



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

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

18th December 2017

10am

**Council Chamber, Fenland District Council,
Fenland Hall, County Road, March, PE15 8NQ**

AGENDA

Open to Public and Press

Number	Agenda Item	Chief Officer	Papers	Pages
1	Apologies and Declarations of Interests	Chair	Oral	
2	Minutes – 21 st September 2017	Chair	Yes	Pages 4 - 14
3	Combined Authority Board Update	Kim Sawyer	Yes	Pages 15 - 26
4	Internal Audit Update	Steve Crabtree	Yes	Pages 27 - 31
5	External Audit 16-17 Annual Audit Letter	Kay McClennon & Suresh Patel	Yes	Pages 32 - 53

Number	Agenda Item	Chief Officer	Papers	Pages
6	Audit Plan 2017/18	Jon Alsop	Yes	Pages 54 - 89
7	Members Code of Conduct: Procedure for Hearings by the Audit Committee	Kim Sawyer	Yes	Pages 90 - 98
8	Complaints Procedure	Kim Sawyer	Yes	Pages 99 - 107
9	FOI and Data Protection Policy	Kim Sawyer	Yes	Pages 108 - 120
10	Treasury Management Strategy	Jon Alsop	Yes	Pages 121 - 149
11	Assurance Framework	Brian Madden	Yes	Pages 150 - 167
12	Work programme	Chair	Yes	Pages 168 - 171
	Date of next meeting			
	Date: 26 th March 2017 – 10am Venue- Peterborough City Council		Oral	

The Audit & Governance Committee currently comprises the following members:

Chair: Mr John Pye (Independent Person)
 Councillor Barry Chapman - Huntingdonshire District Council
 Councillor Andrew Fraser - South Cambridgeshire District Council
 Councillor Nichola Harrison - Cambridgeshire County Council
 Councillor Chris Morris - East Cambridgeshire District Council
 Councillor Chris Seaton - Fenland District Council
 Councillor David Seaton - Peterborough City Council
 Councillor Richard Robertson - Cambridge City Council

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 or 07961240442



**CAMBRIDGESHIRE
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COMBINED AUTHORITY

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY – DRAFT MINUTES

AUDIT AND GOVERNANCE COMMITTEE: MINUTES

Date: 21st September 2017

Time: 10am

Location: Cambridge City Council, Guildhall

Present:

Mr John Pye
Cllr Barry Chapman
Cllr David Seaton
Cllr Richard Robertson
Cllr Chris Seaton
Cllr Andrew Fraser
Cllr Nichola Harrison

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

Officers:

Kim Sawyer

Marion Kelly
Brian Madden
Jon Alsop
Ian Pantling

Steve Crabtree
Anne Gardiner

Interim Legal and Monitoring Officer –
Cambridgeshire and Peterborough
Combined Authority (CPCA)
Interim Chief Finance Officer - CPCA
Strategic Financial Adviser
Interim Project Accountant
Financial Accounting & Control Manager –
PCC
Chief Internal Auditor – PCC
Scrutiny Officer - CPCA

Others in attendance:

Suresh Patel
Kay McClennon

Executive Director – Ernst & Young LLP
Manager – Ernst & Young LLP

The Committee received a presentation from the Internal Auditor on Risk Management which is attached at Appendix A.

1. Apologies and Declarations of Interests

- 1.1 The Chairman welcomed Kim Sawyer, Marion Kelly and Brian Madden to the meeting.
- 1.2 The Chairman noted that the quorum for the meeting was 5 people and it was important that members arranged for their substitutes to attend in their place if they could not attend themselves.
- 1.3 Apologies were received from Cllr Morris.
- 1.4 No declarations of interest were made.

2. Minutes of the meeting held on 26th June 2017

- 2.1 The Chairman went through the actions from the last meeting and requested that the action sheet be appended to the minutes in the future. (See Appendix B)
- 2.2 The tender process had been completed and Ernst & Young would be the External Auditors for the Combined Authority for the next five years – further information on this was included in their report.
- 2.3 The Chairman had met with the Mayor and Monitoring Officer for the Combined Authority – the meeting had been productive and the Mayor had agreed to attend some of the Audit and Governance Committee's meetings.

The Monitoring Officer was in attendance and agreed that she would attend future meetings.

The Mayor, the Monitoring Officer or one of the other principals would provide a ten-minute update on the Combined Authority work at the start of each meeting.

- 2.4 The minutes of the meeting held on the 26th June were agreed as a correct record.

3. External Audit – Audit Results Report (ISA 260)

- 3.1 The Committee received the report from the External Auditors Ernst & Young which summarised the findings from the audit and detailed their audit opinion.
- 3.2 The External Auditors stated that they had confidence in the financial team in place for the Combined Authority.
- 3.3 Due to changes in deadlines dictated by Central Government it might be necessary for the Committee to re-organise their meeting dates to align with the new timetable for the submission of accounts.
- 3.4 Members raised a query regarding the £15k fee that had been charged for carrying out the audit and were advised that this had been a contentious issue between the Combined Authority and the Department for Communities and Local

Government (DCLG). The Combined Authority were disappointed that the 3-week accounting period could not have been included in an expanded 2017/18 set of accounts which would have saved the need and associated cost of drafting and auditing the 2016/17 accounts. However, in the event, the team felt that the significant amount of work and senior input provided by Ernst and Young had been valuable for the future.

- 3.5 The Chairman raised a query regarding the language of the letter at the start of the report as it stated that the report was solely for the use of the Audit and Governance Committee. The External Auditors advised that the statement was there to deter third parties from using the information contained within the report as a basis for their decisions, but agreed it could be worded better in future.
- 3.6 The Chairman asked why the Chair of the Audit and Governance Committee was required to sign the letter of representation, and was advised that this was a legal requirement that had been delegated by the Board of the Combined Authority to the Audit and Governance Committee.

The Committee felt that their role was more to make recommendations rather than approve matters on behalf of the Combined Authority.

The Monitoring officer agreed that this could be looked at when the Corporate Governance review was undertaken.

- 3.7 The Committee noted the report and agreed that the Chairman should sign the letter of representation on behalf of the Committee.

4. Statement of Accounts

- 4.1 The Committee received the report from the Interim Chief Finance Officer which outlined the Statement of Accounts 2016/17 and the Annual Governance Statement 2016/17 including the appointment of Ernst & Young for a five-year period.
- 4.2 The Committee were advised that the Audit and Governance Committee had been given delegated powers to approve the Statement of Accounts and the Annual Governance Statement on behalf of the Combined Authority.
- 4.3 The Committee raised a query around its obligations in relation to the review of the effectiveness of the governance framework and whether this was within the remit of the Audit and Governance Committee.

The Committee were advised that this did fall within their remit and that it might be advisable to have a training session on this for Committee Members.

The Committee agreed that at their December meeting a 45-minute training session on the obligations of the Committee in relation to the governance framework should be held prior to the public meeting.

- 4.4 The Committee approved the audited Statement of Accounts 2016/17 and the Annual Governance Statement 2016/17 and noted the proposal for the appointment of EY as the Combined Authority's external auditors from 1st April 2018.

5. Treasury Management Mid-Year Update

5.1 The Committee received the report from the Interim Chief Finance Officer which outlined the current performance against the prudential indicators included within the Treasury Management Strategy.

5.2 The following points were raised during the discussion: -

- When the existing strategy was formed, the Mayor's 100-day plan was not in place and the cash flows were not known. Therefore, developing the new strategy will be a significant piece of work for the section 151 Officer to look at over the coming months.
- When the new strategy was approved a specific list of investment names would be included. The current list would be circulated to members.
- The development of the strategy would be carried out by the section 151 Officer and the Chief Executive of the Combined Authority and would include a set of principles for basing its future investments. The strategy would be brought back to the Committee in December.
- The Committee were advised that Barclays were currently the bank for the Combined Authority.
- In response to a query regarding whether there was any scope for short term lending to other local authorities, the Committee were advised that there were some investments with Peterborough City Council but market rates were extremely low. This was why it was important to understand the cash flow and to develop the medium term financial plan and to look at other investment opportunities.
- The interim Chief Finance officer advised that she understood there would be quite significant amounts of cash available over the next 6-18 months so now was the time to look at different opportunities that may be available.
- Members noted that it would be important to consider the reputation of the Combined Authority when managing its cash and when investing in projects.

A member of the Committee asked whether there may be a need to raise money through increasing Council Tax in the future and was advised that there would be major projects that would require further funding and that this would be an area to consider in the future.

5.3 The Committee noted the report and encouraged the Combined Authority to make early progress in getting greater value for money from its cash reserves, and to adopt a creative approach in the new strategy.

6. Assurance Framework

6.1 The Committee received the report which outlined the progress on the implementation of measures in accordance with the Assurance and the Monitoring & Evaluation Frameworks.

6.2 The following points were raised during the discussion: -

- The Combined Authority was a fledgling authority and there was still a lot of work to do and systems to implement.
- The current Assurance, and Monitoring & Evaluation documents were written when the Combined Authority did not exist but they were a necessary requirement from the DCLG.
- An implementation plan was now needed to be put in place that would show how the Combined Authority would run and how the projects would be managed – this implementation plan would be brought back to the Audit and Governance Committee for its views but approval of the plan would rest with the Board.
- The Committee requested that they receive a document that would show the progress of all the current projects but were advised that such a report would need to wait until discussions with DCLG were complete regarding the Gateway reviews. However, a checklist could be provided to the Committee and an oral update from the Monitoring Officer at the December meeting to advise the Committee of the progress being made.

6.3 The Committee noted the report and agreed that a copy of the Implementation Plan should come back to a future meeting of the Committee.

The Committee agreed that an oral update and checklist would be provided by the Monitoring Office at the December meeting of the Committee.

7. Internal Audit: Corporate Governance Scoping Document

7.1 The Committee received the scoping document for the Internal Audit review of the governance arrangements within the Combined Authority.

7.2 The following points were raised during the discussion: -

- Central government had allowed a degree of flexibility for a Combined Authority to tailor its governance approach to local needs. However, there were certain Government processes and National Regulations on the operation of Overview & Scrutiny and Audit Committees that had to be followed.
- Part of the Assurance Framework document is intended to ensure that the Combined Authority creates value for money – the Authority must do more than other Constituent Councils could have done. All audits carried out would look at value for money and ensure that this was incorporated.
- As the Combined Authority was currently in its infancy, gaps might be identified as progress was made. The Committee requested that the report should state that the audit was therefore a stock take at this point in time, and there were opportunities to identify other areas for future audits.

- In answer to a query, the Committee was told that the Internal and External Auditors do work together to harmonize their respective programmes.
- The Committee noted that the scope of the governance audit was very broad, and that it would be important to keep the work manageable and focused.
- The internal audit would begin in October and an update would be provided at the December meeting.
- The Committee asked that future Internal Audit proposals included the number of days allocated and the timetable for the work.
- Any issues that were identified by the Internal Audit would be highlighted by the Internal Auditor to the Chief Officers within the Combined Authority. The Chairman requested that he should also be informed in the event that emerging findings indicated a potential 'limited or no' assurance.

7.3 The Committee noted the scoping document for the internal audit of the governance arrangements of the Combined Authority.

8. Work Programme

8.1 The Committee agreed that they would take a view on how frequently the Risk Register should be brought to the Committee after they had seen the first report in December.

8.2 The External Audit report would need to come to the December meeting due to changes in the external audit calendar. Future meetings of the Audit and Governance Committee needed to be reviewed considering this.

The Committee Clerk would work with finance officers and external auditors to arrange the civic calendar appropriately.

8.3 A private meeting with the External Auditors would always be available if any committee members requested it.

8.4 The Committee agreed the work programme.

9. Date and Location of the Next Meeting

9.1 The next meeting will be held at Fenland District Council on the 18th December at 10am, starting with the 45-minute training session on the Assurance Framework and the committees obligations..

Meeting Closed 12.22pm.

Managing Strategic Risks

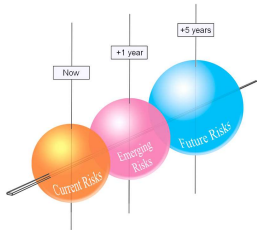


Cambridgeshire and Peterborough Combined Authority
21 September 2017

Steve Crabtree
Chief Internal Auditor, Peterborough City Council

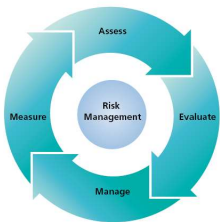
Aim to cover

- Provide overview of risk management
- Risk Management Policy
- Risk Appetite



Why do we do Risk Management?

- Minimise potential losses
- Maximise potential opportunities
- Achieve our objectives



What is a Risk?



An event which can affect the achievement of objectives

A hazard or an opportunity

Negative, positive or uncertain outcome

Risk Matrix

Likelihood

Review 12 months
Review 6 months
Review 3 months

5					
4					
3					
2					
1					
	1	2	3	4	5

Impact

Risk Response – the 4Ts

- **Tolerate**
 - If risk is within acceptable limits
- **Terminate**
 - Not always practical/possible
- **Transfer**
 - Insurance, Outsourcing
- **Treat**
 - To mitigate the effects. This is the risk control



Risk Classification

- Strategic
- Operational
- Financial
- Compliance
- Reputational
- Environmental



Risk Management Policy

- **Risks**
 - Identify / Analyse likelihood
 - Take action to control / Record
 - Review / Report
- **Risk Registers (owned and maintained at following levels)**
 - Board / Project Groups
 - Universal template using corporate risk approach



Risk Appetite

To determine risk appetite consider:

- Capacity to manage risk should it occur
- Potential impacts upon service delivery and financial resources
- Capacity to take action to reduce / remove the risk
- The effect that managing one risk may have on another



Corporate risk appetite should be set by the Board

Risk Review and reporting

- Reviewed on a quarterly basis (more often if appropriate)
- Update reports to each Project Group / Committees / Board
- Ownership needs to be clear
- Highlight progress on managing acceptable levels
- Highlight emerging risks and proposals to mitigate

Key Question to be discussed

- What is the risk appetite for CPCA?



Action Sheet – Audit & Governance Committee Combined Authority

Committee Date	Action	Officer	Action to be completed by date.	Action completed
26/06/2017	Terms of Reference to be updated once tender process concluded	Jon Alsop		21/09/2017
	Audit scoping brief to be produced.	Steve Crabtree	8/09/2017	13/09/2017
	Risk Management Training Slot (45 mins) to be undertaken at September A&G Meeting.	Kim Sawyer	21/09/2017	21/09/2017
	Chairman to meet with Mayor & Chief Executive of Combined Authority to discuss the inclusion of a ten minute hot topic slot at Audit meetings – report back to Sept meeting.	John Pye (Chair)	21/09/2017	21/09/2017
	Briefing note on 2016/17 expenditure to be circulated to members of the committee.	Jon Alsop/John Harrison		21/07/2017
	Internal Audit Governance to be added to the agenda for Sept meeting.	Anne Gardiner	13/09/2017	13/09/2017
21/09/2017	Chairman to meet with CEO	John Pye/ Anne Gardiner	18/12/2017	
	Mayor to attend Dec Audit meeting	Anne Gardiner	18/12/2017	
	Monitoring Officer and Chief Finance Officer to provide summary of 'hot topics' from previous CA meetings – add to agenda	Anne Gardiner	18/12/2017	
	Training session on audit duties and responsibilities role of the committee – Dec meeting	Steve Crabtree	18/12/2017	

	Re-organise meeting dates to align with external audit deadlines.	Anne Gardiner / Alex Colyer	18/12/2017	
	Current investment list to be circulated to members	Jon Alsop/A.Colyer	18/12/2017	
	New Treasury Management Strategy to be brought back to Dec meeting	Jon Alsop/Alex Colyer	18/12/2017	
	Oral update to be provided at the Dec meeting with regards to the Assurance Framework	Kim Sawyer	18/12/2017	
	Implementation Plan to be brought back to future meeting in the new year – March meeting	Kim Sawyer	26/03/2018	
	Update on Internal Audit Governance Review to be given at Dec meeting	Steve Crabtree	18/12/2017	



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Decision Summary

Meeting: 25th October 2017

<http://cambridgeshirepeterborough-ca.gov.uk/meetings/combined-authority-board-25-october-2017/>

Item	Topic	Decision
	Part 1 – Governance Items	
1.1	Apologies and Declarations of Interest	Apologies received from Councillor Topping, substituted by Councillor Wright, Councillor Reynolds, substituted by Councillor Peach, and Jess Bawden. Councillors Count, Holdich and Howe declared non-statutory disclosable interests under the Code of Conduct in relation to Item 3.2, as members of the Local Enterprise Partnership Board. Councillor Holdich also declared a non-statutory disclosable interest under the Code of Conduct in relation to the same item, as a Director on Opportunity Peterborough appointed by Peterborough City Council;
1.2	Minutes – 27th September 2017	It was resolved to approve the minutes of the meeting of 27th September 2017 as a correct record.
1.3	Petitions	None received.
1.4	Public Questions	None received.

Item	Topic	Decision
1.5	Forward Plan	It was resolved to approve the Forward Plan of Executive Decisions dated 23 October 2017 subject to the following changes: - Items 12, 13 and 14 had been moved from November to the December meeting. - Adult Education Budget Devolution, and Transport update had been added to the November meeting
	Part 2 –Non Key Decision	
2.1	Market Town Masterplans: St Neots	The ten market towns of Cambridgeshire and Peterborough, and the city of Ely, represent the places where much of the planned housing growth will occur over the next twenty years. They will be home to approximately a third of the population of the Combined Authority area. It is therefore hugely important that market towns thrive and are successful as prosperous economic centres, and are vibrant, great places to live. Previous economic strategies have not always recognised their role, nor has there been co-ordinated investment plans that enable them to achieve their full potential. St Neots was chosen by the Combined Authority as the starting point for a renewed focus on market towns, and the 100 Day Plan committed investment to develop a Masterplan. This report brought the first phase of the St Neots Masterplan to the Board. The key conclusion was that St Neots is a place that has great potential as a leading example of a thriving modern day market town, but this needed to be unlocked by creating an investment programme and a new partnership and delivery team. The Masterplan analysis concludes that from a coordinated programme of investments an additional £185m/annum Gross Value Added (GVA) will be created by the end of the plan period. The first stage of work had identified a package of £5.8m of early stage investments – these would enable future growth as well as make a real difference for the existing residents and visitors of St Neots. However, the forecast growth of GVA in St Neots of 40% falls well short of the Combined Authority goal to double GVA in all areas of the region. The strategic implication from this analysis was that our target to double Cambridgeshire and Peterborough’s GVA can only be met if the ceiling on new homes and new jobs, with related investments, was significantly increased.

Item	Topic	Decision
		It was considered essential to the development of future plans for St Neots that the A428 expressway and the rapid transit (light railway) system connecting St Neots with Cambridge were both commissioned and built by the early 2020s. It was resolved to: a) welcome the analysis and findings of the first phase of the Masterplan for St Neots; b) endorse the development of the next phase of the Masterplan through the creation of a “St Neots Masterplan Partnership”; c) note that a total investment programme of up to £5.8m was needed to unlock the growth potential of St Neots within existing plans; d) request that officers work with the St Neots Masterplan Partnership to develop a business case for collective investment in the proposed programme, and bring forward investment proposals to this Board as part of that approach; e) establish that any proposals for Combined Authority investment that were brought forward were in line with the Authority’s Investment Strategy as set out in paragraph 3.8; f) note the intention to promote the development of masterplans for market towns in Cambridgeshire, as part of the Combined Authority’s wider economic strategy.
	Part 3 – Key Decision	
3.1	Priority Transport Schemes	The purpose of this report was to ask the Board to agree funding for the next tranche of priority transport schemes. These schemes would support the wider Combined Authority objectives by improving transport connectivity, reducing congestion, enabling housing growth and/or supporting economic growth. This report set out a longer term pipeline of work to ensure that there is a steady flow of transport interventions that are effectively planned and well considered over the current and

Item	Topic	Decision
		future Mayoral cycles. This longer term approach was vital to building confidence; developing and positioning projects for future private sector investment; and enabling accelerated delivery by providing delivery partners with visibility of future work. It should be noted that these schemes were in addition to the strategic transport and infrastructure schemes approved previously by the Board. The pipeline of schemes also excluded those projects currently being promoted, funded and/or developed independent of the Combined Authority. This included the Greater Cambridge Partnership (GCP), Highways England and Network Rail. It was resolved to: a) Agree a total budget allocation of £4.53m, comprising £3.53m in 17/18 and £1.0m in 18/19 for the rolling programme of priority transport and infrastructure schemes b) Note the intention to deliver this 4 year programme of priority transport and infrastructure schemes, and the indicative level of future investment. c) Note the governance and budget management arrangements, and the intention to bring the pipeline back to the Board on an annual basis. In the future it is intended to maintain and develop this programme beyond the current 4 year.
	Part 3 – Non Key Decision	
3.2	Funding requests in place of Greater Cambridgeshire Greater Peterborough Local Enterprise Partnership	This report highlighted urgent funding requests made by various bodies to the Combined Authority in place of grants which the Greater Cambridgeshire Greater Peterborough Local Enterprise Partnership (GCGP LEP) was not in a position to fund. It was resolved to: (a) Note the urgent funding requests made by i. The Independent Economic Commission ii. Opportunity Peterborough (b) Note the funding approvals already given in relation to the Independent Economic

Item	Topic	Decision
		Commission and Opportunity Peterborough to ensure important priority objectives could be met. (c) Note that upon restoration of funding to the Greater Cambridgeshire Greater Peterborough Local Enterprise Partnership (GCGP LEP) the Combined Authority would make applications to the GCGP LEP Board to restore the funding position of the Combined Authority.
	Part 4 – Budget and Fiscal decisions	
4.1	Budget Preparation and Consultation Proposals	This report set out the proposed budget setting process for the approval of the Combined Authority's 2018/19 budget. It was resolved to: 1. approve the proposed timetable and the consultees to be involved in the consultation of the Combined Authority's budget 2018/19. 2. Note the emerging strategic themes for the 2018/19 budget.
4.2	Budget Update	This report provided an update of the 2017/18 budget. It was resolved to: 1. Note the budget updates as requested for approval in other Board reports on this meeting's agenda. 2. Approve the use of interest receivable balances to cover committed additional support costs as set out in paragraph 3.6. 3. Note the budget updates as requested for approval as set out for approval in paragraph 3.5. 4. Approve funding of £30.6k for the contribution to phase 1 of the development of a National Evaluation Framework.

Item	Topic	Decision
		5. Note the updated budget and indicative resources for 2017/18 and 2018/19 to 2020/21 as set out in Appendices A and B
	Part 5 – Date of Next Meeting	
5.1	Date of Next Meeting	It was resolved to note the date of the next meeting – Wednesday 29 November 2017 at 10.30am at South Cambridgeshire District Council, South Cambridgeshire Hall, Cambourne Business Park, Cambourne, Cambridge CB23 6EA



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Decision Summary

Meeting: 29th November 2017

<http://cambridgeshirepeterborough-ca.gov.uk/meetings/combined-authority-board-29-november-2017/>

Item	Topic	Decision
	Part 1 – Governance Items	
1.1	Apologies and Declarations of Interest	Apologies received from Councillor Holdich, substituted by Councillor Fitzgerald, and Councillor Topping, substituted by Councillor Nick Wright.
Item	Topic	Decision
1.2	Minutes – 27th September 2017	It was resolved to approve the minutes of the meeting of 25th October 2017 as a correct record.
1.3	Petitions	None received.
1.4	Public Questions	None received.

1.5	Forward Plan	It was resolved to approve the Forward Plan of Executive Decisions dated 20 November 2017.
1.6	Membership of the Combined Authority – Amendments	It was resolved to note the following appointments made by Huntingdonshire District Council for the remainder of the municipal year 2017/2018: (a) Councillor Graham Bull to replace Councillor Robin Howe as its Member to the Combined Authority; (b) Councillor Ryan Fuller as Councillor Graham Bull's substitute to the Combined Authority. The Board also noted that the Mayor had appointed Councillor Charles Roberts as his statutory Deputy Mayor.
	Part 2 – Key Decisions	
2.1	Cambridgeshire and Peterborough Strategic Bus Review	The purpose of this report was to ask the Board to agree to a strategic review of bus services within the Combined Authority area. Buses have the potential to provide economic and social benefits by connecting people with jobs, shops and facilities; they can minimise social isolation; and can reduce congestion on some of our busiest roads. Many bus services are run successfully on a commercial basis but there are also a significant minority of services, particularly in rural areas and those provided for people with disabilities, which are only viable currently through public subsidy. Considerable work has already been undertaken to improve the operational efficiency of the existing bus service. However, significant further operational improvements are unlikely to be achieved using existing delivery models without considerable public sector subsidy. Such investment is likely to offer a diminishing return and is unlikely to deal with the underlying issues. This paper proposed that a strategic study is undertaken. It will: ☐ Review the existing network and service – including its strengths and weaknesses;

		☐ Develop strategic options for bus services of the future – taking account of other strategic transport initiatives, so that any proposals can be seen as part of a whole transport solution. New technology and innovative solutions from across the UK and the world will also be considered; ☐ Assess franchising and other operational models – and their relevance and value to this area’ ☐ Consider transition arrangements for new, future operational models An important feature of the review will be engagement with all stakeholder groups across the area including bus providers and Local Authorities. For the purpose of this report buses are defined as services that provide on road passenger transport provision either via a traditional bus or a smaller tailored accessible vehicle It was resolved to: a) Agree to undertake a Bus Review within the scope and terms of reference set out in this report. b) Agree a total budget allocation of £150,000 to undertake the Bus Review. c) Note the intention to use this Bus Review to inform a future Combined Authority Bus Strategy which would be developed as part of the future Local Transport Plan. d) Note that the Bus Review would seek to recognise the issues faced in certain areas of Cambridgeshire following the recent withdrawal of some commercial services.
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	Part 3 – Other Decisions	
3.1	Transport Update	The Cambridgeshire and Peterborough Combined Authority Order 2017 conferred the local transport planning powers on the Combined Authority creating the Cambridgeshire and Peterborough Combined Authority as the local transport authority. This report set out how transport functions are currently delivered; considered future delivery models; and requested the approval of a statutory instrument which enabled the Combined Authority to levy the upper tier authorities for the cost of delivering the transport functions. It was resolved to: a) Note that the Cambridgeshire and Peterborough Combined Authority, as the local transport planning authority, delegated its transport powers and transport funding to Cambridgeshire County Council and Peterborough City Council for 2017/18; b) Agree to report back to the Board in December on the implications of the Combined Authority assuming the decision making powers for strategic transport planning matters and the impact of that for the upper-tier authorities and other bodies c) Approve the draft Statutory Instrument (Appendix 1) enabling the Combined Authority to levy the upper tier authorities for delivery of the transport functions
3.2	Adult Education Budget Devolution: Transitional Arrangements and Resourcing	The devolution of the Adult Education Budget (AEB) represented a central component of the skills agenda for the Cambridgeshire and Peterborough Combined Authority (CPCA). The AEB brings together what were previously three separate funding streams into a single budget, comprising of: ☐ the non-apprenticeship part of the Adult Skills Budget ☐ community learning ☐ discretionary learner support It has been suggested that successful localisation of this budget could allow the CPCA greater flexibility and responsiveness in addressing the region's skills needs. Although full devolution was originally scheduled for the 2018/19 academic year, it had become apparent that this was no longer feasible without substantial risks to learners and providers. Consequently, the Department for Education (DfE) had proposed two transitional options for the 2018/19 academic year before full devolution in 2019/20. The

		DfE has subsequently written to all Mayoral Combined Authorities requesting formal confirmation of their chosen transitional option. This paper detailed and contextualised the options available and recommended the basis for how CPCA work with the DfE during the 2018/19 academic year. To ensure that the CPCA was prepared for full devolution in 2019/20, a significant amount of preparatory work was required to satisfy the DfE's 'readiness criteria' for the transfer of AEB powers. The report also outlined the level of additional resource required to ensure that CPCA has the specialist knowledge and capacity to prepare for AEB devolution. It was resolved to: (a) Note the steps taken to prepare the Combined Authority for full devolution of the Adult Education Budget in time for the 2019/20 academic year; (b) Agree the Combined Authority's approach to working with the Department for Education during the proposed 'transitional' 2018/19 academic year; and (c) Agree £40,000 of extra resource to ensure that the Combined Authority was equipped to prepare for AEB devolution.
3.3	Appointment of Legal Counsel & Monitoring Officer, and Loan of Chief Executive	The purpose of this report was to ask the Board to appoint Kim Sawyer as Legal Counsel and Monitoring Officer following the recommendation of the Employment Committee. It was resolved to: (a) appoint Kim Sawyer as Legal Counsel and Monitoring Officer, (b) note that the Mayor had exercised his general power of competence on behalf of the Combined Authority to agree to loan the Chief Executive to the Greater Cambridgeshire Greater Peterborough Enterprise Partnership on a part time and interim basis.
3.4	Budget Update Report – 2017-18	Constituent members when agreeing to the establishment of the Cambridgeshire and Peterborough Combined Authority (CPCA) considered the resource allocations from

		central government and the initial expenditure plans which have since been further developed. This report provides an update of the 2017/18 budget. It was resolved to: 1. Note the budget updates as requested for approval in other Board reports on this meeting's agenda. 2. Note the budget update made under delegated authority as set out in paragraph 3.5. 3. Note the updated budget and indicative resources for 2017/18 and 2018/19 to 2020/21 as set out in Appendices A and B
	Part 4 – Date of Next Meeting	
4.1	Date of Next Meeting	It was resolved to note the date of the next meeting – Wednesday 20 December 2017 at 10.30 am in Committee Rooms 1 & 2, Cambridge City Council, Guildhall, Cambridge



AUDIT AND GOVERNANCE COMMITTEE	AGENDA ITEM No: 4
18 DECEMBER 2017	PUBLIC REPORT

INTERNAL AUDIT: UPDATE

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.

<u>DECISION REQUIRED</u>	
Lead Officer:	Steve Crabtree, Peterborough City Council
The Audit and Governance Committee is recommended to note the review of the governance arrangements within the Combined Authority.	

2.0 BACKGROUND

- 2.1. At the previous Committee meeting in September 2017, Members were provided with the scoping document for the review of governance. As agreed, with the organisation in its infancy, initial coverage focusses on the various management controls and processes which have been introduced to oversee the delivery of its objectives.
- 2.2. The audit has been fully mapped and is scheduled for 25 days. Approximately half of the time has been spent to date, on the following tasks:
- (a) data gathering and fact finding
 - (b) discussions with officers.

As more policies and processes are developed the extent of the internal audit review will be expanded to cover a number of other governance areas. Further details are recorded on the original scope (**Appendix A**).

2.3. The audit is on track to be delivered to timescale and a report is expected to be produced for the March 2018 meeting.

3.0 FINANCIAL IMPLICATIONS

3.1. The cost of undertaking the review is contained within the charges contained within the Combined Authority's budget which is reported monthly to their Board.

4.0 LEGAL IMPLICATIONS

4.1. There are no legal implications.

5.0 SIGNIFICANT IMPLICATIONS

5.1. None.

6.0 APPENDICES

6.1. Appendix 1 – Corporate Governance Review

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



INTERNAL AUDIT: SCOPING DOCUMENT (UPDATE)

CORPORATE GOVERNANCE REVIEW

Governance is the combination of processes and structures implemented by the board in order to inform, direct, manage and monitor the activities of the organisation toward the achievement of its objectives.

Objectives of the Audit	The overall objective of the review is to provide assurance that the systems of control in respect of Corporate Governance are adequate and being consistently applied. The audit will evaluate and test controls in the following areas: <i>Financial Governance:</i> To confirm that the Authority's financial procedures and regulations are accurate, up to date and support the Constitution and aims and priorities. <i>Organisational Structure / Roles and Responsibilities:</i> To confirm that the Authority has an open and transparent organisational structure and that roles and responsibilities are clearly defined and communicated across the organisation. <i>Decision Making:</i> To confirm that there is a clear and transparent decision making process within the Authority and decisions taken adhere to these processes as set out in the assurance framework. <i>Strategy and Planning:</i> To confirm that the Authority's strategies are up to date and communicated across the organisation. To confirm that strategies complement and support each other and are linked to key aims and priorities. <i>Risk Management and Project Management:</i> To confirm that the Authority has in place an agreed strategy and clearly defined processes for the strategic review of its corporate risks. To confirm that these processes are adopted and consistently applied across all constituent Councils leading on each project
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Risks	• Ill-defined corporate governance, strategic planning and performance monitoring frameworks • Non-compliance with legislation and recognised best practice • Ill-defined objectives and outcomes • Lack of understanding / definition of new areas of business • Lack of clarity on roles, responsibilities and accountabilities • Lack of transparency with inaccurate information available to members / staff • Inconsistency in application of standards • Ineffective reporting and communication arrangements
Work to be undertaken	The following procedures were adopted to identify and assess risks and controls and thus enable audit to recommend control improvements • Discussions with key members of staff to ascertain the nature of the systems in operation • Evaluation of the current systems of internal control through walk-through and other non-statistical sample testing • Identification of control weaknesses and potential process improvement opportunities
Allocation	25 days



AREAS COVERED

Reviewing of policies and processes adopted for (but not restricted to):

- Constitution;
- Committee structures; its membership and arrangements for quorate etc.;
- Scheme of delegation;
- Financial regulations;
- Contract regulations;
- Financial: Funding arrangements and raising additional funds;
- Financial: Budget preparation;
- Financial: Budget monitoring and reporting;
- Financial: Final accounts processes;
- Risk management strategy, corporate risks and the risk appetite;
- Procurement and commissioning arrangements;
- Consistent project management arrangements across all workstreams;
- Protocols for reporting on disciplinary / whistleblowing and the management of fraud and irregularities

PROGRESS

Works to date has included:

- Review of Committee agendas, reports and minutes
- Attendance at Committees / Boards
- Discussions with key officers (at Peterborough only at present)

A number of processes and procedures are currently still in development which will be evaluated once agreed. (It is noted that a number of policies are scheduled for the December 2017 meeting.

ADDITIONAL REQUEST

Scrutiny Committee has requested that the review is extended to consider how consultants are recruited and monitored.



AUDIT AND GOVERNANCE COMMITTEE	AGENDA ITEM No: 5
18 DECEMBER 2017	PUBLIC REPORT

ERNST & YOUNG LLP ANNUAL AUDIT LETTER FOR THE YEAR ENDED 31 MARCH 2017

1.0 PURPOSE

- 1.1. The purpose of this report is to receive and note the Annual Audit Letter, as prepared by Ernst and Young following the completion of their 2016/17 audit.

<u>DECISION REQUIRED</u>	
Lead Officer:	Suresh Patel & Kay McClennon
It is It is recommended that the Audit and Governance Committee: 1. Notes the Annual Audit Letter.	

2.0 BACKGROUND

- 2.1. This is a formal letter setting out the most significant findings of the 2016/17 audit for the Authority. Detailed findings were reported to the 21st September 2017 Audit and Governance Committee meeting.
- 2.2. The purpose of the annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from the audit work, which Ernst and Young consider should be brought to the

attention of the Authority. This letter was published on the Combined Authority's website on 27th October 2017.

3.0 FINANCIAL IMPLICATIONS

3.1. The audit fee was included in existing budgets.

4.0 LEGAL IMPLICATIONS

4.1. Ernst and Young completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.

5.0 SIGNIFICANT IMPLICATIONS

5.1. None.

6.0 APPENDICES

6.1. CPCA Annual Audit Letter 2016/17.

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

Cambridgeshire & Peterborough Combined Authority

Annual Audit Letter for the year ended 31 March 2017

October 2017

Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) have issued a “Statement of responsibilities of auditors and audited bodies”. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

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 (updated 23 February 2017)” issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

A hand with white nail polish is writing on a document with a blue pen. In the background, there is a calculator, a white cup, and a laptop. A yellow rectangular box is overlaid on the left side of the image.

Executive Summary

Executive Summary

We are required to issue an annual audit letter to Cambridgeshire & Peterborough Combined Authority (the Authority) following completion of our audit procedures for the year ended 31 March 2017 - the first year of the Authority.

Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Authority's: ▶ Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Authority as at 31 March 2017 and of its expenditure and income for the year then ended.
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Authority's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

Area of Work	Conclusion
Reports by exception: ▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Authority.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Authority, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Authority's Whole of Government Accounts return (WGA).	We had no matters to report.

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Authority communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 8 September 2017, and presented to the Audit and Governance Committee on 21 September 2017.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 22 September 2017.

We would like to take this opportunity to thank the Authority's staff for their assistance during the course of our work.

Suresh Patel

Associate Partner
For and on behalf of Ernst & Young LLP

Purpose and
responsibilities



Purpose and responsibilities

The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Authority. We have already reported the detailed findings from our audit work in our 2016/17 Audit Results Report to the 21 September 2017 Audit and Governance Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Authority.

Responsibilities of the Appointed Auditor

Our 2016/17 audit work has been undertaken in accordance with our first Audit Plan that we presented to the Audit and Governance Committee meeting on 26 June 2017 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion on the 2016/17 financial statements; and on the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Authority has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Authority;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Authority, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the NAO.

Responsibilities of the Authority

The Authority is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement. In the AGS, the Authority reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period. The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

A blurred office scene featuring a laptop, several glasses of water, and documents on a desk. A yellow rectangular box is overlaid on the left side of the image.

Financial Statement Audit

Financial Statement Audit

Key Issues

The Authority's Statement of Accounts is an important tool for the Authority to show how it has used public money and how it can demonstrate its financial management and financial health. We audited the Authority's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 22 September 2017. Our detailed findings were reported at the 21 September 2017 Audit and Governance Committee meeting. The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
Management override of controls A risk present on all audits is that 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. Auditing standards require us to respond to this risk by testing the appropriateness of journals, testing accounting estimates for possible management bias and obtaining an understanding of the business rationale for any significant unusual transactions.	In order to address this risk we carried out a range of procedures including: • Gaining an understanding of the oversight given by those charged with governance of management's processes and controls in respect of fraud; • Reviewing accounting estimates for evidence of management; • Considering the results of our work on revenue and expenditure recognition as set out above, specifically considering any instances of management bias; and • Evaluating the business rationale for any significant unusual transactions. We have not identified any material weaknesses in controls or evidence of material management override or any material instances of inappropriate judgements being applied. We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business.
Revenue and expenditure recognition Auditing standards also required us to presume that there is a risk that revenue and expenditure may be misstated due to improper recognition or manipulation. We respond to this risk by reviewing and testing material revenue and expenditure streams and revenue cut-off at the year end. For FY17 the Authority's revenue was limited to funding from other councils and DCLG.	We tested a sample of income and expenditure transactions based on our established testing threshold. Our testing did not reveal any material misstatements. Overall, our audit work did not identify any issues or unusual transactions which indicated that there had been any misreporting of the Authority's financial position.

Other Key Findings

Financial statements presentation

For this first year, the accounts only contained a few transactions:

- Grant income of £40.5m received in March, held in cash and investments at 31 March 2017; and
- Estimated accrued set up costs of £0.5m recharged to the Authority from the other constituent councils. These are mainly apportioned salary costs.

However the accounts still needed to comply with the Code of Practice and contain a number of mandatory statements and notes.

Amendments have been made to the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 changing the way the financial statements are presented.

The new reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MiRS), and include the introduction of the new 'Expenditure and Funding Analysis' note as a result of the 'Telling the Story' review of the presentation of local authority financial statements.

The service analysis should be based on the organisational structure under which the Authority operates.

This change in the code requires a new structure for the primary statements, new notes and a full retrospective restatement of impacted primary statements.

Conclusion

Our audit approach focused on early engagement with the finance team about the format and content of the accounts, and any key judgments.

We applied a proportionate audit approach to the level of risk.

We reviewed the Expenditure and Funding Analysis, CIES and associated notes.

We agreed with the Authority's assessment for reporting its organisational structure.

The primary statements and notes prepared are proportionate to the level of activity which has taken place whilst at the same time comply with the Code of Practice.

We identified a very small number of minor disclosure adjustments which were corrected by management.

The Authority's Statement of Accounts is an important tool for the Authority to show how it has used public money and how it can demonstrate its financial management and financial health.

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	We determined planning materiality for Cambridgeshire & Peterborough Combined Authority to be £10,000. The basis of our assessment of materiality was 2% of gross expenditure. We consider gross expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Authority.
Reporting threshold	We agreed with the Audit and Governance Committee that we would report to the Committee all uncorrected audit differences in excess of £500.

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- Remuneration disclosures: we audited all disclosures and undertook procedures to confirm material completeness.
- Related party transactions: we audited all disclosures and undertook procedures to confirm material completeness.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.



Value for Money

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. This is known as our value for money conclusion.

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.

We identified no significant risks around these arrangements.

We have no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

We therefore issued an unqualified value for money conclusion on 22 September 2017.



Other Reporting Issues

Other Reporting Issues

Whole of Government Accounts

The Authority is below the audit threshold for audit of the Whole of Government Accounts (WGA) return. We issued our assurance statement to the NAO on the same date we issued our audit opinion. We had no issues to report.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Authority's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading. We did not identify any areas of concern.

Report in the Public Interest & written recommendations

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Authority or brought to the attention of the public. We also need to designate any audit recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response. We did not identify any issues.

Objections Received & other powers and duties

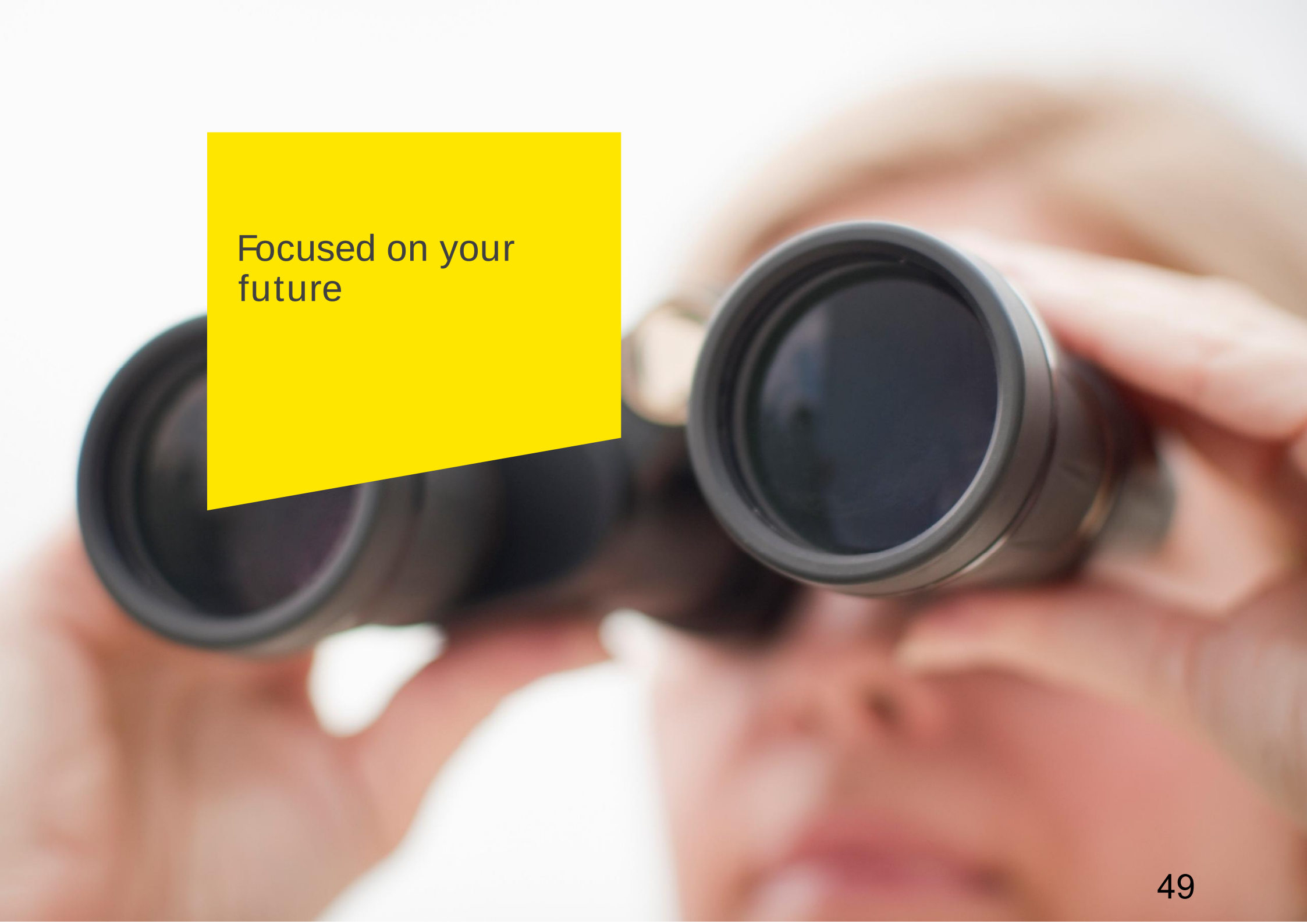
We did not receive any objections to the 2016/17 financial statements from members of the public and had no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Independence

We communicated our assessment of independence in our Audit Results Report to the Audit and Governance Committee on 21 September 2017. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit. We have adopted a fully substantive approach and have therefore not tested the operation of controls. Our audit did not identify any significant deficiencies in controls to bring to the attention of the Audit and Governance Committee.

A close-up, shallow depth-of-field photograph of a person's hands holding binoculars to their eyes. The person's face is blurred in the background. A bright yellow rectangular box is overlaid on the left side of the image, containing the text "Focused on your future".

Focused on your
future

Focused on your future

Area	Issue	Impact
<i>Earlier deadline for production and audit of the financial statements from 2017/18</i>	The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.	These changes provide challenges for both the preparers and the auditors of the financial statements. As auditors, nationally we have: • Issued a thought piece on early closedown • As part of the strategic Alliance with CIPFA jointly presented accounts closedown workshops across England, Scotland and Wales • Presented at CIPFA early closedown events and on the subject at the Local Government Accounting Conferences in July 2017 Through working together, and reflecting on this year, there are a number of areas where the closedown and audit processes can be further improved going forward. We do not expect the formal earlier deadline to pose a significant issue for the Authority.

Appendix A

Audit Fees



Appendix A Audit Fees

The scale fee is set by the PSAA and was reported in the Audit Plan that we presented to the Audit and Governance Committee meeting on 26 June 2017. We set out below the fees for the year ended 31 March 2017.

Description	Final Fee 2016/17 £	Planned Fee 2016/17 £	Scale Fee 2016/17 £
Total Audit Fee – Code work	15,000	15,000	15,000
Non-audit work (see note 1)	0	0	n/a

Note 1: We confirm that we have undertaken no non-audit work outside the PSAA Code requirements.

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ED None

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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

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AUDIT AND GOVERNANCE COMMITTEE	AGENDA ITEM No: 6
18 DECEMBER 2017	PUBLIC REPORT

AUDIT PLAN 2017/18

1.0 PURPOSE

- 1.1. The purpose of this report is to receive and approve the 2017/18 Audit Plan as prepared by Ernst & Young LLP and to approve a proposed change to the Audit and Governance Committee meeting dates and work programme to accommodate the changed statutory deadline for approval of the Statement of Accounts.

<u>DECISION REQUIRED</u>	
Lead Officer:	Kim Sawyer, Legal Counsel and Monitoring Officer
It is recommended that the Audit and Governance Committee: 1. Receive the External Audit Plan for 2017/18 and consider: • whether the planned audit is aligned with the Committee's expectations, and • whether there are other matters which may influence the audit. 2. Note the planned audit fees for the year. 3. Note the changes in statutory deadlines for the preparation of draft accounts and publishing of audited accounts. 4. Approve the proposal to hold an informal workshop in mid-May to discuss and comment on the draft accounts 2017/18.	

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, including the Annual Audit Letter and assessing the implications and monitoring managers' response to concerns.
- 2.2. The Audit Plan for 2017/18 as shown at appendix A has been prepared by Ernst & Young LLP to set out how they intend to carry out their responsibility as auditor to the Combined Authority. The purpose of the plan is to provide the Audit and Governance Committee with a basis to review their proposed audit approach and scope for the 2017/18 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 (PSAA) Ltd, auditing standards and other professional requirements.
- 2.3. The Committee is asked to comment on whether the planned audit is aligned with the Committee's expectations, and to consider whether there are other matters which may influence the audit.
- 2.4. One of the risks identified in the audit plan is the impact of the changes to the statutory deadlines for the 2017/18 accounts as set out in the Account and Audit Regulations 2015.
- 2.5. The timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31st May and the publication of the audited accounts by 31st July 2018.

Impact of the changed Statutory Deadline for the approval of the Statement of Accounts

- 2.6. The audit plan proposes the following timetable for the preparation and approval and audit of the accounts:

Audit phase	Timetable	Audit & Governance Committee timetable	Deliverables
Planning:	November/December	December 2017	Audit Planning Report
Risk assessment and setting of scopes.	January 2018		
Walkthrough of key systems and processes	January 2018		
Testing of routine processes and controls	January 2018		
Interim audit testing	March	March 2018	Interim audit update if required
Year end audit	May/June 2018	July 2018	Progress Report
Year end audit	July 2018	July 2018	Audit Results Report
Audit Completion procedures	July 2018	July 2018	Audit opinions and completion certificates
	September 2018	Audit & Governance Committee	Annual Audit Letter

- 2.7. It is proposed that an informal workshop be held in mid-May for the Audit and Governance Committee to receive the draft Statement of Accounts for discussion and comment prior to the draft accounts being published by 31st May.
- 2.8. An Audit and Governance Committee meeting would then be scheduled in mid-July to receive and formally approve the Annual Governance Statement and the Statement of Accounts and to receive the External Auditor report and Outturn report.

3.0 FINANCIAL IMPLICATIONS

- 3.1. The planned fee for the audit is £35,000.

4.0 LEGAL IMPLICATIONS

- 4.1. None.

5.0 SIGNIFICANT IMPLICATIONS

- 5.1. None.

6.0 APPENDICES

- 6.1. The CPCA draft Audit Plan 2017/18.

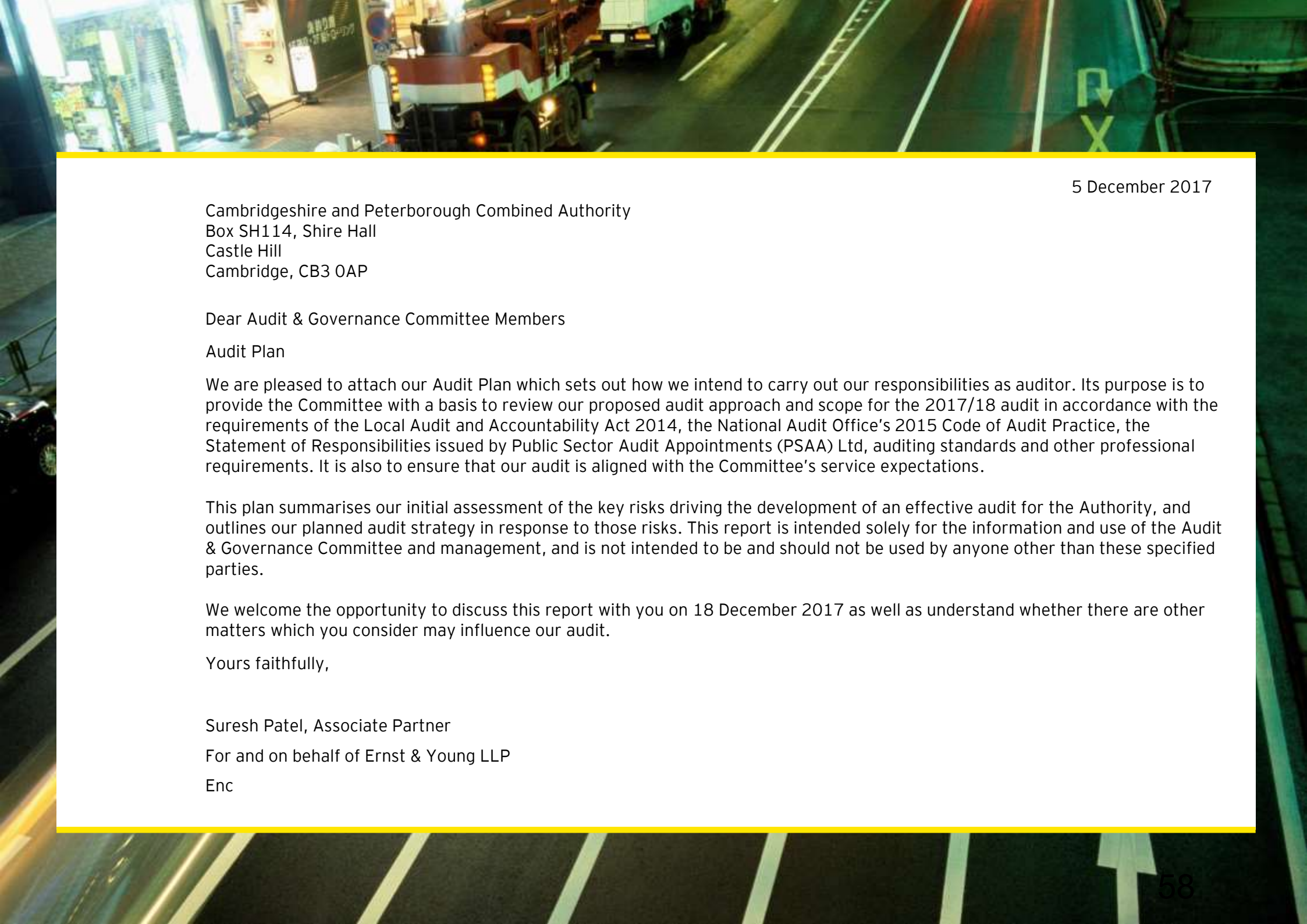
<u>Source Documents</u>	<u>Location</u>
None	

A background image showing a group of people in a meeting. Several hands are visible, pointing at documents on a white table. A smartphone is also on the table. The scene is brightly lit, suggesting an indoor office or meeting room environment.

Cambridgeshire and Peterborough Combined Authority Audit Plan

Year ended 31 March 2018

18 December 2017



5 December 2017

Cambridgeshire and Peterborough Combined Authority
Box SH114, Shire Hall
Castle Hill
Cambridge, CB3 0AP

Dear Audit & Governance Committee Members

Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Committee with a basis to review our proposed audit approach and scope for the 2017/18 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 initial assessment of the key risks driving the development of an effective audit for the 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 18 December 2017 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
Enc

Contents



In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk). 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 (updated February 2017)" 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 and Peterborough 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 Cambridgeshire and Peterborough 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 Cambridgeshire and Peterborough 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 2017/18 audit strategy



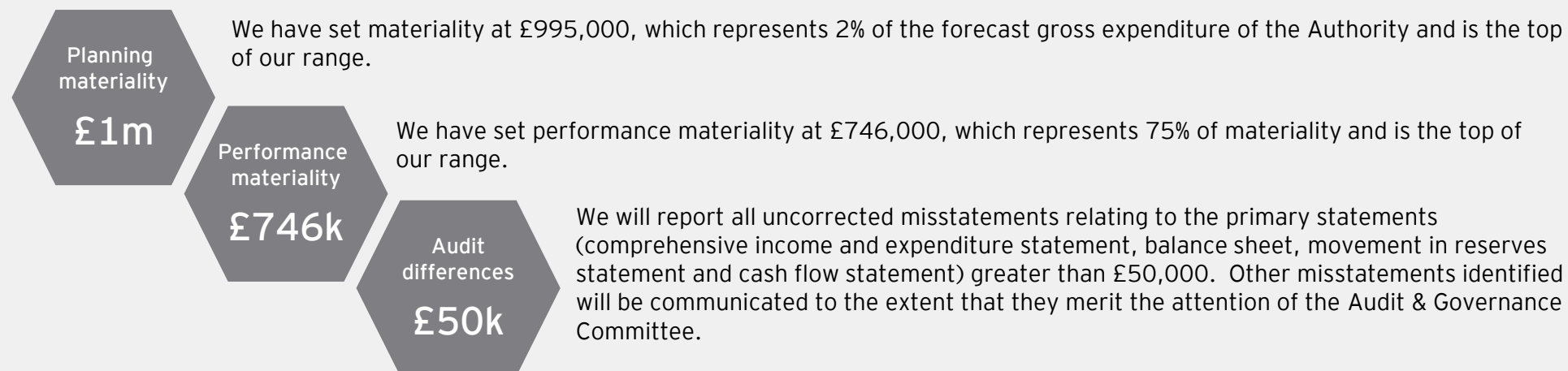
Overview of our 2017/18 audit strategy

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

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Risk of fraud in revenue and expenditure recognition	Fraud risk/ Significant risk	No change in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	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.
Faster Close	Inherent risk	Increase in risk or focus	From the FY18 financial year the Authority is required to prepare and approve its accounts in draft by 31 May 2018 and audited accounts by 31 July 2018. This will also be the Authority's first full year accounts.

Materiality



Overview of our 2017/18 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 Cambridgeshire and Peterborough Combined Authority give a true and fair view of the financial position as at 31 March 2018 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.

Audit team

We have retained the senior team involved in your FY17 audit to ensure retention of knowledge, understanding and relationships.



Suresh Patel
Associate Partner



Kay McClennon
Manager



02

Audit risks



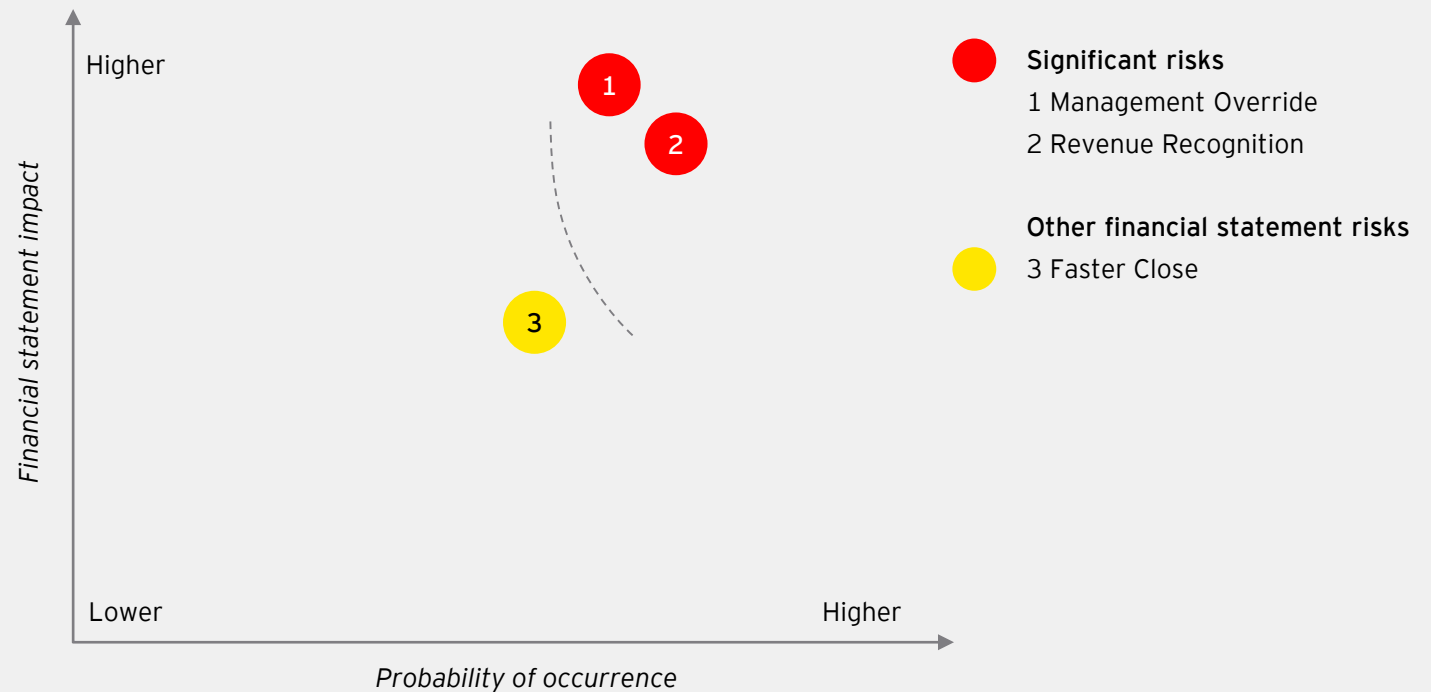
Audit risks

Risk assessment

Risk assessment

We have obtained an understanding of your strategy, reviewed your principal risks as identified in your 2017 Annual Report and Accounts and combined it with our understanding of the sector to identify key risks that impact our audit.

The following 'dashboard' summarises the significant matters that are relevant for planning our year-end audit:





Audit risks

Our response to significant risks

We have set out the significant risks identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Risk of fraud in revenue and expenditure recognition

Financial statement impact

Misstatements that occur in relation to the risk of fraud in revenue and expenditure recognition could affect the income and expenditure accounts. These accounts had the following balances in the 2017 financial statements:

Income: £40.5m

Expenditure Account: £0.5m

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

What will we do?

We will:

- Review and test revenue and expenditure recognition policies.
- Review and discuss with management any accounting estimates on revenue or expenditure recognition for evidence of bias.
- Develop a testing strategy to test material revenue and expenditure streams.
- Review and test revenue cut-off at the period end date.



Audit risks

Our response to significant risks (continued)

Risk of Management override: Misstatements due to fraud or error

Financial statement impact

Misstatements that occur in relation to the risk of fraud in revenue and expenditure recognition could affect the income and expenditure accounts. These accounts had the following balances in the 2017 financial statements:

Income: £40.5m

Expenditure Account: £0.5m

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK 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.

What will we do?

We will:

- Identify inherent and actual fraud risks during planning.
- Enquire of management about risks of fraud and the controls put in place to address those risks.
- Understand the oversight given by those charged with governance of management's processes over fraud.
- Consider the effectiveness of management's controls designed to address the risk of fraud.
- Determine an appropriate strategy to address those identified risks of fraud.
- Perform mandatory procedures regardless of specifically identified fraud risks, including testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements (this will include the use of analytics to focus our testing).
- Review accounting estimates for evidence of management bias.
- Evaluate the business rationale for significant unusual transactions.

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 risk/area of focus?

What will we do?

Faster Close

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the FY18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May 2018 and the publication of the audited accounts by 31 July 2018.

This will also be the Authority's first full year accounts.

Following the completion of the FY17 audit we met with the Peterborough City Council finance team, who prepare the Authority's accounts, to identify what worked well and areas for improvement. We also agreed areas of focus for supporting the achievement of the earlier deadlines.

Our interim audit in January/February 2018, will comprise:

- Undertaking walkthroughs of key financial systems and test of controls where applicable.
- Early work on accounting policies, month 1 to 8 testing of income and expenditure, payroll sampling, and any other areas that the finance team can make available for an early audit.
- Early use of analytics, to enable us to capture whole populations of your financial data, in particular journal entries. Analytics help identify specific exceptions and anomalies which we can then focus substantive audit tests.

We have agreed with the finance team to commence the final accounts audit visit on 14 May 2018, alongside the audit of Peterborough City Council.

We have also agreed the use of the EY '**Client Portal**' in 2018. The Client Portal will streamline our communications with the finance team and provide them with access to the status of audit requests. The finance team will be able to directly upload their accounts working papers and responses to audit queries to the portal. Benefits of the portal include:

- Better security of your data
- Reduced email traffic during the audit
- Reduced risk of duplicate audit requests
- Better visibility of the status of audit requests and issues
- Reduced time input required from your finance team.



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 2017/18 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"

The NAO defines proper arrangements as your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

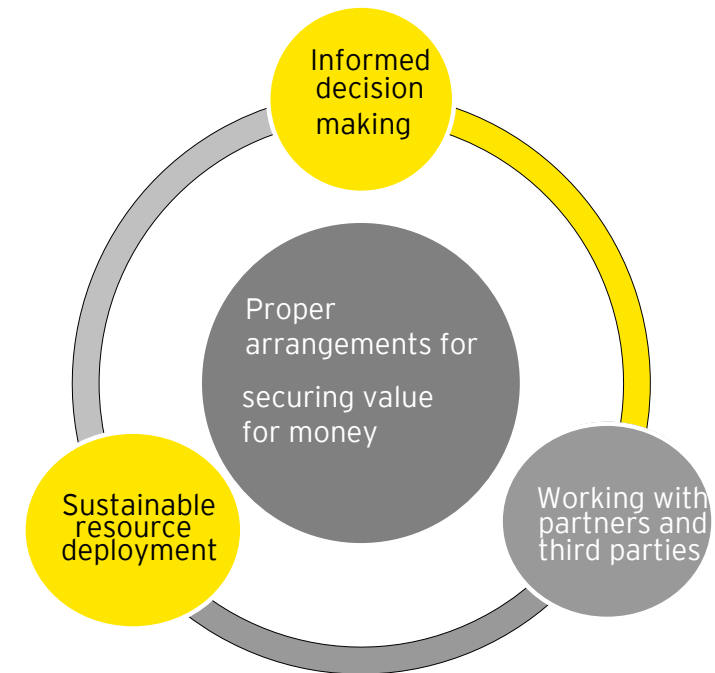
The NAO's auditor guidance includes specific reference to combined authorities, recognising their commissioning role and focus on partnership working.

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 have 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. This has resulted in the identification of the significant risk noted on the following page which we view as relevant to our value for money conclusion.





Value for Money Risks

What is the significant value for money risk?

The Authority is anticipating awarding nearly £50 million in grants and funding during the 2017/18 year for various schemes managed by the constituent bodies. It has assigned portfolio holders to the various strands including Transport and Infrastructure, Housing, and Adult Education.

In addition as part of the devolution agreement, transport authority powers were transferred to the Authority from Cambridgeshire County Council and Peterborough City Council. The Authority will be able to levy the upper tier authorities for the cost of delivering the transport functions.

In respect of our VFM conclusion, there is a risk that for FY17 the Authority does not put in place proper arrangements designed to secure the effective use of its resources, specifically arrangements - to consider how and why the money is being spent both before and after the grant has been made.

Currently, the arrangements for the flow of funding and for gaining assurance over how the money has been spent are not clear.

What arrangements does the risk affect?

- Take informed decisions
- Deploy resources in a sustainable manner
- Work with partners and other third parties

What will we do?

Our approach will focus on:

- Understanding the Authority's arrangements through discussion with key officers and review of minutes of relevant meetings
- Reviewing a small sample of individual transactions (for example grants awarded) to confirm our understanding of the arrangements
- Reviewing any relevant internal audit work.



04

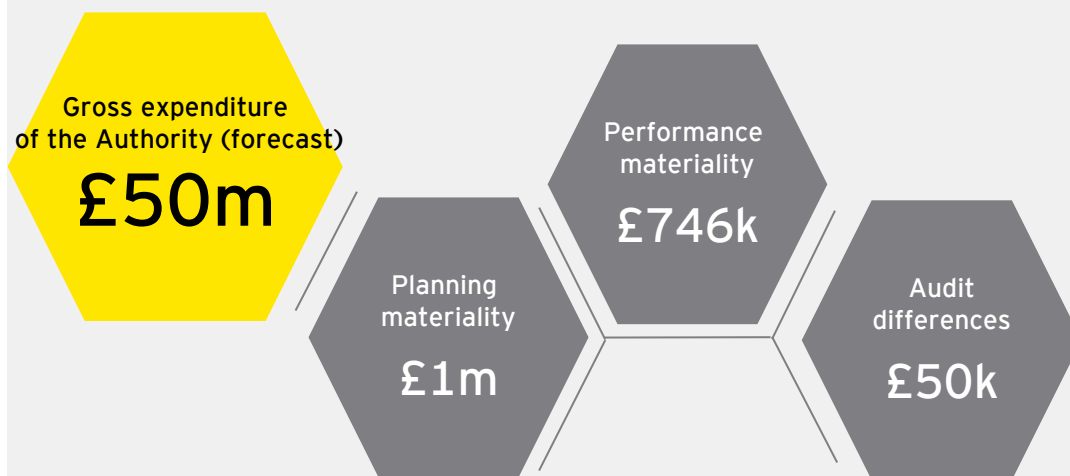
Audit materiality



Materiality

Materiality

For planning purposes, materiality for 2017/18 has been set at £995,000. This represents 2% of the Authority's forecast gross expenditure of £49.7m. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix D.



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.

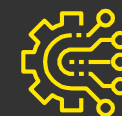
Performance materiality - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £746k which represents 75% of planning materiality.

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 and balance sheet, 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 & Governance Committee, or are important from a qualitative perspective.



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 and Ireland).

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; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

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 2017/18 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, where appropriate, 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.



06

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 2017/18. From time to time matters may arise that require immediate communication with the Audit & Governance Committee and we will discuss them with the Audit & Governance Committee 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.	November/December	December 2017	Audit Planning Report
Walkthrough of key systems and processes	January 2018		
Testing of routine processes and controls	January 2018		
Interim audit testing			
	March	March 2018	Interim audit update if required Progress Report
Year end audit	May/June 2018	July 2018	
Year end audit			Audit Results Report
Audit Completion procedures	July 2018	July 2018	Audit opinions and completion certificates
	September 2018	Audit & Governance Committee	Annual Audit Letter



07

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
▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. ▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard [note: additional wording should be included in the communication reflecting the client specific situation]	▶ 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; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ 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; ▶ Written confirmation that all covered persons are independent; ▶ 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; ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and ▶ An opportunity to discuss auditor independence issues.

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

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.

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 2017

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 2017 and can be found here:

<http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-20167>



08

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 NAO Code.

	Planned fee 2017/18	Scale fee 2017/18	Final Fee 2016/17
	£	£	£
Total Fee - Code work	35,000	35,000	15,000
Other	0	0	0
Total audit	35,000	35,000	15,000

All fees exclude VAT

The increase in fee is to reflect the first full year audit.
Only part-year accounts were prepared in 2016/17.

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.

Regulatory update

In previous reports to the Audit & Governance Committee, we highlighted the issue of regulatory developments. The following table summarises progress on implementation:

Earlier deadline for production and audit of the financial statements from 2017/18	
Proposed effective date	Effective for annual periods beginning on or after 1 April 2017.
Details	The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.
Impact on Cambridgeshire and Peterborough Combined Authority	These changes provide challenges for both the preparers and the auditors of the financial statements. We held a faster close workshop for clients on in November 2017 to facilitate early discussion and sharing of ideas and good practice. We are now working with the Authority 's finance team on ideas coming from the workshop, for example: • Streamlining the Statement of Accounts removing all non-material disclosure notes; • Providing training to departmental finance staff regarding the requirements and implications of earlier closedown; • Re-ordering tasks from year-end to monthly/quarterly timing, reducing year-end pressure; • Establishing and agreeing working materiality amounts with the auditors.

Appendix C

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. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit planning report
Significant findings from the audit	▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process ▶ Findings and issues regarding the opening balances	Audit results report

Appendix C

Required communications with the Audit & Governance Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements	Audit results report
Misstatements	▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Corrected misstatements that are significant ▶ Material misstatements corrected by management	Audit results report
Fraud	▶ Enquiries of the Audit & Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud	Audit results report
Related parties	▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity	Audit results report

Appendix C

Required communications with the Audit & Governance Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence	Audit Planning Report and Audit Results Report
External confirmations	▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures	Audit results report
Consideration of laws and regulations	▶ 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 ▶ Enquiry of the Audit & 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 & Governance Committee may be aware of	Audit results report
Internal controls	▶ Significant deficiencies in internal controls identified during the audit	Audit results report and Annual Audit Letter
External confirmations	▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures	Audit results report

Appendix C

Required communications with the Audit & Governance Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Consideration of laws and regulations	▶ 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 ▶ Enquiry of the Audit & 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 & Governance Committee may be aware of	Audit results report
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report
Auditors report	▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report	Audit results report
Fee Reporting	▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work	Audit planning report Audit results report
Certification work	Summary of certification work undertaken (if required)	Certification report (if required)

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.
- ▶ Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the **Audit & Governance Committee** reporting appropriately addresses matters communicated by us to the **Audit & Governance 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 Authority 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.



AUDIT AND GOVERNANCE COMMITTEE	AGENDA ITEM No: 7
DATE OF MEETING 18 DECEMBER 2017	PUBLIC REPORT

MEMBERS CODE OF CONDUCT: PROCEDURE FOR HEARINGS BY THE AUDIT COMMITTEE

1.0 PURPOSE

- 1.1. The Audit and Governance Committee is responsible for ensuring the Combined Authority has effective policies and processes in place to ensure high standards of conduct by its members and co-opted members.
- 1.2. This report suggests a process for dealing with complaints about the Mayor, members of the combined authority, or members of combined authority committees.

<u>DECISION REQUIRED</u>	
Lead Officer:	Kim Sawyer, Legal Counsel and Monitoring officer
The Audit and Governance Committee is recommended to: (a) Review the process for dealing with complaints about the Mayor, Members of the Combined Authority or its Committees for breach of the Code of Conduct; (b) Recommend the Combined Authority Board amend the constitution to include the member complaints procedure; (c) Note the process for recruiting an Independent Person for Complaints with a proposed allowance of £250 per annum.	

2.0 BACKGROUND

- 2.1. The Mayor, Members of the Combined Authority or its committees sign a code of conduct upon their appointment.
- 2.2. In accordance with the constitution, this Committee is responsible for ensuring the Combined Authority has effective policies and processes in place to ensure high standards of conduct by its Members and Co-opted Members

Appendix 1 sets out a process for dealing with complaints where there is an alleged breach of the code of conduct and the role of the Hearings Panel, a sub-committee of the Audit and Governance Committee.

Hearings Panel

- 2.3. The Committee has the power to set up a Hearings Panel.
- 2.4. The Panel has the following functions in relation to complaints:
 - (a) On matters being referred by the Monitoring Officer deciding whether complaints concerning Members should be investigated;
 - (b) Hearing complaints that have been referred to them by the Monitoring Officer pursuant to the Complaints procedure;
 - (c) The agreement of relevant procedures for the undertaking of its functions, when appropriate to be included within the Constitution
- 2.5. It is recommended that the sub-committee will comprise of three Members of the Audit and Governance Committee and the three Members will be selected as and when a sub-committee is required to meet.

Independent person

- 2.6. The Localism Act 2011 requires that all Local Authorities must appoint at least one Independent Person. The role of the Independent Person is to oversee the process for dealing with allegations that a Member has breached the Members' Code of Conduct. The Act states that the Independent Person should be available to be consulted by a Member who is the subject of an allegation that they have breached the Members' Code of Conduct.
- 2.7. In addition, an Independent Person must be consulted by the decision making body before it makes a final decision on an allegation that has been investigated. The decision making body is the Hearings Panel.
- 2.8. The legislation dictates that the actual appointment must be a decision undertaken by the Combined Authority.
- 2.9. The Localism Act requires that a person may not be appointed unless:
 - (i) the vacancy for an independent person has been advertised in such manner as the authority considers is likely to bring it to the attention of the public,

(ii) the person has submitted an application to fill the vacancy to the authority, and

(iii) the person's appointment has been approved by a majority of the members of the authority;

2.10. Independent persons appointed by constituent councils have been advertised. It is recommended that the Monitoring Officer seeks to appoint an independent member of one of its constituent councils to be the independent person for the combined authority. Any appointment will need to be made by the Combined Authority.

3.0 FINANCIAL IMPLICATIONS

There is currently no allowance agreed for an independent person to support the complaints process. Any independent persons would be entitled to make a claim for any expenses incurred in order to avoid submission and processing of expenses for what is anticipated will be small amounts. It is proposed that a one off allowance of £250 is made to the independent person to meet costs over the course of the year.

4.0 LEGAL IMPLICATIONS

4.1. The Combined Authority is required to abide by the provisions of the Localism Act 2011.

5.0 SIGNIFICANT IMPLICATIONS

6.0 APPENDICES

6.1. Appendix 1 – Member Complaints Procedure

<u>Source Documents</u>	<u>Location</u>
List background papers: Constitution, the Localism Act 2011 and associated regulations.	http://cambridgeshirepeterborough-ca.gov.uk/assets/Combined-Authority/Combined-Authority-Constitution.pdf



COMPLAINTS AGAINST MEMBERS OF THE COMBINED AUTHORITY

Introduction

1. The Combined Authority has adopted a Member Code of Conduct which applies to:
 - (a) all members of the combined authority, and co-opted members
 - (b) all members of its committees or sub-committees.
2. The code sets out how members will conduct themselves when carrying out combined authority business. All members must adhere to the code.

Making a complaint

3. A complainant alleging a failure to comply with the Code should submit their complaint in writing to the Legal Counsel and Monitoring Officer for initial assessment
4. The complaint must set out:
 - (a) who was involved
 - (b) The alleged misconduct
 - (c) When and where it occurred; and
 - (d) How the complainant wants the complaint resolved.
 - (e) The name and a contact address or email address of the complainant.
5. The complainant should complete a complaints form available from the Combined Authority's website. Complaints can be made in writing without completing the form, but if information is missing, the complainant might be asked to resubmit the complaint by completing a form.
6. The Combined Authority does not normally investigate anonymous complaints, unless there is a clear public interest in doing so¹.
7. Any person making a complaint who would like to keep their name and address confidential can indicate this on the complaint form. Where a person has asked for

¹ The Monitoring Officer has to balance the rights of the member to understand who is making a complaint against them, against the rights of the person making the complaint. The person making the complaint will have to provide reasons why their name ought to remain confidential. If the Monitoring Officer does not consider those reasons justify anonymity, the complainant will be given the opportunity to withdraw the complaint if they do not wish to proceed without anonymity.

confidentiality the Monitoring Officer will not disclose their name and address to the member complained about without prior consent.

8. Even where anonymity is agreed at the outset of the complaint it may not always be possible to bring the matter to hearing without the complainant agreeing to give evidence at the hearing.

Stage 1 - Initial Assessment of Complaints Received

9. The Monitoring Officer will:
 - (a) acknowledge the complaint within 5 working days of receiving it.
 - (b) notify a member about any complaint against them.
 - (c) undertake an initial assessment of the complaint to determine whether the complaint should be investigated.
10. Where a complaint may relate to a member in their capacity as a Member of a constituent council, the Monitoring Officer will consult with the Monitoring Officer of the relevant council.
11. The Monitoring Officer may decide to consult the Independent Person.²
12. The Monitoring Officer will decide the complaint should be dealt with under stage 2 of the procedure – informal resolution. (Stage 2) or whether to proceed to a matter for formal investigation (Stage 3). The Monitoring Officer will have regard to a range of factors including:
 - (a) Whether there is sufficient information upon which to base a decision
 - (b) How serious the alleged action is
 - (c) Is the complaint politically motivated, vexatious or tit for tat;
 - (d) Has there been any delay between the action complained of and the complaint;
 - (e) Do the allegations relate to actions occurring whilst the subject member was acting in their official capacity;
 - (f) The opinion of the elected member regarding the complaint
13. The initial assessment will normally be completed within 28 days of receiving the complaint and the person making the complaint and the member will be informed, in writing, of the outcome.
14. Unless exceptional circumstances exist, the Monitoring Officer will always inform the member of the receipt and nature of the complaint and invite their comments.
15. Where the Monitoring Officer requires additional information to come to a decision, they may refer back to the person making the complaint or ask the member against whom the complaint is directed.

² The Independent Person is appointed by the Combined Authority to provide an impartial and independent opinion regarding the conduct of the member. The Independent Person is not an elected member of a constituent council or the Combined Authority.

16. If the complaint identifies criminal conduct or breach of other regulation by any person, the Monitoring Officer is authorised to refer the complaint to the Police and other regulatory agencies.

Stage 2 - Informal Resolution

17. In appropriate cases, the Monitoring Officer may seek to resolve the complaint informally, without the need for a formal investigation. Informal resolution may include:
 - (a) An **explanation** by the member of the circumstances surrounding the complain
 - (b) An **apology** from the member
 - (c) An agreement from the member to attend relevant **training** or take part in a **mentoring** process
 - (d) An offer of **mediation or conciliation** between the member and the complainant; or
 - (e) **Any other action** capable of resolving the complaint.

Stage 3 -Formal Investigation

18. If the Monitoring Officer and Independent Person decide that a complaint merits formal investigation, they will appoint an Investigating Officer. This could be another officer of the authority, or of another authority or an external investigator. The decision regarding the appointment will depend upon a variety of factors including staff capacity and nature of the complaint.
19. The investigating officer will decide to whom they need to speak. It is likely that they will begin the investigation by speaking to the person making the complaint and to gather any documents the investigating officer needs to see. This will also help the investigating officer to decide whom they need to interview.
20. The investigating officer would normally
 - (a) write to the member complained of
 - (b) provide them with a copy of the complaint,
 - (c) ask the member to provide their explanation of events,
 - (d) identify what documents they need to see and
 - (e) make a list of interviewees
21. In exceptional cases, where disclosure of the details of the complaint to the member might prejudice the investigation, the investigating officer may delay notifying the member until the investigation has progressed sufficiently.
22. At the end of the investigation, the investigating officer will produce a draft report and will send copies of that draft report, in confidence, to the person making the complaint and to the member concerned, giving both an opportunity to identify any matter in that draft report which they disagree with or which they consider requires more investigation.

23. Having received and taken account of any comments which may be made on the draft report, the investigating officer will send the final report to the Monitoring Officer. The Combined Authority aims to conclude the investigation stage within 3 months of a complaint being received.
24. The Monitoring Officer will, in consultation with the independent person, review the investigating officer's report
25. If the investigating officer concludes that there is evidence of a failure to comply with the Code of Conduct, the Monitoring Officer in consultation with the Independent Person will either:
 - (a) seek an local resolution or
 - (b) send the matter for local hearing before the Hearings Panel

Local Resolution

26. The Monitoring Officer may consider that the matter can be resolved without the need for a hearing. Such resolution may include the member accepting that their conduct was unacceptable and offering an apology, and/or other remedial action agreed. If the member complies with the suggested resolution, the Monitoring Officer will report the matter to the authority's Audit and Governance Committee for information, but will take no further action.

Local Hearing

27. The Monitoring Officer will report the Investigating Officer's report to the Hearings Panel of the Audit and Governance Committee, which will conduct a local hearing to decide whether the member has failed to comply with the Code of Conduct and, if so, whether to take any action in respect of the member.
28. The Hearings Panel is a Sub-Committee of the Combined Authority's Audit and Governance Committee and will consist of three members of the Committee.
29. The Monitoring Officer will conduct a "pre-hearing process", asking the member to give their response to the Investigating Officer's report. This will identify what is likely to be agreed and what is likely to be in contention at the hearing. The Chairperson of the Hearings Panel may decide, in consultation with the Monitoring Officer to give instructions about the way in which the hearing will be conducted.
30. At the hearing, the Investigating Officer will present their report, call such witnesses as they consider necessary, and make representations to substantiate their conclusion that the member has failed to comply with the Code of Conduct. For this purpose, the Investigating Officer may ask the complainant to attend and give evidence to the Hearings Panel.
31. The member will then have an opportunity to give their evidence, to call witnesses and to make representations to the Hearings Panel as to why they consider that they did not fail to comply with the Code of Conduct.

32. The Hearings Panel, with the benefit of any advice from the Independent Person, may conclude that the member did not fail to comply with the Code of Conduct, and so dismiss the complaint.
33. Alternatively, if the Hearings Panel finds that the member did fail to comply with the Code of Conduct, the Chairperson will inform the member of this finding and the Hearings Panel will then consider what action, if any, the Hearings Panel should take as a result of the member's failure to comply with the Code of Conduct. In doing this, the Hearings Panel will give the member an opportunity to make representations to the Panel and will consult the Independent Person.

Actions Hearings Panel can take for failure to comply with the Code

34. The Combined Authority has delegated to the Hearings Panel such of its powers to take action in respect of individual members as may be necessary to promote and maintain high standards of conduct. Accordingly the Hearings Panel may:
 - (a) Publish its findings in respect of the member's conduct;
 - (b) Report its findings to Combined Authority for information;
 - (c) Recommend to the Constituent Council or to the Combined Authority that they be removed from any or all Committees or Sub-Committees of the Combined Authority;
 - (d) Recommend to the Mayor that the member be removed from particular Portfolio responsibilities;
 - (e) Recommend to the Combined Authority to remove the member from any or all outside appointments to which they have been appointed or nominated by the authority;
 - (f) Recommend to Combined Authority that it restricts the member from contacting specified Combined Authority's officers.
35. The Hearings Panel has no power to suspend or disqualify the member or to withdraw members' allowances.
36. At the end of the hearing, the Chairperson will state the decision of the Hearings Panel as to whether the member failed to comply with the Code of Conduct and set out any actions which the Hearings Panel resolves to take.
37. The Monitoring Officer will prepare a formal decision notice in consultation with the Chairperson of the Hearings Panel, and send a copy to the person making the complaint, to the member, and make the decision notice available for public inspection. If appropriate the Monitoring Officer will report the outcome of the hearing to the next Combined Authority meeting

Independent Person

38. The Independent Person is invited to attend all meetings of the Hearings Panel and their views are sought before the Hearings Panel takes any decision on whether the member's conduct constitutes a failure to comply with the Code of Conduct and determines any action to be taken following a finding of failure to comply with the Code of Conduct.

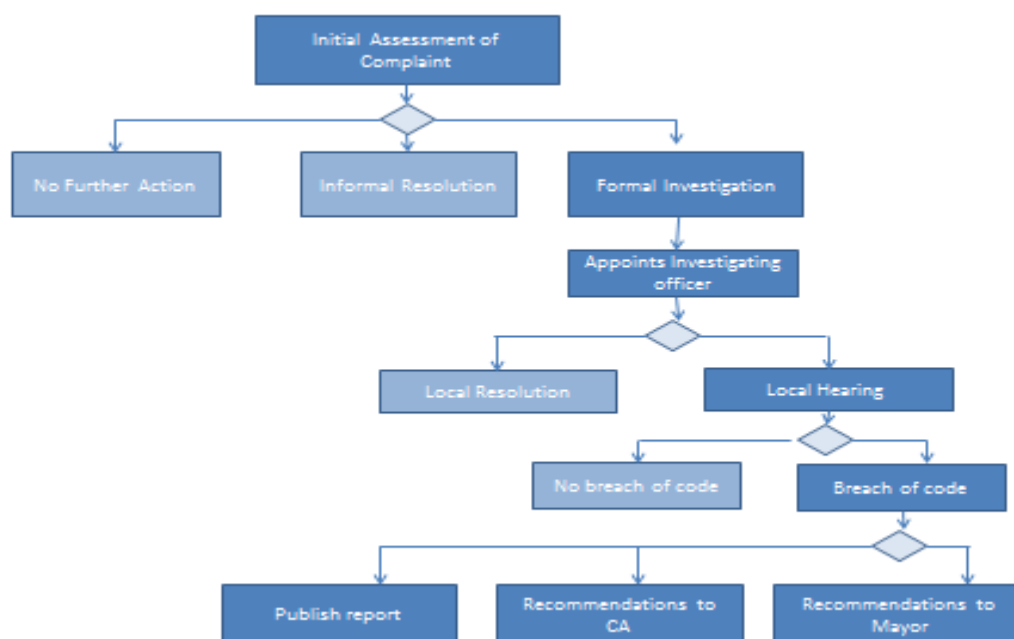
39. The Independent Person is a person appointed by a positive vote from a majority of all the members of Combined Authority. A person cannot be “independent” if they –
- (a) are, or have been within the past 5 years, a member, co-opted member or officer of the combined authority, constituent council or any parish council within the Combined Authority area;
 - (b) are a relative or close friend, of a person within paragraph a above. For this purpose, “relative” means –
 - i) Spouse or civil partner;
 - ii) Living with the other person as husband and wife or as if they were civil partners;
 - iii) Grandparent of the other person;
 - iv) A lineal descendent of a grandparent of the other person;
 - v) A parent, sibling or child of a person within paragraphs i or ii;
 - vi) A spouse or civil partner of a person within paragraphs iii, iv or v; or vii. Living with a person within paragraphs iii, iv or v as husband and wife
 - vii) or as if they were civil partners.

Revision of these arrangements

40. The Combined Authority may by resolution agree to amend these arrangements, and has delegated to the Chairperson of the Hearings Panel the right to depart from these arrangements where they consider it is expedient to do so to secure the effective and fair consideration of any matter.

Appeals

41. There is no right of appeal for a complainant or for the member against a decision of the Monitoring Officer or of the Hearings Panel.
42. If a complainant feels that the authority has failed to deal with their complaint properly, they may make a complaint to the Local Government Ombudsman.





AUDIT AND GOVERNANCE COMMITTEE	AGENDA ITEM No: 8
DATE OF MEETING 18 DECEMBER 2017	PUBLIC REPORT

COMPLAINTS PROCEDURE

1.0 PURPOSE

- 1.1. The Audit and Governance Committee is responsible for reviewing corporate governance arrangements.
- 1.2. This report asks the committee to comment on the proposed corporate complaints procedure for the combined authority.

<u>DECISION REQUIRED</u>	
Lead Officer:	Kim Sawyer, Legal Counsel and Monitoring officer
The Audit and Governance Committee is recommended to (a) comment on and note the proposed complaints procedure for the combined authority as set out in Appendix 1. (b) That the combined authority board approve and adopt the complaints procedure subject to any comments made by the Audit and Governance Committee (c) That the combined authority notify the local ombudsman of its decision to approve and adopt the complaints procedure (d) To note that the Monitoring Officer has delegated authority to make any changes recommended by the Local Ombudsmen or resulting out of the Audit and Governance Committee function to monitor the complaints process.	

2.0 BACKGROUND

- 2.1. An effective complaints procedure is one of the key elements of ensuring good customer care, quality assurance and a quest for excellence.
- 2.2. The Local Government Ombudsman has produced guidance to assist Combined Authorities to produce a complaints procedure which sets out the principles for creating a simple integrated complaints system.
- 2.3. The attached draft complaints procedure has been produced in line with these principles.
- 2.4. Firstly, the procedure ensures the public are directed to the right organisation and uses the correct procedure. It is proposed that there is a two stage process:
 - (a) Informal resolution
 - (b) Formal complaints review
- 2.5. The procedure aims to resolve complaints as soon as possible after they are identified, and to enable the complainant to complain to the Local Government and Social Care Ombudsman without unnecessary delay if they feel the authority has not dealt with their complaint appropriately.
- 2.6. Complaints will be used as a learning tool with regular summary reports being submitted to the combined authority management team. An annual report will be produced for scrutiny by the Audit and Governance Committee.

3.0 FINANCIAL IMPLICATIONS

There are no financial implications

4.0 LEGAL IMPLICATIONS

- 4.1. The Monitoring Officer has a statutory duty to report any findings of maladministration to the combined authority board. This means that the Monitoring Officer is primarily responsible for ensuring complaints are dealt with effectively and effectively as part of her role.
- 4.2. The Local Ombudsman has recently written to the Monitoring Officer requesting details of the complaints procedure adopted by the combined authority. Subject to review of the complaints procedure by the Audit and Governance Committee, the combined authority Board will be requested to approve this procedure.
- 4.3. In order to fulfil that statutory obligation, the Monitoring Officer works in conjunction with the Audit and Governance Committee to monitor complaints made and action taken as a result. The Monitoring Officer has delegated authority to make any changes to the complaints procedure.

5.0 SIGNIFICANT IMPLICATIONS

Any equality and other statutory issues are dealt with as part of the complaints process.

6.0 APPENDICES

6.1. Appendix 1 –Corporate Complaints Procedure

<u>Source Documents</u>	<u>Location</u>
List background papers: Principles of complaint handling in combined authorities and devolved settings by Local Government and Social Care Ombudsman	http://www.lgo.org.uk/information-centre/reports/advice-and-guidance/guidance-notes/principles-combined-authorities



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

Appendix 1

Complaints Policy

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2. Our aims
3. What is a complaint?
4. How do I make a complaint?
 - a. Transport and Street Matters
 - b. Great Cambridge/Greater Peterborough Enterprise Partnership
 - c. Great Cambridge Partnership
5. Cambridgeshire and Peterborough Combined Authority
6. Local Government Ombudsman

1. Introduction

We are committed to providing high-quality services for all members of the public, businesses and organisations. We welcome our customers' views and will use them to improve our services.

This policy describes how we will deal with complaints and the role of the Local Government and Social Care Ombudsman.

2. Aims of the Complaints Policy

Our complaints policy aims to ensure that customers:

- (a) know where and how to complain to us
- (b) receive an acknowledgement and information on progress of their complaint
- (c) receive an appropriate response and action is taken where we have failed to provide a satisfactory service.

We are committed to treating all our customers fairly and equally.

We will use complaints to review and improve the way we provide services.

If you wish to make an appointment to discuss a complaint please contact the Monitoring Officer by email contactus@cambridgeshirepeterborough-ca.gov.uk

3. What is a complaint?

A complaint is an expression of dissatisfaction about the standard of service the CPCA provides.

There are some complaints that will not be dealt with under this policy such as:

- (a) Where legal processes are involved – where a legal challenge is being made regarding whether a decision or action is lawful;

- (b) Where there is a more appropriate individual or organisation to deal with your complaint, such as a tribunal, Ombudsman or another local organisation or council;
- (c) We would not normally deal with complaints about something that happened more than a year ago;
- (d) Complaints about members of the Combined Authority – elected councillors have a separate complaints process and the Monitoring Officer can advise you about this
- (e) Whistleblowing policy – there is a separate policy relating to whistleblowing
- (f) Complaints about Freedom of Information (FOI) requests. We have a separate policy for these types of complaints.

4. How do I make a complaint? – Choosing the correct organisation

Before raising a complaint to the Cambridgeshire and Peterborough Combined Authority (CPCA), you should ensure that you have raised the complaint with the correct organisation.

- (a) The CPCA has not replaced existing local authorities; there are seven individual councils in the Cambridgeshire and Peterborough area who deliver the vast majority of services for your community
- (b) The CPCA is separate from the Greater Cambridgeshire Greater Peterborough Local Enterprise Partnership and the Greater Cambridge Partnership (formerly call the “City Deal”).
- (c) The CPCA has not replaced companies and organisations providing public transport in Cambridgeshire and Peterborough area.

If you have a complaint that does not directly relate to an activity carried out by the CPCA, you should submit your complaint to the appropriate Council; Local Enterprise Partnership or transport company/organisation.

1. Transport and Street Matters

If you have a complaint about any transport services or street related matter please contact your local authority for your area.

Peterborough City Council
 Website: <https://www.peterborough.gov.uk/contact-us/>

Cambridgeshire County Council

Website: <https://www.cambridgeshire.gov.uk/council/contact-us/>

2. Greater Cambridge Partnership

If you have a complaint about the Greater Cambridge Partnership, please contact

Greater Cambridge Partnership,
SH1311, Shire Hall,
Cambridge,
CB3 0AJ
Email: contactus@greatercambridge.org.uk
Telephone: 01223 699906
<https://www.greatercambridge.org.uk/>

3. Great Cambridge/Greater Peterborough Enterprise Partnership

If you have a complaint about the Great Cambridge/Greater Peterborough Enterprise Partnership, please contact:

Chief Executive,
Greater Cambridge Greater Peterborough Enterprise Partnership,
The Incubator,
Alconbury Weald Enterprise Campus,
Alconbury Weald,
Huntingdon,
Cambridgeshire,
PE28 4WX

Email: info@gcgp.co.uk
Telephone: 01480 277180
Website: <http://www.gcgp.co.uk/>

5. How do I make a complaint? Cambridgeshire and Peterborough Combined Authority

The CA has a two stage policy.

Step One - Informal Complaint

We will try to deal with your complaint informally. This means that you should

phone or take your complaint to the office or person who dealt with your enquiry. Our staff will do their best to settle your complaint without you needing to do anything else.

Step Two - Formal Complaint

If you have spoken to our staff about your complaint but they have not been able to put things right, or you are not happy with the result, the next step is for you to make a formal complaint in writing to the Monitoring Officer:

You can make a complaint (or compliment) in a number of ways. You can:

- email us on contactus@cambridgeshirepeterborough-ca.gov.uk
- write to Complaints, Cambridgeshire and Peterborough Combined Authority, c/o Scrutiny Officer, The Grange, Nutholt Lane, Ely CB7 4EE

When you contact us, please give us your name and address - including your postcode - and your phone number. If you prefer, you can ask a friend or relative to speak or write to us for you.

The Monitoring Officer will ask a Director to look into your complaint. If we cannot resolve your complaint immediately we will write to you within three working days to let you know we have received your complaint. We will give you a reference number and let you know that we are investigating your complaint.

This information will make it easier for you to contact the person dealing with your complaint if you need to.

The Director will:

- investigate your complaint;
- take any necessary action; and
- make sure they send a written reply within 15 working days.

If your complaint needs more investigation, and we cannot send you a written reply within 15 working days, we will write to you and let you know when you will receive a written reply.

Step 3 - Complaint Review

If you have been through Steps 1 and 2 of the complaints procedure and you are still not happy with the results of the investigations, you can write to the Local Government Ombudsman

6. Local Government Ombudsman

You can contact the Local Government Ombudsman about your complaint at any time. However, the Ombudsman usually gives the Combined Authority the opportunity to investigate first.

You can contact the Local Government Ombudsman at:

Local Government & Social Care Ombudsman
PO Box 4771
Coventry CV4 0EH

Phone: 0300 061 0614
Text: 'call back' to 0762 480 3014
Website: www.lgo.org.uk

You can get leaflets about how to complain to the Local Government Ombudsman from any of Council's offices or any library.

7. Comments and suggestions

As well as learning from complaints, we want to know any comments or suggestions you may have that will help us improve our services. You can do this by telling a member of staff about your comment or suggestion or by putting your comment or suggestion in writing. (contactus@cambridgeshirepeterborough-ca.gov.uk)



AUDIT AND GOVERNANCE COMMITTEE	AGENDA ITEM No: 9
DATE OF MEETING 18 DECEMBER 2017	PUBLIC REPORT

FREEDOM OF INFORMATION AND DATA PROTECTION POLICY

1.0 PURPOSE

- 1.1. The Audit and Governance Committee is responsible for reviewing corporate governance arrangements.
- 1.2. This report asks the committee to note the action taken to comply with freedom of information legislation.

<u>DECISION REQUIRED</u>	
Lead Officer:	Kim Sawyer, Legal Counsel and Monitoring officer
The Audit and Governance Committee is recommended to: (a) Consider and note the Data Protection Policy at Appendix 1. (b) Consider and note the Freedom of Information Policy at Appendix 2. (c) Note publication scheme listing the types of information that is available or will be made available on the Combined Authority website at Appendix 3 (d) Recommend that the combined authority Board approves Appendices 1, 2 and 3.	

2.0 BACKGROUND

Data Protection

- 2.1. The Data Protection Act 1998 (DPA) requires organisations that process personal information to notify the Information Commissioner's Office (ICO). The combined authority has now registered with the ICO as a data controller. Its

registration sets out its uses of personal information and is available on the ICO website.

- 2.2. The authority is also required to have a Data Protection Policy setting out its commitment to implement and comply with the eight Data Protection Principles under the Act. The draft policy is set out in Appendix 1 and will be published on the combined authority's website.
- 2.3. The General Data Protection Regulation (GDPR) (Regulations (EU) 2016/679) takes effect from 25 May 2018 and will supersede the DPA 1998. The GDPR intends to strengthen and unify data protection for all individuals within the European Union (EU). The Legal Counsel and Monitoring Officer will commission a specialist in Data Protection to ensure that the authority is prepared for the new regulations.

Freedom of Information

- 2.4. The Freedom of Information Act 2000 (FOIA) gives rights of public access to information held by public authorities.
- 2.5. It does this in two ways:
 - (a) public authorities are required to adopt and maintain a "publication scheme" setting out what information will routinely be made available.
 - (b) members of the public are entitled to request information from public authorities.
- 2.6. The public's rights to request information is set out in Appendix 2 and will be published on the combined authority's website.
- 2.7. The combined authority will adopt the ICO's model publication scheme which identifies the following 7 classes of information.
 - (a) Who we are and what we do
 - (b) What we spend and how we spend it
 - (c) What our priorities are and how we are doing
 - (d) How we make decisions
 - (e) Our policies and procedures
 - (f) Lists and registers
 - (g) The services we offer
- 2.8. In the interests of accountability and transparency, the combined authority will publish as much of its information on line. **Appendix 3** sets out the types of information that is or will be published on the website. The publication scheme also takes account of information recommended for publication in the Transparency Code 2015 published by the Department for Communities and Local Government.

3.0 FINANCIAL IMPLICATIONS

3.1. There are no financial implications

4.0 LEGAL IMPLICATIONS

4.1. The legal implications are set out in the report and appendices.

5.0 SIGNIFICANT IMPLICATIONS

There are none.

6.0 APPENDICES

- 6.1. Appendix 1 – Data Protection Policy
- 6.2. Appendix 2 - Freedom of Information Policy
- 6.3. Appendix 3 - Publication Scheme

<u>Source Documents</u>	<u>Location</u>
List background papers: Guidance issued by the Information Commissioner's Office	https://ico.org.uk/
Transparency Code 2015 published by the Department for Communities and Local Government	https://www.gov.uk/government/publications/local-government-transparency-code-2015



DATA PROTECTION POLICY

1. Cambridgeshire and Peterborough Combined Authority ("CPCA") shall take all necessary steps to ensure that the personal data it holds about its customers, suppliers, employees and all other individuals is processed fairly and lawfully.
2. CPCA shall ensure that all relevant statutory requirements are complied with and that its internal data protection procedures are monitored regularly.
3. CPCA shall implement and comply with the eight Data Protection Principles contained in the Data Protection Act 1998 ("the Act") which promotes good conduct in relation to processing personal information.
4. These Principles are:
 - (1) Personal data shall be processed fairly and lawfully. Individuals will not be misled as to the uses to which CPCA will put the information given.
 - (2) Personal data shall be obtained only for one or more specified and lawful purposes and shall not be further processed in any manner incompatible with that purpose or those purposes. CPCA ensures that individuals whose data is processed will be informed as fully as possible about the purposes for which the information is being processed.
 - (3) Personal data shall be adequate, relevant and not excessive in relation to the purpose or purposes for which it is processed. The information obtained by CPCA will be sufficient to ensure accurate processing.
 - (4) Personal data shall be accurate and where necessary, kept up to date. Errors will be corrected as soon as discovered or notified.
 - (5) Personal data processed for any purpose or purposes shall not be kept for longer than is necessary for that purpose or those purposes. Data which is no longer required will be securely destroyed.

- (6) Personal data shall be processed in accordance with the rights of data subjects outlined in the Act. CPCA will attempt to reply to subject access requests as quickly as possible and in all cases within the 40 day timeframe allowed by the Act.
- (7) Appropriate technical and organisational measures shall be taken against unauthorised or unlawful processing of personal data and against accidental loss, destruction or damage. In particular, unauthorised staff and other individuals will be prevented from gaining access to personal information. Appropriate physical security will be in place with visitors being received and supervised at all times within CPCA's premises where information about individuals is stored.
- (8) Personal data shall not be transferred to a country or territory outside the European Economic Area unless that country or territory ensures an adequate level of protection for the rights and freedoms of data subjects in relation to the processing of personal data.
5. CPCA shall ensure that the Information Commissioner's Office is informed of all its uses of personal information and will review and update those entries from time to time.
6. CPCA shall take such measures as may be necessary to ensure the proper training, supervision and instruction of all relevant employees in matters concerning data protection and to provide any necessary information.
7. CPCA shall consult with its employees periodically to ascertain what measures should be taken to increase awareness of data protection issues and to ensure that all necessary measures are in place to make this Policy effective.
8. Where reasonable and practicable personal data shared with any partner, associate or other organisation shall be the subject either of a protocol or confidentiality agreement which will define the context and limits of the data exchange.
9. CPCA's Legal Counsel & Monitoring Officer shall have overall responsibility for data protection issues within the organisation.
10. CPCA will keep this Policy under review taking account of changes in legislation, advice from the Information Commissioner's Office, decisions of the Courts, changes in technology, experience in practice and relevant guidance from other representatives.

November 2017



**CAMBRIDGESHIRE
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COMBINED AUTHORITY

Appendix 2

Freedom of Information

The Freedom of Information Act (FOIA) gives you the right to access recorded information held by public sector organisations. Anyone can request information – there are no restrictions on your age, nationality or where you live.

1. Introduction

The Cambridgeshire and Combined Authority ("the Authority") is committed to open government and the proactive release of the information it holds.

2. What is the Freedom of Information Act 2000?

The Freedom of Information Act 2000 ("the Act") grants a right of access to information held by public authorities. It promotes openness and accountability among public sector organisations so that everyone can understand how authorities make decisions, carry out their duties and spend public money. As such, any person who makes a request for information to the Authority is entitled to be informed, subject to any exemptions, whether the Authority holds that information and, if so, to be supplied with that information.

There are some exemptions to this general right of access. These are known as 'absolute exemptions' and 'qualified exemptions'. If a qualified exemption applies, then it is subject to the public interest test. This means the Authority must decide whether in each case it serves the public interests better to withhold or disclose the information requested.

3. What is a Publication Scheme?

Every public authority subject to the Freedom of Information Act is required to adopt and maintain a publication scheme setting out what information will routinely be made available, how the information can be accessed and whether or not the information is free of charge.

The idea of a publication scheme is to try and make sure as much information as possible is freely available and easy to access so you do not need to make a specific request.

The Authority has adopted the Information Commissioner's Office's (ICO's) model publication scheme. The scheme consists of information already published and held by the Authority or information which is to be published in the future. All information in our publication scheme is either available for you on our website to download and print off, or is available in traditional document form. Information within the publication scheme will be available either free, or at a charge.

Some information may not be made available when:

- We do not hold the information.
- The information is exempt from disclosure.
- We cannot easily access the information.

4. Classes of information published by the Authority

The ICO's model publication scheme identifies 7 "classes" of information as follows:

- [Who we are and what we do](#)
- [What we spend and how we spend it](#)
- [What our priorities are and how we are doing](#)
- [How we make decisions](#)
- [Our policies and procedures](#)
- [Lists and registers](#)
- [The services we offer](#)

The Authority is required to specify the information which it holds and which falls within those categories of information and has produced a simple guide which lists the specific information it publishes within each of the above classes.

5. How to make a request for information not contained in the Publication Scheme

The Authority includes as much information in the scheme as it can. However, if you cannot find what you are looking for you can make a request for information.

The Act gives you the right to express a preference for information to be provided in a particular way and we will do our best to help with this so far as reasonably practicable. In order for us to ensure your application is dealt with promptly you must provide:

- your name and address so we can respond to your request;
- a clear and understandable written request with enough detail to locate the information;

- an indication about the form in which you would like the information.

Some documents may include exempt information; in this case you will only be furnished with the information which is not exempt.

The Authority is obliged to disclose the information you request within 20 working days unless a fees notice is applicable or the Authority requires a reasonable extension of time to consider the public interest test. Where the information is exempt, the Authority will state so and explain its decision. You have the right to request an internal review of the Authority's decision and if you are still not satisfied, to complain to the Information Commissioner.

To make a request for information not available on the website you should contact:

- Legal Counsel and Monitoring Officer
Senior Information Officer
Email: contactus@cambridgeshirepeterborough-ca.gov.uk
Telephone: (xxx) xxxxxx

6. Making a complaint

If you are dissatisfied with the handling of a Freedom of Information request, you have the right to ask for an internal review. Internal review requests should be submitted within two months of the date of receipt of the response to your original letter and should be addressed to:

- Legal Counsel and Monitoring Officer
Information Officer
Email: contactus@cambridgeshirepeterborough-ca.gov.uk
Telephone: (xxx) xxxxxx

If you are not content with the outcome of the internal review, you have the right to apply directly to the Information Commissioner for a decision.

The Information Commissioner can be contacted at:

- Information Commissioner's Office
Wycliffe House
Water Lane, Wilmslow
Cheshire
SK9 5AF

Website: www.ico.org.uk (external site - opens in new window)

7. Comments/feedback about our Publication Scheme

If you wish to provide feedback about our publication scheme or if you require further assistance, please contact:

- xxxx
Information Officer
Email: contactus@cambridgeshirepeterborough-ca.gov.uk
Telephone: (xxx) xxxxxx

8. Fees and cost of compliance

Material which is published and accessed on the website can be downloaded free of charge.

The Authority does not make charges for reasonable requests for hard copy information. However, if a charge for information is applicable, this will be in respect of:

- reproducing any document containing the information e.g. printing or photocopying
- postage and other forms of transmitting the information.

Where a charge is applicable, you will be sent a fees notice specifying the fee and the requirement to pay within 3 months of the fees notice being issued. If the Authority does not receive payment within that period, it is no longer obliged to respond to your request.

Under the Act, a public authority does not have to comply with a request for information if the cost of compliance exceeds the appropriate limit set by the Fees Regulations. However, the Authority will inform you if the limit will be exceeded and will try to let you know what can be provided within the limit. Despite not being obliged to provide the information which exceeds the limit, the Authority will still be under a duty to provide advice and assistance.

9. Review of Publication Scheme

The Authority will review its publication scheme on an annual basis. However, material contained within the classes of information will be updated as required and any out-of-date information will be removed.

The publication scheme is maintained by the Information Officer whose details are set out in Section 5 above.

Appendix 3 - Publication Scheme

Principles		Cambridgeshire & Peterborough Current
Who we are and what we do	Membership of the Combined Authority	http://cambridgeshirepeterborough-ca.gov.uk/about-us/who-we-are/
	Senior Management Team/Organisation Chart	
	Location and contact information	http://cambridgeshirepeterborough-ca.gov.uk/contact-us
	About the CA	http://cambridgeshirepeterborough-ca.gov.uk/about-us/what-we-do/
What we spend and how we spend it	Summary of revenue and capital expenditure plans	
	Annual Statement of Accounts	
	Final Statement of Account ending 31 March 2017	http://cambridgeshirepeterborough-ca.gov.uk/assets/Audit-and-Governance-Committee/CPCA-Final-Statement-Of-Accounts-period-ending-310317.pdf
	Annual Audit Letter 2016-17	http://cambridgeshirepeterborough-ca.gov.uk/assets/Audit-and-Governance-Committee/CPCA-Annual-Audit-Letter-16-17.pdf
	Audit results report	http://cambridgeshirepeterborough-ca.gov.uk/assets/Audit-and-Governance-Committee/Final-ISA-260-CPCA-EY-Audit-Results-Report-2016-17.pdf
	Audit certificate ended 31 March 2017	http://cambridgeshirepeterborough-ca.gov.uk/assets/Audit-and-Governance-Committee/CPCA-Notice-of-Conclusion-of-Audit-for-period-ending-310317.pdf
	Member and Offices Expenditure	
	Member Allowances Scheme	
	Allowances and Expenses paid to Members (published annually in April)	To be provided in April 2018

	Expenses paid to Senior Officers (published annually)	To be provided in April 2018
	Pay Policy/Senior salaries and pay multiples	For publication in April 2018
	Staff pay and grading structure	See above
	Expenditure exceeding £500	
	List of expenditure over £500	http://cambridgeshirepeterborough-ca.gov.uk/about-us/transparency/
	Procurement Procedures/Contract Standing Orders	http://cambridgeshirepeterborough-ca.gov.uk/assets/Combined-Authority/Combined-Authority-Constitution.pdf
	Procurement Information/List of contracts and values	Quarterly publications Publish details of any contract, commissioned activity, purchase order, framework agreement and any other legally enforceable agreement with a value that exceeds £5,000.
	Tendering Contracts	Quarterly publications Publish details of every invitation to tender for contracts to provide goods and/or services with a value that exceeds £5,000.
	Grants to voluntary, community and social enterprise organisations	
	Financial Regulations	http://cambridgeshirepeterborough-ca.gov.uk/assets/Combined-Authority/Combined-Authority-Constitution.pdf
	Officer Delegation Scheme	http://cambridgeshirepeterborough-ca.gov.uk/assets/Combined-Authority/Combined-Authority-Constitution.pdf
	Corporate Card expenditure	
What our priorities are and how we are doing	Cambridgeshire and Peterborough 2030 Cambridgeshire and Peterborough – 4 Year Plan	To be published in February 2018
	Transport Plan	
	Skills Strategy	To be published in March 2018

	Strategic Economic Plan	
	Bus Information Strategy	
	Assurance Framework	
	Evaluation Framework	
How we make decisions	Schedule of meetings open to the public	Dates on board meetings and links to agendas and minutes http://cambridgeshirepeterborough-ca.gov.uk/about-us/what-we-do/
	Agendas and approved minutes of CA	On site
	Agendas and approved minutes of Overview and Scrutiny Committees	Membership and agendas http://cambridgeshirepeterborough-ca.gov.uk/about-us/committees/overview-and-scrutiny-committee/
	Agendas and approved minutes of Audit and Governance Committees	Membership and agendas http://cambridgeshirepeterborough-ca.gov.uk/about-us/committees/audit-and-governance-committee/
		Forward Plan http://cambridgeshirepeterborough-ca.gov.uk/about-us/what-we-do/
	Public Consultation	To be developed
Our policies and procedures	Conduct of Authority Business	
	Constitution - lists	http://cambridgeshirepeterborough-ca.gov.uk/home/SearchForm?Search=constitution&action_results=Go
	Code of corporate Governance	In development
	Annual Governance Statement	Published with accounts
	Procedure for considering complaints alleging a failure to comply with Member Code of conduct	In development
	Code of Conduct for officers	To be developed
	Provision of Services	
	Guide for dealing with FOI requests	In development Dec 2017

	Employment of staff	
	Attendance Policy	To be developed in 2018
	Disciplinary, conduct and capability policy	To be developed in 2018
	Employee Equality and Diversity Policy	To be developed in 2018
	Grievance Policy	To be developed in 2018
	Health and Safety Policy	To be developed in 2018
	Whistleblowing Policy	To be developed in 2018
	Records management and personal data	
	ICT Security Policy	
	Data Protection Policy	In development
Lists and registers	Land and Buildings Register Annual publication Publish details of all land and building assets	To be developed
	Register of Members Financial and other interests	Provide link
	Register of Gifts and Hospitality	To be published in April 2018
The services we offer		



AUDIT AND GOVERNANCE COMMITTEE	AGENDA ITEM No: 10
18 DECEMBER 2017	PUBLIC REPORT

TREASURY MANAGEMENT STRATEGY

1.0 PURPOSE

- 1.1. 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”
- 1.2. The purpose of this report is for the Audit and Governance Committee to review and comment on the Combined Authority’s draft Treasury Management Strategy for 2018/19.

<u>DECISION REQUIRED</u>	
Lead Officer:	Kim Sawyer, Legal Counsel and Monitoring Officer
The Audit and Governance Committee is recommended to (a) review the Combined Authority’s draft Treasury Management Strategy for 2018/19 (b) Note that an updated version will be brought back to the next Committee meeting to take account of any changes prompted by the DCLG November 2017 consultation.	

2.0 BACKGROUND

- 2.1. According to the Combined Authority's Constitution, the Board is responsible for the adoption of, and any amendment to, the Treasury Management Strategy.
- 2.2. The Audit and Governance Committee shall ensure that there is effective scrutiny of the treasury management strategy and policies in accordance with CIPFA's Code of Practice.
- 2.3. The Treasury Management in the Public Services: Code of Practice 2011 recommends that Members receive an annual strategy and plan in advance of the year.
- 2.4. Peterborough City Council (PCC) have provided a Treasury Management support service to the Combined Authority through its 'Capital and Treasury' team since the Combined Authority was created in March 2017. The PCC Capital and Treasury team provide investment management support to the Combined Authority in accordance with the Combined Authority's Treasury Management Strategy.
- 2.5. This report provides a draft Treasury Management Strategy for 2018/19 for discussion. An updated version will be brought back to the next Committee meeting to take account of any changes prompted by the DCLG November 2017 consultation on changes to the Prudential Framework; the CIPFA review of their Treasury Management Code, and also to take account of Audit and Governance Committee Members' comments.

DCLG Consultation on Proposed changes to the prudential framework of capital finance 2018/19

- 2.6. DCLG is consulting (November 2017) on changes to the Local Authorities Investment Code and Minimum Revenue Provision Guidance. The main changes to the Investment Code are to extend its coverage to non-financial investments and loans made by local authorities. The main changes in MRP guidance are to prevent local authorities making retrospective calculations of MRP overpayments when changing their MRP policy and to set maximum asset lives for categories of assets to be used in calculating MRP.

CIPFA Consultation on the Treasury Management Code

- 2.7. The Chartered Institute of Public Finance and Accountancy (CIPFA) is currently consulting on changes to its Treasury Management Code of Practice and the Prudential Code. This review will focus on non-treasury investments and on the purchase of property with a view to generating income. CIPFA has also indicated that it will be withdrawing a number of existing prudential indicators and has announced a change to the requirement to report on investments with a duration of 'longer than 364' days to become 'longer than 365 days'.
- 2.8. CIPFA intends to publish the revised Codes towards the end of 2017 for implementation in 2018/19.

Borrowing Strategy

- 2.9. In the 2016 Autumn Statement, the Government confirmed that mayoral combined authorities would be given powers to borrow to invest in economically productive infrastructure, up to a cap to be agreed with the Government and subject to the passing of relevant secondary legislation.
- 2.10. The Combined Authority is developing an ambitious investment plan for the future, and is considering what the optimal funding structure will look like for future programmes as part of its investment strategy. The Combined Authority is looking at a range of funding options including borrowing to be 'serviced' by devolution deal funding streams.
- 2.11. Whilst the Combined Authority does not have any current borrowing requirements, steps are being taken now to ensure that borrowing powers are in place to fund infrastructure plans that may require borrowing in the future.
- 2.12. The Combined Authority has been liaising with HM Treasury to agree a borrowing cap and with the Department for Communities and Local Government (DCLG) who will be drafting the necessary statutory instrument.

Treasury Management Strategy Prudential Indicators

- 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. The Combined Authority 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).
- 2.15. The Code requires the Combined Authority to set a range of Prudential Indicators. Due to the lack of information available on capital projects expenditure, no prudential indicator targets were set for 2017/18. Targets for the Prudential Indicators set out in the 2018/19 Treasury Management Strategy will be developed and updated once investment and associated funding decisions have been taken.

The Second Markets in Financial Instruments Directive (MiFID II)

- 2.16. From 3rd January 2018, new legislation will be introduced impacting on firms regulated by the Financial Conduct Authority. Local Authorities are currently treated by default as 'Professional' clients by these firms, but will instead be

treated as a 'Retail' clients by default, unless the local authority 'opts up' (to be a 'Professional' client).

- 2.17. The implication of not 'opting up' and therefore remaining as a retail client would narrow the available products, brokers and asset managers available for the Combined Authority to engage with and may cost more in fees. Retail clients do however benefit from some protections not available to Professional clients for example a duty on the (FCA regulated) firm to ensure that an investment is suitable for the client.
- 2.18. In order to continue to be a Professional Client, the Combined Authority would have to satisfy some quantitative tests (e.g. value of investment holding and frequency of investment transactions), and each Financial Institution would need to independently determine whether the Authority meets the qualitative test of being appropriately knowledgeable, expert and experienced.
- 2.19. The Combined Authority considers that the benefits of opting up to professional status (wider investment opportunities, access to advice and less cost) outweigh those of the default retail option.

Investment Activity

- 2.20. The Combined Authority has so far received £101m of grant funding from the Department for Communities and Local Government - £40.5m was received on 20th March 2017 and £60.5m was received on 21st April 2017. A further £52.0m is expected to be received at the beginning of the 2018/19 financial year with further funds receivable according to future devolution agreements.
- 2.21. As at 30 November 2017, the following investments were held with Approved Investments in accordance with the existing Treasury Management Strategy:

Class	Start / Purchase Date	Maturity Date	Counterparty	Principal O/S (£)
Deposit	06/06/17	06/12/17	Warrington Borough Council	-10,000,000
Deposit	23/08/17	23/05/18	Dundee City Council	-5,000,000
Deposit	04/09/17	04/12/17	Surrey Heath Borough Council	-10,000,000
Deposit	04/09/17	04/04/18	London Borough of Haringey	-5,000,000
Deposit	21/09/17	17/01/18	Highland Council	-5,000,000
Deposit	12/09/17	12/12/17	Blackpool Council	-5,000,000
Deposit	04/09/17	04/12/17	Dumfries and Galloway Council	-2,000,000
Deposit	29/09/17	02/01/18	Leeds City Council	-10,000,000
Deposit	06/10/17	05/10/18	Lancashire County Council	-10,000,000
Deposit	12/10/17	12/07/18	Lancashire County Council	-5,000,000
Deposit	10/11/17	12/03/18	Northamptonshire County Council	-5,000,000
Deposit	28/11/17	01/03/18	Telford and Wrekin Borough Council	-5,000,000
Fixed Total				-77,000,000
Deposit	20/03/17		Barclays Bank plc	-13,750,000
Call Total				-13,750,000
Deposit	20/03/17		CCLA The Public Sector Deposit 4	-10,000,000
MMF Total				-10,000,000
			Total Investments as at 30 Nov 2017	-100,750,000

3.0 FINANCIAL IMPLICATIONS

3.1. None.

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 Council is required to have regard to the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice and also the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414), which clarifies the requirements of the Minimum Revenue Provision guidance. Local authorities must have regard to DCLG statutory investment guidance.

5.0 SIGNIFICANT IMPLICATIONS

5.1. None.

6.0 APPENDICES

6.1. Appendix 1 – Cambridgeshire and Peterborough Combined Authority (CPCA) Treasury Management Strategy 2018/19 Discussion Paper.

<u>Source Documents</u>	<u>Location</u>
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<i>The Prudential Code for Capital Finance in Local Authorities – 2011 Edition, CIPFA</i> <i>Treasury Management in the Public Services, Code of Practice and Cross-Sectoral Guidance Notes – 2011 Edition, CIPFA</i> <i>Consultation on proposed changes to the Treasury Management Code and Cross Sectoral Guidance Notes – CIPFA. 2017</i> <i>Consultation on the proposed changes to the prudential framework of capital finance – DCLG 2017</i>	
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**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

Discussion Paper

Treasury Management Strategy

2018/19

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 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 ensuring that security and liquidity are achieved before considering investment return.

1.1.2 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.”

1.2 Reporting requirements

1.2.1 The Combined Authority is required to receive and approve, as a minimum, three reports each year, including an annual strategy in advance of the forthcoming year, a half year monitoring report and an outturn report. The Audit and Governance Committee shall ensure that there is effective scrutiny of the treasury management strategy and policies in accordance with CIPFA’s Code of Practice.

1.2.2 The Treasury Management Strategy report will include:

- the Treasury Management Strategy including treasury indicators; and
- an Investment Strategy

1.2.3 The following will be developed as part of future strategies as they become relevant:

- the capital programme (including prudential indicators)
- a Minimum Revenue Provision (MRP) Policy
- A mid-year Treasury Management Report – to update members of the Audit and Governance Committee with the prudential indicators as necessary.
- An Annual Treasury Report - to provide details of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy presented alongside the Statement of Accounts.

1.3 Treasury Management Strategy for 2018/19

1.3.1 The strategy for 2018/19 will cover

- | | |
|--------------------------------------|--|
| • Policy on use of external advisors | • Borrowing strategy |
| • Current treasury position | • Policy on borrowing in advance of need |
| • Treasury indicators | • Investment strategy |
| • Interest rates | • Creditworthiness policy |
| | • Treasury Management Scheme of Delegation |

1.3.2 These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the Communities and Local Government (CLG) MRP Guidance, the CIPFA Treasury Management Code and the CLG Investment Guidance.

1.4 Treasury Management Advisors

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

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

1.5 Proposals to amend the CIPFA Treasury Management and Prudential Codes

- 1.5.1 CIPFA is currently conducting a review of the Treasury Management Code of Practice and the Prudential Code. This review will focus on non-treasury investments and especially on the purchase of property with a view to generating income.
- 1.5.2 This version of the Treasury Management Strategy will be updated to reflect the proposed changes once they have been confirmed.
- 1.6 CIPFA have also indicated that there will be a change to the requirement to report on investments for longer than 364 days to longer than 365 days. This change has been incorporated into Indicator 11

2. Capital Prudential Indicators 2018/19 to 2027/28

- 2.1.1 The Combined Authority's capital programme will become the key driver of the treasury management activity. The output of the capital programme will be reflected in the prudential indicators which are designed to assist member's overview and confirm the capital programme.

- 2.1.2 **Indicator 1** – Capital Expenditure – this Prudential Indicator will become a summary of the Combined Authority's estimated future capital expenditure and will be populated as the Authority's Capital Programme becomes established.

(1a) Capital Expenditure	2018/19 Est. £m	2019/20 Est. £m	2020/21 Est. £m	2021/22 Est. £m	2022/23 Est. £m	2023/24 Est. £m	2024/25 Est. £m	2025/26 Est. £m	2026/27 Est. £m	2027/28 Est. £m
Transport and Infrastructure										
New Homes and Communities										
Education and Skills										
Strategic Planning										
Public Sector Reform										
Total										
Financed by:										
Gainshare Capital Funding										
Housing – General Funding										
Housing – Cambridge Funding										
Net financing requirement										
Total										

2.2 **Indicator 2** – Capital Financing Requirement (CFR) – the underlying need to borrow for capital purposes is measured by the CFR. The CFR is the total historic 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.

2.3 The following table will be populated as and when future Capital Financial Requirements become apparent:

(2) Capital Financing Requirement	2018/19 Est. £m	2019/20 Est. £m	2020/21 Est. £m	2021/22 Est. £m	2022/23 Est. £m	2023/24 Est. £m	2024/25 Est. £m	2025/26 Est. £m	2026/27 Est. £m	2027/28 Est. £m
CFR B/fwd										
Borrowing/Repayment										
CFR C/fwd										
Movement in CFR										
Net financing requirement										
Less MRP & other financing										
Movement in CFR										

2.4 **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.

3) Ratio of financing costs to net revenue budget	2018/19 Est. £m	2019/20 Est. £m	2020/21 Est. £m	2021/22 Est. £m	2022/23 Est. £m	2023/24 Est. £m	2024/25 Est. £m	2025/26 Est. £m	2026/27 Est. £m	2027/28 Est. £m
Total ratio										

Indicator 4 – Actual and estimates of the incremental impact of capital investment decisions on council tax. This indicator is not currently relevant to the Combined Authority.

3. Minimum Revenue Provision (MRP) 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 Councils to calculate this revenue charge and the Combined Authority must satisfy itself that the provision is prudent.
- 3.3. The table below will be populated as and when the Combined Authority incurs Capital Expenditure.

Summary of MRP Policy

Age of Debt	Previous Method	Method Adopted

4. Treasury Management Strategy

4.1. Treasury Management Policy

4.1.1. The treasury management function ensures that the Combined Authority's cash is managed in accordance with the relevant professional codes, so that sufficient cash is available to meet the Combined Authority's service requirements. This will involve both the management of cash flow and, where the capital programme requires, the organisation of appropriate borrowing facilities. This strategy covers the relevant treasury / prudential indicators, the current and projected debt positions, and the Annual Investment Strategy.

4.1.2. The Combined Authority's primary treasury management objectives are:

- a) 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;
- b) to limit the revenue cost of the Combined Authority's debt as taken on by obtaining financing at the most appropriate rate possible; and
- c) To seek to schedule debt at the optimum time.

(5) Gross debt & capital financing requirement	2018/19 Est. £m	2019/20 Est. £m	2020/21 Est. £m	2021/22 Est. £m	2022/23 Est. £m	2023/24 Est. £m	2024/25 Est. £m	2025/26 Est. £m	2026/27 Est. £m	2027/28 Est. £m
External Borrowing										
Market Borrowing										
Repayment of borrowing										
Expected change in borrowing										
Other long-term liabilities										
Gross Debt at 31 March										
CFR										
% of Gross Debt to CFR										

4.2 Current Treasury Position

4.2.1 **Indicator 5** - The 'Gross Debt' table will show actual external borrowing (Gross Debt) against the CFR.

4.2.2 Within the prudential indicators there are a number of key indicators 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.

Indicator 6 - The Operational Boundary - this is the limit beyond which external borrowing is not normally expected to exceed. If the operational boundary was exceeded this would be reported immediately to the members of the Audit and Governance Committee

(6) Operational Boundary	2018/19 Est. £m	2019/20 Est. £m	2020/21 Est. £m	2021/22 Est. £m	2022/23 Est. £m	2023/24 Est. £m	2024/25 Est. £m	2025/26 Est. £m	2026/27 Est. £m	2027/28 Est. £m
Borrowing										
Other long term liabilities										
Total										

4.2.3 **Indicator 7** - The Authorised Limit for external borrowing - this represents a limit beyond which external borrowing is prohibited.

(7) Authorised Limit	2018/19 Est. £m	2019/20 Est. £m	2020/21 Est. £m	2021/22 Est. £m	2022/23 Est. £m	2023/24 Est. £m	2024/25 Est. £m	2025/26 Est. £m	2026/27 Est. £m	2027/28 Est. £m
Borrowing										
Other long term liabilities										
Total										

4.3 Prospects for Interest Rates

Interest Rate (All rates shown as %)	Now	Mar 17	Jun 17	Sep 17	Dec 17	Mar 18	Jun 18	Sep 18	Dec 18	Mar 19	Jun 19	Sep 19	Dec 19	Mar 20
Bank Rate View														
5yr PWLB Rate														
10yr PWLB Rate														
25yr PWLB Rate														
50yr PWLB Rate														
Budget Assumption														

4.3.1 Interest rates are forecast to show gentle increases with the Bank Rate during 2018 and onwards.

4.3.2 The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. It has long been expected, that at some point, there would be a more protracted move from bonds to equities after a historic long-term trend, over about the last 25 years, of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial Quantitative Easing, added further impetus to this downward trend in bond yields and rising bond prices. Quantitative Easing has also directly led to a rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US

Presidential election in November 2016 has called into question whether the previous trend may go into reverse, especially now the Fed has taken the lead in reversing monetary policy by starting, in October 2017, a policy of not fully reinvesting proceeds from bonds that it holds when they mature.

4.3.3 Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as stronger economic growth becomes more firmly established. The Fed has started raising interest rates and this trend is expected to continue during 2018 and 2019. These increases will make holding US bonds much less attractive

and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US are likely to exert some upward pressure on bond yields in the UK and other developed economies. However, the degree of that upward pressure is likely to be dampened by how strong or weak the prospects for economic growth and rising inflation are in each country, and on the degree of progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

4.3.4 From time to time, gilt yields – and therefore PWLB rates - can be subject to exceptional levels of volatility due to geopolitical, sovereign debt crisis and emerging market developments. Such volatility could occur at any time during the forecast period.

4.3.5 Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts (and MPC decisions) will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

4.3.6 The overall balance of risks to economic recovery in the UK is currently to the downside but huge variables over the coming few years include just what final form Brexit will take, when finally agreed with the EU, and when.

4.3.7 Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Bank of England monetary policy takes action too quickly to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- Geopolitical risks, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.
- A resurgence of the Eurozone sovereign debt crisis, possibly Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system.
- Weak capitalisation of some European banks.
- The October 2017 Austrian general election has resulted in a strongly anti-immigrant coalition government. This could provide major impetus to other, particularly former Communist bloc countries, to coalesce to create a major block to progress on EU integration and centralisation of EU policy. This, in turn, could spill over into impacting the Euro, EU financial policy and financial markets.
- Rising protectionism under President Trump
- A sharp Chinese downturn and its impact on emerging market countries

4.3.8 The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- The Bank of England is too slow in its initial pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a

later rapid series of increases in Bank Rate faster than we currently expect.

- UK inflation returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.
- The Fed causing a sudden shock in financial markets through misjudging the pace and strength of increases in the Fed Funds Rate and in the pace and strength of reversal of Quantitative Easing, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.

4.3.9 Investment and Borrowing Rates

4.3.10 Investment returns are likely to remain low during 2018/19 but will be on a rising trend over the next few years.

4.3.11 Borrowing interest rates increased sharply after the result of the general election in June and then also after the September MPC meeting when financial markets reacted by accelerating their expectations for the timing of Bank Rate increases. Apart from that, there has been little general trend 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;

4.3.12 There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.

4.4 Borrowing Strategy

4.4.1 There are three debt treasury indicators which ensure the activity of the treasury function remains within certain limits. This manages risk and reduces the impact of any adverse movement in interest rates. The indicators are:

- **Indicator 8** – Upper limit on fixed interest rate exposure. This identifies a maximum limit for fixed interest rates based upon the debt position net of investments.
- **Indicator 9** - 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)	2018/19 Est. £m	2019/20 Est. £m	2020/21 Est. £m	2021/22 Est. £m	2022/23 Est. £m	2023/24 Est. £m	2024/25 Est. £m	2025/26 Est. £m	2026/27 Est. £m	2027/28 Est. £m
(8) Limits on fixed interest rates based on net debt										
% of fixed interest rate exposure										
(9) Limits on variable interest rates based on net debt										
% of variable interest rate exposure										

- **Indicator 10** - Maturity structure of borrowing. These gross limits are set to reduce the Combined Authority's exposure to large fixed rate sums falling due for refinancing.

(10) Maturity Structure of borrowing	Upper Limit
Under 12 months	
12 months to 2 years	
2 years to 5 years	
5 years to 10 years	

10 years and above	
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4.7 Annual Investment Strategy – Annual Investment Policy

- 4.7.1 The Combined Authority's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code").
- 4.7.2 The Combined Authority's investment priorities are the security of capital and the liquidity of investments. The Combined Authority will aim to achieve the optimum return on

its investments commensurate with proper levels of security and liquidity.

4.7.3 Investment instruments identified for use in the financial year are listed in Appendix 1 under the 'Specified' and 'Non-Specified' Investment categories. Counterparty limits will be as set through the Combined Authority's Treasury Management Practices.

4.7.4 **Investment Counterparty Selection Criteria and Investment Strategy**

4.7.5 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.

4.7.6 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 Short Term credit ratings 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.

4.7.7 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 ratings from all three rating agencies, Fitch, Moody's and Standard and Poor's, as well as Credit Default Swap (CDS) spreads.

- All credit ratings will be monitored weekly. If a downgrade results in the counterparty or investment scheme no longer meeting the Combined Authority's minimum criteria it will be removed from the Combined Authority's lending list immediately.

4.7.8 The criteria for providing a pool of high quality investment counterparties (both Specified and Non-Specified investments), shown in the order of use by the Combined Authority, follows:

- 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, specifically with regards to the credit rating methodology.

4.7.9 Barclays Bank, the Combined Authority's own banker. If Barclays fall below the set criterion 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
- The above action applies to Barclays only due to its status as the Combined Authority's banking provider. Use of other bank accounts would be subject to criteria set out in the point above.

The above approach has been developed following consideration of:

- the Combined Authority's need for 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

- Local Authority Mortgage Scheme. .
- 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 ratings below.
- Banks Group 2 – good credit quality - the Combined Authority will only use banks which are UK banks and have the minimum credit ratings criteria relating to the type of investment being undertaken.

Agency	Short Term	Long Term
Fitch	F1	A
Moody's	P-1	Aa
Standard & Poor's	A-1	A

- Building Societies – if they meet the ratings above
- Money Market Funds - AAA rated by Fitch

4.7.10 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. Approval will be required if any new counterparties are added to the lending list.

4.7.11 The Combined Authority will use counterparties within the following maximum maturity periods, in order to mitigate the risk of investing in these institutions:

Capita 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 Combined Authority will not invest with these institutions

Financial Year	Bank Base Rate	Forecast
2018/19	0.63%	There is an upside risk to these forecasts (i.e. if increases in Bank Rate occurs sooner than forecast) if economic growth remains strong and unemployment falls faster than expected. However there is also a downside risk if the pace of growth falls back particularly if the Bank of England inflation forecasts for the rate of unemployment prove to be too optimistic.
2019/20	0.88%	
2020/21	1.19%	
2021/22	1.19%	

4.7.12 The proposed criteria for Specified and Non-Specified investments are shown in Appendix 1 for approval. During this time of significant economic uncertainty due regard will be taken of the selection criteria, when using the options outlined in Appendix 1.

4.7.13 Investment returns expectations - Bank Base Rate is forecast to remain unchanged at 0.5% before starting to rise from 2019/20. Bank Rate forecasts for financial year ends are:

11) Interest Rate Exposure (Upper Limits)	2018/19 Est. £m	2019/20 Est. £m	2020/21 Est. £m	2021/22 Est. £m	2022/23 Est. £m	2023/24 Est. £m	2024/25 Est. £m	2025/26 Est. £m	2026/27 Est. £m	2027/28 Est. £m
Principal sums invested > 365 days										
Base Rate Forecast										

4.7.14 **Indicator 11** - Upper limit for total principal sums invested for over 365 days. 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. These upper limits are to provide approved flexibility for future LAMS contributions

4.7.15 At the end of the year, the Combined Authority will report on its investment activity as part of its Annual Treasury Report to the Audit and Governance Committee.

4.8 Treasury Management Scheme of Delegation

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

Full Combined Authority Board/ Audit and Governance Committee

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

Audit and Governance Committee / S151 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 151 Officer

- 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.

Specified and Non-Specified Investments

APPENDIX 1

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.

APPROVED "SPECIFIED" INVESTMENTS				
Investment Type	Maximum Maturity period	Minimum Credit Criteria	Collective Limit £m	Individual Limit £m
Debt Management Agency Deposit Facility	Currently only accepts deposits up to 6 months duration.	UK Government backed	N/A	75
Term deposits with UK Government & Local Authorities	6 months	Sovereign risk / high security although not credit rated	100	20
Term deposits & Certificates of Deposit with Banks Group 1	6 months	Minimum ratings - F1(Fitch - short term) AAA (long term)	100	15
UK Government & Local Authority Stock Issues	6 months	Sovereign risk / high security although not credit rated	100	20
Term deposits & Certificates of Deposit with Banks Group 2	6 months	Minimum ratings – F1 (Fitch-short term) A (long term)	50	10
Deposit accounts with regulated UK building societies	6 months	Minimum ratings - F1 (Fitch short term) A (long term)	50	10
Money Market Funds	Repayable on call, without	Minimum rating – AAA (Fitch)	50	10

APPROVED "SPECIFIED" INVESTMENTS				
Investment Type	Maximum Maturity period	Minimum Credit Criteria	Collective Limit £m	Individual Limit £m
	notice.			
Commercial Paper (short term obligations issued by banks, corporations & other issuers).	6 months	Minimum short term rating - F1 (Fitch) (Held by custodian)	10	10
Gilt & Bond Funds (open ended mutual funds investing in Gov. & corporate bonds)	Highly liquid, may be sold at any time.	Minimum rating - AAA-(Fitch, S&P A-1 etc.)	10	10
Reverse Gilt Repos (Gilts bought with commitment to sell on a specified date or on call, at agreed price)	6 months	UK Government backed (Held by custodian)	10	10
Treasury Bills	Maturities of up to 6 months Issued through a bidding process at a discount to face value	UK Government backed (Held by custodian)	10	10
Bonds issued by a financial institution guaranteed by UK Government	6 months	UK Government backed (Held by custodian)	10	10
Bonds issued by multilateral development banks	6 months	Minimum rating – AAA (Fitch, S&P A-1etc)	10	10

Non-Specified Investment:

- 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
- Direct combined authority investment into board approved projects that may not have traditional ratings that relate to core Combined authority aims
- The Combined Authority would not consider using investments that fall under the ‘Non-Specified’ Investments category at this time.

APPROVED "NON - SPECIFIED" INVESTMENTS				
Investment Type	Repayable / Maturity Period	Minimum Credit Criteria	Collective Limit £m	Individual Limit £m
Term deposits with UK Government & Local Authorities	Maturities of 1 - 5 years	Sovereign risk / high security although not credit rated	20	20
Term deposits & Certificates of Deposit with Banks Group 1	Maturities of 1 - 5 years Certificates of Deposit are tradable	Minimum ratings - F1(Fitch - short term) AAA (long term)	10	10
UK Government & Local Authority Stock Issues	Maturities of 1 - 10 years but tradable	Sovereign risk / high security although not credit rated	10	10
Term deposits & Certificates of Deposit with Banks Group 2	Maturities of 1 - 5 years Certificates of Deposit are tradable	Minimum ratings – F1 (Fitch-short term) A (long term)	20	10
Deposit accounts with regulated UK building societies	Maturities of 1 – 5 years	Minimum ratings - F1 (Fitch short term) A (long term)	5	5
Foreign Government Stock Issues (priced in £ Sterling)	Maturities of 1 - 10 years but tradable	Minimum rating – AAA (Fitch, S&P A-1etc) (Held by custodian)	5	5
Term deposits with UK building societies without formal credit ratings	Maturities of up to 1 year	Financial position assessed by Interim Corporate Director: Resources	5	5
Bonds issued by a financial institution	Maturities of 1 - 10 years	UK Government backed Minimum rating –	5	5

APPROVED "NON - SPECIFIED" INVESTMENTS				
Investment Type	Repayable / Maturity Period	Minimum Credit Criteria	Collective Limit £m	Individual Limit £m
guaranteed by UK Government	but tradable	AAA (Fitch, S&P etc.)		
Bonds issued by multilateral development banks	Maturities of 1 - 10 years but tradable	Minimum rating - AAA (Fitch, S&P A-1etc)	5	5
Floating Rate Notes (fixed term but interest rate varies quarterly)	Maturities of 1 - 5 years but tradable	Financial position assessed by Interim Corporate Director: Resources. Requires capital or revenue financing as share or loan capital.	5	5
Bonds issued by corporate issuers other than sovereign bonds	Maturities of 1 - 10 years but tradable	Minimum rating – AAA (Fitch, S&P A-1etc) Requires capital or revenue financing as share or loan capital	5	5

Explanation of Credit Ratings

APPENDIX 2

Agency	Short Term	Long Term
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.

AUDIT AND GOVERNANCE COMMITTEE	AGENDA ITEM No: 11
18th DECEMBER 2017	PUBLIC REPORT

PROGRESS REPORT ON THE DEVELOPMENT OF PROJECT MANAGEMENT AND PROCUREMENT STRUCTURES AND SYSTEMS TO SUPPORT THE IMPLEMENTATION OF THE ASSURANCE FRAMEWORK AND THE MONITORING AND EVALUATION FRAMEWORK

1.0 PURPOSE

1.1 The Assurance Framework is a set of systems, processes and protocols linked in a hierarchy of management and financial control procedures, which clearly define the responsibilities of members and the duties of the Combined Authority's (CPCA) officers, consultants and partners with regard to the management of capital projects.

1.2 The procurement and project management structures and systems required to ensure compliance with the Assurance Framework and the related Monitoring and Evaluation Framework are currently subject to detailed review. This report sets out progress to date on key areas of the review.

<u>DECISION REQUIRED</u>	
Lead Officer:	Kim Sawyer Brian Madden
The Audit and Governance Committee is recommended to: (a) Note the progress on the review of the implementation of structures and systems for the procurement and project management of capital projects in accordance with the requirements of the Assurance and the Monitoring and Evaluation Frameworks; and (b) Note the matters arising and the work underway to ensure the requirements of the Frameworks are fulfilled as options are considered, selected and implemented.	

2.0 BACKGROUND

2.1 The Assurance Framework and the Monitoring and Evaluation Framework documents were drafted in January 2017 and presented to the Board for approval at the meeting on the 22nd February 2017. The documents set out the basis of the approach to an extensive programme of evaluation and a commitment that every project which involves new funding from the devolution deal will be evaluated.

2.2 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 CA's officers, consultants and partners with regard to capital projects.

2.3 The structure and systems applied to delivering projects in accordance with the Framework will evolve over time. All of the CPCA's capital projects are at an early stage and the immediate focus is to ensure that organisation structures are formed to oversee key issues including: the establishment of procurement and project management systems including specialist financial and other professional services; the provision of key information gathering; accounting and recording procedures.

2.4 The delivery of the Assurance Framework will be achieved through a systematic approach to the monitoring and evaluation of the CPCA's policies and projects. The Monitoring and Evaluation Framework complements the assurance framework by setting out the approach that will be taken to monitor and evaluate the outputs and outcomes of the CPCA's interventions to provide accountability for spending decisions and ensure the effectiveness of schemes. This requires the introduction of a range of systems and procedures designed to underpin the delivery of these requirements.

2.5 The CPCA's capital programme represents the expression of several policy decisions, a number of which may have been taken over a period of time. Besides the capital expenditure involved, the projects themselves are significant for the contribution they are expected to make to the life of the local community. It is therefore important that each completed scheme represents the optimum means of achieving the desired benefit, both in terms of cost and social gain. The CPCA's objectives will be clearly defined at the outset and monitored throughout the life of each project; the use of sound monitoring techniques need to be introduced to ensure that individual schemes comply with longer term objectives on a corporate basis and in accordance with the devolution deal.

3.0 The Implementation of Project Management and Procurement Structures and Systems

3.1 Several meetings about the introduction of effective systems for the procurement of services, projects and goods for the CPCA have been held with Chief and Senior finance officers of Peterborough City Council (PCC) and the Peterborough/Serco Partnership in accordance with the CPCA's strategic work programme. The discussions centred on determining a schedule of work required to establish a Service Level Agreement for the provision of comprehensive procurement services including: the introduction of a new database for CPCA on the Agresso accounting system; transactional financial support and the provision of procurement ongoing support services. In particular the following issues were considered:

- Procurement and project management IT systems in place at PCC;
- Tendering systems;
- Management and financial control documentation such as contract registers, monitoring documentation, codes of practice etc;
- Project management services and systems;
- Client/contractor organisational structure as it operates at PCC and elsewhere;
- Service level agreements in place at other combined authorities; and
- Other management and financial control issues that may need to be introduced to manage the extensive portfolio of projects the CPCA will be involved with over the next five years.

3.2 Based on a review of the systems operated by the Peterborough/Serco Partnership in assisting the delivery of the Council's capital/revenue programme of approximately £200m per annum it would seem that the wide range of services provided for PCC, including option appraisal at the beginning of the procurement process through to post contract completion appraisal –often overlooked but essential in advance of gateway reviews –are able to be customised to meet the CPCA's requirements. Accordingly the following activities have been carried out:

- Preparation of a draft a document outlining a suggested organisation structure designed to provide effective management, monitoring, financial control, transparency and accountability of the procurement processes and IT support governing the CPCA's revenue and capital programmes;
- An outline of the procurement services provided for PCC with a view to identifying those required by CPCA and any additional services for further consideration; and
- Provision of an indicative timescale for implementation of the systems together with a provisional initial estimate of the resources and costs of operating the systems

3.3 These documents are based on information provided to PCC/Peterborough/Serco including:

- Details of the CPCA's revenue and capital schemes already approved by the Board and other schemes deemed to be in the process of submission for approval;
- Details of the key aspects of the systems required to fulfil the CPCA's obligations in accordance with:
 - The devolution agreement;
 - The CA's assurance document; and
 - The CA's monitoring and evaluation document.
- Guidance on the basis of assessing the operational costs of the services in particular core/fixed costs e.g. provision and maintenance of the contract register, contract cost monitoring and financial control;
- An outline of the composition of a bespoke SLA in comparison with the existing agreement operated on behalf of PCC.

3.4 Detailed work is continuing on the preparation of a joint PCC/Peterborough/Serco Partnership proposal designed to meet CPCA requirements on the provision of the services. However since the commencement of this work a number of important developments have occurred which have an impact on the nature and extent of the project management and procurement services needed. These developments include:

- Establishment of closer operational and financial resources links between the CPCA and the Cambridgeshire and Peterborough LEP;
- Announcement in the November budget of significant additional revenue and capital provision for the CPCA including – additional revenue of £2million for support services, additional £75 million capital grant provision for transportation schemes and indications of further capital provision potentially totalling £400million in the future.
- Detailed information on government requirements in relation to monitoring and evaluation processes governing the assessment, selection, delivery and evaluation of the major capital projects to be undertaken by the CPCA in accordance with the devolution deal.

These developments are outlined below insofar as they have an impact on the level of resources needed and how they are delivered in the near future.

4.0 The Impact of Recent Developments on the Provision of Project Management and Procurement Requirements

4.1 Establishment of Closer Operational and Financial Resources Links Between the CPCA and the Cambridgeshire and Peterborough LEP

With the appointment of the CPCA Chief Executive as the Interim Chief Executive of the LEP it is understood that closer operational and financial links between the two organisations is to be explored. This presents an opportunity to consider the suitability of the existing LEP financial, project management, procurement and recruitment systems for adaptation and adoption by the CPCA.

4.2 Provision of Additional Revenue and Capital Funding

Significant additional revenue and capital resources were announced in the November budget for all combined authorities. The Government has responded to requests by the authorities for significant increases in the revenue resources provided in support of the delivery of projects. This reflects the resource intensive requirements of the monitoring and evaluation techniques to be applied by combined authorities in accordance with the devolution deals as outlined in 3 below.

The CPCA's additional resources include £2million for additional support costs, £75million for transportation projects and there are indications of further major capital grant awards in the future. It is clear that the injection of this level of funding in addition to existing resources places extensive additional responsibilities upon the CPCA to deliver schemes in accordance with Government conditions. In consequence there is a need for CPCA to respond by ensuring that the organisation obtains the necessary professional development and support resources to meet the challenges presented and achieve its own and the Government's objectives.

4.3 Monitoring and Evaluation Processes –Government Devolution Deal Requirements

In October 2017 the Department for Business, Energy and Industrial Strategy (BEIS) hosted a workshop on "Devolution Deals Monitoring and Evaluation" for combined authority personnel involved in the delivery of projects. The workshop was designed to emphasize the importance the government places on the information to be derived from effective monitoring and evaluation by combined authorities engaged in the management and development of a wide range of capital projects across the UK over the next five years. This is needed because in the past there have been many gaps in this information due to inadequate focus on comparisons of performance and delivery because of insufficient importance being

placed on evaluation. A power point presentation setting out the key issues considered at the workshop along with recommendations and conclusions is set out in the **Appendix 1**. An example of a Monitoring and Evaluation report on a major project has been provided by Liverpool City Region Authority and is available to members on request.

4.4 The important messages of the workshop are as follows:

- Combined authorities should **invest resources in identifying business support programmes** that may be amenable to randomised control trial (RCT) assessment of their impact;
- It is important for authorities to be **forward thinking and improve data collection now** to facilitate the application of more advanced approaches in the future; and
- It is clear that government considers that **adherence to the prescribed Monitoring and Evaluation processes** for selected major projects is an essential part of the devolution deal

4.5 The government is looking closely at the performance of the combined authorities formed in the past two years with a view to delivering a wide range of capital projects including infrastructure, construction and service contracts over the next five years.

4.6 Through the introduction of stylised monitoring and evaluation processes, together with public accountability and data collection systems, designed to provide detailed evidence of success factors authorities will be judged not only on the successful delivery of the projects but also the ways that success was achieved. At the end of the five year period it is expected that what works and what doesn't work will be clearly identified thereby providing the basis of a blueprint for future success.

4.7 In return for significant government investment CPCA has entered into a deal requiring the combined authorities to invest sufficient resources in identifying business support programmes that facilitate the assessment of the impact of the major schemes delivered in all the project portfolios. Outcomes including reduced costs, better value for money and improved public accountability are also likely to be realised given the effective implementation of these measures. It is important for CPCA to now take the steps to introduce the processes and systems that comply with the deal requirements and the authority's assurance and evaluation frameworks

5.0 Way Forward

5.1 In light of the changed and developing circumstances it is opportune and appropriate to review a wider range of options for the delivery of project management and procurement services and systems. In discussions with the Chief Executive the following options are considered to be worthy of review in addition to continuing discussions and negotiations with PCC with a view to finalising an agreement to provide the services:

- **Option 1:** PCC Service Delivery;
- **Option 2:** Review LEP finance, project management and procurement systems and staffing resources to ascertain the feasibility, cost and practicality of adaption and operation for CPCA purposes;
- **Option 3:** Review externalising the provision of the systems and services to an external partner;
- **Option 4:** Recruitment of experienced personnel to provide the required range of services
- **Option 5:** Variations of the above options e.g. separate providers for individual services.

The objective remains the preparation of a report for presentation to the CPCA Board meeting outlining the proposed approach and cost with a view to securing approval at the February 2018 Board meeting.

7.0 Conclusion

7.1 The CPCA is accountable to local people for the successful implementation of the devolution deal; consequently, government expects the CA to monitor and evaluate its deal in order to demonstrate and report on progress.

7.2 A number of work streams are in progress focused on; improving organisational structures; procurement of specialist professional services; introducing information systems and procedures designed to underpin the means of fulfilling the Framework requirements. In that event the CPCA will have a sound foundation in place upon which to secure management and financial control of the capital projects together with an effective pre-contract and post contract evaluation process.

4.0 FINANCIAL IMPLICATIONS

1.1. There are no financial implications.

5.0 LEGAL IMPLICATIONS

5.1 There are no legal implications.

6.0 SIGNIFICANT IMPLICATIONS

6.1 None.

7.0 APPENDICES

Appendix: Monitoring and Evaluation: Summary of Key Information Arising From BEIS Workshop on 17th October 2017

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

APPENDIX:

Monitoring and Evaluation

**Summary of Key Information Arising From BEIS Workshop on
17th October 2017**

Monitoring and Evaluation

Summary of Key Information Arising From BEIS Workshop on
17th October 2017

I

Contents

- BEIS Observations and Outline Messages 3 – 8
- External Consultants – What Works Centre 9- 12
- External Consultants SQW 13-17
- BEIS – Summary of Findings From An Initial
Review of Business Support Schemes 18
- Liverpool City Region Key Issues From M&E 19-22

▶ 2

The Importance of Monitoring and Evaluation

Good evaluation can:

☐ **Provide a scientific basis for policy making** - by providing reliable understanding of which interventions work and are effective.

☐ **Underpin practical** resourcing and policy making exercises – by contributing to setting of policy and programme objectives, can be used to demonstrate how objectives are being met.

☐ **Provide accountability** - by demonstrating how funding has been spent, what benefits were achieved, and assessing the return on resources.

The Magenta Book

▶ 3

Room For Improvement

☐ **Little, if any, rigorous evidence** relating to the impact of area based initiatives through time on areas.

☐ **Insufficient data** at the individual level which means it is not always possible to say who benefits and how from regeneration activities.

☐ **A lack of robust evidence** on the cost-effectiveness of regeneration programmes.

☐ **Weak evidence** on the links between programme and project design.

▶ 4

“Evaluation in Government” Conclusions

- ❑ There are **significant gaps** in the coverage of evaluation evidence.
- ❑ No **adequate focus** on comparing performance against counterfactual.
- ❑ Existing evidence is of **varying qualities**.
- ❑ Little **importance** placed on evaluation.
- ❑ **Report published in 2013**

▶ 5

Here to Help

- ❑ Creation of a Cross-Whitehall analysts' group comprises
 - Dept. Business, Energy and Industrial Strategy (BEIS)
 - Dept. for Work and Pensions (DWP)
 - Dept. for Communities and Local Government (DCLG)
 - Dept. for Education (DfE)
 - Dept. for Transport (DfT)
- ❑ Group provide help and support on
 - Support places
 - Assess plans
 - Provide assurance

▶ 6

Cross-Whitehall Analysts Work Strands

☐ **Strands of work** include:

- **Defining overall metrics** - departments to assist CAs in obtaining/ presenting key metrics at appropriate geographies.

- **Investment Fund gateway assessments** - will focus only on Investment Fund allocations within Deals.

- **Locally-led evaluation plans** - identifying a limited number of strands within deals to evaluate in depth and working with Departments to agree the details of how this will work.

▶ 7

Next Steps

☐ **Implement** comments into M&E plans and continue to explore evaluation opportunities.

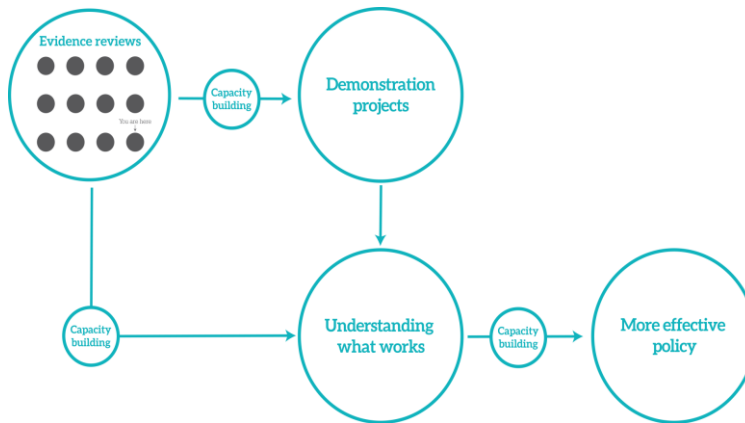
☐ Provide updated version of **M&E frameworks**.

☐ Move into **implementation** stages.

▶ 8

External Consultants – What Works Centre (WWC)

WHAT WORKS CENTRE



► 9

Evaluation Impact Comparison

Evaluating impact



► 10

Toolkits Example -Employment

Policy Design Tool	What does it aim to do?	How secure is the evidence?	How much does it cost?	How effective is it?
Careers Counselling helps individuals choose appropriate training	Improve take-up and completion of training		£££	
Financial Incentives are payments offered before, during or after training	Improve take-up and completion of training		£££	
Pre-qualification courses are a pathway to further education or training	Improve performance and completion of training		£££	
Reminders provide people with information about their training by text or email	Improve attendance to training programmes		£££	
• Employment Training – Careers Counselling – Financial Incentives – Pre-qualifications – Reminders – Saturation models (coming soon) Apprenticeships – Mentoring – Financial Incentives – Pre-apprenticeships • Broadband – Public provision				
• Provider and consumer incentives				

WWC - Summary

- START EARLY**
Evaluation is cheaper and more effective if it is integrated into project design
- DEFINE SUCCESS**
Employment and productivity are good measures of local economic growth
- WHAT TO EVALUATE?**
Do you want to focus on overall effects or on what works better
- FIND A CONTROL GROUP**
Demonstrate your project's impact by comparing participants with similar groups that have not been involved
- COLLECT DATA**
Keep track of who participates and what happened to them before and after participating
- HOW LONG?**
Short evaluations won't capture all the effects, but longer ones are more expensive
- PLAGIARISE!**
Use previous evaluations as templates
- GET EVERYONE ONBOARD**
Give delivery partners clear instructions about what type of evaluation is acceptable

National Evaluation Panel for devolved Investment Funds – SQW Consultants

- The remit of the NEP is to provide evidence for the five-year Gateway Reviews associated with the Investment Funds
 - Committed future funding beyond the first five-years will be subject to the outcome of Gateway Reviews & Ministerial decision-making
- The following are not within scope of the NEP
 - Making recommendations to Ministers/officials on future allocations
 - Assessing if the impact meets a set GVA threshold – there isn't one
 - Evaluating the 'policy' of devolved Investment Funds, or the Govt's wider devolution policy agenda
 - Process evaluation
 - Economic evaluation
 - Appraising interventions, or advising on future interventions to be supported by the Investment Funds

▶ 13

Gateway Reviews Timetable

The NEP covers Investment Funds in 11 Localities across the UK, within two 'cohorts' (based on start-year)

Cohort 1 (2015/16)	Cohort 2 (2016/17)
• Greater Manchester • Greater Cambridge • Leeds City Region • Glasgow City Region • Gateway Review by March 2020 ... NEP findings by December 2019	• Tees Valley • West Midlands • Liverpool City Region • West of England • Cambridgeshire & Peterborough • Sheffield City Region • Cardiff Capital Region • Gateway Review by March 2021 ... NEP findings by December 2020

▶ 14

SQW Approach

- The approach will involve
 - Development of a '**National Evaluation Framework**' to establish the overall approach, principles & potential methods for the evaluation of the Investment Funds
 - In turn, development of '**Locality Frameworks**' & '**Locality Evaluation Plans**' setting out the scope & nature of evaluation activity to be delivered in each Locality
 - **Delivery of evaluation research** by the consortium, informed by monitoring data which will be collected by the Localities
 - **Reports** on the impact of interventions at the first five-year Gateway Reviews
 - > With interim reports provided during the evaluation period

▶ 15

Locality Framework Categories

Impact evaluation	Progress evaluation
□ Purpose to provide evidence on the extent to which outcomes have been generated, & the additionality of these outcomes □ Involves formal evaluation research, which may include primary research, secondary research, & statistical/ empirical analysis • Covers completed or well-progressed interventions where outcomes have/are expected to emerge by the point of the first Gateway Review	□ Purpose to provide evidence on the extent to which inputs & activities have been delivered as expected, & early evidence on outputs (in gross terms) □ Involves review of monitoring data, & interviews on delivery progress □ Covers in-scope interventions (i.e. expenditure within period), but they are at an early stage & where outcomes are not reasonably expected to have emerged by the point of the first Gateway Review

▶ 16

SQW – Phased Work Plan

- Phase 2 will involve
 - Monitoring of activity by Localities as interventions are delivered
 - Impact evaluation research led by the NEP
 - Capacity development & partnership evaluation
 - Baseline econometric forecasts
 - Baseline & interim reports
 - Annual learning event with Localities & Steering Group
- Phase 3 will involve
 - Collation of evidence & analysis
 - > Intervention 'impact evaluation' evidence
 - > Intervention 'progress evaluation' evidence
 - > Capacity development & partnership working evidence
 - > Comparisons of economic performance to forecasts
 - Draft then final reports produced, taking into account comments from Localities, Govt, & Academic Group peer review
 - Final report completed ahead of Gateway Review by financial year-end (by Dec 2019 for Cohort 1, by Dec 2020 for Cohort 2)

▶ 17

BEIS – Summary of Findings

- Business Support is not monitored and evaluated in most area plans due to its association with the LGF. However, it would be useful to include references in the plans on what evaluation activities are taking place in this area.
- Business support covers a range of activities, many capital grant oriented and so impacts are primarily assessed through metrics of turnover, employment, employment and where feasible productivity, thus comprehensive monitoring and evaluating approaches are feasible.
- Where possible, areas should invest resources in identifying business support programmes that may be amenable to randomised control trial assessment of their impact.
- It is important to be forward thinking, improving data collection now will facilitate the application of more advance approaches in the future.

▶ 18

Liverpool City Region M&E Report

**Liverpool City Region
Combined Authority
Devolution Deal Monitoring and Evaluation Framework**

The Detailed Report is available on request

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Buy-in and Governance Structures (1)

Responsibility	Resource
Setting the LCR CA's strategic approach to Monitoring and Evaluation, including annual review	Head of Paid Service
Monitoring progress of Devolution Deal objectives and of LCR CA wider programme of activity, including projects and programmes funded from the SIF	PMO (with support/input from policy leads and the LEP)
Preparation of individual Monitoring and Evaluation Plans	Devolution Theme Leads/SIF applicants
Undertaking individual evaluation	Independent teams that are in the same organisation as the Devolution Theme Leads/SIF applicants
Developing the Local Framework in support of the Gateway Assessment	PMO (with support/input from policy leads and the LEP)
Maintaining a repository of Monitoring and Evaluation data	PMO (with support/input from policy leads and the LEP)
Dissemination of evaluation conclusions	PMO/LCR CA Communications Team

Buy-in and Governance Structures (2)



Buy-in and governance structures

- Overview by LCR Chief Executives Group
- Final M&E Plan considered and approved by Combined Authority in September 2017
 - *Note[s] the importance of effective, routine monitoring and evaluation as a core component of an effective performance management regime and that there will be updates provided to the Combined Authority.*

▶ 21

Success Factors



In conclusion

- Devo Deal M&E built on previous devolved funding approaches and BEIS good practice
- Cross-thematic steering group
- Engagement with WWC
- Identified areas for in-depth M&E
- CX and Combined Authority buy-in
- Embedded in Assurance Framework and funding agreements
- Mainstream into policy and project development – ‘feedback loop’

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AUDIT AND GOVERNANCE COMMITTEE	AGENDA ITEM No: 11
	PUBLIC REPORT

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 2017/18 municipal year and ask them for comments and suggestions.

<u>DECISION REQUIRED</u>	
FROM:	18th December 2017
Lead Officer:	Anne Gardiner
That the Committee notes the work programme for the Audit and Governance Committee for the 2017/18 municipal year attached at Appendix 1 and agree to regularly review the work programme at each meeting.	

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 is attached at Appendix 1.

3.0 FINANCIAL IMPLICATIONS

3.1 None

4.0 LEGAL IMPLICATION

4.1 None

5.0 EQUALITIES IMPLICATION

5.1 None

6.0 APPENDICES

6.1 Draft Work Programme

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


AUDIT & GOVERNANCE COMMITTEE – WORK PROGRAMME

Date	Report Description	Relevant Officer/ Report Author
18th Dec 2017 9:15am Training Session	Training session on audit duties and responsibilities role of the committee	Steve Crabtree
18 th December 2017 – Public Meeting	Hot Topics on the CA presented by the Mayor	James Palmer/Martin Whiteley/ Kim Sawyer
	Internal Audit Governance Update	Steve Crabtree
	External Audit 16-17 Annual Audit Letter	Kay McClennon & Suresh Patel
	Members Code of Conduct: Procedure for Hearings by the Audit Committee	Kim Sawyer
	Complaint processes	Kim Sawyer
	Treasury Management Strategy	Jon Alsop
	Verbal Update on Assurance Framework	Brian Madden
31 st March 2017	Internal Audit	Steve Crabtree
	External Audit	Suresh Patel (Ernst & Young)
	Terms of Reference	Kim Sawyer
	Code of Corporate Governance	Kim Sawyer
	Risk Register	Kim Sawyer

	Annual review of Constitution	Kim Sawyer
	The Committee's Annual Report to the Combined Authority	TBC
	Implementation Plan	Kim Sawyer