners to undertake the remaining CEC Delivery Contract.</li> </ul>
	<b>Part 6 - Combined Authority Matters</b>	
6.1	£100m Affordable Housing Programme - Scheme Approvals	<p>The Combined Authority Board considered a report seeking approval for the provision of a 2 year repayable commercial loan facility capped at £24.4m to the East Cambridgeshire Trading Compact (ECTC) to purchase a site currently comprising 88 empty houses and land.</p> <p>It was resolved by a majority to:</p> <ul style="list-style-type: none"> <li>a) approve the provision of a commercial loan facility of £24.4m to East Cambridgeshire Trading Company (ECTC) for a scheme of 92 units based on the heads of terms detailed in Appendix 1.</li> <li>b) authorise the Director, Housing to bring forward commercial proposals for the CPCA to joint venture as a development partner with ECTC for the delivery of up to 62 additional homes on the undeveloped infill land, once the land has been acquired.</li> <li>c) authorise the Director, Housing in consultation with Legal Counsel and Portfolio Holder Fiscal to conclude any necessary legal documentation to secure the loan, to include a charge upon the land.</li> </ul>

	<b>Part 6- Finance- Part 2 item</b>	
6.2	Exclusion of Press and Public	<p>It was resolved:</p> <p>that the press and public be excluded from the meeting on the grounds that the agenda contains exempt information under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and that it would not be in the public interest for this information to be disclosed -information relating to the financial or business affairs of any particular person (including the authority holding that information)</p>
6.3	Wisbech: 11 & 12 High Street	The Combined Authority Board considered a confidential report on 11 & 12 High Street, Wisbech. It was resolved to approve the recommendations in the report.
	<b>Part 7- Date of Next Meeting</b>	
7.1	Date: Wednesday 30 January 2019 at 10.30am, Civic Suite Room A, Huntingdonshire District Council, Pathfinder House, St Mary's Street, Huntingdon, PE29 3TN	

<b>CAMBRIDGESHIRE &amp; PETERBOROUGH COMBINED AUTHORITY</b>	
<b>Decision Statement</b>	
<b>Meeting:</b>	30 <sup>th</sup> January 2019
<b>Minutes:</b>	<a href="#"><u>Cambridgeshire &amp; Peterborough Combined Authority Decision Statement</u></a>

Summary of decisions taken at this meeting.

Item	Topic	Decision
	<b>Part 1 – Governance Items</b>	
1.1	Announcements, Apologies and Declarations of Interest	Apologies were received from Councillor S Count (Substituted by Councillor I Bates), Councillor C Roberts, Jason Ablewhite and Jess Bawden.
1.2	Minutes- 28 November 2018	It was resolved to:  Approve the minutes of the meeting of 28th November 2018 as a correct record.
1.3	Petitions	None received.
1.4	Public Questions	Three questions were received. A summary of the questions and responses is published at the following link - <a href="#"><u>Combined Authority: Public Questions</u></a>
1.5	Forward Plan	It was resolved to:  Note the Forward Plan.
1.6	Housing and Communities Committee: Change of Membership	The Combined Authority Board was asked to approve a change in membership of the Housing and Communities Committee.

		<p>It was resolved to:</p> <p>Approve the change of Member on the Housing and Communities Committee for Fenland District Council from Councillor Seaton to Councillor Denise Laws.</p>
1.7	Appointment of Interim Chief Finance Officer (s73 Officer)	<p>The Combined Authority Board was asked to appoint Noel O'Neill as interim s73 Chief Finance Officer.</p> <p>It was resolved to:</p> <p>Appoint Noel O'Neill as interim s73 Chief Finance Officer to the Combined Authority</p>
1.8	Audit and Governance Committee - Recommendations	<p>Following the Audit and Governance Committee meeting on the 30th November. The Committee members agreed that they would like to recommend to the Combined Authority that a review be undertaken on the procedures in place for the termination of the employment of senior officers.</p> <p>It was resolved to:</p> <p>Instruct the Chief Executive to carry out a review of procedures for termination of the employment of senior officers and report the outcome of that review to the Audit and Governance Committee</p>
<b>PART 2- Finance</b>		
2.1	Budget Monitor Update	<p>The Combined Authority Board considered a report providing an update of income and expenditure for the year to the end of November 2018 against the forecast for the year as approved by the Board on 28 November 2018.</p> <p>It was resolved to:</p> <p>Note the financial position of the Combined Authority for the year to date</p>

2.2	2019/20 Budget and Medium Term Financial Plan 2019-2023	<p>The Combined Authority Board considered a report outlining the 2019/20 Budget and Medium Term Financial Plan 2019 to 2023. The Board were asked to approve the revenue and capital budgets.</p> <p>It was resolved to:</p> <ul style="list-style-type: none"> <li>e) Approve the revenue budget for 2019/20 and Medium Term Financial Plan 2019 to 2023</li> <li>f) Approve the capital programme 2019 to 2022</li> </ul>
2.3	Combined Authority Business Plan 2019/20	<p>The Combined Authority Board was asked to adopt a recommended 2019-20 Business Plan.</p> <p>It was resolved to:</p> <p>Adopt the 2019-20 Business Plan</p>
2.4	Budget 2019/20 (Mayor's Budget)	<p>The Combined Authority Board was asked to approve the Mayor's draft budget for 2019/20.</p> <p>It was resolved to:</p> <p>Approve the Mayor's draft budget for 2019/20</p>
2.5	11&12 Wisbech High Street	<p>At the last meeting, the Combined Authority delegated authority to the interim Section 73 Officer and the interim Chief Executive to formalise the potential arrangements to support Fenland District Council in the event that step in is required. The Combined Authority Board was asked to approve this potential support to Fenland District Council.</p> <p>It was resolved to:</p> <p>Approve the arrangements to support Fenland District Council if required to see successful conclusion of the project.</p>

	<b>PART 3- Combined Authority Matters</b>	
3.1	Strategic Bus Review	<p>In November 2017 the Combined Authority commissioned a strategic review of the regional bus network. This report presents the outcomes of that review and proposes recommendations for consideration.</p> <p>It was resolved to:</p> <ul style="list-style-type: none"> <li>d) Note the recommendations of the Strategic Bus Review</li> <li>e) Approve to develop and deliver a Business case assessment of the benefits of operational models open to the Combined Authority including Enhanced Partnerships and franchising opportunities in line with DfT Guidelines and as set out in the Bus Service Act. The business case will be completed in Q1 2021</li> <li>f) Approve the establishment of a cross-organisational group “Bus Reform Group” to build up the implementation strategy based on the recommendations of the Strategic Bus Review for short and medium term improvements.</li> </ul>
3.2	Transport Delivery- Appointment of Inner Circle	<p>The Combined Authority Board considered a report providing a briefing relating to the appointment of Inner Circle LTD as transport consultants to the Authority under delegated powers.</p> <p>It was resolved to:</p> <ul style="list-style-type: none"> <li>d) Note the arrangement with Inner Circle to date</li> <li>e) Authorise the Chief Executive, in consultation with the Chair of the Transport Committee, to take whatever steps are necessary to secure appropriate consultancy arrangements after the end of March 2019 and until the appointment of the permanent transport team.</li> </ul>

	<b>PART 4- Business Board Recommendations to Combined Authority</b>	
All of the following Business Board recommendations are conditional pending confirmation from Government that local growth funds have been released for allocation by the Business Board.		
4.1	Growth Deal Projects Proposals January 2019	<p>The Business Board was responsible for allocating the Growth Fund subject to ratification by the Combined Authority (CA) Board with the objective of creating new jobs and boosting productivity. The Combined Authority Board was asked to approve the recommendations set out in the report.</p> <p>It was resolved to approve upon the recommendation of the Business Board:</p> <ul style="list-style-type: none"> <li><del>a) Consider the reports by external assessors of projects submitted for Growth Deal Funds</del></li> <li><del>b) Recommend those schemes which are suitable to the Combined Authority Board for approval</del></li> <li><del>c) Note the summary of Small Grants approved under delegated powers.</del></li> <li><b>a) Bid A</b></li> <li><b>b) Bid B subject to there being recognition of the source of the funds from the Business Board by the recipient and that the following conditions precedent are satisfied before any funds are released.</b> <ul style="list-style-type: none"> <li><b>i) Confirmation that 50% of the £30m follow up funding had been secured</b></li> <li><b>ii) There be a professional assessment of the 3.5% equity figure in terms of risk</b></li> </ul> </li> </ul>



4.2	Draft Annual Delivery Plan for Business and Skills	<p>On the 28th January 2019, the Business Board considered a report bringing forward the first draft of the Business and Skills Annual Delivery Plan. The Combined Authority Board was asked to approve the recommendations set out in the report.</p> <p>It was resolved to:</p> <ul style="list-style-type: none"> <li>a) Consider the content of the draft Annual Delivery Plan</li> <li>b) Identify any areas for further development by officers</li> <li>c) Note the draft Annual Delivery Plan for Business and Skills</li> </ul>
4.3	Rural Community Energy Fund- Management and Administration	<p>The Cambridgeshire and Peterborough Combined Authority (CPCA) was the Accountable Body for the Greater South East Energy Hub that covers fifteen counties and Greater London. The Energy Hub had been set up to unlock current restrictions and blockages relating to local energy infrastructure. By aligning the Rural Community Energy Fund (RCEF) with the Energy Hub it enabled greater connectivity and maximises the resultant opportunities to create, initiate and deliver projects locally. The Combined Authority Board was asked to approve the recommendations set out in the report.</p> <p>It was resolved to:</p> <p style="text-align: center;">Agree that the Greater South East Energy Hub assumes the RCEF management role, administers the fund and employs the Community Energy Advisor.</p>
4.4	Growth Programme Update (from November 2018 Business Board)	<p>The Greater Cambridge and Greater Peterborough Local Enterprise Partnership (GCGP LEP) negotiated three successive Growth Deals with Government between 2014 and 2017, securing £146.7m to deliver new homes, jobs and skills across the LEP area. In addition to the Growth Deal, GCGP secured £16.1m from the Growing Places Fund to establish a recyclable pot of grants and loans for projects delivering economic benefit across the region. The Combined Authority Board was asked to approve the recommendation set out in the report.</p> <p>It was resolved to:</p>

		<ul style="list-style-type: none"> <li>a) Note the accumulative and in-year programme position to 31 October 2019 for Growth Deal and Growing Places Fund</li> <li>b) Note and agree the submission of the Growth Deal monitoring report to Government to end Q2 2018/19; and</li> <li>c) Approve an extension to the funding period for the Lancaster Way Phase 2 (grant). See section 3.8 to 3.11)</li> </ul>
	<b>Part 5- Date of next meeting</b>	
5.1	10.30am Wednesday 27 February 2019, Council Chamber, South Cambridgeshire District Council, South Cambridgeshire Hall, Cambourne Business Park, Cambourne, Cambridge CB23 6EA	

<b>CAMBRIDGESHIRE &amp; PETERBOROUGH COMBINED AUTHORITY</b>	
<b>Decision Statement</b>	
<b>Meeting:</b>	27 <sup>th</sup> February 2019
<b>Minutes:</b>	<a href="#">Cambridgeshire and Peterborough Combined Authority: Minutes</a>

Summary of decisions taken at this meeting.

Item	Topic	Decision
	<b>Part 1 – Governance Items</b>	
1.1	Announcements, Apologies and Declarations of Interest	Apologies were received from Councillor S Count (Substituted by Councillor I Bates) and Councillor C Roberts (Substituted by Councillor A Bailey). There were no declarations of interest.
1.2	Minutes - 30 <sup>th</sup> January 2019	It was resolved to:  Approve the minutes of the meeting of 30 <sup>th</sup> January 2019 as a correct record.
1.3	Petitions	None received.
1.4	Public Questions	None received
1.5	Forward Plan	It was resolved to:  Note the Forward Plan.

	<b>Part 2- Finance</b>	
2.1	Budget Monitor Update	<p>The Board considered a report providing an update of income and expenditure for the year to the end of December 2018</p> <p>It was resolved to:</p> <p>Note the financial position of the Combined Authority for the year to date</p>
	<b>Part 3- Combined Authority Matters</b>	
3.1	<p>£100m Affordable Housing Programme – Scheme Approval, Springfield Avenue, March.</p> <p><i>[Contains exempt appendices. If the Board wishes to discuss these it will be necessary to resolve to exclude the press and public]</i></p>	<p>As part of the Devolution Deal, the Combined Authority successfully secured £100 million from Government to deliver 2,000 affordable home across Cambridgeshire and Peterborough. The Board considered a report providing details of a new scheme to consider in the context of the overall investment pipeline for the Combined Authority's £100m programme.</p> <p>It was resolved to:</p> <p>Commit grant funding of £440,000 from the £100m Affordable Housing programme to support delivery of new affordable housing on a scheme at Springfield Avenue, March, Fenland subject to the conditions set out in paragraph 3.11.</p>
3.2	Strategic Spatial Framework Phase 2	<p>The Board considered a report outlining a revised timetable and process, including arrangements for working with planning authorities, for the next stages of work on the Cambridgeshire and Peterborough Non-Statutory Strategic Spatial Framework (NSSF).</p> <p>It was resolved to:</p> <p>Agree the work programme and approach for Phase 2 of the Strategic Spatial Framework.</p>

3.3	Quarterly Performance Reporting	<p>The Board considered a report providing the next quarterly update on performance reporting, as agreed by the Board in October 2018.</p> <p>It was resolved to:</p> <p style="text-align: center;">Note the February Delivery Dashboard</p>
3.4	University of Peterborough Funding	<p>The Board considered a report seeking approval to release £446,000 to University Centre Peterborough as arrears of funding payment for project delivery against agreed project outputs during the period September 2018- March 2019.</p> <p>It was resolved to:</p> <p style="text-align: center;">Agree the £446,000 payment to University Centre Peterborough contingent upon the funding agreement being executed before funding is released.</p>
	<b>Part 4 – Motion Submitted under Proceedings of Meetings Rule 14</b>	
4.1	<p>Motion from Councillor Lewis Herbert</p> <p><i>[The Interim Monitoring Officer advised that the motion was in order as drafted]</i></p>	<p>The Board considered a motion submitted under proceedings of meetings rule 14 from Councillor Lewis Herbert, seconded by Councillor Bridget Smith.</p> <p>On being put to the vote, both the substantive Motion and the Amended Motion proposed by Councillor Herbert were lost.</p>
	<b>Part 5- Date of next meeting</b>	
5.1	10.30am Wednesday 27 March 2019, Kreis Viersen, Shire Hall, Cambridge, CB3 0AP	



<b>AUDIT AND GOVERNANCE COMMITTEE</b>	<b>AGENDA ITEM No: 10</b>
<b>29<sup>th</sup> MARCH 2019</b>	<b>PUBLIC REPORT</b>

## **UPDATE ON GOVERNANCE OF BUSINESS BOARD**

### **1.0 PURPOSE**

- 1.1 Members of the Audit & Governance Committee asked for an update on the governance arrangements for the Business Board. This paper sets out the current governance arrangements and outlines the members code of conduct and declaration of interests for the Business Board members.

<b><u>RECOMMENDATIONS</u></b>
<b>Lead Officer: Noel O'Neil, Deputy Section 151 Officer</b>
The Audit and Governance Committee are recommended to:  a) Note the update

### **2.0 BACKGROUND**

- 2.1. The Combined Authority committed to developing an independent, private sector led Business Board that would act as the Local Enterprise Partnership for the area. Seven people from the private sector were selected to be the independent members of the Business Board. It had its inaugural meeting on 24<sup>th</sup> September 2018.
- 2.2. The legal status of the Business Board is that it is an informal partnership. It does not have the ability to enter into contracts and will act through the CPCA as its Accountable Body. Any funding decisions made by the Business Board shall be ratified by the CPCA Board as accountable body for the business Board.
- 2.3. The Business Board will be subject to both internal and external audit review ensuring that effective policies and procedures are in place. This will be carried out by the auditors of the Combined Authority as part of their review of the CPCA as accountable body.

### **3.0 Code of Conduct and Declaration of Interests**

- 3.1. All Business Board members must sign a Code of Conduct and declaration of interests form on appointment to the Board (Appendix 1) This form has been completed for each member of the Business Board and can be viewed under the membership section for the Business Board on the Combined Authority website here <http://cambridgeshirepeterborough-ca.gov.uk/business-board/business-board-members/>
- 3.2. All members must declare any gifts and hospitality received and these will be published on the Combined Authority website. A bi annual reminder is sent out to members to remind them to complete and update the form regularly.

### **4.0 FINANCIAL IMPLICATIONS**

### **5.0 LEGAL IMPLICATIONS**

### **6.0 APPENDICES**

#### **6.1. Members Code of Conduct Form**

<b><u>Source Documents</u></b>	<b><u>Location</u></b>

### **Code of Conduct for Business Board Members**

You are a Board Member of the Business Board which acts as the Local Enterprise Partnership (LEP) for this area, and hence you shall have regard to the following principles – selflessness, integrity, objectivity, accountability, openness, honesty and leadership in your conduct at all times.

Accordingly, when acting in your capacity as a Board Member of the Business Board:

- You must act in a manner consistent with the Business Board’s diversity statement and treat your fellow Board Members, members of staff and others you come into contact with when working in their role with respect and courtesy at all times.
- You must act solely in the public interest and should never improperly confer an advantage or disadvantage on any person or act to gain financial or other material benefits for yourself, your family, a friend or close associate.
- You must not place yourself under a financial or other obligation to outside individuals or organisations that might be reasonably regarded to influence you in the performance of your official duties.
- When carrying out your Business Board duties you must make all choices, such as making appointments, awarding contracts or recommending individuals for rewards or benefits, based on evidence. You are accountable for your decisions and you must co-operate fully with whatever scrutiny is appropriate to your position. You must be as open as possible about both your decisions and actions and the decisions and actions of the Business Board. In addition, you should be prepared to give reasons for those decisions and actions.
- You must declare any private interests, both pecuniary and non-pecuniary, including membership of any Trade Union, political party or local authority that relates to your Business Board duties. Furthermore, you must take steps to resolve any conflicts arising in a way that protects the public interest. This includes registering and declaring interests in a manner conforming with the procedures set out in the section ‘Registering and declaring pecuniary and non-pecuniary interests’.
- You must, when using or authorising the use by others of the resources of your Business Board, ensure that such resources are not used improperly for political or personal purposes (including party political purposes).
- You must promote and support high standards of conduct when serving in your Business Board post, in particular as characterised by the above requirements, by leadership and example.

### **Registering and declaring pecuniary and non-pecuniary interests**

You must, within 28 days of taking office as a Board Member or co-opted, notify your Business Board Chief Executive and Accountable Body’s S151 Officer of any disclosable pecuniary interest<sup>1</sup>, where



the pecuniary interest is yours, your spouse's or civil partner's, or is the pecuniary interest of somebody with whom you are living with as a spouse, or as if you were civil partners.

In addition, you must, within 28 days of taking office, notify your Business Board Chief Executive and Accountable Body's S151 Officer of any non-pecuniary interest<sup>2</sup> which your Business Board has decided should be included in the register or which you consider should be included if you are to fulfil your duty to act in conformity with the Seven Principles of Public Life. These non-pecuniary interests will necessarily include your membership of any Trade Union.

Board members should review their individual register of interest before each board meeting and decision making committee meeting. They must declare any relevant interest(s) at the start of the meeting. If an interest has not been entered onto the Business Board's register, then the member must disclose the interest at any meeting of the Business Board at which they are present, where they have a disclosable interest in any matter being considered and where the matter is not a 'sensitive interest'<sup>3</sup>.

Following any disclosure of an interest not on the Business Board register or the subject of pending notification, you must notify the Business Board Chief Executive and S151/S73 Officer of the interest within 28 days beginning with the date of disclosure.

Unless dispensation has been granted, you may not participate in any discussion of, vote on, or discharge any function related to any matter in which you have a pecuniary interest. Additionally, you must observe the restrictions your Business Board places on your involvement in matters where you have a pecuniary or non-pecuniary interest as defined by your Business Board.

In signing this document below, you have read, understood and agree to abide with the requirements set out in the Code of Conduct outlined above.

Name.

Signature.

Date.

<sup>1</sup> For the purposes of this guidance, we are using the definition of a pecuniary interest as set out in the [Localism Act 2011](#) and The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012.

<sup>2</sup> A Non-Pecuniary interest is any interest which is not listed in the [Schedule to The Relevant Authorities \(Disclosable Pecuniary Interests\) Regulations 2012 \(No.1464\)](#).

<sup>3</sup> A 'sensitive interest' is described in the [Localism Act 2011](#) as a member or co-opted member of an authority having an interest, and the nature of the interest being such that the member or co-opted member, and the authority's monitoring officer, consider that disclosure of the details of the interest could lead to the member or co-opted member, or a person connected with the member or co-opted member, being subject to violence or intimidation

Last updated: October 2018



<b>AUDIT AND GOVERNANCE COMMITTEE 29<sup>th</sup> MARCH 2019</b>	<b>AGENDA ITEM No: 11</b>
	<b>PUBLIC REPORT</b>

## **CORPORATE RISK REGISTER REVIEW**

### **1.0 PURPOSE**

- 1.1** In the interests of good governance, the Audit & Governance Committee has asked to see regular reports on the Combined Authority Corporate Risk Register. Since it was last reported, Directors Management Team have reviewed the approach to risk management across the organisation. This report sets out the current corporate risks against themes for the Committee to consider.

<b><u>RECOMMENDATIONS</u></b>
<b>Lead Officer: Darren Edey, Assurance Manager</b>
The Audit and Governance Committee are recommended to:  (a) review the Combined Authority Corporate Risk register. (Appendix A)

### **2.0 BACKGROUND**

- 2.1.** The first draft of the Corporate Risk register was presented to the Audit and Governance Committee on 26<sup>th</sup> March 2018. It was requested that the register be amended to reflect the risks in order of Risk Level and that a Residual Risk category also be included. Whilst reviewing the register and carrying out the requested amendments, it was decided to make further additions to the register to ensure that more detail was provided during the Risk Management Process. These included adding Risk Categories, Risk Type, Controls, an Accepted Target Score, Risk Trend and a Monitoring Frequency field. At the meeting on 28<sup>th</sup> September 2018, this will be a standing agenda item.

- 2.2. Directors Management Team review the risk register monthly. In December it was decided to review the process across the whole organisation. Each Director has a risk register for their own area and activities that are reviewed regularly. In January 2019, the Assurance Manager alongside Directors refreshed the Corporate Risk Register based upon this work. The top 12 risks for the organisation are shown in Appendix 1 alongside some mitigation activities that are in train.
- 2.3. Please note that the table has been edited to fit onto an A3 print out that is readable. A3 copies will be available at the meeting.

### **3.0 CURRENT TOP RISKS**

- 3.1. The top risks even after control and mitigation are:

1. External Partners unable to respond to CPCA needs
2. Funding availability for major Programmes
3. Progress on Peterborough stalls
4. Lack of Structural resilience and insufficient internal resources

\*For full details of risks please see Appendix 1 - CPCA Risk register

### **4.0 NEXT STEPS**

- 4.1. Each individual project currently has risks and mitigations recorded and RAG rated as part of the routine project reporting process to Directors and CPCA Board. This is now formally linked to the overall Corporate Risk Register via Directors Management Team and reported here.

### **5.0 FINANCIAL IMPLICATIONS**

- 5.1. All of the work has been carried out in-house, therefore there are no significant financial implications to this activity. Any of the mitigations instigated have been met from the approved budgets for service area.

### **6.0 APPENDICES**

- 6.1. Appendix 1 – The Corporate Risk Register (inc Scoring Matrix)

<u>Source Documents</u>	<u>Location</u>

Risk Title	Risk Description / Summary	Risk Owner	Inherent Impact (1-5)	Inherent Likelihood (1-5)	Inherent Score (VHA,MA,LS)	Risk Rating	Risk Controls	Risk Actions	Residual Impact (1-5)	Residual Likelihood (1-5)	Residual Score (VHA,MA,LS)	Residual Risk Rating	Acceptance Target Score	Risk Trend	Monitoring
<b>Investment Ready Projects / Business Model</b>															
External delivery partners unable to respond to CPFA needs	The number of active CA & Partner projects may create conflicts in external organisations.  The private sector is not able to respond adequately to the needs of the Combined Authority. This includes both capacity and capability as well as a willingness to explore more innovative approaches which can accelerate delivery.  The CPFA is taking a border approach to infrastructure delivery, many of the projects of this scale would typically be delivered for more traditional organisations such as Network Rail, Highways England etc.	Director of Infrastructure	3	4	12	High	Review our approach to market engagement and investigate alternative procurement models that might encourage different behaviours.		3	4	12	High	3x2+6	Steady	Monthly
Failure to deliver Mayor's Committed Projects	Failure to deliver programmes & projects identified in 4 year plan for example significant work carried out on the Cambridge Autonomous Metro.	Director of Strategy & Planning	4	3	12	High	CPFA project management approach applied across the portfolio and reviewed in October. Regular progress monitoring and reporting at project level, director level and to leader(s)/Ex's. Alignment between project management and financial reporting. Project prioritisation exercise currently under way.		3	3	9	Medium	3x2+6	Steady	Monthly
AEB not ready in time	AEB is not up and ready and professional by deadline of April next year.	Director of Business & Skills	5	5	25	Very High	BPE to provide assurances that they are happy with progress. Regular programme meetings ongoing. Formal letter of confirmation of responsibility received.	Comprehensive programme plan in place and monitored regularly. Operational team with key activities budget secured.	4	2	8	Medium	4x1+4	Decreasing	Monthly
<b>Budget Management / Financial Integrity</b>															
Funding of Ambitious Programmes	There are major infrastructure programmes that will require clear and innovative funding strategies if they are to progress. CPFA funding has been used to develop the feasibility and SOBC/DCs for such schemes. This has been appropriate for now but will start to cause challenges as the major schemes gain momentum. HOWEVER, CPFA funding will only be sufficient to act as a catalyst in bringing these schemes forward.  The real risk here is that devolution funding will have been spent and used up with no way to bring the schemes forward. Any review would be scathing of the CPFA.	CFO	5	5	25	Very High	Budget Process within CPFA and funding allocation spending approval within each organisation. Business Case Approval by CPFA Board and Stakeholders. CPSA Oversight.	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 broad agreement and matching resources will help get a coordinated approach to priorities and bidding for resources.  Specifically CPFA is examining how maximise planning gain from the growth agenda via LVC, 1006.CI and the potential for TIF and development corporations.	3	4	12	High			
Financial Capacity in the Organisation	The Authority's finance function continues to develop to support transition from start-up organisation. The structure has been established and 4 of 7 roles are permanent. Lifting interim Director of Finance has helped build some capacity. Prioritisation is required to develop resilient finance systems and processes that can drive/enhance wider governance processes, cost management and speed of delivery/progress. As the Authority moves rapidly to build its operational phase, the finance team must build on its foundations to lead pace and drive change, co-ordinating successfully with the other corporate teams to achieve effective governance and affordable delivery within available resources.  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: implementing 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 a revised MTTP, developing rigorous project appraisal capabilities, sources and uses of funds, availability of debt facilities.	CFO	5	4	20	Very High	Regular reporting to CPFA Board. Audit & Governance reporting. Internal & External Auditing. Assurance Framework. Monitoring adherence to Governance Framework.	Finance has basic processes in place for existing resources and requirements, (i.e. payments, accounting and treasury management). The review of Governance arrangements and ensuring the use of these processes has given me more reassurance and confidence.  We are in the process of developing the existing Finance system to include new functionality such as Pricing PDL, Approval Workflows and budgetary control reporting which will enable better control over finances and delegated authority to budget holders. This will be in place by 1st April 2019.	4	2	8	Medium			Monthly
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 CPFA 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.	CFO	5	3	15	High	Monthly Budget monitoring reports.  All business cases for capital spend is approved at Board. CFO and Monitoring Officer to sign off all business cases and reports. Corporate approach to Monitoring & Evaluation.	A proper Medium Term Financial Plan is being considered at Board on 30th January 2019. If approved, monthly reports will be considered by Directors Management Team and Board that will look at variance analysis and link to outcomes. The point to any of this is that actions are taken on identified variances.	3	2	6	Medium			Monthly
<b>Partnership</b>															
Progress on University of Peterborough stalls	Partners including ourselves aren't able to meet their declared commitments.	Director of Business & Skills	5	4	20	Very High	CPFA to implement measures to ensure all partners have absolute clarity of their deliverables and that they meet expectations fully. Current analysis of the above taking place.		4	3	12	High	3x2+6	Decreasing	Monthly
Reputational risk	High profile (trade magazine) articles and local concern regarding the governance processes of the CPFA and the recent departure of the Chief Executive.	CEO	3	5	15	High	Interim CEO appointed with a remit to conduct a chief executive review and report to Leaders on (1) recruitment to established staffing structure (2) prioritisation and performance management (3) budget review (4) governance processes. A key outcome of this review is to improve relations with local stakeholders.  Internal Audit review of governance processes taking place.		3	3	9	Medium	2x2+4	Decreasing	Monthly
<b>Political &amp; Elections</b>															
National Change in Administration	With the possibility of a General Election in 2019 or 2020 there is a risk that the new administrations policies on devolution may differ to that of the current government and require a different approach.	Director of Strategy & Planning	3	3	9	Medium	Work at political level to ensure national parties and Whitehall remain committed to devolutionary policies, lobbying by engaging with the UK and with the Metro Mayors grouping.		3	3	9	Medium	2x2+4	Steady	Monthly
Changes in Political Management of Combined authority	Given the long term financial commitments potential funders are looking for a stable leadership and direction of CA. Any change in the elected leaders could impact available funding.	Chief Exec	4	2	8	Medium	Direction of Combined Authority has been agreed in the 2030 vision and the 4 year plan. There is support across the board for the programme of investment and priorities.		4	2	8	Medium	3x2+6	Steady	Monthly
<b>Structural Resilience</b>															
Lack of Structural resilience / Insufficient Internal Resources	Failure to maintain Business as Usual during rapidly expanding programme of work whilst developing, restructuring and recruitment of CPFA.  There are a significant volume of projects being developed and the CPFA in its infancy has been in the position to mobilise its resources. Sufficient internal 'client' resources need to be available to oversee the development and delivery of programmes. This extends not only to programme management and project management resources but also more specialist functions such as land acquisition, communications, legal, procurement, etc.  Insufficient project management resources to deliver Priorities & Programmes identified in 4 year plan.	Chief Exec	4	4	16	High	There is a recruitment process for the permanent Chief Executive, a senior management structure under review by the Employment Committee and each Director is tasked with reviewing the team structures to ensure sufficient people resources to deliver against objectives.  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 member's incapacity.		4	3	12	High	4x2+8	Decreasing	Monthly
Failure to adhere to Internal Frameworks	The Combined Authority fails to adhere to internal frameworks which could put at risk the release of the Single Pot Funding.	Director of Strategy & Planning and CFO	4	3	12	High	Project management approach documented. Training and engagement for PMs. Directors to oversee their directorate projects and provide assurance to CE. M&E Framework and performance reporting being refreshed. Assurance framework to be reviewed.		4	2	8	Medium	4x1+4	Steady	Monthly

Impact	Description
5 Severe	Catastrophic impact on organisation
4 Major	Serious impact on organisation
3 Significant	May cause some impact on organisation
2 Minor	Unlikely to cause impact on organisation
1 Trivial	No impact on organisation

Likelihood	Description
5 Almost Certain	> 95% likely to occur within next 12 months
4 Likely	50 - 95% likely to occur within next 12 months
3 Possible	20 - 50% likely to occur within next 12 months
2 Unlikely	1 - 20% likely to occur within next 12 months
1 Rare	< 1% likely to occur within next 12 months

		Impact				
		1	2	3	4	5
Likelihood		Trivial	Minor	Significant	Major	Severe
5	Almost Certain	5	10	15	20	25
4	Likely	4	8	12	16	20
3	Possible	3	6	9	12	15
2	Unlikely	2	4	6	8	10
1	Rare	1	2	3	4	5

Very High	Primary or severe risks requiring immediate attention, there could be a severe impact on the Combined Authority and its ability to deliver the programmes. Or the net cost may increase by more than £500,000. Or there could be an adverse impact on the national reputation of the Combined Authority in both the short and long term. Or there is a long-term catastrophic impact that could happen to the community, economy or environment.
High	Risk is significant, warranting attention. There could be an immediate impact on major parts of the programme. The cost may increase by £250,000 up to £500,000. Or, there may be sustained adverse publicity at a national level. Or, the reputation locally might be impacted in both the short and long term. Or there may be a long term detrimental impact on the community, economy or environment at a significant level.
Medium	Less significant but could cause disruption, affecting delivery between one and four weeks. Or it could increase the costs by more than £100,000 but less than £250,000. Or there could be significant adverse publicity in the local or national press. Or there is a short to medium term impact on the community, economy or environment.
Low	Not likely to occur so low risk, impacts could be severe if it did happen but this should be able to be managed without a great deal of intervention. Usually minor disruptions, minor or short term impacts.

**Date** – Date risk input onto register

**Risk Title** – Brief explanation of the risk. This is key to ensuring that the risks are easily identified and understood. eg. ‘Risk of Funding not being released’

**Risk Description / Summary** - Why the risk is on there, Why the risk would occur. Background on the risk, eg. “There is a risk that a ‘cause’ may result in an ‘event’ leading to a ‘consequence’ “.

**Risk Owner** – Subject matter expert – the person accountable for risk

**Risk Category** – Whether the risk is ‘Operational’ ‘Strategic’ or a ‘Project’ risk

**Risk Type** – What type of risk it relates to, eg ‘Reputational’ ‘Political’, ‘Economic’, ‘Technical’, ‘Infrastructure’, ‘Legal’ etc

**Inherent Impact** – The Impact rating the risk would cause on the organisation using the classification matrix table before any specific management actions or controls have been implemented.

**Inherent Likelihood** - The Likelihood rating the risk would cause on the organisation using the classification matrix table before any specific management actions or controls have been implemented.

**Inherent Score** – Risk score at the beginning before any specific management actions or controls have been implemented. (Impact x Likelihood)

**Risk Rating** – **Very High, High, Medium, Low** – taken from where the score sits on the matrix

**Risk Controls** – The controls we are putting in place to mitigate the risk cause. Controls are activities such as policies, processes and procedures which minimise the probability or impact of the risk occurring.

**Risk Actions** – The actions we are putting in place to deliver the mitigating controls. There can be more than one action for each control and the actions are the mitigating plan to get the risk to your Accepted target score.

**Residual Impact** – The Residual Impact rating the risk would cause on the organisation using the classification matrix table as at today's date, as the controls and actions have been implemented.

**Residual Likelihood** - The Residual Likelihood rating the risk would cause on the organisation using the classification matrix table as at today's date, as the controls and actions have been implemented.

**Residual Score** – Where we are as at today's date, once the controls are in place, this should change as mitigating actions are implemented. As time progresses, the residual score should move closer to target score. ( I x L )

**Residual Risk Rating** – **Very High, High, Medium, Low** – taken from where the score sits on the matrix

**Accepted Target Score** – Where the result of the completed actions and controls will reduce the risk to. This is where the business is willing to accept the risk. ( I x L )

**Risk Trend** – Whether the risk is increasing, decreasing or steady. This identifies whether the risk needs looking at more regularly.

**Monitoring** – When the risk needs to be reviewed, weekly, monthly quarterly etc.



<b>AUDIT AND GOVERNANCE COMMITTEE</b>	<b>AGENDA ITEM: 12</b>
<b>29<sup>th</sup> MARCH 2019</b>	<b>PUBLIC REPORT</b>

## **ASSURANCE FRAMEWORK**

### **1.0 PURPOSE**

- 1.1. The report asks the Audit and Governance Committee to note a report on the 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.

<b><u>DECISION REQUIRED</u></b>	
<b>From:</b>	<b>29<sup>th</sup> March 2019</b>
<b>Lead Officer:</b>	<b>Kim Sawyer – Interim Chief Executive</b>
That the Committee:  a) Notes the contents of the report and the single Assurance Framework for both the Business Board and the Cambridgeshire and Peterborough Combined Authority (Appendix 1 – to follow).	

### **2.0 BACKGROUND**

- 2.1. In July 2014, the Government negotiated a Growth Deal with all 39 Local Enterprise Partnerships (LEPs), which awarded a significant proportion of the £12 billion Local Growth Fund to LEPs.
- 2.2. Government produced a National Assurance Framework to ensure that every Local Enterprise Partnership had in place the necessary systems and processes to manage the delegated funding from Central Government budgets effectively.
- 2.3. Each LEP then created a Local Assurance Framework which documented practices and standards which are necessary to provide Government and local

partners with assurance that decisions over funding are proper, transparent, and deliver value for money.

- 2.4. Each LEP is required to review, refresh and sign off its Local Assurance Framework as the requirements set out in this Framework will be incorporated as a condition of funding in future Growth Deal grant offer letters.
- 2.5. LEPs must submit a letter from their relevant Section 73 Officer to MHCLG's Accounting Officer by 28 February each year, certifying that the LEPs Local Assurance Framework has been agreed, is being implemented and meets the revised standards set out in the National Assurance Framework.
- 2.6. The Greater Cambridge Greater Peterborough (GCGP) LEP's Assurance Framework was signed off as compliant by its old Accountable Body, Cambridgeshire County Council on the 28 February 2018.
- 2.7. To ensure that the Business Board was fully compliant with Government requirements, the Business Board on 24 September 2018 approved an interim Assurance Framework based on the previous GCGP LEP's agreed framework as the Government was due to publish revised guidance for Mayoral Authorities with a local enterprise partnership.
- 2.8. The Ministry of Housing, Communities & Local Government published revised Assurance Framework guidelines for Mayoral Combined Authorities in January 2019.
- 2.9. A single Assurance Framework for both the Business Board and the Cambridgeshire and Peterborough Combined Authority has been developed in line with the revised Government guidance. Previously both entities had separate Assurance Frameworks. The single Assurance Framework is attached at Appendix 1 and have been submitted to the March meetings of the Business Board and Combined Authority for approval.
- 2.10. By creating a single Assurance Framework, we 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 our governance and compliance processes, and a singular approach to the recommendation and decision-making processes of both Boards.
- 2.11. The new Assurance Framework meets the criteria set out in the revised guidance.

### **3.0 FINANCIAL IMPLICATIONS**

- 3.1. There are no significant financial implications to this report.

### **4.0 LEGAL IMPLICATIONS**

- 4.1 There are no direct legal implications arising from this report.



## 5.0 APPENDICES

### 5.1. Appendix 1 – Assurance Framework (To follow)

<b><u>Source Documents</u></b>	<b><u>Location</u></b>
List background papers:  Business Board Assurance Framework - Business Board Meeting 25 <sup>th</sup> March 2019	List location of background papers:  <a href="http://cambridgeshirepeterborough-ca.gov.uk/meetings/business-board-meeting-25th-march-2019/?date=2019-03-25">http://cambridgeshirepeterborough-ca.gov.uk/meetings/business-board-meeting-25th-march-2019/?date=2019-03-25</a>



<b>AUDIT AND GOVERNANCE COMMITTEE</b>	<b>AGENDA ITEM: 13</b>
<b>29th MARCH 2019</b>	<b>PUBLIC REPORT</b>

## **STAFFING STRUCTRE UPDATE**

### **1.0 PURPOSE**

- 1.1 To provide the Audit and Governance Committee with an update of the proposed staffing structure for the Combined Authority.

<b><u>DECISION REQUIRED</u></b>	
<b>From:</b>	<b>29<sup>th</sup> March 2019</b>
<b>Lead Officer:</b>	<b>Kim Sawyer – Interim Chief Executive</b>
That the Committee notes the proposed staffing structure approved by the Employment Committee for consultation on the 13 <sup>th</sup> February 2019.	

### **2.0 BACKGROUND**

- 2.1 On the 27 June 2018, the Combined Authority approved the first management and organisational structure of the Cambridgeshire and Peterborough Combined Authority (CPCA).
- 2.2 In September 2018, following their appointment as the interim Chief Executives, John Hill and Kim Sawyer were tasked with undertaking a review of the organization. This included a further review of the staffing structure. Mr John Hill undertook a 'root and branch' review of the CPCA staffing structure and put together proposals to begin a consultation on a revised structure.
- 2.3 On the 13<sup>th</sup> February 2019, the Employment Committee considered the Interim Chief Executive's consultation paper for the restructuring of the departments of the Combined Authority.
- 2.3 Members of the Overview and Scrutiny Committee requested to call-in the decision made by the Employment Committee in accordance with the Constitution. After considering the request to call-in and all relevant advice, the Committee resolved:

- (a) not to agree to the request to call-in and therefore the decision would take immediate effect;
- 2.5 The proposed new structure is therefore still in the process of consultation with staff. The proposed structure can be viewed at the following link:  
[Overview and Scrutiny Agenda 25<sup>th</sup> February 2019](#)
- 2.6 The consultation period closes on 29 March and the interim Chief Executive John Hill will conclude the restructuring on the 8 April 2019.

### **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 There are no equality implications arising from this report

### **6.0 APPENDICES**

- 6.1 None

<b><u>Source Documents</u></b>	<b><u>Location</u></b>
<b>Employment Committee Agenda 13<sup>th</sup> February 2019</b>	<a href="#">Employment Committee Agenda</a>
<b>Overview and Scrutiny Agenda and Minutes – 25<sup>th</sup> February 2019</b>	<a href="#">O&amp;S Agenda and Minutes</a>



<b>AUDIT AND GOVERNANCE COMMITTEE</b>	<b>AGENDA ITEM: 14</b>
<b>29 MARCH 2019</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 for the remainder of the 2018/19 municipal year.

<b><u>DECISION REQUIRED</u></b>	
<b>From:</b>	<b>29<sup>th</sup> March 2019</b>
<b>Lead Officer:</b>	<b>Anne Gardiner – Scrutiny Officer</b>
That the Committee: a) Notes the work programme for the Audit and Governance Committee for the 2018/19 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 At the November Audit and Governance Committee meeting members requested that they be provided with a calendar of items that must be considered annually by the committee be added to the work programme for them to monitor. This document is attached at Appendix 2.

### **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 Draft Work Programme

6.2 Calendar of Work Programme Items for the Year.

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



**AUDIT & GOVERNANCE COMMITTEE – WORK PROGRAMME**

**LEAD OFFICER(S):** Kim Sawyer & Noel O’Neil

**DEMOCRATIC SERVICES OFFICER (DSO):** Emma Powley

Date	Report Description	Relevant Officer/ Report Author
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Deadlines:	Final Reports to DSO: 4pm Tuesday 19 March 2019	Agenda Publication/Despatch: Thursday 21 March 2019
29 March 2019 – 10am Private Meeting	Private meeting with External and Internal Auditors	
29 March 2019 11am – Public Meeting	Combined Authority Board Update	TBC
	External Audit Progress Report	Suresh Patel/Kay McClennon (Ernst & Young)
	External Audit - Local Government Sector Briefing	Suresh Patel/Kay McClennon (Ernst & Young)
	Business Board Governance Update	Noel O’Neil
	Corporate Risk Register Annual Review	Darren Edey
	Internal Audit Plan 2019/20	Steve Crabtree
	Internal Audit – Progress Report	Steve Crabtree
	Internal Audit – Governance review findings	Steve Crabtree
	Independent Budget Review	Noel O’Neil
	Work programme	Anne Gardiner
	Assurance Framework & Code of Corporate Governance Review	Darren Edey

	Staffing Structure Update	Kim Sawyer
<b>Deadlines:</b>	<b>Final Reports to DSO: Friday 17<sup>th</sup> May 2019</b>	<b>Agenda Publication/Despatch: 22<sup>nd</sup> May 2019</b>
31 <sup>st</sup> May 2019 – Public Meeting 10am	Draft Accounts 2018/19	Noel O'Neil
	Internal Audit Report	Steve Crabtree
	Management Action Plan	Kim Sawyer
	Audit Performance Report	Emma Powley

### Audit and Governance Work Programme Items

The Audit and Governance Committee meet four times a year, roughly following the financial timetable set by legislation.

Currently the Audit and Governance Committee are scheduled to meet in the following months:

July, September, December, March (The Committee have also requested that they meet in public in June to consider the draft accounts for the Combined Authority.)

Below is a table of items that the committee must consider throughout the year.

<b>Item</b>	<b>Description</b>	<b>Proposed Meeting</b>
Combined Authority Board Update	Standing item on the agenda when a chief officer or by agreement once a year the Mayor for the Combined Authority provides an update on the activities for the authority.	Every meeting
Minutes	Standing item on the agenda for the committee to agree the minutes from the last meeting	Every meeting
Corporate Risk Register	Standing item by request of the committee to be considered at each meeting.	Every meeting
Work Programme	Standing item for the committee to consider their upcoming work programme.	Every meeting
Internal Audit – Progress Report	Report from the Internal Auditors to provide an update on the progress of the current internal audits.	Every meeting



External Audit – Audit Plan	The Committee receive and approve the final audit plan prepared by the external auditors	March
Internal Audit Plan:	Details of audit activity for the following year.	March
Treasury Management Strategy Summary	The Committee receive the report asks for comments comment on the draft Treasury Management Strategy.	March
Code of Corporate Governance	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.	March
Complaints Policy	Describes how we will deal with complaints and the role of the Local Government and Social Care Ombudsman – reviewed annually.	March
Assurance Framework	The Assurance Framework is a set of systems, processes and protocols, which along with standing orders, financial regulations, departmental procedures, and codes of practice is linked in a hierarchy of management and financial control procedures, which clearly define the responsibilities of members and the duties of the CPCA’s officers, consultants and partners. – Approved annually.	March

Internal Audit – Annual Report	A report provided by the Internal Auditors on the effectiveness of the Authority's systems of governance; risk management and internal control.	July
External Audit Final Results	The Committee receive the audit results report from the external auditors.	July
Review of Constitution	The Committee to review the constitution including the Members Code of Conduct	July
Annual Governance Statement	Explains how the Combined Authority has complied with the Local Code of Governance and meets the requirements of the Accounts and Audit (England) Regulations 2015 Regulation 6.1(b) – usually received along with the Annual Financial Report.	The Annual Governance Statement is reviewed by the A&G Committee every year as part of the Statements of Accounts (usually in July)
Annual Financial Report	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	July
Annual Audit report	The Audit and Governance Committee review annually the work undertaken by the committee to ensure best practice and effectiveness for the Combined Authority is being achieved.	July
External Audit – Annual Audit Letter	The Committee receive the annual audit letter which communicates the key issues arising from external auditors work in carrying out the audit of the statement of	September

	accounts for the Cambridgeshire and Peterborough Combined Authority.	
Treasury Management Strategy Review	The Committee receive the report which review the current performance against the prudential indicators included within the Treasury Management Strategy.	September
External Audit – Draft Audit Plan	The Committee receive the draft Audit Plan and comment whether the planned audit is aligned with the Committee's expectations.	November
Treasury Management Strategy Update	The Committee receive the report which provides the Audit and Governance Committee with an update on the Combined Authority (CPCA)'s Treasury Management Strategy.	November