



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

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

26th March 2018

10am

Forli Room, Peterborough City Council, Town Hall, Bridge Street

Peterborough

PE1 1HF

AGENDA

Open to Public and Press

Number	Agenda Item	Chief Officer	Papers	Pages
1	Apologies and Declarations of Interests	Chair	Oral	
2	Minutes – 18 th December 2017	Chair	Yes	Pages 4-12
3	Combined Authority Board Update	Kim Sawyer	Yes	Verbal
4	Internal Audit Plan 2018/19	Steve Crabtree	Yes	Pages 13-17
5	Internal Audit – Progress Report	Steve Crabtree	Yes	Pages 18-19

Number	Agenda Item	Chief Officer	Papers	Pages
6	External Audit – Final Audit Plan 2017/18	Ernst & Young	Yes	Pages 20-67
7	Treasury Management Strategy Review (follow-up report from 18 Dec meeting)	Jon Alsop	Yes	Pages 68-93
8	Risk Management Strategy & Corporate Risk Register	Brian Madden	Yes	Pages 94-121
9	Anti-Fraud, Bribery & Corruption Policy	Brian Madden	Yes	Pages 122-144
10	Governance Framework for Market Towns Masterplan	Kim Sawyer	Yes	Pages 145-147
11	Code of Corporate Governance	Kim Sawyer	Yes	Pages 148-175
12	Whistleblowing Policy	Kim Sawyer	Yes	Pages 176-191
13	Work Programme	Chair	Yes	Pages 192-197
	Date of next meeting			
	Informal Meeting: Tuesday 22nd May at Huntingdonshire District Council at 10am. Public meeting: 20th July at 10am, Venue TBC.	Chair	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 Anne Hey - 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
& PETERBOROUGH**
COMBINED AUTHORITY

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY – DRAFT MINUTES

AUDIT AND GOVERNANCE COMMITTEE: MINUTES

Date: 18th December 2017

Time: 10am

Location: Fenland District Council

Present:

Mr John Pye
Cllr C Morris
Cllr D Seaton
Cllr Robertson
Cllr C Seaton
Cllr Harrison

Chairman
East Cambs District Council
Peterborough City Council
Cambridge City Council
Fenland District Council
Cambridgeshire County Council

Officers:

Kim Sawyer

Brian Madden
Jon Alsop
Steve Crabtree
Anne Gardiner

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

Others in attendance:

Suresh Patel
Amalia Valdez Herrera

Executive Director – Ernst & Young LLP
Ernst & Young LLP

1. Apologies and Declarations of Interests

- 1.1 The Chairman welcomed the Mayor of the Combined Authority.
- 1.2 Apologies were received from Cllr Fraser and Cllr Chapman.
- 1.3 The Chairman advised the committee that the CA was in the process of recruiting a permanent s.151 officer. Adverts have been approved and the necessary processes put in place. The recruitment would begin in the new year. Several interviews had been conducted for an interim s.151 officer but to date, no suitable candidate had been identified. The Chief Executive and Monitoring Officer met regularly with two experienced finance officers to monitor the financial position and the Audit and Governance Committee would provide the oversight for that position.
- 1.4 No declarations of interest were made.

2. Minutes of the meeting held on 21st September 2017

- 2.1 The minutes of the meeting held on the 21st September were agreed as a correct record.

3. Combined Authority Board Update

- 3.1 The Chairman welcomed the Mayor and invited him to provide the committee with an overview of the Combined Authority activities for the last six months.
- 3.2 The Mayor highlighted the following points:-
 - The Combined Authority was an opportunity to do things differently; it was important to recognize that the Combined Authority was a delivery body not another local authority.
 - The Combined Authority would be a lean organisation which would have a staff of fewer than 20 people.
 - There had been some unexpected issues that the Combined Authority had had to deal with such, as the situation with the Greater Cambridgeshire Greater Peterborough Enterprise Partnerships. This had been handled transparently and would hopefully result in a better integrated system that would solve staffing problems and remove the duplication of services..
 - The Combined Authority was a fast moving organisation; reports that were brought forward under the 100 day plan were already coming to fruition, such as the Mass Rapid Transport and the A10 study.
 - The Mayor outlined how he had been involved in talks with investors and central government who were keen to be involved with the authority.
 - The Combined Authority was unique and did not fall naturally into the defined tag of a metro mayor system. The Cambridgeshire and Peterborough area had a strong economy which needed to be harnessed.

- There was a real opportunity to attract significant investments from the private sector.
- The Mayor felt that having a core staff and high levels of consultants was the way forward for the Combined Authority.
- The post of the Section 151 officer needed someone with a deep understanding of high level financial matters and ability to work with international investors.
- The Mayor gave his commitment that the Combined Authority would ensure it was transparent in all its activities.

3.3 The Chairman thanked the Mayor for attending to provide an update and asked him to return at a future date to keep the committee updated.

4. Internal Audit Update

4.1 The Committee received the report from the Chief Internal Auditor which outlined the ongoing review of the governance arrangements within the Combined Authority.

4.2 Cllr Harrison asked whether the Code of Conduct could be reviewed as it seemed too lightweight in comparison to the Code of Conduct of other local authorities. The Monitoring Officer advised that the Combined Authority favoured a less complex code. The Code of Conduct would be included within the 'governance' review and she would discuss the need for any amplification with the Chief Internal Auditor.

4.3 The Chief Internal Auditor would bring a report back to the Audit and Governance Committee with a further update on the review in March.

4.4 The Chairman said that the Overview and Scrutiny Committee had been seeking a review of the consultants used by the Combined Authority. Members of the committee asked that governance review look at the broad range of procurement activities, including the processes used to hire consultants.

The Chairman advised that it was important that the work of the Overview and Scrutiny Committee and the Audit and Governance Committee did not overlap. He would be meeting with the Overview and Scrutiny Committee Chairman in the New Year to help establish a common understanding of the respective remits.

4.5 The Committee noted the report.

5. External Audit 2016-17 Annual Audit Letter

5.1 The Committee received the report which asked the committee to note the Annual Audit Letter, as prepared by Ernst and Young following the completion of their 2016/17 audit.

5.2 The Committee noted the report.

6. Audit Plan 2017/18

- 6.1 The Committee received the report which asked for the approval of the 2017/18 Audit Plan as prepared by Ernst & Young LLP. It would be necessary to align the Audit and Governance Committee meeting dates and work programme with the new statutory deadline for approval of the Statement of Accounts.
- 6.2 The external auditors outlined the three main risks in the report; the first two risks were common risks for all organisations and the third risk was the change of deadlines which the committee needed to be aware of.
- 6.3 There would be a workshop in May which would provide the committee an opportunity to review the draft statement of accounts.
- 6.4 A question was asked around the Planning Materiality. The committee were advised that this was a common approach taken by external auditors to make judgements. As the materiality had been set at the top end of the range this meant the auditors felt there was currently a low risk.
- 6.5 As a result of the earlier external deadlines being moved, there would be more estimated figures used which did create more risk; however, this should be mitigated by the committee having early sight of the accounts. If there was anything significant that could have an effect on the estimates this would be discussed with the committee.
- 6.6 Risks around the Mayor operating without appropriate arrangements in place or the absence of the Section 151 Officer would be reflected in the risk audit carried out by the external auditor.

Currently the external auditors had good engagement with the finance officers and were satisfied with the interim arrangements.

- 6.7 The Chairman requested that he be consulted if the external auditors did develop any concerns.
- 6.8 The Committee received and considered the External Audit Plan for 2017/18.

The Committee noted the planned audit fees for the year and noted the changes in statutory deadlines for the preparation of draft accounts and publishing of audited accounts.

The Committee approved the proposal to hold an informal workshop in mid-May to discuss and comment on the draft accounts 2017/18.

7. Members Code of Conduct: Procedure for Hearings by the Audit Committee

- 7.1 The Committee received the report which outlined a process for dealing with complaints about the Mayor, members of the combined authority, or members of combined authority committees.
- 7.2 The Legal Counsel and Monitoring officer advised that most complaints were resolved during the early stages, following informal discussions with the member and the complainant.

- 7.3 An annual report would be brought to the committee outlining the number of complaints received.
- 7.4 The Chairman asked if all members of the Combined Authority had signed the Code of Conduct and was advised that all members should have signed this as part of the register of interest and officers would check to ensure this was completed.
- 7.5 The Chairman asked if the process for how members were appointed to the hearings panel could be made clearer.
- 7.6 Once the Independent person had been appointed the Committee requested that they attend one of Audit and Governance Committee meetings.
- 7.7 The Committee reviewed the process for dealing with complaints about the Mayor, Members of the Combined Authority or its Committees for breach of the Code of Conduct. They recommended that the Combined Authority Board amend the constitution to include the member complaints procedure;

The Committee noted the process for recruiting an Independent Person for Complaints with a proposed allowance of £250 per annum.

8. Complaints Procedure

- 8.1 The Committee received the report which asked the committee to comment on the proposed corporate complaints procedure for the combined authority
- 8.2 The Committee noted the proposed complaints procedure for the combined authority as set out in Appendix 1; the Monitoring Officer had delegated authority to make any changes recommended by the Local Ombudsmen or the Audit and Governance Committee.

The Committee recommends:

- (a) that the combined authority board approve and adopt the complaints procedure
- (b) that the combined authority notifies the local ombudsman of its decision to approve and adopt the complaints procedure.

9. Freedom of Information (FOI) and Data Protection Policy

- 9.1 The Committee received the report which asked the committee to note the action taken to comply with freedom of information legislation.
- 9.2 There was an intention to have a publication scheme with the aim to publish as much information as possible.

Members requested that it was made clear in the policy whether there was the intention to publish FOI responses online.

- 9.3 FOI and data Protection requests were being handled by the Democratic Service staff.
- 9.4 The Chairman requested that the number of FOI requests received be included in the annual report brought to the committee.

9.5 The Committee is agreed to:

- (a) note the Data Protection Policy at Appendix 1.
- (b) 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

10. Treasury Management Strategy

10.1 The Committee received the report which outlined the Combined Authority's draft Treasury Management Strategy for 2018/19.

10.2 The following points were raised during the discussion: -

- Current version was limited in scope as it was drafted before Combined Authority had any capital programmes. The 2018/19 version had been expanded to include the borrowing powers of the Combined Authority.
- Currently Peterborough City Council invest on behalf of the Combined Authority
- Each capital project goes through a budget allocation and approval process with the Combined Authority Board. It was difficult to determine borrowing requirements for investments where there was uncertainty on the amounts and timing of the required funds. The Combined Authority was trying to establish current and future borrowing and investment profiles.
- Substantial funding had been received for the housing programmes. the CEO expected that in January 2018 the Combined Authority would have a strong profile of delivery against those programme and therefore a much stronger understanding around capital deployment. Papers would be coming to the Combined Authority Board regarding this.
- The other two areas of major capital were the transport projects and the Peterborough University.
- The CEO advised that all feasibility studies for transport schemes had been commissioned and in 9-12 months the Combined Authority would have a view on the feasibility of those projects and the likely delivery of those into capital programmes.
- The final business case for the Peterborough University would come to the Board in December 2018. It was expected that it would include a view on funding strategy and timelines for the university, which might involve tens of millions of pounds.
- The Combined Authority was accountable to the DCLG to ensure it had delivered value for money. The role of the committee was to ensure systems were in place to allow for this.

- 10.3 The Committee members debated the need for the Treasury Management Strategy to be bolder, with some members feeling it should remain as proposed in the report while others felt it needed to take more risks.
- The Committee requested that the report return in March with two alternative options for the committee to consider and make recommendations on to the Board on the Treasury Management Strategy.
- 10.4 The Committee requested that advisor attend the March meeting to provide a development session on this topic to help inform the committees decision.
- 10.5 The Committee reviewed and approved the Combined Authority's draft Treasury Management Strategy for 2018/19 and noted that an updated version would be brought back to the next Committee meeting to take account of any changes prompted by the DCLG November 2017 consultation.
- 11. Assurance Framework**
- 11.1 The Committee received the report from the Strategic Financial Advisor which outlined the progress to date on key areas of the review of the Assurance Framework and the Monitoring and Evaluation Framework.
- 11.2 The following points were raised:-
- There was major new investment coming into the Combined Authority; organisational changes which will have a significant effect on the structure of the organisation.
 - The Combined Authority wanted to avoid duplication of roles and envisaged an organisation capable of monitoring and managing others.
 - There was a perception the Combined Authority was another level of bureaucracy which needed to be corrected;
 - It was important that work proceeded in a way that helped the public could understand the role of the Combined Authority.
- 11.3 The Committee asked that the report for the next meeting provided an insight of progress in developing the process that comprised the assurance framework.
- 11.4 The Committee noted 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. It also noted the matters arising and the work underway to ensure the requirements of the Frameworks were fulfilled as options are considered, selected and implemented.
- 12. Work Programme**
- 12.1 The Committee received the report which provided the draft work programme for Audit and Governance Committee for the remainder of the 2017/18 municipal year.

12.2 The Committee agreed to add the following to the work programme:

- Update on the Assurance Framework Process
- An annual report on the number of complaints and FOI request received.
- Development session be held before the March meeting on the Treasury Management Strategy. The agenda then to include a report to come with options for the committee to consider.

13. Date and Location of the Next Meeting

13.1 The Committee agreed the next meeting would be held at Peterborough City Council on the 26th March at 10am' The development session on Treasury Management would take place beforehand, starting at 9.15am.

Meeting Closed: 12:10pm.

Audit and Governance Committee – Action Log 18/12/17

18/12/2017	Update on Internal Audit Governance Review to be given at March meeting	Steve Crabtree	26/03/2018	
	Chairman to meet with O&S Chairman	John Pye/Anne Gardiner	26/03/2018	
	Informal workshop date in May to be arranged for committee to view draft accounts	Anne Gardiner	26/03/2018	
	Report to be brought to committee outlining the number of complaints and FOI requests received by the Combined Authority	Kim Sawyer	26/03/2018	
	A report to come to the March meeting with two alternative options for the committee to consider and make recommendations on to the Board on the Treasury Management Strategy.	Jon Alsop	26/03/2018	
	Advisors for the Treasury Management Strategy to attend the Audit Committee meeting in March to give a developmental session for the members prior to the public meeting.	Jon Alsop	26/03/2018	
	Further report on the Assurance Framework to be brought to the Audit Committee in March	Brian Madden	26/03/2018	



AUDIT AND GOVERNANCE COMMITTEE	AGENDA ITEM No: 4
26th MARCH 2018	PUBLIC REPORT

INTERNAL AUDIT: PROPOSED FUTURE AUDIT PLANS

1.0 PURPOSE

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

<u>DECISION REQUIRED:</u>
Lead Officer: Steve Crabtree, Peterborough City Council
The Audit and Governance Committee is recommended to: 1. Scrutinise, challenge and agree the draft plans for 2018 / 2019 noting the resources proposed

2.0 INTERNAL AUDIT PLANS

- 2.1 The purpose of this report is to advise Audit and Governance Committee of the development of the 2018 / 2019 Internal Audit Plan for the Combined Authority to facilitate Member input to the planning process by reporting on the approach, key characteristics and proposed audits. The Internal Audit Standards include the development of the annual plan which should:
- Outline the audit areas to focus in the year
 - Their respective priorities and estimated resource requirements; and
 - Differentiate between audit and other work
- 2.2 The scale of ongoing change throughout the year means that from an Internal Audit perspective there is a need for a flexible approach to audit planning and assurance work. There will be a need for assurance over key aspects of transition as well as assurance over cover strategies, systems and processes and the Combined Authority systems of governance, risk management and control.
- 2.3 The approach for 2018 / 2019 will include phases of support and assurance to reflect the needs of the authority in the following areas:
- Treasury Management;
 - Follow up on Corporate Governance review;
 - Projects: Assessment of deliverables;
 - Contracts: Awarding of and monitoring; and
 - Grant claims: assurance and certification of any grant claims (unless undertaken by constituent authorities e.g. Councils with transport responsibilities)
- 2.4 Future year plans will focus more on the key themes, their associated projects and the delivery of the outcomes. A draft plan is set out in **Appendix 1** based on current known factors and is based on Peterborough City Council provided 75 audit days.
- 2.5 To support the Committee throughout the year, the audit plan will be regularly reported through to the Committee. The proposals are to:
- Assignments: A written report will be issued by the Chief Internal Auditor to the CPCA following the conclusion of internal audit assignments. The report will include audit findings and recommendations and management responses to them. Should there be adverse conclusions i.e. No or Limited Assurance, the report will be provided for the Committee.
 - Progress reports: Throughout the year, the Chief Internal Auditor will report to Audit Committee on progress with delivery against the plan including any necessary changes; findings and assurances from specific

audits including any significant control issues identified; and progress made to implement recommendations from previous audit reports.

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

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

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

3.0 FINANCIAL IMPLICATIONS

The cost of providing Internal Audit is included as part of the service level agreement in place between the Combined Authority and Peterborough City Council and is based upon the provision of 75 days. Full provision for this cost has been included in the approved 2018/19 budget.

4.0 LEGAL IMPLICATION

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

5.0 EQUALITIES IMPLICATION

None.

6.0 APPENDICES

Appendix 1: Internal Audit Plan 2018 / 2019

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

DRAFT AUDIT PLAN 2018 / 2019

Activity	Description	Days
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FINANCIAL ARRANGEMENTS

Treasury Management	Review of the operation of key controls including treasury management, segregation, review, authorisation, third part services and assurances, prudential code.	10
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CORPORATE GOVERNANCE

Governance	Follow Up To 2017 / 2018 works	5
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PROGRAMMES, PROJECTS, SCHEMES ETC.

Specific schemes	Processes & procedures. Compliance with funding agreements / scheme delivery to timescales and outputs Covering the various works streams • Fiscal • Transport • Infrastructure • Housing • Skills	30
Contracts	Contract processes and procedures. Areas which could be covered include: • specification design; • PPQ's; • tenders and evaluation; • awarding; • contract monitoring; and • post contract review.	20
Grant Claims	Review and certification	10

The Audit Plan is based on 75 days resource being utilised throughout the year and reflects the current known risks. The Plan will remain under review throughout the year and will be adjusted as appropriate for emerging risks etc. in conjunction with discussions between the s151 Officer and the Chair of Audit Committee.

Should additional days be required, in line with the Service Level Agreement, separate discussions will be held between the s151 Officers of CPCA and Peterborough City Council.



AUDIT AND GOVERNANCE COMMITTEE	AGENDA ITEM No: 5
26 MARCH 2018	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 December 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 should have been introduced to oversee the delivery of its objectives.
- 2.2. The audit has been completed and the draft report issued to management for review and agreement of the approach and timelines to deliver the action plan. It has been concluded that **REASONABLE ASSURANCE** can be placed on the systems and controls in place for the delivery of effective corporate governance. This is summarised as follows:

REASONABLE ASSURANCE: The internal control system is generally sound but there are some weaknesses in the design of controls and / or the inconsistent application of controls. Opportunities exist to strengthen the control framework and mitigate further against potential risks.

- 2.3. A number of processes are either still to be developed, or have not yet had the chance to embed across the organisation. Management are aware of these.
- 2.4. In line with the Internal Audit reporting protocols, Audit and Governance Committee are provided with summary audit reports where LIMITED or NO ASSURANCE has been established. This review falls outside this tolerance level.
- 2.5. The audit has been delivered to timescale.

3.0 FINANCIAL IMPLICATIONS

- 3.1. The cost of undertaking the review is contained within the Combined Authority's approved 2017/18 budget.

4.0 LEGAL IMPLICATIONS

- 4.1. There are no legal implications.

5.0 SIGNIFICANT IMPLICATIONS

- 5.1. None.

6.0 APPENDICES

- 6.1. None

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



AUDIT AND GOVERNANCE COMMITTEE	AGENDA ITEM No: 6
26 MARCH 2018	PUBLIC REPORT

AUDIT PLAN 2017/18

1.0 PURPOSE

- 1.1. The purpose of this report is to receive and approve the final 2017/18 Audit Plan as prepared by Ernst & Young LLP.

<u>DECISION REQUIRED</u>	
Lead Officer:	Kim Sawyer, Legal Counsel and Monitoring Officer
It is recommended that the Audit and Governance Committee: Receive the final version of the External Audit Plan for 2017/18 and consider: (a) whether the planned audit is aligned with the Committee's expectations, and (b) whether there are other matters which may influence the audit.	

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 final Audit Plan for 2017/18 as shown at appendix A has been prepared by Ernst & Young LLP (EY) to set out how they intend to carry out their responsibility as auditor to the Combined Authority and is an update to the draft audit plan presented to the Committee at the Audit and Governance Committee meeting held on 18 December 2017.

- 2.3. The plan outlines the 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.
- 2.4. An additional risk identified in the final version of the plan but not included in the plan previously presented to the Committee is the potential impact of the Combined Authority taking over the accountable body status and the transfer of business of Greater Cambridgeshire Greater Peterborough Local Enterprise Partnership.
- 2.5. Whilst the timing of the Combined Authority becoming the accountable body for the LEP is yet to be determined, if the date of transfer falls before 1 April 2018, the Authority will need to account for and disclose the associated assets and liabilities and other relevant items in its 2017/18 accounts. The lateness of the transfer of responsibilities, if it occurs before year end, would increase the risk of material misstatement in the accounts. Any transfer before year end may also have an impact on the audit fee.
- 2.6. It has been agreed 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.
- 2.7. The July Audit and Governance Committee meeting will receive the Annual Governance Statement and the Statement of Accounts for formal approval.
- 2.8. Ernst and Young LLP's latest quarterly 'Local Government Audit Committee Briefing Document' was circulated to Committee members on 1st March 2018. The briefing covers issues which may have an impact on the organisation and of wider matters of potential interest to the Committee.

3.0 FINANCIAL IMPLICATIONS

- 3.1. The planned fee for the audit is £35,000. Full provision for this has been included in the approved 2017/18 budget.

4.0 LEGAL IMPLICATIONS

- 4.1. None.

5.0 SIGNIFICANT IMPLICATIONS

- 5.1. None.

6.0 APPENDICES

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

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



Cambridgeshire and Peterborough Combined Authority Audit Plan

Year ended 31 March 2018

12 March 2018



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

12 March 2018

Dear Audit & Governance Committee Members

We are pleased to attach our final Audit Plan which sets out how we intend to carry out our responsibilities as auditor. We presented a draft of this plan to the committee in December. 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 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 26 March 2018 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

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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

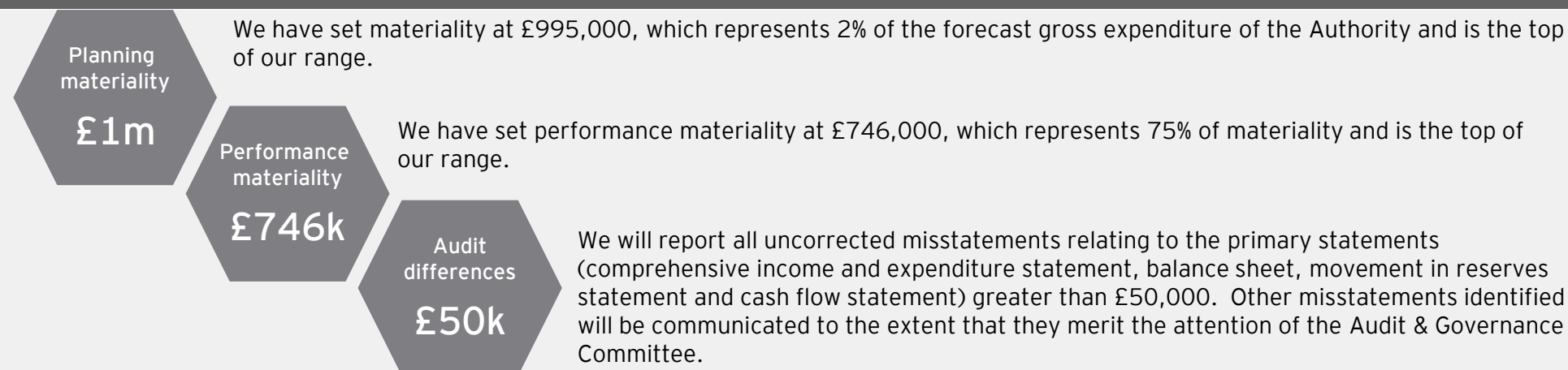
This 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit & Governance Committee with an overview of our initial risk identification and any changes in risks identified in the current year.

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.
Accounting for the LEP	Inherent risk	New risk and area of focus	The timing of the Authority becoming the accountable body for the LEP is yet to be determined. If the date of transfer falls before 1 April 2018 the Authority will need to account for the LEP within its 2017/18 accounts.

We also recognise that for 2017/18 the Authority needs to published draft accounts by the end of May and publish audited accounts by the end of July. Currently, we do not consider this to be a high risk for the Authority but we are working closely with management and the finance team to help ensure that working together we can meet the deadlines.

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





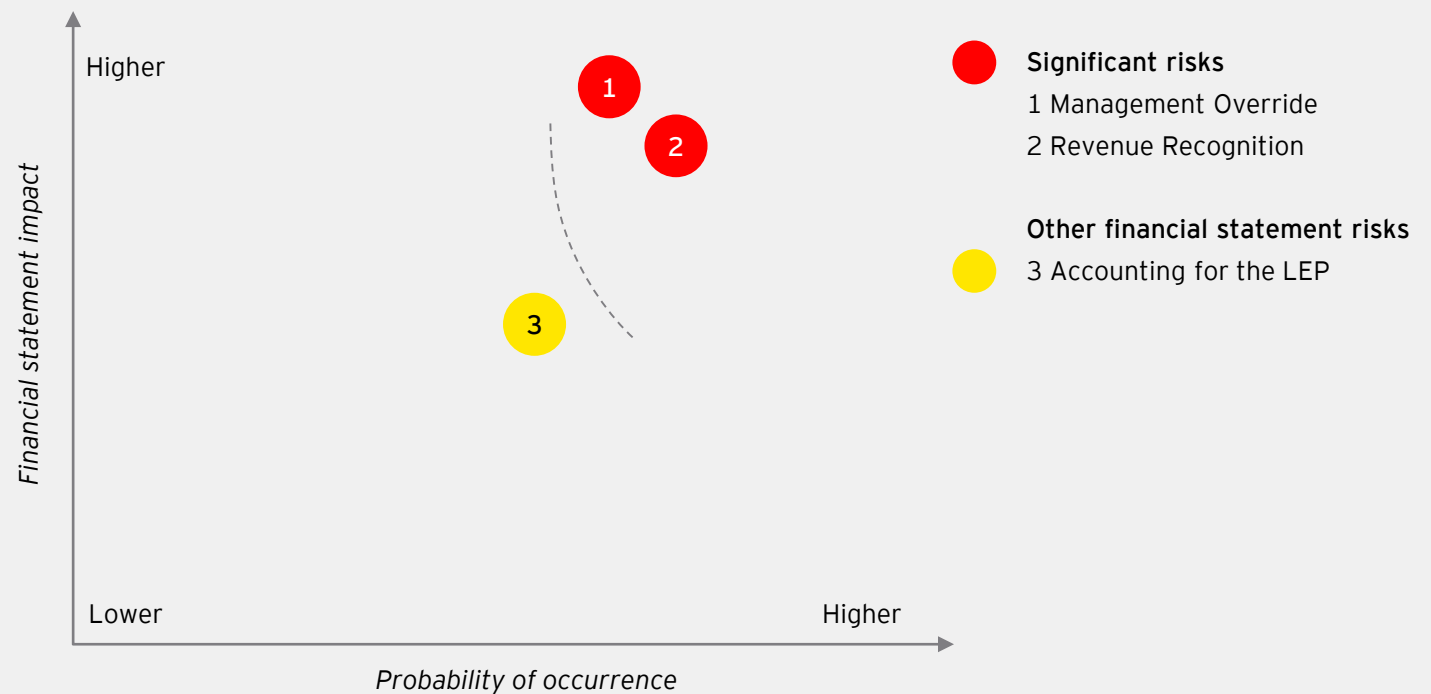
Audit risks

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.

Audit risks

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 audit focus	What will we do?
Accounting for the LEP - The timing of the Authority becoming the accountable body for the LEP is yet to be determined. If the date of transfer falls before 1 April 2018, the Authority will need to account for and disclose the associated asset and liabilities and other relevant items in its 2017/18 accounts. The lateness of the transfer of responsibilities increases the risk of material misstatement in the accounts.	We will update our understanding of this matter, evaluation of the risk and determination of our planned approach when the Authority knows the date of transfer and has greater clarity as to the value of assets, liabilities and other items that it will need to account for. We will also revisit the impact on the audit fee.
Faster Close - For 2017/18 the Authority needs to prepare draft accounts by 31 May and the publish audited accounts by 31 July a challenge and risk for both preparers and auditors. As your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of all audits within the same compressed timetable. Slippage at one client could put delivery of others at risk. To mitigate this risk we will require: ▶ Good quality draft accounts and supporting working papers by the agreed deadline; ▶ Appropriate Authority staff to be available throughout the agreed audit period; and ▶ Complete and prompt responses to audit questions. If the Authority is unable to meet key dates within our agreed timetable, we will notify the Section 151 officer of the impact on the timing of your audit, which may be that we postpone the audit until later in the summer and redeploy the team to other work to meet deadlines elsewhere. Where we require additional work to complete your audit, due to new risks, scope changes, or poor audit evidence, we will notify the Section 151 officer of the impact on the timing of the audit and fees. Such circumstances may result in a delay to your audit while we complete other work elsewhere.	Following the completion of the FY17 audit we met with the finance team to identify what worked well and areas for improvement. We also agreed areas of focus for supporting the achievement of the earlier deadlines. As a result, in our interim audit during February we have: ▶ Undertaken walkthroughs of key financial systems. ▶ Carried out early work on accounting policies, month 1 to 8 testing of income and expenditure, payroll sampling, and any other areas that the finance team made available for an early audit. ▶ Used 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 also agreed the use of the EY 'Client Portal' which 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.



03

Value for Money Risks





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.

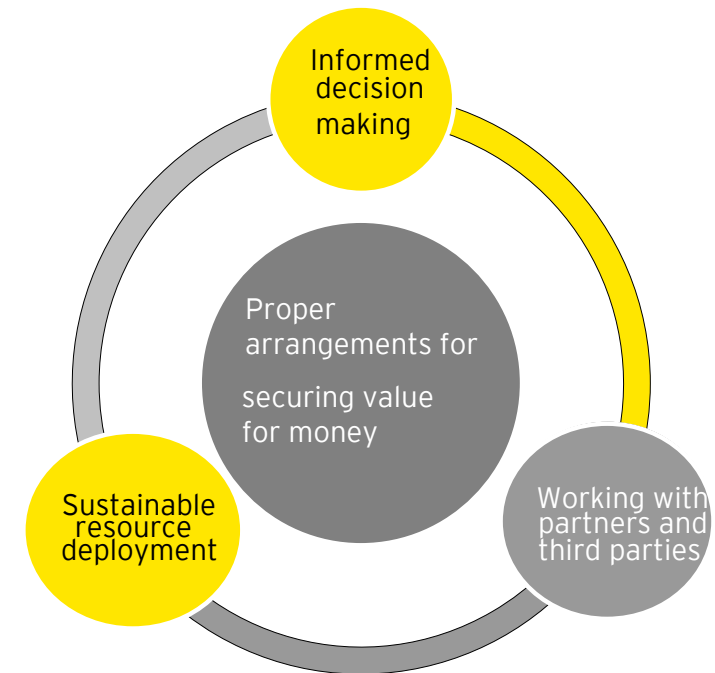
The NAO's auditor guidance includes specific reference to combined authorities, recognising their commissioning role and focus on partnership working.

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 held its first official meeting on 20 March 2017. Since then it has elected its Mayor in May 2017, appointed a Chief Executive at the end of June and appointed its most recent Section 151 officer in January 2018. It has also assigned portfolio holders to its 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 and the Authority will be able to levy the upper tier authorities for the cost of delivering the transport functions. The Authority has a large, complex, high profile and important agenda.

All public bodies are required to demonstrate that they have proper arrangements in place to secure the effective use of resources. For the purposes of the value for money conclusion, while the Authority is making progress putting in place the building blocks to enable it to operate effectively, efficiently and economically there is a risk that by the 31 March 2018 not all the expected proper arrangements will be in place.

What arrangements does the risk affect?

The risk to the value for money conclusion affects all three of the sub-criteria set out by the NAO:

- Taking informed decisions.
- Deploying resources in a sustainable manner.
- Working with partners and other third parties.

What will we do?

We will undertake sufficient work to enable us to form our value for money conclusion. We will seek confirmation by the Authority of the arrangements it has put in place to secure economy, efficiency and effectiveness in its use of resources. Our approach will focus on:

- Understanding the Authority's arrangements through discussion with key officers, reviewing key documents and minutes of relevant meetings. We will shortly share with the Authority areas of focus and suggested sources of evidence in respect of those arrangements;
- Reviewing a small sample of individual transactions (for example grants awarded) to confirm our understanding of the arrangements; and
- Reviewing any relevant internal audit work.

We will report our detailed findings in the Audit Results Report.



04

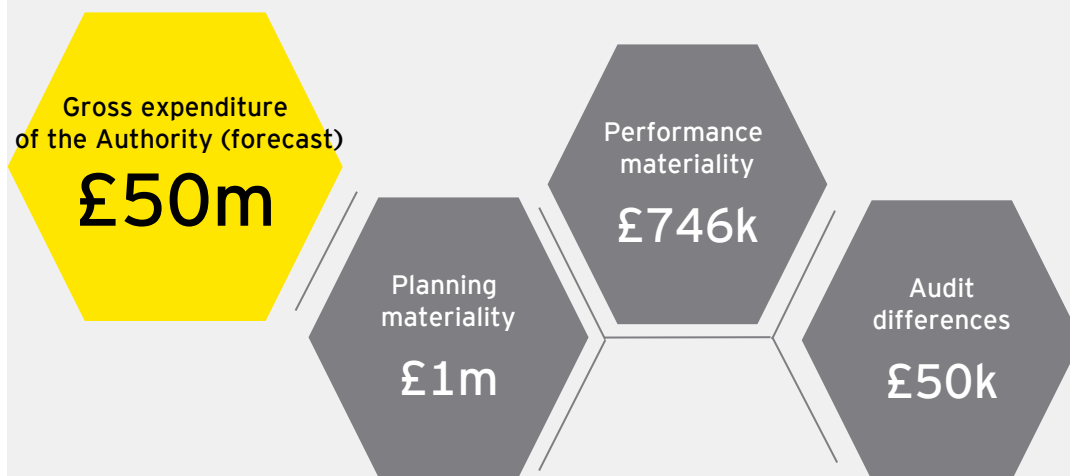
Audit materiality



Materiality

Materiality

For planning purposes, we have set materiality for 2017/18 at £995,000. This represents 2% of the Authority's forecast gross expenditure of £49.7m. We will reassess materiality 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.

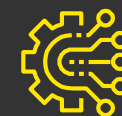
Audit difference threshold - we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement and balance sheet, that have an effect on income or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

We will communicate other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements 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 (draft to December committee)
Walkthrough of key systems and processes	January 2018		
Testing of routine processes and controls	January 2018		
Interim audit testing			
	March	March 2018	Final Audit Planning Report to committee 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.

** Depending on the extent of the accounting for the LEP we will discuss with the Section 151 officer the impact on the audit fee.

The agreed fee presented is based on the following assumptions:

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

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

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

Appendix B

Required communications with the Audit & Governance Committee

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

Our Reporting to you		
Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Audit & Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. 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 B

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 B

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 B

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.

EY | Assurance | Tax | Transactions | Advisory

About EY

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

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ED None

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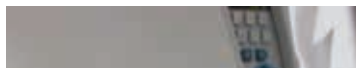
ey.com

A pair of hands is shown holding a large pile of Euro coins, including 1 Euro and 2 Euro coins, over a rustic wooden surface. The coins are stacked and scattered, filling the palms and fingers. The background is a blurred wooden texture.

Local Government Audit Committee Briefing



Building a better
working world



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This sector briefing is one of the ways that we support you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation, the Local Government sector, and the audits that we undertake.

The briefings are produced by our public sector audit specialists within EY's national Government and Public Sector (GPS) team, using our public sector knowledge, and EY's wider expertise across UK and international business.

The briefings bring together not only technical issues relevant to the Local Government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing.

We hope that you find the briefing informative and should this raise any issues that you would like to discuss further, please contact your local audit team.



Government and economic news

Will the UK economy hold up as Brexit nears?

The latest forecast from the EY Item Club highlights that UK GDP growth in 2017 was 1.8%, which was better than expected. However, it does compare unfavourably with 2017 GDP growth of 2.5% for the Eurozone, 2.3% for the US and an estimated 3.0% globally.

The momentum from 2017, an improving outlook for consumer spending, and the increased likelihood of a near-term Brexit transition arrangements are expected to support UK growth this year. With this, we have nudged up our UK GDP forecast for 2018 to 1.7%, up from the 1.4% we predicted in our Autumn forecast in October last year.

However, further out, the UK's limited productivity performance and ongoing Brexit and political uncertainties will see the UK achieve only mid-range growth. With this, we have slightly reduced our GDP growth projections for 2019 to 1.7% (down from 1.8%), 1.9% for 2020 (down from 2.0%), and 2.0% for 2021 (down from 2.2%). Although we have modestly downgraded our expectation of the UK's productivity performance, it remains more optimistic than the Office for Budget Responsibility's latest forecast. Specifically, we forecast output per hour to rise 0.9% in 2018 and then 1.3% annually during 2019-2021.

Much depends on how the Brexit negotiations develop.

The expectation is that the UK and EU will make sufficient progress to agree a transition arrangement lasting at least two years, from late March 2019. Since this will have to be ratified across the EU, agreement essentially needs to be reached by October 2018. Progress towards a transition deal in late 2018 should support business confidence and a gradual pick-up in investment, helping GDP growth accelerate.

Provisional 2018-19 Local Government Finance Settlement

On 19th December 2017 the Government set out the provisional funding plan for the 2018-19 financial year, which will be the third year of the four year multi-year settlement that was accepted by 97% of local authorities. The main themes of the provisional settlement were:

Council tax referendum principles – as a result of the financial settlement consultation process the government has decided to set the core referendum principle at 3% in 2018-19 and 2019-20, to match the higher than expected inflation. This change will give local authorities more flexibility in deciding how money will be raised to offset the increasing financial pressures and demand on services. Shire district councils will be allowed an increase of 3% or £5 whichever is higher.

Continuation of the adult social care precept principle of a 2% increase, with the additional flexibility in 2018-19 to increase the precept by an additional 1%, from 2% to 3%, provided that the total increase across the three years 2017-18 to 2019-20 does not exceed 6%.

Analysis by the Local Government Association has estimated that the impact of increased flexibility in council tax precepts could be worth up to £540mn to local authorities by 2019-20. However local services are facing a total funding gap of £5.8bn in 2019-20. Therefore, the increased powers to raise council tax are not sufficient to meet the future funding gap.

Business rate retention – the Government's continued intention to reform local government financing in the future by allowing authorities to retain a greater percentage of business rates instead of receiving certain grants (including RSG, public health grant) direct from central government. By 2020-21 it is estimated that the business rate retention across the local government system would be 75%, compared to the current level of 50% retention. It was also announced that the 100% business rates retention pilot schemes were going to be expanded to include a further 10 local authorities.

New homes bonus – since inception the new home bonus has allocated £7bn to local authorities to encourage the building of over 1.2 million new homes. The Government has decided to continue to set the national baseline (below which no bonus will be paid) at 0.4% for 2018/19. The national baseline represents the annual growth of Band D properties within a local authority above which the new homes bonus will be awarded. Government retained the option to adjust the baseline in future years based on housing statistics as reported through council tax base figures. This stability will provide some security for district authorities who have based their growth strategy on the New Homes Bonus.

Carillion liquidation

Major public sector building and support services contractor Carillion plc went into compulsory liquidation on 15 January 2018. Carillion's sudden collapse is being felt across the country as a range of public services, from road building to school meals, have been unexpectedly terminated in a number of local authorities.

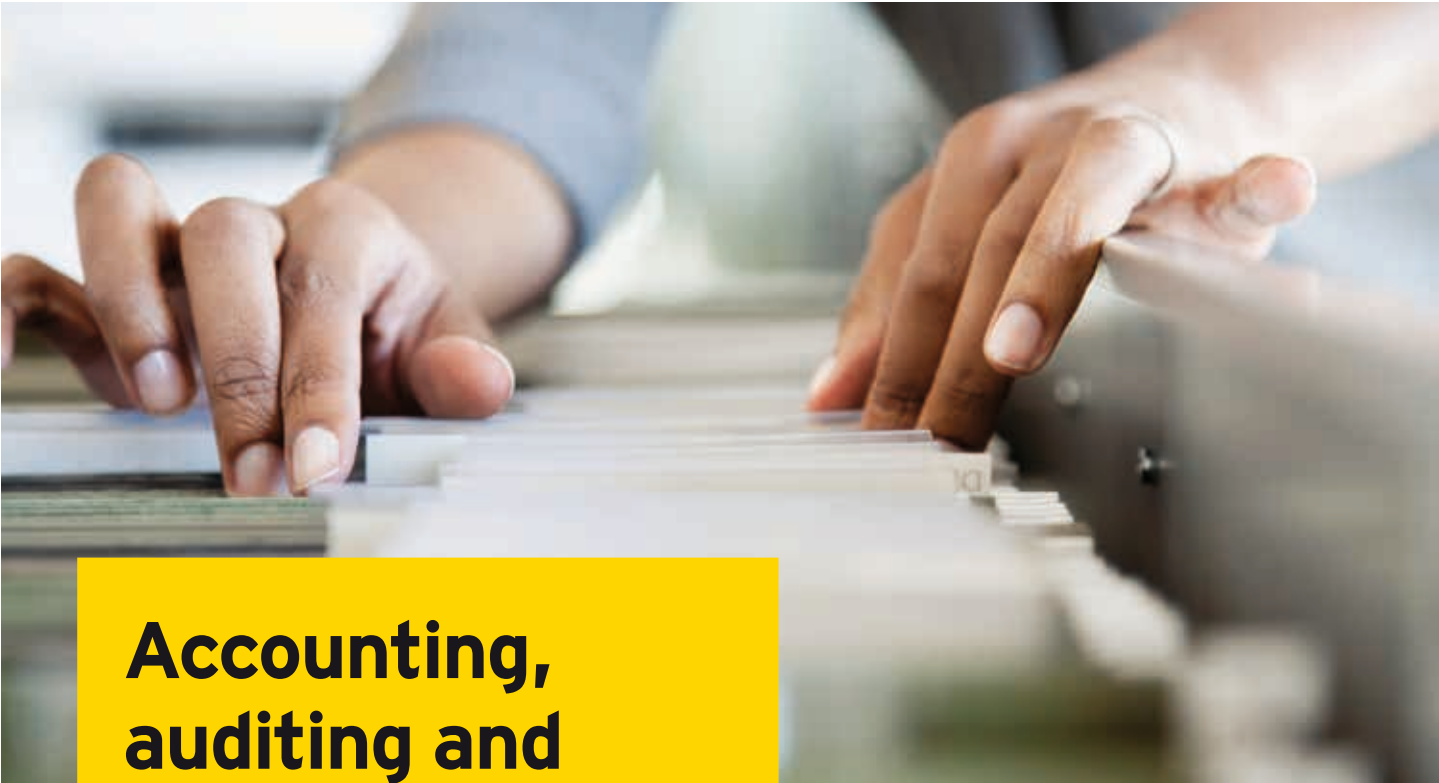
The full extent of the affected services is yet to be determined as local authorities discuss existing contracts with the Official Receiver. Local authorities are implementing contingency plans where possible, including either finding alternative contractors or taking services back in house. For example the response from Oxfordshire County Council in relation to the provision of school meals at 90 schools supplied by Carillion was to guarantee Carillion staff who worked in schools that the county council would ensure that they were paid.

Although the Government has pledged that public services 'will be protected' after Carillion's collapse, it is unclear how or when funding from central Government will be made available to the affected local authorities.

Public sector pay

Since 2013, the Government has implemented a policy of a 1% annual pay increase cap for public sector workers; which was estimated to have saved approximately £5bn by 2019-20. In the Autumn Budget 2017 the Government confirmed the end of the 1% pay increase policy. Therefore from 2018-19, pay review bodies will be able to award pay increases of greater than 1% as they determine to be appropriate. After the long freeze in real terms of public sector pay future increases above 1% have been welcomed; and it is thought that this has been needed to retain talent within the public domain. However, this will be an additional cost pressure for local authorities that will require financing.

The national employers, who negotiate pay on behalf of 350 local authorities, suggested that most employees with salaries over £19,430 should receive a 2% increase for 2018-19 and a further 2% for 2019-20. Lower salaried workers will receive higher increases based on hourly pay; from £7.78 to £9.00 in April 2019 and increase equivalent to 15.65%. National employers have said this would add another 5.6% to the national pay bill over the two years to 2020.



Accounting, auditing and governance

IFRS 15 – revenue from contracts with customers

The new revenue standard, IFRS 15, creates a single source of revenue requirements for all entities in all industries and is a significant departure from legacy IFRS. The new standard applies to revenue from contracts with customers and replaces all of the legacy revenue standards and interpretations in IFRS, including IAS 11 Construction Contracts and IAS 18 Revenue.

IFRS 15 is principles-based but provides more application guidance and increased judgement. IFRS 15 also specifies the accounting treatment for certain items not typically thought of as revenue, such as certain costs associated with obtaining and fulfilling a contract and the sale of certain non-financial assets. The new standard will have little effect on some entities, but will require significant changes for others.

The standard describes the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services.

The principles in IFRS 15 are applied using the following five steps:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance

Entities will need to exercise judgement when considering the terms of the contract(s) and all of the facts and circumstances, including implied contract terms. Entities will also have to apply the requirements of the standard consistently to contracts with similar characteristics and in similar circumstances.

The 2018/19 Code of practice on Local Authority Accounting in the United Kingdom (the Code) will determine how IFRS 15 revenue from customers with contracts will be adopted by local government bodies. The 2018/19 Code will apply to accounting periods starting on or after 1 April 2018 but has not yet been published. The CIPFA/LASAAC Local Authority Accounting Code

Board met on 6 June 2017 and discussed the implication of IFRS 15 on Local Government entities. The minutes of this meeting corroborate our view that for most entities income streams from contracts with customers are likely to be immaterial. The vast majority of income streams are taxation or grant based which do not fall within the scope of IFRS 15 as they are not contractually based revenue from customers.

However, this may not always be the case for some smaller English authorities or authorities where there is a high public interest in commercial activities. The following income streams are within the scope of IFRS 15 and will need special consideration if they are material to the users of the financial statements:

- ▶ Fees and charges for services under statutory requirements
- ▶ Sale of goods provided by the authority
- ▶ Charges for services provided by a local authority

EY – CIPFA Accounts Closedown Workshop 2017-18

EY and CIPFA Financial Advisory Network (FAN) are continuing to work in partnership to deliver a programme of accounts closedown workshops to support local government finance professionals across the country with separate events for police bodies and English, Welsh and Scottish local authorities. The workshop programme covers the key changes impacting on the production of the 2017/18 financial statements and the outcomes of the 'telling the story' changes to the Code of Practice on Local Authority Accounting in 2016/17. Looking forward there are significant changes to IFRS that will come through in the 2018/19 Code and later, so the workshops are also focused on the key risks in relation to the new Financial Instruments standard IFRS 9 and other future expected changes in the Code with potential to impact on the General Fund and the HRA. These workshops also aim to prepare local authority finance staff for a 'faster, smarter and more accurate' accounts closedown for 2017-18.

By the end of this May, your local authority will need to publish its unaudited statement of accounts and publish audited accounts by the end of July. These changes provide risks for

both the preparers and the auditors of the financial statements. Local Authorities will now have less time to prepare the financial statements and supporting working papers. As your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of all audits within same compressed timetable. Failure to meet a deadline at one client could potentially put delivery of others at risk.

To mitigate this risk we will require:

- ▶ Good quality draft financial statements and supporting working papers by the agreed deadline
- ▶ Appropriate staff to be available throughout the agreed audit period
- ▶ Complete and prompt responses to audit questions

If your authority is unable to meet key dates within our agreed timetable, we will notify you of the impact on the timing of your audit, which may be that we postpone your audit until later in the summer and redeploy the team to other work to meet deadlines elsewhere.

Of the 150 authorities we audit, we currently consider that around a quarter have left themselves a significant amount of work to do to get there and are running a real risk of missing the deadline because they will not have quality draft accounts and supporting evidence ready for their auditors by the end of May.

In addition to our workshops with CIPFA, we have held events in each of our local offices and gathered insights from over 100 practitioners and their local audit teams on the importance of what finance teams and auditors each need to do, and collaboratively, to achieve a successful faster closure. We have put together a comprehensive list of actions to streamline processes, work more collaboratively with their auditors and draw on EY's analytics and innovative audit approach to achieve faster close. We include a summary below.

Summary of faster close activities

Finance teams are:

- ▶ Critically appraising the content of their accounts, removing unnecessary disclosures
- ▶ Closing the ledger earlier and encouraging greater discipline across the authority to comply with deadlines for accruals
- ▶ Preparing discrete sections of the accounts (e.g., narrative report and remuneration notes) and associated working papers earlier to facilitate early audit work
- ▶ Focusing on judgements and significant estimates earlier including engagement with auditors
- ▶ Reviewing the de-minimis level for accruals, including discussion with auditors
- ▶ Conducting a hard close for monthly reconciliations e.g., bank reconciliations, feeder systems, etc., with a zero-tolerance to reconciling items over a month old
- ▶ Undertaking weekly cut-off testing in April to ensure that the accounts are complete, retaining the evidence in case that item is selected for audit testing

Auditors are:

- ▶ Meeting regularly with finance staff, sharing details of the audit approach, agreeing a planned timetable of tasks, communicating changes and providing clarity on what is expected and when

- ▶ Bringing forward testing to reduce the amount needed to do in the summer. In particular, valuation of land and building and other high risk areas
- ▶ Increasing the use of analytics to interrogate ledger and payroll transaction data
- ▶ Using the online EY client portal to streamline communications with finance teams
- ▶ Attending workshops with finance teams on accounting issues and effective working papers
- ▶ Selecting items for sample testing earlier

Together finance teams and auditors are:

- ▶ Holding regular meetings throughout the year to share progress and discuss issues
- ▶ Planning respective activities to ensure sufficient capacity on both sides
- ▶ Revisiting audit issues from the prior year, agreeing how similar issues can be avoided
- ▶ Ensuring the client assistance schedule is appropriately tailored

We have produced a faster close briefing checklist that you can use to ensure that you are doing all you can, alongside working with us, to achieve the accelerated timetable. For more information please contact your local engagement lead.



Regulation news

EU General Data Protection Regulation: are you ready?

On 17 December 2015, after more than three years of negotiations and several draft versions of the General Data Protection Regulation (GDPR), an informal agreement was reached between the European Parliament and Council of the European Union. The GDPR is a significant change for organisations. It introduces more stringent and prescriptive data protection compliance challenges, backed by fines of up to 4% of global annual revenue. The regulation replaces Directive 95/46/EC, which has been the basis of European data protection law since it was introduced in 1995.

The Regulation has a significant impact on organisations in all sectors, bringing with it both positive and negative changes in terms of cost and effort.

Key changes proposed by the EU GDPR include:

- ▶ Regulators can impose fines of up to 4% of total annual worldwide turnover or €20,000,000
- ▶ Data Protection Officers (DPOs) – DPOs must be appointed if an organisation conducts large scale systematic monitoring or processes large amounts of sensitive personal data
- ▶ Accountability – organisations must prove they are accountable by establishing a culture of monitoring data processing procedures, minimising data retention and building safeguards, and documenting data processing procedures
- ▶ Organisations must undertake Privacy Impact Assessments when conducting risky or large scale processing of personal data

- ▶ Consent to process data must be freely given, explicit and individuals must be informed of their right to withdraw their consent
- ▶ Organisations must notify supervisory authorities of data breaches 'without undue delay' or within 72 hours, unless the breach is unlikely to be a risk to individuals
- ▶ Introduction of new rights – right to be forgotten, right to data portability and right to object to profiling
- ▶ Organisations should design data protection into the development of business processes and new systems and privacy setting should be set a high level by default
- ▶ Data processors become an officially regulated entity

Whilst organisations may welcome the harmonisation of laws across the 28 EU member states which will make the complex data protection landscape easier to navigate, the introductions of new rights for individuals are likely to increase the regulatory burden for organisations.

Organisations need to review their current data protection compliance programmes to determine next steps and decide on the level of investment they need to make before 2018 to address the changes.

Organisations need to act now to ensure that they are ready to comply with the new Regulation when it comes into force on 25 May 2018.

Key questions for the Audit Committee

Has your local Authority considered the changes to council tax flexibilities into the 2018-19 budget And the impact of changes to business rate retention into your Medium Term Financial Strategy?

Has your local authority been affected by the collapse of Carillion plc? How have contingency plans been implemented to maintain public services? What (if any) is the local authority's financial exposure to this event?

Has your local authority included in its budget any likely increases of employee wages above 1%?

Has your Authority considered how IFRS 15 might impact your revenue streams?

How has the local authority prepared for the accelerated accounts closedown timetable for 2017-18?

Has the Authority considered the implications of the new GDPR, and is the Authority confident that it comply with its requirements when it comes into force?

Find out more

EY ITEM Club Forecast

<http://www.ey.com/uk/en/issues/business-environment/financial-markets-and-economy/item---forecast-headlines-and-projections>

2018-19 Local Government Finance Settlement

<https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2018-to-2019>

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/669538/LGFS_consultation_2018-19.pdf

<https://www.local.gov.uk/parliament/briefings-and-responses/provisional-local-government-finance-settlement-201819-day>

<http://www.cipfa.org/about-cipfa/press-office/archived-press-releases/2017-press-releases/cipfa-responds-to-the-provisional-local-government-finance-settlement?crdm=0>

Carillion collapse

<http://www.publicfinance.co.uk/news/2018/01/public-sector-looks-ways-plug-gap-left-carillion>

<http://www.publicfinance.co.uk/news/2018/01/public-services-will-be-protected-after-carillion-collapse>

Public sector pay

<http://researchbriefings.files.parliament.uk/documents/CBP-8037/CBP-8037.pdf>

<http://www.publicfinance.co.uk/news/2017/12/local-employers-issue-2-pay-offer-each-next-two-years>

IFRS 15 – revenue from contracts with customers

[http://www.ey.com/Publication/vwLUAssets/ey-applying-revenue-october-2017/\\$FILE/ey-applying-revenue-october-2017.pdf](http://www.ey.com/Publication/vwLUAssets/ey-applying-revenue-october-2017/$FILE/ey-applying-revenue-october-2017.pdf)

EY – CIPFA Accounts Closedown Workshop 2017-18

For Faster Close Activities Checklist: please contact your local engagement lead

For a full list of locations and dates available search for 'Accounts Closedown Workshop' at <http://www.cipfa.org/training>



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ED None

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AUDIT AND GOVERNANCE COMMITTEE	AGENDA ITEM No: 7
26 MARCH 2018	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:	Rachel Musson, Interim Chief Finance 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 a final version will be taken to the Combined Authority Board as part of the Combined Authority’s Medium Term Financial Strategy	

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. This is an updated version from the draft brought to the December 2017 Committee meeting which takes account of changes prompted by the DCLG November 2017 consultation on changes to the Prudential Framework and of the CIPFA review of their Treasury Management Code.

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

- 2.6. In November 2017, DCLG carried out a consultation on proposed 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 consulted on changes to its Treasury Management Code of Practice and the Prudential Code. The review focussed on non-treasury investments and on the purchase of property with a view to generating income. CIPFA has also withdrawn a number of existing prudential indicators and announced a change to the requirement to report on investments with a duration of 'longer than 364' days to become 'longer than 365 days'.

Borrowing Strategy

- 2.8. 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.

- 2.9. In the 2016 Autumn Statement, the Government confirmed that mayoral combined authorities would be given powers to borrow for their new functions which will allow them 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. On 8 February 2018, the Director Public Services of HM Treasury approved a cap agreement which will limit the Combined Authority's external long term debt for 2018-19 and 2019-20 as follows:

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

The debt agreement, including the final limit on annual long-term external debt (£84,610,000), will remain in effect until superseded by another debt agreement between CPCA and HMT.

The current debt cap agreement will be reviewed before the end of 2019-20, and will also be reviewed in light of any initiative, local or national, that has material implications for CPCA borrowing totals.

- 2.11. All of the constituent councils have provided their consent to the Combined Authority having powers to borrow for its new functions, and the draft Statutory Instrument that will establish this power is due to be laid before parliament in March.

Treasury Management Strategy Prudential Indicators

- 2.12. 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.
- 2.13. The Combined Authority currently operates a restrictive lending list due to the continued economic uncertainty. Surplus cash is only invested for short periods with Barclays. The Combined Authority also invests with other Local Authorities, the Debt Management Office (DMO) and with facilities set up with Money Market Funds (MMF).
- 2.14. The Code requires the Combined Authority to set a range of Prudential Indicators. Targets for the Prudential Indicators are set out in the 2018/19 Treasury Management Strategy.

Investment Activity

2.15. 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.

2.16. As at 28 February 2018, 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	23/08/17	23/05/18	Dundee City Council	5,000,000
Deposit	04/09/17	04/04/18	London Borough of Haringey	5,000,000
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	04/12/17	04/06/18	Surrey Heath Borough Council	12,000,000
Deposit	28/11/17	01/03/18	Telford and Wrekin Borough Council	5,000,000
Deposit	19/12/17	11/04/18	Leeds City Council	10,000,000
Deposit	21/12/17	21/03/18	Plymouth City Council	5,000,000
Deposit	03/01/18	01/06/18	Eastleigh Borough Council	10,000,000
Deposit	17/01/18	17/07/18	Highland Council	5,000,000
Fixed Total				77,000,000
Deposit	20/03/17		Barclays Bank plc	11,950,000
Call Total				11,950,000
Deposit	20/03/17		CCLA The Public Sector Deposit 4	10,000,000
MMF Total				10,000,000
			Total investments as at 28 Feb 2018	98,950,000

2.17. Interest revenue from balances is expected to be around £400k in 2017/18.

3.0 FINANCIAL IMPLICATIONS

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

4.0 LEGAL IMPLICATIONS

4.1. Treasury Management activities have to conform to the Local Government Act 2003, the Local Authorities (Capital; Finance and Accounting) (England) Regulations 2003 (SI 2003/3146), which specifies that the 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 – Draft Cambridgeshire and Peterborough Combined Authority (CPCA) Treasury Management Strategy 2018/19.

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



Treasury Management Strategy 2018/19 to 2020/21

1. Introduction

1.1. Background

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

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

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

1.1.3. CIPFA defines treasury management as:

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

1.1.4. This Treasury Management Strategy also fulfils the requirements of the Ministry of Housing Communities and Local Government (MHCLG) for every local authority to produce an Annual Investment Strategy.

1.2. Reporting Requirements

1.2.1. The Combined Authority is required to receive and approve, as a minimum, three reports each year. These reports are to be scrutinised by the Audit and Governance Committee before being recommended to Combined Authority.

1.2.2. This Treasury Management Strategy report covers:

- the capital programme (including prudential indicators)
- a Minimum Revenue Provision (MRP) Policy
- the Treasury Management Strategy including treasury indicators; and
- an Investment Strategy

1.2.3. A mid-year Treasury Management Report will update members of the Audit and Governance Committee with the progress of the capital programme, investments and amending prudential indicators as necessary.

1.2.4. An Annual Treasury Report will provide details of actual prudential and treasury indicators and actual treasury operations compared to estimates. The Annual Treasury Report is presented alongside the Statement of Accounts.

1.3. Treasury Management Strategy for 2018/19

1.3.1. The strategy for 2018/19 covers:

- | | |
|--|---|
| • Policy on use of External Advisors - Section 1.4 | • New Borrowing Approaches to be Considered – Section 8 |
| • Treasury Management Policy Statement - Section 1.5 | • Treasury Debt Prudential Indicators - Section 9 |
| • Revised CIPFA Treasury Management and Prudential Codes - Section 1.6 | • Policy on Borrowing in Advance of Need - Section 10 |

- Treasury Management role of the S151 Officer Roles - Section 1.7
- Capital Programme and the Prudential Indicators - Section 2
- Minimum Revenue Provision Policy - Section 3
- Current Treasury Position - Section 4
- Treasury Indicators - Section 4
- Prospects for Interest Rates - Section 5
- Investment and Borrowing Rates - Section 6
- Borrowing Strategy - Section 7
- Debt Rescheduling - Section 11
- Municipal Bond Agency - Section 12
- Investment Strategy - Section 13
- Creditworthiness Policy - Section 14
- Loans made to Third Parties - Section 15
- Non-financial Investments - Section 16
- Treasury Management Scheme of Delegation - Section 17

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

1.4. Treasury Management Advisors

- 1.4.1. The Combined Authority recognises that responsibility for treasury management decisions remains with the Combined Authority 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 access 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. Treasury Management Policy Statement

- 1.5.1. The Treasury Management Policy Statement sets out the policies and objectives of Treasury Management Activities which is revised annually. It reflects April 2018 guidance.
- 1.5.2. The Combined Authority regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.
- 1.5.3. The Combined Authority acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.
- 1.5.4. Investments in the above definition covers all financial assets of the organisation, as well as other non-financial assets which the organisation holds primarily for financial returns such as investment property portfolios. This may therefore include investments which are not managed as part of normal treasury management or under treasury management delegations. All investments require an appropriate investment management and risk management framework.
- 1.5.5. The Combined Authority's high level policies for borrowing and investments are set out below.

- To invest available cash balances with a number of high quality investment counterparties over a spread of maturity dates in accordance with the Combined Authority's lending list.
- To reduce the revenue cost of any debt the Combined Authority enters into by obtaining financing at the cheapest rate possible.
- To seek to reschedule or repay debt at the optimum time.

1.6. Revised CIPFA Treasury Management and Prudential Codes

- 1.6.1. CIPFA has reviewed the Treasury Management Code of Practice and the Prudential Code. This review focused on non-treasury investments and especially on the purchase of property with a view to generating income. Such purchases may involve undertaking external borrowing to raise the cash to finance these purchases, or the use of existing cash balances. Both actions affect treasury management.
- 1.6.2. CIPFA has withdrawn some prudential indicators (listed below) as they have caused confusion as to how to calculate them. However it is appropriate to retain two of these as local indicators because they are likely to be relevant to measuring the sustainability of the Combined Authority's long term financial position.
 - Incremental impact of capital investment decisions on Council tax (not relevant)
 - Estimates of the ratio of financing costs as a percentage of net revenue stream for three years ahead
 - Actual ratio of financing costs to net revenue stream (after the year-end)
 - Q4 of the Prudential Code consultation questionnaire also questioned whether HRA indicators should be removed. This will not affect the Combined Authority as it is not an HRA Combined Authority
- 1.6.3. The requirement to report on investments of longer than 364 days has been changed to longer than 365 days. This change has been incorporated into Indicator 11.

1.7. The Treasury Management Role of the Section 151 Officer

The S151 (responsible) officer must do the following:

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- review 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 providers.
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-

financial investments and is in accordance with the risk appetite of the authority

- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority. This is done by regular development sessions with the Audit and Governance Committee
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above and this is done by regular attendance at course and conferences and joint working with external advisors
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following -

Risk management (Treasury Management Practise 1 (TMP) and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;

Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;

Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;

Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken to the various committees;

Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

2. Capital Prudential Indicators 2018/19 to 2020/21

- 2.1. The Combined Authority's capital programme will become a 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.

- 2.2. **Indicator 1** – Capital Expenditure – this Prudential Indicator will be a summary of the Combined Authority's estimated capital expenditure for the forthcoming financial year and the following two financial years including how it will be funded. It will be populated as and when the Combined Authority's Capital Programme becomes established.

Capital Expenditure	16/17 Actual £m	17/18 Est £m	18/19 Est £m	19/20 Est £m	20/21 Est £m
Transport & Infrastructure	0.0	0.0	tbc	tbc	tbc
New Homes & Communities	0.0	0.0	tbc	tbc	tbc
Education & Skills	0.0	0.0	tbc	tbc	tbc
Strategic Planning	0.0	0.0	tbc	tbc	tbc
Total	0.0	0.0	tbc	tbc	tbc
Financed by:					
Gainshare Capital Funds	0.0	0.0	tbc	tbc	tbc
Housing Capital Funds	0.0	0.0	tbc	tbc	tbc
Net financing requirement	0.0	0.0	tbc	tbc	tbc
Total	0.0	0.0	tbc	tbc	tbc

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

Capital Financing Requirement	16/17 Actual £m	17/18 Est £m	18/19 Est £m	19/20 Est £m	20/21 Est £m
CFR brought forward	0.0	0.0	tbc	tbc	tbc
Borrowing	0.0	0.0	tbc	tbc	tbc
Repayment	0.0	0.0	tbc	tbc	tbc
CFR carried forward	0.0	0.0	tbc	tbc	tbc
Movement in CFR	0.0	0.0	tbc	tbc	tbc
Net financing requirement	0.0	0.0	tbc	tbc	tbc
Less MRP & other financing	0.0	0.0	tbc	tbc	tbc
Movement in CFR	0.0	0.0	tbc	tbc	tbc

- 2.5. The difference between the borrowing requirement and the movement on the CFR is the MRP recharge made during the year.
- 2.6. **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.

Ratio of gross financing costs to net revenue budget	16/17 Actual £m	17/18 Est £m	18/19 Est £m	19/20 Est £m	20/21 Est £m
Total ratio	n/a	n/a	tbc	tbc	tbc

3. Minimum Revenue Provision Policy

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

4. Current Treasury Position

- 4.1. **Indicator 4** - The Combined Authority's treasury position at 31 March 2017, with estimates for future years will be entered in the table below as future borrowing requirements become clear. The table below shows the actual external borrowing (Gross Debt) against the CFR.

Gross debt & capital financing requirement	16/17 Actual £m	17/18 Est £m	18/19 Est £m	19/20 Est £m	20/21 Est £m
External Borrowing					
Market Borrowing	0.0	0.0	tbc	tbc	tbc
Repayment of borrowing	-	-	tbc	tbc	tbc
Expected change in borrowing	-	-	tbc	tbc	tbc
Other long-term liabilities	0.0	0.0	tbc	tbc	tbc
Gross Debt at 31 March	0.0	0.0	tbc	tbc	tbc
CFR	0.0	0.0	tbc	tbc	tbc
% of Gross Debt to CFR	n/a	n/a	tbc	tbc	tbc

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

Operational Boundary	16/17 Actual £m	17/18 Est £m	18/19 Est £m	19/20 Est £m	20/21 Est £m
Borrowing	0.00	0.00	45.91	74.61	74.61
Other long term liabilities	0.00	0.00	0.00	0.00	0.00
Total	0.00	0.00	45.91	74.61	74.61

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

Authorised Limit	16/17 Actual £m	17/18 Est £m	18/19 Est £m	19/20 Est £m	20/21 Est £m
Borrowing	0.00	0.00	55.91	84.61	84.61
Other long term liabilities	0.00	0.00	0.00	0.00	0.00
Total	0.00	0.00	55.91	84.61	84.61

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

5. Prospects for Interest Rates

- 5.1. The Combined Authority utilises the treasury services of Link Asset Services through its relationship with Peterborough City Council who provide Treasury Management Support to the Combined Authority. Part of their service is to assist the Combined Authority to formulate a view on interest rates to assist with borrowing and investment decisions.
- 5.2. The Link Asset Services forecast for bank base rate (as at November 2017) and PWLB new borrowing (as at November 2017) is as follows (note that the PWLB Borrowing Rate includes the Certainty Rate adjustment):

Interest Rate (All rates shown as %)	Bank Rate View	5yr PWLB Rate	10yr PWLB Rate	25yr PWLB Rate	50yr PWLB Rate	Budget Assumption
Now	0.50	1.50	2.10	2.80	2.50	2.60
Mar 18	0.50	1.60	2.20	2.90	2.60	
Jun 18	0.50	1.60	2.30	3.00	2.70	
Sep 18	0.50	1.70	2.40	3.00	2.80	2.90
Dec 18	0.75	1.80	2.40	3.10	2.90	
Mar 19	0.75	1.80	2.50	3.10	2.90	
Jun 19	0.75	1.90	2.60	3.20	3.00	
Sep 19	0.75	1.90	2.60	3.20	3.00	3.15
Dec 19	1.00	2.00	2.70	3.30	3.10	
Mar 20	1.00	2.10	2.70	3.40	3.20	
Jun 20	1.00	2.10	2.80	3.50	3.30	
Sep 20	1.25	2.20	2.90	3.50	3.30	3.35
Dec 20	1.25	2.30	2.90	3.60	3.40	
Mar 21	1.25	2.30	3.00	3.60	3.40	

5.3. Link Asset Services interest rate forecasts, detailed above, are based on their views of the future economic climate, and below are some extracts taken from their economic forecasts:

- As expected, the Monetary Policy Committee (MPC) delivered a 0.25% increase in Bank Rate at its meeting on 2 November. This removed the emergency cut in August 2016 after the EU referendum. The MPC also gave forward guidance that they expected to increase Bank rate only twice more by 0.25% by 2020 to end at 1.00%. The Link Asset Services forecast as above includes increases in Bank Rate of 0.25% in November 2018, November 2019 and August 2020.
- 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.
- 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.

- From time to time, gilt yields – and therefore PWLB rates - can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis and emerging market developments. Such volatility could occur at any time during the forecast period.
- 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.
- The overall balance of risks to economic recovery in the UK is probably to the downside, particularly with the current level of uncertainty over the final terms of Brexit.
- Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:
- The Bank of England takes action too quickly over the next three years 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.
- Germany is still without an effective government after the inconclusive result of the general election in October. In addition, Italy is to hold a general election on 4 March and the anti EU populist Five Star party is currently in the lead in the polls, although it is unlikely to get a working majority on its own. Both situations could pose major challenges to the overall leadership and direction of the EU as a whole and of the individual respective countries. Hungary will hold a general election in April 2018.
- The October 2017 Austrian general election has returned a strongly anti-immigrant coalition government. In addition, the Czech ANO party became the largest party in the October 2017 general election on a platform of being strongly against EU migrant quotas and refugee policies. Both developments 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

- 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 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 its 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.

6. Investment and Borrowing Rates

- 6.1. Investment returns are likely to remain low during 2018/19 but will be on a rising trend over the next few years.
- 6.2. Borrowing interest rates increased sharply after the result of the general election in June 2017 and then also after the September 2017 MPC meeting when financial markets reacted by accelerating their expectations for the timing of Bank Rate increases. Apart from that, there has been little general trend in rates during the current financial year.

7. Borrowing Strategy

- 7.1.1. At Autumn Statement 2016, the government announced that it would give mayoral combined authorities powers to borrow for their new functions, which will allow them to invest in economically productive infrastructure, subject to agreeing a borrowing cap with HM Treasury. This will align the combined authorities' financial powers with their new responsibilities, and give them the freedom to invest in important priorities such as economic development and regeneration. Each combined authority's new powers to borrow will be specified in regulations under section 23(5) of the Local Government Act 2003.
- 7.1.2. The limits on combined authority borrowing will be expressed in terms of annual caps on external debt. Capping external debt, rather than prudential borrowing, will give the combined authorities greater flexibility to manage capital programmes across financial years.
- 7.2. On 8 February 2018, the Director Public Services of HM Treasury approved a cap agreement with the Combined Authority. The terms of this agreement are as follows:
 - 7.2.1. CPCA must continue to ensure that its borrowing is lawful, and must continue to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities.

Debt caps

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

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

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

7.2.4. CPCA will not allow its long-term external debt to exceed the relevant annual limit at any point during the relevant financial year.

7.2.5. The debt agreement, including the final limit on annual long-term external debt (£84,610,000), will remain in effect until superseded by another debt agreement between CPCA and HMT.

Reviews

7.2.6. The current debt cap agreement will be reviewed before the end of 2019-20.

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

Reporting requirements

7.2.8. Borrowing by combined authorities has a significant impact upon the public finances. Unexpected changes in borrowing and spending plans complicate HM Treasury's ability to monitor, forecast, and manage public spending.

7.2.9. The caps set out in paragraph 6 of this agreement are based on the financial plans submitted to HM Treasury by CPCA in October 2017. HM Treasury accepts that capital programmes may be delayed and that the corresponding borrowing requirement may slip to future financial years. This is permissible under the terms of this agreement, provided CPCA's long-term external debt remains within the annual maximum limits set out in paragraph 6.

7.2.10. CPCA can mitigate risks to the public finances by providing accurate, timely information about its plans for borrowing and spending. CPCA will provide information on the following financial indicators to HM Treasury on a quarterly basis:

(a) External debt, as defined in The Prudential Code for Capital Finance in Local Authorities.

(b) Capital expenditure financed by borrowing and credit arrangements not supported by central government, as defined by the most recent guidance notes for Capital Outturn Return (COR) published by the Ministry of Housing, Communities and Local Government.

(c) HM Treasury may request other information if relevant and material to the public finances.

7.2.11. HM Treasury will notify CPCA of its requests in advance of any deadline.

7.2.12. CPCA's adherence to its submitted financial plans, and cooperation with the reporting requirements described in paragraph 12, will be taken into account when setting future debt agreements.

Borrowing by constituent local authorities

- 7.2.13. Ensuring proper accountability for combined authority borrowing was a key factor in HM Treasury's decision to extend additional borrowing powers to mayoral combined authorities. Accordingly, HM Treasury expects CPCA not to utilise borrowing through its constituent local authorities.
- 7.3. All of the constituent councils have provided their consent to the Combined Authority having powers to borrow for its new functions, and the draft Statutory Instrument that will establish this power is due to be laid before parliament in March.
- 7.4. Any borrowing decisions will be reported to the appropriate decision making body at the next available opportunity.
- 7.5. The proposed strategy for 2018/19 financial year is:
- a) Significant risk of a sharp fall in long and short term rates may arise. This might be due to a marked increase of risks around relapse into recession or of risks of deflation. In this case long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.
 - b) Significant risk of a much sharper rise in long and short term rates than currently forecast may arise. This may arise due to a greater than expected increase in world economic activity or a sudden increase in inflation risks. In this case the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.
 - c) Loans will primarily be arranged from the PWLB and other Local Authorities.
 - d) To maintain an appropriate balance between PWLB, Local Authority and other market debt in the debt portfolio and a balance in the maturity profile of debt.
 - e) To give full consideration to other debt instruments e.g. Local Authority Bonds as an alternative to PWLB borrowing. Due regard will be given to money laundering regulations.

8. New Borrowing Approaches to Be Considered:

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

9. Treasury Debt Prudential Indicators

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

Interest Rate Exposure (Upper Limits)	16/17 Actual £m	17/18 Est £m	18/19 Est £m	19/20 Est £m	20/21 Est £m
(7) Limits on fixed interest rate net debt	0.00	0.00	45.91	74.61	74.61
% of fixed interest rate exposure	100%	100%	100%	100%	100%
(8) Limits on variable interest rate on net debt	0.00	0.00	11.48	18.65	18.65
% of variable interest rate exposure	25%	25%	25%	25%	25%

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

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

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

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

11. Municipal Bond Agency

- 11.1. It is possible that the Municipal Bond Agency will be offering loans to local authorities in the future. The Agency hopes that the borrowing rates will be lower

than those offered by the Public Works Loan Board (PWLB). The Combined Authority may make use of this new source of borrowing as and when appropriate.

12. Investment Strategy Principles

- 12.1. The Combined Authority will not borrow specifically for the purpose of making investments.
- 12.2. The Combined Authority has not made any non-financial investments. A revised strategy will be put forward to the Board for consideration before any non-financial investments are undertaken.

13. Investment Counterparty Selection Criteria and Financial Investment Strategy

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

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

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

- 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

- 13.9. The Combined Authority also uses Barclays Bank, the Combined Authority's own banker. If Barclays fall below the criterion in 13.5 then the following strategy will be followed:

With regard to the three credit rating agencies, if one reduces it's rating but the other two remain the same or improve, no action will be taken with regards to funds held with Barclays, ie maximum of £5m in the call account

If two or more credit rating agencies reduce their ratings only, as the Combined Authority will still require to use the Barclays accounts for transactional purposes, a maximum balance of £500k will be left overnight to prevent the account becoming overdrawn and incurring overdraft fees

Seek advice from Link Asset Services

- 13.10. 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 to Barclay's Bank has been developed following consideration of that the Combined Authority needs banking facilities to process daily banking transactions, and such activity presents a lower risk profile compared to investment activity the significant impact, resource requirement, and risk exposure of changing bank provider the possible state and stability of the banking sector and viable alternative suppliers.
- 13.11. The Combined Authority's lending list will comprise of the institutions that meet the investment criteria above. Each counterparty on the list is assigned a counterparty limit as per the table in Appendix 1. Counterparties that no longer meet the investment criteria due to a credit rating downgrade will be removed from the list and any changes will be approved by Combined Authority. Resources. Approval will also be required if any new counterparties are added to the lending list.
- 13.12. Link Asset Services approach to assessing creditworthiness of institutions is by combining credit ratings, credit watches and credit outlooks to produce a colour coding system. The Combined Authority will use counterparties within the following maximum maturity periods, in order to mitigate the risk of investing in these institutions:

Link Asset Services Banding	Description
Blue	1 year (only applies to nationalised / semi nationalised UK banks)
Orange	1 year

Link Asset Services Banding	Description
Red	6 months
Green	3 months

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

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

Overall limit for sums invested over 365 days	16/17 Actual £m	17/18 Est £m	18/19 Est £m	19/20 Est £m	20/21 Est £m
Principal sums invested 365 days	1.0	10.0	10.0	10.0	10.0

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

14. Loans Made to Third Parties

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

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

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

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

15. Non-financial investments

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

16. Treasury Management Scheme of Delegation

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

CPCA Board / Audit and Governance Committee

- Receiving and reviewing reports on treasury management policies, practices and activities.

- Approval of Annual Strategy.

Audit and Governance Committee / 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 /Head of Finance

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

Specified Investment Credit Criteria and Limits

Specified Investment:

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

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

Non-specified Investment Credit Criteria and Limits

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

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

Explanation of credit ratings		
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: 8
26th MARCH 2018	PUBLIC REPORT

CORPORATE RISK STRATEGY AND CORPORATE AND PROJECT RISK REGISTERS

1.0 PURPOSE

- 1.1 The Combined Authority recognises the need for risk management to feature as a consideration in strategic and operational planning and decision making. It is committed to managing and minimising risk by identifying, analysing, evaluating and treating risks that may impact the future success of our organisation. The Combined Authority also has a statutory responsibility to have in place arrangements for managing risks, as stated in the Accounts & Audit Regulations 2015.
- 1.2 A Corporate Risk Strategy together with associated corporate and project risk registers have been prepared for these purposes and are set out in this document for Members' consideration and approval.

<u>DECISION REQUIRED</u>	
Lead Officer:	Martin Whiteley Chief Executive Officer
The Audit and Governance Committee is recommended to: (a) Consider the policy and approach outlined in the Corporate Risk Strategy and the associated corporate and project registers. (b) Note the aims and objectives of the risk management strategy. (c) Approve the adoption of the Corporate Risk Strategy and the use of the registers as an effective way of recording a comprehensive list of risks to be faced by the Authority.	

2.0 RISK MANAGEMENT AIMS AND OBJECTIVES

- 2.1 The aim of risk management is to ensure that the Authority has an effective process to support better decision making through good understanding of risks and their likely impact.
- 2.2 The objectives of the Combined Authority's risk management strategy are to:-
- Raise awareness of the need for risk management;
 - Minimise loss, disruption, damage and injury and reduce the cost of risk, thereby maximising resources; and
 - Inform policy and decision making by identifying risks and their likely impact.
- 2.3 Risk management involves the adoption of a planned and systematic approach to the identification, evaluation and control of the risks facing the Authority and is a means of minimising the costs and disruption to the Authority caused by undesired events. The Corporate Risk Strategy outlines the approach designed to achieve those aims and objectives and is set out below as follows:

Appendix 1: Corporate Risk Strategy and Risk Methodology

Appendix 2: Corporate and Project Risk Registers

3.0 FINANCIAL IMPLICATIONS

- 3.1 There are no financial implications.

4.0 LEGAL IMPLICATIONS

- 4.1 There are no legal implications.

5.0 SIGNIFICANT IMPLICATIONS

- 5.1 None.

6.0 APPENDICES

Appendix 1: THE CORPORATE RISK STRATEGY

Appendix 2: THE CORPORATE AND PROJECT RISK REGISTERS

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

Appendix 1



CAMBRIDGE & PETERBOROUGH COMBINED AUTHORITY

CORPORATE RISK MANAGEMENT STRATEGY

CONTENTS

1. INTRODUCTION -What is Risk Management?

2. RISK POLICY - The Authority's Approach to Risk Management

3. RISK MANAGEMENT AIMS AND OBJECTIVES

4. ROLES AND RESPONSIBILITIES

5. ARRANGEMENTS FOR MANAGING RISKS

6. MONITORING ARRANGEMENTS

7. TRAINING & COMMUNICATION ARRANGEMENTS TO SUPPORT IMPLEMENTATION OF THE STRATEGY

8. REVIEW OF RISK MANAGEMENT STRATEGY

Appendix 1: Risk Management Methodology

Appendix 2: Corporate and Project Risk Registers

CAMBRIDGE AND PETERBOROUGH COMBINED AUTHORITY RISK MANAGEMENT STRATEGY

1. INTRODUCTION

What is Risk Management?

1.1 Risk can be defined as uncertainty of outcome. Risk is ever present and a certain amount of risk-taking is inevitable if the CPCA is to achieve its objectives. Risk management implies adopting a planned and systematic approach to the identification, evaluation and control of the risks facing the Authority and is a means of minimising the costs and disruption caused by undesired events.

1.2 Risk management covers the whole spectrum of risks and not just those associated with finance, health and safety and insurance. It also includes risks associated with public image (reputation), the environment, technology, contracts/partnerships, projects etc.

1.3 The Authority also has a statutory responsibility to have in place arrangements for managing risks, as stated in the Accounts & Audit Regulations 2015:- *“A relevant body must ensure that it has a sound system of internal control which: (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives; (b) ensures that the financial and operational management of the authority is effective; and (c) includes effective arrangements for the management of risk.”*

1.4 The benefits gained from effectively managing risk include:

Improved strategic management

- Greater ability to deliver against objectives and targets;
- Improved decision making

Improved operational management

- Reduction in managerial time spent dealing with the consequences of a risk event; having occurred;
- Improved service delivery

Improved financial management

- Better informed financial decision-making;
- Greater financial control;
- Minimising waste and poor value for money;
- Reduction in costly claims against the Authority

Improved customer service

- Minimal service disruption to customers and a positive external image as a result

2. RISK POLICY

2.1 The Authority's Approach to Risk Management

The Authority recognises the need for risk management to feature as a consideration in our strategic and operational planning and decision making. The Authority is committed to managing and minimising risk by identifying, analysing, evaluating and treating risks that may impact the future success of the organisation. The approach is designed to ensuring that risk management is fit for purpose by applying the following:

- All staff obtain a sound understanding of the principles of risk management.
- Avoid surprises and reduce financial impact by generating an increased understanding of risk and quickly identifying mitigation response plans.
- Embed risk management as part of decision making by providing visibility of risks.
- Have plans in place on how to respond to an emergency or crisis, to carry on with business and recover from a disaster.

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

3. RISK MANAGEMENT AIMS AND OBJECTIVES

3.1 The aim of risk management is to ensure that the Authority has an effective process to support better decision making through good understanding of risks and their likely impact.

3.2 The objectives of the Authority's risk management strategy are to:-

- Raise awareness of the need for risk management;
- Minimise loss, disruption, damage and injury and reduce the cost of risk, thereby maximising resources;
- Inform policy and decision making by identifying risks and their likely impact.

3.3 These objectives will be achieved by:-

- Establishing clear roles, responsibilities and reporting lines within the Authority for risk management;

- Effective communication with, and the active involvement of, Service Managers and Directors;
- Monitoring progress in delivering the strategy and reviewing the risk management arrangements on an on-going basis.

4. ROLES AND RESPONSIBILITIES

4.1 The table below outlines the key roles within the risk management strategy: -

Table 1: Roles and Responsibilities

Chief Executive and Board	➤ To approve the Risk Management Policy and Strategy (including the Authority's risk appetite) ➤ To approve the Corporate Risk Register ➤ To monitor progress in the management of Strategic Risk ➤ Understand the most significant risks ➤ Manage the organisation in a crisis
Audit & Governance Committee	➤ To ensure that the Authority has an effective risk management process in place ➤ To monitor progress on the management of Strategic Risks
Head of Risk and Compliance	➤ To develop and review the risk management strategy and process in accordance with best practice ➤ Build awareness culture ➤ To provide advice and support to Management Team and Service Managers on the identification, analysis and prioritisation of risks ➤ To report on the identification and progress of strategic risks to the Audit & Governance Committee ➤ To provide risk management training as

	required to officers and Members ➤ Identify and report changes in the risk exposure to the organisation. ➤ Develop the risk management policy and keep it updated. ➤ Co-ordinate the risk control activities. ➤ Develop specialist contingency and recovery plans ➤ Support investigations of incidents and near misses ➤ Provide assurance on the management of risk
Management Team	➤ To determine the Authority's risk appetite ➤ To identify strategic risks ➤ To determine actions to manage strategic risks ➤ To monitor progress in managing strategic risks ➤ Ensure implementation of risk improvement recommendations ➤ Build awareness of risks within functions ➤ Evaluation of reports from employees on identified risks ➤ Identify and report on risk changes.
Service Managers	➤ To support the Management Team in the identification and management of Strategic Risks ➤ To manage operational risks effectively in their particular service areas

	➤ To monitor and review risks at appropriate intervals
Employees	➤ To identify risks ➤ To implement actions as instructed ➤ Report inefficient, unnecessary or unworkable controls ➤ Report loss events and near miss incidents ➤ Co-operate with others in the investigation of risk incidents ➤ Ensure that visitors and contractors comply with procedures
Monitoring Officer	➤ To ensure that the Authority has an effective risk management framework
Internal Audit	➤ Provide advice and guidance on the management of risk relating to the design, implementation and operation of systems of internal control.

5. ARRANGEMENTS FOR MANAGING RISKS

5.1 The risk management methodology to be employed at the Authority is outlined in Appendix 1.

6. MONITORING ARRANGEMENTS

6.1 To ensure that informed decisions are made, it is essential to identify key strategic risks. Strategic risks will be identified at Management Team level as part of the Corporate Planning process and will be documented in the Corporate Risk Register which will be maintained by the Risk & Compliance Manager on behalf of the Monitoring Officer and the Management Team.

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

6.3 The Corporate Risk Register will form the basis of half yearly risk management reports to Board and the Audit & Governance Committee.

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

6.5 Internal Audit will also during the course of audits throughout the year:

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

6.6 The Chief Internal Auditor will review the strategic risk register on an annual basis and incorporate strategic risk areas into the Internal Audit planning process as appropriate.

6.7 Service Managers should maintain a record of key operational risks within their service area relating to service change, projects and significant procurement. Progress in managing these risks should be monitored on a regular basis.

7. TRAINING & COMMUNICATION ARRANGEMENTS TO SUPPORT IMPLEMENTATION OF THE STRATEGY

7.1 Training in the risk management methodology will be provided to those officers with direct responsibility for / involvement in the risk management process.

7.2 Training in the risk management methodology will be provided to:

- Board
- the Audit & Governance Committee;
- Management Team;
- Service Managers; and
- Other employees as appropriate.

8. REVIEW OF RISK MANAGEMENT STRATEGY

8.1 This strategy will be reviewed every three years.

APPENDICES:

Appendix 1: Risk Management Methodology

Appendix 2: Corporate Risk Register and Project Risk Registers

APPENDIX 1: RISK MANAGEMENT METHODOLOGY

1. The Risk Management Cycle

There are 4 key stages in the risk management cycle, as illustrated in the diagram below:-



The 4 stages of risk management are part of a cycle. Risk management is dynamic and so the identification phase needs to be carried out continuously.

2. Risk Identification

2.1 Risk assessment is the overall process of risk identification, risk analysis and risk evaluation.

Table 3 below lists the main techniques being used and a brief description of each of these techniques. When completing risk assessments for General Data Protection Regulation (GDPR) purposes consideration should be given to whether a Data Protection Risk Assessment (DPIA) is needed

Table 3 Risk Assessment Techniques

Risk Assessment Techniques	
Technique	Description
Questionnaires and checklists	Use of structured questionnaires and checklists to collect information that will assist with the recognition of the significant risks.
Workshops and brainstorming	Collection and sharing of ideas at workshops to discuss the events that could impact the objectives, core processes or key dependencies.
Inspections and Audits	Physical inspections of premises and activities and audits of compliance with established systems and procedures.
Flowcharts and dependency analysis	Analysis of the processes and operations within the organisation to identify critical components that are the key to success.

The aim of the risk identification process is to generate a comprehensive list of risks be faced. Relevant and up to date information is important to identifying these risks and equally important is ensuring that our people with the appropriate knowledge are involved in our identification process. A variety of Risk Identification processes may be used as exemplified in the table below.

Table 4: Risk Identification Techniques

Risk Identification Techniques	
Technique	Description
Risk gap analysis	A list of common risks and uses these as a discussion point in risk reviews to facilitate risk thinking and identification
Workshops & brainstorming	Collection and sharing of ideas that could impact the objectives of the project/objective.
Audits and Inspections	Physical inspection of premises and audits of compliance with established systems and procedures
SWOT analysis	Strengths weaknesses opportunities Threats (SWOT)
PESTLE analysis	Political, Economic, Social, Technological, Legal & Environment

3. Risk Analysis and Scoring

3.1 Risk analysis involves completing a full investigation of the risk to develop an understanding of the likelihood and impact on the organisation. This analysis forms part of the risk evaluation process and helps to understand how the risks should be treated.

3.2 At this part of this risk analysis, risks are classified using the classification table below and recorded on the risk register which is stored in SharePoint. Once risks have been identified they need to be assessed. This process requires risk owners to assess the level of risk by considering:-

- The probability of an event occurring - “likelihood”; and
- The potential severity of the consequences should such an event occur – “impact”.

3.3 Not all factors are equally important and higher scores should be given to those risks considered to impact most on the achievement of objectives. The impact scores have therefore been weighted to reflect that more significance should be given to those risks with a medium or high impact than those with a medium or high likelihood.

3.4 The following table provides **Likelihood** and **Impact** descriptors to assist with this process:-

LIKELIHOOD

Score	Description	Indicative Guidelines
4	Very Likely	▪ There is a high exposure to the risk ▪ Event expected to occur ▪ Has occurred and will continue to do so without action being taken ▪ Indication of imminent occurrence ▪ There are external influences which are likely to make our controls ineffective
3	Probable	▪ There is a moderate exposure to risk ▪ Reasonable to expect event to occur ▪ Has occurred in the past ▪ Is likely to occur in the Authority’s planning cycle ▪ There are external influences which may

		reduce effectiveness of controls
2	Possible	▪ There is low exposure to risk ▪ Little likelihood of the event occurring ▪ There is a potential for external influences which may reduce the effectiveness of controls
1	Unlikely	▪ Extremely remote ▪ Not expected to occur but may do so in exceptional circumstances ▪ There are few or no external influences which may reduce effectiveness of controls
IMPACT		
Score	Description	Indicative Guidelines
5	Major/ Serious Consequences	The consequence is so bad that urgent action must be taken to improve the situation or prevent it worsening. External support from the Government or other agencies is likely to be needed: • Major loss, delay or interruption to services • One off event which would de-stabilise the Authority • Financial loss, additional costs or loss of assets which would need an Authority decision as the scale of the loss would be outside the Authority's budget & policy framework • The risk will cause the objective not to be reached, causing damage to the organisation's reputation. • Will attract medium to long-term attention of legislative or regulatory bodies • Major complaints • Significant adverse media interest • Death or life-threatening injury

3	Moderate/Disruptive	The consequence is sufficiently serious to require attention by Management Team and / or the Board: • Significant loss, delay or interruption to services • Medium term impact on operational efficiency or performance • Financial loss, additional costs or loss of assets that is within the Authority's budget and policy framework but needs a Statutory Officer decision, Management Team decision, or to be drawn to the attention of the Board. • The risk will cause some elements of the objective to be delayed or not achieved, causing potential damage to the organisation's reputation. • May attract medium to short term attention of legislative or regulatory bodies • Significant complaints • Serious accident / injury (but not life threatening)
1	Minor/Non Disruptive	The consequences can be dealt with as part of the normal day-to-day business by the Service Manager and the Director: • Minor loss, delay or interruption to services • Short term impact on operational efficiency or performance • Negligible financial loss • The risk will not substantively impede the achievement of the objective, causing minimal damage to the organisation's reputation • No or minimal external interest • Isolated complaints • Minor accident / injury

3.5 Both gross and residual scores should be identified to effectively review and monitor the effectiveness of the controls in place.

- **Gross Score**-The level of risk faced before internal controls/mitigating actions have been applied / implemented.
- **Residual Score**-The level of risk faced after any internal controls/mitigating actions have been applied/considered.

3.6 Internal controls are the Authority's policies, procedures and processes or any additional controls or mitigating actions taken to deal with a risk. Judgement must be made by the risk owner/facilitator as to the numerical reduction to the gross risk score to produce the residual risk score. The residual scores are then plotted onto the risk matrix, see below, which will determine the risk priority.

RISK		IMPACT		
L I K E L Y H O O D		Minor/Non-Disruptive(1)	Moderate/Disruptive (3)	Major/Serious Consequences(5)
	Very Likely (4)	4	12	20
	Probable (3)	3	9	15
	Possible (2)	2	6	10
	Unlikely (1)	1	3	5

4. Risk Control

4.1 Having identified and analysed the risks, it is necessary to decide what to do and who will do it. Priority will be given to the High (red) risks which will require immediate action plans.

4.2 Medium (Amber) risks will require actions plans and / or to be closely monitored as appropriate.

4.3 Low-scoring (Green) risks can be “accepted” and will not require actions plans. However, these risks will need to be monitored to ensure that controls remain operational to manage them and that such risks do not run out of control and become Medium (Amber) or High (Red) risks.

4.4 Where it is not deemed appropriate to accept the risk, the risk will need to be controlled. Risk control is the process of taking action to minimise the likelihood of the risk event occurring and/or reducing the severity of the consequences should it occur. There are 3 main options for controlling risk; avoidance, reduction and risk transfer.

4.5 **Risk avoidance** involves the Authority opting not to undertake a current or proposed activity because it is considered to be too risky.

4.6 **Risk reduction** is dependent on implementing actions which will minimise the likelihood of an event occurring or limit the severity of the consequences should it occur.

4.7 **Risk transfer** involves transferring liability for the consequences of an event to another body. This may be done in two ways: -

- Cost, delivery or legal liability may be transferred to an alternative provider under contractual/partnership arrangements for service delivery; however, it should be remembered that some responsibility may be retained for ensuring that the risk is managed e.g. Health & Safety.
- The costs associated with a damaging event may be reduced by transferring some or all of the financial risk to external insurance companies however; it should be remembered that many risks are uninsurable.

5. Risk Treatment

5.1 Risk treatment is the activity of selecting and implementing appropriate control measures to modify the risk. The Authority’s system of risk treatment provides the development of efficient and

effective internal controls. Effectiveness of internal control is the degree to which the risk will either be eliminated or reduced by the proposed control measures.

5.2 The cost effectiveness of internal control relates to the cost of implementing the control compared to the risk reduction benefits achieved.

5.3 Controls are defined as actions that are taken to reduce the likelihood and/or magnitude of a risk. Controls can be preventive, corrective, directive or detective as set out in the table below.

Table 1: Types of Control

Types of Control	
Control Type	Description
Preventive	Designed to limit the risk from occurring
Corrective	Designed to limit the scope for loss
Directive	Type of control based on giving instruction
Detective	Designed to identify a risk that has occurred to minimise the loss

6. Risk Response

6.1 The risk management responses used can be a mix of five main actions; transfer, tolerate, treat, terminate or take the opportunity.

- **Transfer;** for some risks, the best response may be to transfer them. This might be achieved by conventional insurance or by supporting a third party to take the risk in another way.
- **Tolerate;** the ability for us to do anything about some risks may be limited, or the cost of taking any action may be disproportionate to the potential benefit gained. This course of action will commonly be used for large external risks.
- **Treat;** by far the greater number of our risks will belong to this category. The purpose of treating a risk is to reduce the chance of the risk occurring and is not necessarily to obviate the risk, but to contain it to an acceptable level.
- **Terminate** the risk by doing things differently thus removing the risk where it is feasible to do so.

7. Risk Mitigation and Management

7.1 The mitigating actions are the key to successful risk management. These focus on the risk and are actions which make it less likely that the risk will occur, or which will reduce its impact, probability or both. They are designed to be as Specific Measurable Achievable Realistic, and Time bound (SMART) as possible. Any mitigating actions which stay the same over a long period are reviewed as they may not be effective, although they might still be necessary.

7.2 Most risks can be managed – either by minimising the likelihood of the risk occurring and / or reducing the severity of the consequences should the risk occur. Relatively few risks have to be avoided or transferred. Managers must judge which courses of control action are the most appropriate to address each of the risks they have identified, taking advice from the Risk & Compliance Manager and other support services where appropriate.

7.4 The cost/benefit of each control act is assessed. The benefits will not always be solely financial. Managers need to use their own professional knowledge and experience to judge whether the financial cost of risk control is justified in terms of non-financial benefit to the Authority. On occasions, managers may conclude that the cost of the control action may outweigh the benefits which will accrue to the Authority as a result of the action being taken. In such instances, all or an element of the risk is retained. However, no statute should be breached when making this decision.

7.5 For each risk actions should be identified, the officer responsible and timescales. Responsibility for drawing up the action plans lies with the Management Team (for strategic risks) and with service managers for service / operational risks

8. Risk Monitoring

8.1 To complete the risk management cycle, there must be monitoring and review of:-

- The implementation of the agreed risk control action plan;
- The effectiveness of the action in controlling the risk; and
- How the risk has changed over time.

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

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

9. Risk assurance

Successful management of risk depends on four important risk based outputs which have been identified as follows:

Mandatory as required by laws, customers/clients and standards

- Assurance for our Management Team and other stakeholders
- Decision making based on the best information available

Effective and efficient core processes through our organisation.

10. Communication and Consultation

Communication and consultation with external and internal stakeholders takes place during all stages of risk management. In addition, as part of the communication process, the reporting of risks to management and the Board is most important. The reporting pattern is shown in the diagram below.

Figure 1 Risk Reporting Structure



11. Adding value

Risk management provides extra value to the Authority. In particular it is important to emphasize that employees will

- only take risks where there are likely to be benefits from doing so; and
- focus on risks where benefits could be enhanced, or the likelihood of success could be improved, or the likelihood of negative impact reduced.

It is important to ensure that risk management is having an impact – and change it if it is not doing so. It is also necessary to be proportionate paying more attention may be appropriate for larger interventions.

12. Revision History

A record should be maintained of all revisions to the Corporate Risk Strategy as shown below.

Version	Date	Summary	Name

Appendix 2: Corporate Risk Register and Project Risk Registers

Format of Risk Registers

Risk registers are commonly prepared either as tables in Word format or in Excel spreadsheet format. The Word format generally includes more narrative descriptions and response actions to provide a one-stop approach to the document whereas the Excel format often provides a tabular listing with reference to other documentation outlining further details of the issues.

Project Risk Register Templates

Risk management register templates are readily adaptable to include the corporate risk strategy risks and the project risks in the respective portfolios. There are clear advantages of using this approach principally because of the interactive facility, common approach and accessibility through Share point.

The complete **Corporate Risk Register** and the **project risks** identified in the Transportation and **Housing portfolios** are shown in Appendix 2 and have been transferred to the risk issue template can be viewed through the following link:

<https://cambridgeshirepeterborough.sharepoint.com/:x/s/CPCATeamSite/ERL7V3hljeJNn6zjBg9wMR4BpYQhx34-30Ls0mfYGMtxzQ?e=0FdOg3>

Appendix 2

Risk Matrix

Likelihood/ Frequency	Almost certain	5	Medium	High	Very High	Very High	Very High
	Likely	4	Low	Medium	High	Very High	Very High
	Occasional	3	Low	Medium	Medium	High	Very High
	Unlikely	2	Low	Low	Medium	Medium	High
	Improbable	1	Low	Low	Low	Low	Medium
			1	2	3	4	5
			Trivial	Minor	Significant	Major	Severe
			Impact				

Overall Risk Score Guidance

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

Impact x Likelihood = Risk Score or Level

Purpose

The purpose of this document is to capture project level risks that arise as the devolution programme progresses and to enable the management and monitoring of actions that will help to mitigate or address them.

The Risk Log relates to items that have yet to occur rather than those that are taking place at the moment. Items that are already taking place are captured in the Issues Log. This register is intended to record political, financial, reputational, legal and any other risks, provide mitigations and will be reviewed periodically by the [project team/ board]

Key risks should be included in the monthly Highlight Report to the [project team/board].

Quality Criteria

In determining if there is sufficient information to fully understand and address the risk, there should be consideration of any dependencies on other projects or links to existing issues and if so, a decision will be needed as to which should be prioritised. The risk should have sufficient information to enable the [ProjectTeam/ Board] to understand what the potential impact are and what mitigations have already been put in place.

Corporate Risk Register



PROJECT RISK LOG

Assign on ID number to risk	Date entered on log	Who is responsible for the risk	Use dropdown list to determine type of risk	Describe the risk and its impact (if it happens)	Using the risk matrix, what is the likelihood of it happening, the level of impact (if it does happen and the overall score (colour the boxes accordingly))	Describe what is already being undertaken to mitigate and manage the risk	What are the response actions?
1	31/1/2018	CEO	High	The outcome and impacts of the EU Referendum, including rate changes within Government, result in financial uncertainty and economic instability that affect the trajectory of national policy in relation to devolution and regionalism with a consequent impact on the ability to progress the CPCA devolution strategy as originally planned	4 4 4x4=16	No specific additional actions proposed at this stage other than ongoing engagement and remaining abreast of developments. This is a national issue.	Ongoing Mayoral, Leaders and Chief Officer engagement with Government departments Continuation of the legislative and governance progress to deliver the functions in 2018/19
2	31/1/2018	S151 Officer	High	Post Brexit, the value of European funding streams is withdrawn, restricted or reduced; this impacts on the ability to sustain and grow reform, regeneration and major infrastructure projects across the Region	4 4 4 x 4 = 16	Finance team assessments of impact of withdrawal / reduction of EU funding	Ongoing Mayoral, Leaders and Chief Officer engagement with Government departments Continuation of the legislative and governance progress to deliver new functions in 2017.
3	31/1/2018	CEO	High	The transition of powers and responsibilities and changes in roles, responsibilities and governance arising from devolution legislation across the region are not managed effectively resulting in a disjointed approach to CPCA working with available costs, reputational damage and impact on the economy	4 4 4 x 4 = 16	Communications plan in development to communicate change plans with the public. Members and senior managers. Internal Audit to provide assurance updates.	Project Management support to support transition planning Transition and Devolution Implementation Plan developed to ensure that the operational and strategic challenges of devolution are effectively managed. Transition plan supported with work.
4	31/1/2018	CEO	Medium	Effective approval and successful implementation of the Rapid Mass Transport Project is threatened by legal challenge, funding and financial risks and a challenging implementation programme.	4 3 4 x 3 = 12	No identified threat of challenge at present. Further review of risk over next quarter.	Continuation of the legislative and governance progress to deliver the Reports to CPCA Board, Financial reporting to the Board
5	31/1/2018	CEO	Medium	If capacity or resources of CPCA senior managers, Members / Officers and districts is insufficient, or conflicts with other priorities, this may impact on the ability to deliver the programmes and to implement the CPCA strategy.	4 3 4 x 3 = 12	Ongoing capacity and financial constraints on districts impact the likelihood of the risk occurring however existing controls and governance arrangements should provide early warning of possible pressures. Report going to Employment Committee on the 28th March detailing structured approach for recruitment to senior posts.	CA statutory basis, constitution and the CPCA Strategy set out shared vision with SLA agreements in place signed by relevant Districts. Established governance structure Key roles including Director of Project Management established, supported by project teams and CPCA Board alongside refreshed Portfolios and Wider Leadership Team roles for key strategic priorities.
6	31/1/2018	CEO	Medium	Affordable Homes schemes not delivered in accordance with anticipated time, cost and quality expectations of the CPCA or the public. This leads to additional cost pressures or reputational damage	4 3 4 x 3 = 12	Action Plans to secure improvements in place Further detailed review of risk with over next quarter.	Engagement with Portfolio Holder / Housing Director and DC delivery group
7	31/1/2018	S151 Officer	Medium	Slippage in Local Growth Deal delivery programme places funding at risk, particularly if the CPCA is unable to apply grant to alternative, eligible capital schemes in year. This also presents a risk to future deals	4 3 4 x 3 = 12	Further review of risk over next quarter.	Report to board
8	31/1/2018		Medium	The devolution of new powers and budgets from government to the Authority under a reformed governance model will increase pressures on financial, operational and governance and scrutiny functions and this may impact adversely on the Authority, reducing its capacity to deliver its objectives.	4 3 4 x 3 = 12	There is no current plans for devolution of new powers or budget, the devolution deal was signed in June 2016. Anticipated Devolution deal 2. This will be kept under review. Risk reduced to medium on review.	The GM Agreement provides a devolution model and requires an extensive evaluation programme including evaluations of the earn-back scheme and the impact of devolution. Implementation plan under the leadership of the CEO with support of constituent authorities. Ongoing oversight at CPCA Board and Scrutiny Committee. Monitoring Officer and S151 consulted on all changes
9	31/1/2018	CEO	Medium	Difficulty in selecting a suitable site for development of the University of Peterborough has resulted in a significant delay in the scheme and problems in finalising a Full Business Case upon which the necessary funding will be secured. Further postponement of the scheme will lead to reputational damage and delay in a much needed boost to Peterborough and the local area.	3 4 3 x 4 = 12	Steering group in place to review the accommodation options. Grounds have been instructed to undertake the accommodation review and will report to the Board meeting in March.	Ongoing oversight at CPCA Board and Scrutiny Committee. Monitoring Officer and S151 consulted on all changes
10	31/1/2018	S151 Officer	Medium	If it is not supported by appropriate agreements with government or is not managed effectively the £10 year £170m recyclable Housing Investment Fund created under the Devolution Agreement may not provide required numbers of homes.	4 3 4 x 3 = 12	Internal Audits of HIF including positive certification of S151 assurance	The fund will be controlled by the elected Mayor through new governance arrangements. Assurance Statement with DCLG setting out how investments and repayments will be managed. Management within the CPCA Core Investment Team, S151 officer and oversight by Investment Committee.
11	31/1/2018	CEO	Medium	Lack of understanding of the extent of and limitations to the Authority's legal and constitutional powers following devolution may mean expectations are not managed, statutory duties are not discharged and their exercise may be legally challenged or scarce time and resources spent on objectives which the Authority is not empowered to deliver.	3 4 3 x 4 = 12	Risk reduced to medium on review whilst greater clarity over future programme for next 18 months communicated across stakeholders this risk to be kept under review given ongoing changes in advance of and following appointment of the Elected Mayor.	Functions set out in CPCA Orders and Operating Agreement details arrangements for discharge of statutory functions. New website in place. Communications Strategy in place and being further developed - with high level of proactive stakeholder and public communications
12	31/1/2018	CEO	Medium	HR issues arising from transition are not fully understood or managed effectively, with impact on cost and the effectiveness and affordability of future staffing structures	3 4 3 x 4 = 12	Finance Work stream to include consideration of costs and liabilities arising from HR proposals.	HR Work stream in place as part of Transition Plan. HR project resource in place reporting to Board
13	31/1/2018	CEO	Medium	If there is decline or lack of unity in Districts' shared vision, collective ownership and cohesiveness this may have an adverse impact on setting and delivering the Authority's Strategy	3 4 3 x 4 = 12	Risk maintained at medium as financial challenges in districts and required pace of change has ongoing potential for tension with GM level activity.	The statutory basis, CPCA constitution and the Strategy set out shared vision and there are SLA agreements in place signed by Districts. Authority governance arrangements ensure debate and agreement on key issues. Cohesion promoted through CEX group and Member
14	31/1/2018	S151 Officer	Medium	Potential for tension between strategic agreement over Public Service Reform (PSR) taken at GM level and District capacity to undertake delivery. If this is realised it may give rise to reputational risk and may impact on service delivery.	3 3 3 x 3 = 9	Risk reviewed and maintained as Medium	CPCA and Districts Establishment of PSR Board, Key Portfolio holders and CEX Leads Regular reports at CPCA meetings Director of PM overseas and supports Districts in delivery. Communication protocols agreed CPCA and Districts.
15	31/1/2018	S151 Officer	Medium	Financial or operational under-performance could impact adversely on the Authority's reputation, its ability to produce a balanced budget and to deliver strategic priorities on schedule.	3 3 3 x 3 = 9		Robust controls through board, and CPCA S151. Regular budget and performance reporting to Board. Review and refresh of WPI's PM/Procurement committee oversee capital projects.
16	14/2/2018	Transport Director	Medium	Insufficient officer resources result in delays to Transport programme	3 4 3x4=12		Project management support being provided by Cambridgeshire County Council and Peterborough City Council. New officer operational structure provisionally Business Board output may indicate way unlikely to be the case in outcome
17	31/1/2018	CEO	Medium	Administrative boundaries does not match	3 4 3x4=12		Investment working group. Consultative
18	31/1/2018	CEO	Medium	Public Sector Reform agenda may prove to be a	4 3 4x3=12		Determined by the effectiveness of PMO
19	31/1/2018	CEO	Medium	Challenges facing the authorities and	3 3 3x3=9		Determined by the effectiveness of PMO
20	31/1/2018	S151 Officer	Medium	Ineffective financial control systems to monitor	4 3 4x3=12		Effective monitoring procedures
21	31/1/2018	S151 Officer	Medium	Under spending of capital budgets due to	4 3 4x3=12		Negotiating skills and systems
22	31/1/2018	S151 Officer	High	Failure to invest surplus funds due to	4 3 4x3=12		Assurance Blueprint projects underway and implementation of systems and evidenced
23	31/1/2018	S151 Officer	Medium	Loss of investment funds due to inappropriate	3 4 3x4=12		Communications strategy in development
24	31/1/2018	Business	Medium	Failure to reach agreement on contracts for all	4 3 4x3=12		Proposal from CPCA/Seco anticipated by
25	31/1/2018	S151 Officer	High	External Audit qualification of accounts	4 4 4x4=16		To keep under review
26	31/1/2018	S151 Officer	Medium	Failure to establish effective arrangements to	3 4 3x4=12		
27	31/1/2018	CEO	Medium	Failure to establish effective arrangements to	3 3 3x3=9		
28	31/1/2018	CEO	High	Ineffective systems and/or Mismanagement of	4 4 4x4=16		
29	31/1/2018	CEO	Medium	Inability to attract external funding - private	3 3 3x3=9		

Strategic Risks

31	31-Jan	CEO	Medium	Stakeholder and political relations	3 3 3x3=9	Devolution of new powers/budgets from CG to CA	Develop appropriate consultation measures
32	31-Jan	CEO	Medium	Objectives	3 3 3x3=9	reputation damage of CA if do not deliver devolution	Assurance/ Monitoring & Evaluation
33	31-Jan	CEO	Medium	Mayoral impact	3 3 3x3=9	Limitations of legal and constitutional powers may	
34	31-Jan	CEO	Medium	Governance/Assurance	3 3 3x3=9	clear governance structures to allow effective and	Assurance/M&E Frameworks in place and
35	31-Jan	CEO	Medium	Performance	3 4 3x4=12	performance management Framework effective to	Develop a performance management
36	31-Jan	CEO	Medium	Projects	3 4 3x4=12	effectively appraised and managed consistently (e.g.	Need to establish 'Strategic'
37	31-Jan	CEO	High	Resources	4 4 4x4=16	Capacity in councils are insufficient or conflict with	Need to appoint/commission a range of
38	31-Jan	CEO	Medium	Delivery	3 4 3x4=12	capital and revenue activities require appropriate	Steps being taken to introduce appropriate
39	31-Jan	CEO	Medium	External Markets	3 3 3x3=9	Plans need to allow for outside factors.	Obtain external advice guidance from
40	31-Jan	CEO	Medium	Financial	3 4 3x4=12	Growth forecasts, precepts etc. assumed in deal need	Appropriate systems being introduced

Project Risks

Assign an ID number to risk	Date entered on log	Who is responsible for the risk	Use dropdown list to determine type of risk	Describe the risk and its impact if it happens	Using the risk matrix, what is the likelihood of it happening, the level of impact if it does happen and the overall score (colour the boxes accordingly)			What are the response actions?
16	14/2/2018	Transport Director		Insufficient officer resources result in delays to transport programmes				Project management support being provided by Cambridgeshire County Council and Peterborough City Council. New officer organisational structure provisionally approved and recruitment underway. Resource requirements to be reviewed
17	14/2/2018	Transport Director		Lack of in-house officer expertise covering specialist transport functions as well as supporting functions such as procurement				Specialist support being sought from Cambridgeshire County Council, Peterborough City Council and the private sector as required. New officer organisational structure, with provision for greater transportation capacity and capacity, provisionally approved and recruitment underway. Consider appointment of a 'technical advisor' to provide ad hoc technical support
18	14/2/2018	Transport Director		Insufficient supplier resources to deliver transport programmes				Drawing upon a wide range of procurement routes including Cambridgeshire County Council and Peterborough City Council's highway contracts, other relevant frameworks, and standalone procurement as required. Develop a wider transport deliver programmes to identify peaks in resources and enable early engagement with suppliers.
19	14/2/2018	Transport Director		Ongoing transport activities do not align with the Combined Authority's strategic transport objectives.				Interim Local Transport Plan (LTP) in place, recognising its limitations. Development of a new LTP to commence shortly.
20	14/2/2018	Transport Director		Inter-dependencies between key projects not fully understood				Regular Directors' meetings help to improve cross-function communication. Direct communications between individual project teams.
21	14/2/2018	Transport Director		Significant public opposition to major transport programmes results in reputational damage and delays to delivery.				Transport Director to retain an overview of all projects. Key inter-dependencies to be set out in project briefs. Communication and sharing of knowledge across project teams to be promoted. Project conclusions and recommendations to be revisited, as appropriate, as new information becomes available.
22	14/2/2018	Transport Director		Failure to achieve statutory consents or delays due to Judicial Reviews or the perceived risks of Judicial Reviews				Professional/legal advice to be sought on the statutory processes available to ensure that the most appropriate route is selected for each project. Seek professional support in the preparation of and navigation through the statutory consents processes on a project by project basis. Adopt a balanced approach to the consents process, weighing up the need to progress projects quickly against meeting statutory requirements.
23	14/2/2018	Transport Director		Conflicting priorities between the transport projects being promoted, developed and delivered by different organisations within the Combined Authority area.				Transport governance arrangements under development in consultation with Cambridgeshire County Council, Peterborough City Council and the Greater Cambridge Partnership. The Combined Authority's strategic transport priorities to be set out in the new LTP.
24	14/2/2018	Transport Director		Programme slippage and cost over-runs				Strategic Client Group in operation comprising the Transport Director and senior officer representation from the Cambridgeshire County Council, Peterborough City Council and others as required. Individual project performance, including programme, cost and risk status, to be reported monthly using Highlight Reports. Risk registers to be used on all projects. Project Managers and/or Programme Managers to be in place on all projects.
25	14/2/2018	Transport Director		Poor service from delivery partners, eg Cambridgeshire County Council and Peterborough City Council				Strategic Client Group in operation comprising the Transport Director and senior officer representation from the Cambridgeshire County Council, Peterborough City Council and others as required. Individual project performance, including programme, cost and risk status, to be reported monthly using Highlight Reports. Risk registers to be used on all projects. Project Managers and/or Programme Managers to be in place on all projects.

26	14/2/2018	Transport Director		Poor quality outputs from suppliers				Effective contractual arrangements to be put into place which are commensurate with the value and nature of individual projects. Quality to be a key criteria on the selection of suppliers, built into procurement processes. Contracts will not be awarded solely on the basis of lowest price. Regular progress meetings to be held with suppliers to monitor performance. Key issues will be escalated to the Strategic Client Group. Independent reviews undertaken of all key outputs. Consideration to be given to the appointment of a technical advisor.
27	14/2/2018	Transport Director		The delivery of major transport projects delayed due to the volume of decisions being passed before the Combined Authority Board.				Strategic projects by their very nature will require Board decisions but, wherever possible, non-strategic project decisions should be combined into multi-project programmes of work. Consideration being given to delegating responsibility for the delivery of less strategic projects to the constituent organisations of the Combined Authority. Review Board governance with consideration of a sub-committee for transport
28	14/2/2018	Transport Director		Excessive expenditure on major projects which do not progress to the implementation stage				HM Treasury's Five Case Business Case Model to be adopted. The case for investment to be reviewed (and stopped if necessary) at feasibility, Strategic Outline Business Case, Outline Business Case, procurement of construction, and Full Business Case stages.
29	14/2/2018	Transport Director		Funding not secured to enable projects to proceed				The case for funding (and potential sources of funding) to be considered at Strategic Outline Business Case, Outline Business Case and Full Business Case stages. Innovative funding sources, such as land value capture and Mayoral Community Infrastructure Levy, currently being investigated. Investment in the early development of projects to ensure that these are sufficiently developed to support robust funding bids in the future.
30	14/2/2018	Housing Director	Medium/high	Ability to commit funds by 31 March 2022				
31	14/2/2018	Housing Director and Delivery Partners	medium	Ability to secure a robust pipeline comprising a mix of schemes (volume shorter term schemes, CLTs, strategic sites)				Strong partnership arrangements
32	14/2/2018	Housing Directors	medium	£100m - ability to achieve 2,000 start on sites by 31 March 2022				CA engagement with range of providers – smaller and large national RPs, Homes England etc. CA encouraging a consortium approach to housing delivery to improve the likelihood of delivery.
33	14/2/2018	Housing Director and CCC	medium	£70m – ability to achieve 500 start on sites by 31 March 2022				
34	14/2/2018	Housing Director	medium	£100m – ability to demonstrate all CA areas have benefitted				
35	14/2/2018	?	medium	Capacity of the construction industry to build the homes to this timeframe				Strong partnership arrangements
36	14/2/2018	Housing Director	medium	Land led development opportunities susceptible to significant increases in build costs. Increases that outstrip the rate of house price inflation may lead to schemes becoming unviable.				Larger Schemes which benefit from economies of scale will provide better value for money. Schemes which become unviable may be evaluated for grant or loan investment if they become stalled sites.
37	14/2/2018	?	Medium	Higher than expected increases in labour and build costs				
38	14/2/2018	Housing Director	Medium	Planning delays hinder ability to bring forward schemes in a timely manner				Review of internal planning processes to seek appropriate approvals at speed. CA will liaise with LAs to enable timely planning consents. CA will engage with the senior planners group to ensure that the programme is fully understood and that
39	14/2/2018	Housing Director	Low	Volatility in economic markets, interest rate rises lead to a lack of consumer confidence in the housing market and this may slow the pace of delivery in private sector led developments.				CA to support mixed portfolio of investment proposals (e.g. including opps outside of house builder control)?
40	14/2/2018	Housing Director	Low	Lack of mortgage availability prevents the sale of new homes at expected levels				

41	14/2/2018	Delivery Partners	Low	Individual development opportunities / schemes risk areas (site issues, construction issues, end user funding etc)				Continuous management by Delivery Partners
42	31/1/2018	CEO	Medium	Lack of evidence to support that devolution has improved the local economy				M&E reports and data from appropriate sources – Economic Commission, Business Board etc
43	31/1/2018	Transport Director	Medium	Lack of evidence that investment in transport stimulates economic growth				Research is mixed but evidence likely to show a clear link in the CPCA region
57	19/2/2018	CEO	Low	Failure to deliver CPIER				
58	19/2/2018	CEO	Medium	Lack of CA political support for CPIER recommendations				
59	19/2/2018	CEO	Medium	Securing 2018/19 and 19/29 funding for CPIER				
60	19/2/2018	Interim Assistant Director	Low	Ability to develop Local Industrial Strategy within Government deadlines				
61	19/2/2018	Interim Assistant Director	Medium	Delivery of St Neots Masterplan for Growth (agreeing funding through development of business case)				
62	19/2/2018	Interim Assistant Director	Low	Agreement for roll-out of Market Town Masterplan Programme, and sufficient resource to deliver				
63	19/2/2018	Interim Assistant Director	Low	Failure to deliver Market Town Masterplan programme				
64	19/2/2018	CEO / Interim Assistant Director	Low	CA Board support for Phase 1 of the Strategic Spatial Framework				
65	19/2/2018	CEO / Interim Assistant Director	Low	Legal basis of Phase 1 of the Strategic Spatial Framework is not appropriately understood				
66	19/2/2018	CEO / Interim Assistant Director	Low	Lack of resource and funding to deliver Phase 1				
67	19/2/2018	CEO / Interim Assistant Director	Medium	Lack of resource and funding to service the Land Commission				
68	19/2/2018	CEO / Interim Assistant Director	High	CA Board approval for status and resourcing for Phase 2 Strategic Spatial Framework				
69	19/2/2018	CEO / Interim Assistant Director	Low	Understanding and responding to the inter-dependencies between spatial planning and other portfolios				



AUDIT AND GOVERNANCE COMMITTEE	AGENDA ITEM No: 9
26th MARCH 2018	PUBLIC REPORT

ANTI-FRAUD, BRIBERY AND CORRUPTION POLICY AND STRATEGY STATEMENT

1.0 PURPOSE

- 1.1 The public is entitled to expect the Combined Authority to conduct its affairs with integrity, honesty and openness and demand the highest standards of conduct from those working for it. The Authority has set out its commitment to protecting the public funds entrusted to it, so as to maximise the resources available for providing community leadership and quality services in the form of an Anti-fraud, Bribery and Corruption Policy and Strategy Statement. This report sets out the document for the information of Members.

<u>DECISION REQUIRED</u>	
Lead Officer:	Martin Whiteley Chief Executive Officer
The Audit and Governance Committee is recommended to: (a) Note the policy and strategy outlined in the Anti-fraud, Bribery and Corruption Policy and Strategy. b) Note the aim of the policy and strategy is to take firm action in all cases in accordance with relevant policies and procedures and take the steps outlined in the statement to minimise the incidence of, and losses to, fraud and bribery	

2.0 BACKGROUND

- 2.1 It is important that the United Kingdom public sector maintains high standards of probity and has a good reputation for protecting the public purse at any time but even more so in the current climate of reduced funds and budget cuts. The minimisation of losses to fraud and bribery is therefore essential for ensuring that resources are used for their intended purpose and sound systems of public

accountability and transparency are vital to effective management and in maintaining public confidence.

2.2 The Combined Authority has developed a policy and strategy designed to express its commitment to:

- A firm approach and the maintaining of high ethical standards in its administration of public funds;
- Strengthening its anti-fraud and bribery culture;
- Minimising the incidence of, and losses to, fraud and bribery;
- Developing greater capability and capacity to punish offenders and recover costs as well as losses. The Policy & Strategy Statement also outlines the mechanisms in place to acknowledge the Authority's fraud and bribery risks, to prevent them from occurring and to fully pursue anyone intent on defrauding the Authority.

2.3 The success of the strategy will be measured by the extent to which fraud is minimised and proven cases of fraud, bribery or other irregularity are subject to the severest sanctions being imposed, based on the circumstances of each case.

3.0 THE AIMS OF THE POLICY AND STRATEGY STATEMENT

3.1 The Authority's policy on fraud, bribery and corruption (including theft and other general wrongdoing) is to take firm action in all cases in accordance with relevant policies and procedures.

3.2 With this in mind the Authority aims to:

- Continually review and assess its fraud and bribery risks and implement actions to minimise the likelihood of them materialising;
- Ensure all employees and Members are aware of their individual and collective responsibilities relating to the prevention and detection of fraud;
- Discourage and prevent incidents of fraud and bribery from occurring, particularly in the areas of greatest risk;
- Promote and enhance detection routines to identify any incidents that do occur;
- Investigate and respond effectively to minimise the impact of any suspected or identified incidents of fraud and bribery affecting the Authority;
- Strengthen any weaknesses in control systems identified from the investigative process to prevent any recurrence of the situation;
- Take the strongest possible action against proven perpetrators of fraud or bribery, including offences committed by employees, taking account of the circumstances of each case;
- Recover any identified losses stemming from confirmed cases of fraud or bribery in addition to any associated investigation costs.

The document is attached as an appendix to this report.

The related Whistleblowing and third party reporting policy is elsewhere on the agenda.

4.0 FINANCIAL IMPLICATIONS

4.1. 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: THE ANTI-FRAUD, BRIBERY AND CORRUPTION POLICY AND STRATEGY STATEMENT

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

Anti-Fraud, Bribery, Corruption Policy and Strategy Statement

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Appendix: Fraud Response Plan

1. FOREWORD

1.1 The Current Climate and the Authority Stance

1.1 It is important that the United Kingdom public sector maintains high standards of probity and has a good reputation for protecting the public purse. The minimisation of losses to fraud and bribery is therefore essential for ensuring that resources are used for their intended purpose and sound systems of public accountability and transparency are vital to effective management and in maintaining public confidence. The Cambridge and Peterborough Combined Authority (CPCA) shares these high standards and is committed to protecting the public funds entrusted to it, so as to maximise the resources available for providing community leadership and quality services.

1.2 The public is entitled to expect the CPCA to conduct its affairs with integrity, honesty and openness and demand the highest standards of conduct from those working for it. This Corporate Anti-Fraud & Bribery Policy & Statement outlines the Authority's commitment to:

- A firm approach and the maintaining of high ethical standards in its administration of public funds;
- Strengthening its anti-fraud and bribery culture;
- Minimising the incidence of, and losses to, fraud and bribery;
- Developing greater capability and capacity to punish offenders and recover costs as well as losses. The Policy & Strategy Statement also outlines the mechanisms in place to acknowledge the Authority's fraud and bribery risks, to prevent them from occurring and to fully pursue anyone intent on defrauding the Authority.

1.3 In considering the CPCA's policy and strategic issues, account has been taken of Government and Professional Institution guidance and best practice stemming from:

- National Fraud Authority (NFA) publications and guidance, including the national strategy "Fighting Fraud Together" and the more specific strategy relevant to local government "Fighting Fraud Locally";
- Audit Commission "Protecting the Public Purse" reports;
- The Chartered Institute of Public Finance and Accountancy (CIPFA) guidance including "Managing the Risk of Fraud" "Fraud Risk Evaluation Diagnostics";
- Government publications such as "Eliminating Public Sector Fraud" produced by the Counter Fraud Taskforce and "Tackling Fraud and Error in Government" produced by the Fraud, Error and Debt Taskforce; and
- Legislation requirements.

1.4 The success of the strategy will be measured by the extent to which fraud is minimised and proven cases of fraud, bribery or other irregularity are subject to the severest sanctions being imposed, based on the circumstances of each case.

1.5 Proven cases involving employees are dealt with through the Authority's disciplinary process with any identified losses recovered. Successful prosecutions and disciplinary hearings are

publicised, taking account of any restrictions on reporting. Employees and Members are provided with training and are aware of their anti-fraud and bribery responsibilities.

2. THE POLICY

2.1 Aims

2.1.1 The CPCA's policy on fraud, bribery and corruption (including theft and other general wrongdoing) is to take firm action in all cases in accordance with relevant policies and procedures.

2.1.2 With this in mind the Authority aims to:

- Continually review and assess its fraud and bribery risks and implement actions to minimise the likelihood of them materialising;
- Ensure all employees and Members are aware of their individual and collective responsibilities relating to the prevention and detection of fraud;
- Discourage and prevent incidents of fraud and bribery from occurring, particularly in the areas of greatest risk;
- Promote and enhance detection routines to identify any incidents that do occur;
- Investigate and respond effectively to minimise the impact of any suspected or identified incidents of fraud and bribery affecting the CPCA;
- Strengthen any weaknesses in control systems identified from the investigative process to prevent any recurrence of the situation;
- Take the strongest possible action against proven perpetrators of fraud or bribery, including offences committed by employees, taking account of the circumstances of each case;
- Recover any identified losses stemming from confirmed cases of fraud or bribery in addition to any associated investigation costs.

2.2 Definitions

2.2 .1 The policy requires that there is a good understanding of what constitutes fraud, bribery or other general wrongdoing so that relevant actions can be taken that are commensurate with a zero-tolerance approach. The following definitions are provided with this in mind:

- **Fraud:** is the intentional distortion of financial statements or other records by persons internal or external to the Authority, which is carried out to obtain an advantage, avoid an obligation or cause loss to another party. Fraud is therefore a deliberate, dishonest act by an individual or group of people, which can be committed, as defined by The Fraud Act 2006, as:
 - False representation;
 - Failing to disclose information; and
 - Abuse of position.
- **Bribery:** is offering, promising or giving someone a financial or other advantage to induce or reward that person to perform their functions or activities improperly as defined by The Bribery Act 2010, which came into

force 1st July 2011. It is also an offence to request, receive or accept a bribe. The Bribery Act 2010 also introduces a corporate offence of failing to prevent bribery, which requires adequate procedures to be in place and appropriately supported from the highest level of the organisation.

- Theft: is the dishonest appropriation of property belonging to another with the intention of permanently depriving the other of it. For the purpose of this Policy, "borrowing" of any CPCA funds for personal use will be classed as theft.

2.2.2 The above definitions cover such acts as deception, forgery, extortion, blackmail, conspiracy, collusion, embezzlement, false accounting / false representation, concealment of material facts, the offering of a gift or reward to influence a person's actions and misappropriation.

2.2.3 Fraud includes the following:

- Internal fraud and corruption including income misappropriation, manipulation of pension and payrolls and false invoices and other forms of payments to creditors;
- External frauds perpetrated on the organisation in various ways in particular via the manipulation of information technology systems and cyber attacks by external sources(see 3.4 below);
- Targeted frauds involving the devolution of management functions to external organisations thereby losing strong central controls and a lack of separation of duties; and
- Procurement fraud which refers to any fraud relating to the purchasing of goods and services and defined by the National Fraud Authority as follows:

"Procurement fraud covers the entire procure –to-pay lifecycle, including fraud in the tender bidder selection and contract award stages (for example, illicit cartel activity or bribery of an official to influence the tendering process ;)as well as fraud occurring during the life of the contract (for example, false, duplicate or double invoicing).Procurement fraud can occur with or without the collusion of an employee within an organisation (sometimes referred to as an 'insider'), and is prevalent across all sectors of the UK."

2.2.4 In recent years the need for cyber security has become a strategic necessity. Significant attacks on public sector organisations have occurred in growing numbers. The attacks arise from the use of malware triggered unknowingly by employees clicking on malicious email attachments. The WannaCry ransomware attacks in the NHS in 2017 demonstrated how damaging such attacks can be as well as being a means of extorting money from susceptible organisations.

2.2.5 The Authority will be required to collaborate with a number of partners to deliver major projects and services and this will have significant implications for the ways in which the CPCA will need to manage its exposure to procurement fraud risk. In consequence there is need to adapt existing approaches to risk management of partnerships and contracts to minimise the opportunity for fraud.

2.2.6 Responsibility for the performance of a third party provider exposes the CPCA to a different ways of procurement fraud. Third parties have different business models, governance standards, levels of risk acceptance and approaches to risk management. Each relationship with a third party is unique and will expose the Authority to failure and its associated impact in a different way. The CPCA will control the risk of fraud by: carefully managing the procurement process to secure suitable providers; conduct rigorous due diligence review of potential contractors and joint venture partners; mitigate the risk of fraud through project management arrangements and effective reporting systems.

2.2.7 The CPCA is a fledgling organisation at present relying entirely on the information technology services provided by constituent authorities, in particular Peterborough City Council for a range of financial services including the provision of internal audit. In accordance with the Authority's policies on bribery and corruption the CPCA focus has centred on ensuring that its service deliverers are aware of the high standards of probity and security required. Given the increasing development of the CPCA it is recognised that migration to acquiring its own systems is a distinct possibility during the devolution term. In that event the Authority will give the highest priority to the safeguarding of the systems through the use of high quality counter fraud measures and the provision of cyber security.

2.2.8 The CPCA is committed to finding effective ways of combating fraud, bribery and corruption. These include ensuring that managers understand and accept their responsibilities, encouraging a culture that does not tolerate fraud, bribery and corruption and identifying and addressing specific risk areas.

2.2.9 Bribery includes the following:

- a financial or other advantage is offered, given or promised to another person with the intention to induce or reward them or another person to perform their responsibilities or duties improperly (it does not have to be the person to whom the bribe is offered that acts improperly); or
- a financial or other advantage is requested, agreed to be received or accepted by another person with the intention of inducing or rewarding them or another person to perform their responsibilities or duties inappropriately (it does not have to be the person who receives the bribe that acts improperly).

It does not matter whether the bribe is:

- given or received directly or through a third party (such as someone acting on the CPCA's behalf, for example an agent, distributor, supplier, joint venture partner or other intermediary); or
- for the benefit of the recipient or some other person.

Bribes can take many forms, for example:

- money (or cash equivalent such as shares);
- unreasonable gifts, entertainment or hospitality;
- unwarranted rebates or excessive commissions (e.g. to sales agents or marketing agents);

- unwarranted allowances or expenses;
- “facilitation” payments/payments made to perform their normal job more quickly and/or prioritise a particular customer;
- political/charitable contributions;
- uncompensated use of services or facilities; or anything else of value.

A breach of bribery laws can result in fines for both the organisation and the individual involved and could also result in imprisonment.

2.3 Desired Outcome

2.3.1 The overall objective of the CPCA’s policy is to minimise the incidence of fraud, bribery or other wrongdoing from both internal and external sources and in this respect the Authority recognises the importance of a strong governance framework, culture and the provision of adequate training and awareness sessions for employees and Members. This will enable everyone to:

- be alert to the possibility of fraud, bribery and other wrongdoing;
- allow suspect activity to be recognised and appropriately reported;
- ensure matters are sufficiently investigated and action taken in line with the aims noted at 2.1 above.

3. THE STRATEGY

3.1 Corporate Framework and Culture

3.1.1 Good Corporate Governance requires that the CPCA is firmly committed to dealing with fraud and bribery and will deal equally with perpetrators from inside and outside the Authority. To this end the CPCA has adopted the National Strategy for countering fraud and bribery in Local Government “Fighting Fraud Locally”, which depicts objectives of Acknowledge, Prevent and Pursue, whereby the CPCA will aim to: acknowledge and understand its fraud risks; prevent and detect more fraud; and pursue fraudsters through stronger punishments and recovery of losses.

3.1.2 All cases will therefore be viewed seriously and following investigation the action taken will be as strong as possible in line with the merits of each case and in accordance with various Codes, Rules, Procedures, Protocols, Policies and other documents applicable to the CPCA.

3.1.3 The wide range of interrelated documents referred to above provide a corporate framework to counter the possibility of fraudulent activity and / or bribery. These have been formulated taking account of appropriate legislative requirements and expected standards relating to public sector life which include, amongst others: Codes of Conduct for Members and Employees; Financial and Contract Procedure Rules; Disciplinary Procedures; Whistleblowing Code of Practice; Complaints Procedures; Code of Corporate Governance; Gifts and Hospitality Protocols; and the Register of Employee Interests. Such documents guide Members and employees alike and set the ethical standards to which they should operate.

3.1.4 The expectation is that elected / co-opted Members and employees of all levels will adopt the highest standards of propriety and accountability and demonstrate that the CPCA is acting in a transparent and honest manner. Consequently, any Member / co-opted Member of the Authority

who commits a fraudulent act against the CPCA or is involved with bribery in the performance of their duties will be subjected to the Authority's procedures for dealing with complaints of misconduct against Members operated via the CPCA's Monitoring Officer and may be reported to the Police.

3.1.5 Any CPCA employee committing a fraudulent act against the Authority or found to be involved with bribery in the performance of their duties will be subjected to the CPCA disciplinary procedures and may be reported to the Police. The internal action in relation to both Members and employees will be entirely separate to any criminal sanction which may be pursued

3.1.6 The highest standards are also expected from all organisations that have dealings with the CPCA. Suppliers, contractors, consultants, partners and other organisations funded by the Authority are therefore expected to adopt or abide by the CPCA's policies, procedures, protocols and codes of practice. The Authority will consider the extent to which it has further involvement with any organisation that fails to abide by the expected standards.

3.1.7 The CPCA believes that the maintenance of a culture of honesty and openness, based on values such as fairness, trust and integrity is a key element in tackling fraud and bribery. In this respect, each Member and employee of the CPCA is under a duty to report any reasonable suspicions and is encouraged to raise any concerns about fraud and bribery, in the knowledge that such concerns will be properly investigated. To this end, the CPCA has a Whistleblowing Policy to protect anyone who wishes to raise concerns in good faith about behaviour / practice.

3.1.8 When fraud and / or bribery has occurred due to lack of internal control or an identified breakdown in controls, the relevant Corporate Director will be responsible for ensuring appropriate improvements in systems of control are implemented in order to minimise the risk of recurrence. Where investigations are undertaken by Internal Audit, an audit report will be produced on any control weaknesses and follow up action undertaken as appropriate to ensure the implementation of improvements.

3.2 Acknowledging Fraud and Bribery Risks

3.2.1 The CPCA's Internal Audit & Risk Service Manager in undertaking a Corporate Fraud Risk Assessment and will liaise with service management with a view to ensuring the CPCA identifies and understands its key fraud risks, and can take the necessary action to mitigate those risks to the desired level. The Fraud Risk Assessment takes account of the content of any fraud reports and other publications regarding fraud within the Public Sector published by various professional bodies.

3.2.2 There is a Corporate Risk Management process whereby all service areas are required to review their risks on a regular basis and consider their "Financial Crime / Fraud Risk" within their own areas of activity and take action accordingly.

3.2.3 The CPCA has undertaken a 'fraud loss profile' utilising an online diagnostic tool produced by the National Fraud Authority, which highlights a predicted level of fraud within key areas of risk relating to the public sector. Account has been taken of the predicted levels of loss relative to the Authority's level of spend and other statistics, and assessed against local arrangements and controls as part of the Fraud Risk Assessment referred to at 3.2.1 above.

3.2.4 There is a variety of arrangements in place, which facilitate the regular exchange of information between CPCA and other local authorities including combined authorities for the purpose of maintaining an awareness of developing fraud and bribery issues and particularly emerging risks as fraudsters develop increasingly innovative schemes for committing fraud. Such arrangements include national, regional and local networks of various employee levels, which meet on a periodic basis with a view to increasing awareness of current issues and information to enable appropriate action to be taken to address emerging risks by adopting best known practice.

3.2.5 There is also an intelligence gathering, collation and dissemination service on fraud known as the National Anti-Fraud Network (NAFN), of which constituent authorities ...are members. The NAFN issue regular alerts of recent fraudulent activity noted from several sources, including member feedback, and provide services regarding any subsequent investigations that its members may feel warranted.

3.3 General prohibition

3.3.1 All forms of bribery and corruption are prohibited. The CPCA will not tolerate any act of bribery or corruption. Any breach of this policy or local law could result in disciplinary action being taken and ultimately could result in dismissal.

3.3.2 A bribe does not actually have to take place - just promising to give a bribe or agreeing to receive one is prohibited. Bribery is prohibited when dealing with any person whether they are in the public or private sector and the provisions of this policy are of general application.

Gifts and Hospitality

3.3.3 Giving or receiving gifts or hospitality is often an important part of maintaining and developing business relationships. However, all gifts and hospitality should be for a genuine purpose, reasonable, given in the ordinary course of business and should comply with Hospitality and Expenses Policies

3.3.4 Lavish or unreasonable gifts or hospitality, whether these are given or received, are unacceptable as they can create the impression that it is an attempt to obtain or receive favourable business treatment by providing individuals with personal benefits. In addition, gifts and hospitality can themselves be a bribe. It is important to avoid even the appearance that the giving or accepting of gifts or hospitality might influence the decisions taken on behalf of the Authority.

Facilitation payments

3.3.5 Facilitation payments are any payments, no matter how small, given to an official to increase the speed at which they do their job. For example, this could include speeding up decision making. All facilitation payments are generally prohibited. Any request for a facilitation payment should be reported to service managers and/or Internal Audit.

Agents, contractors, suppliers and joint venture partners

3.3.6 As a commissioning organisation the CPCA engages a range of organisations to deliver services on behalf of the Authority agents. These 'third parties' include constituent authorities, agents, contractors, suppliers and joint venture partners all of which could be liable for the acts of people

that act on behalf of the CPCA. As such the CPCA is committed to promoting compliance with effective anti-bribery and corruption policies by all third parties acting on behalf of the Authority. All third parties should be made aware of the terms of the CPCA Code of Conduct requirements and of their obligations to comply with it.

3.3.8 All arrangements with third parties should be subject to clear contractual and/or Service Level Agreement terms including specific provisions requiring them to comply with minimum standards and procedures in relation to bribery and corruption. Appropriate due diligence should be undertaken before any third parties are engaged. The appropriate level of due diligence will vary depending on the circumstances and judgement used on a case by case basis. Some high risk transactions require further due diligence which may require independent investigation. Entering into any joint venture arrangement without prior approval is prohibited.

3.4 Preventing Risks Materialising

3.4.1 The CPCA recognises that incidents of fraud and bribery are costly; both in terms of reputational risk and financial losses (either directly through the loss of cash / assets and / or through the utilisation of resources in dealing with and resolving any identified cases). The prevention of fraud and bribery is therefore a key objective of the Authority and respective roles and responsibilities are prescribed with a view to developing a preventative culture and environment:

Role of Members

3.4.2 As elected representatives, all Members of the CPCA have a duty to protect the Authority from any acts of fraud and bribery and ensure that resources are used prudently and within the law to safeguard public money. Members including the Mayor, are required to operate and adhere to the CPCA's Constitution, which incorporates a Code of Conduct for Members. The Code includes rules regarding: the disclosure of relationships; the declaration of gifts and hospitality; and registering personal interests.

3.4.3 Elected Members sign a declaration that they have read and understood the Code of Conduct for Members when they take office. Conduct and ethical matters are specifically brought to the attention of Members during induction and officers advise Members of new legislative or procedural requirements, with the expectation that training will be provided to Members where required. In this context, any offence committed by a Member of the Authority in their private life, for which they are convicted of a criminal offence, should be brought to the attention of the Monitoring Officer by the Member concerned, with a view to enabling an appropriate risk assessment of any possible impact on their Authority role. It should be noted that conviction of a criminal offence does not necessarily mean attendance at court, as in the case of accepting a speeding offence and paying the fine. All such offences should be disclosed to ensure that a full risk assessment can be undertaken.

Role of Monitoring Officer

3.4.4 The CPCA's Monitoring Officer has a statutory responsibility to advise the Authority on the legality of its decisions and to ensure that the CPCA's actions do not give rise to illegality or maladministration. The Monitoring Officer also encourages the promotion and maintenance of high

standards of conduct within the Authority, particularly through the provision of support to the role of Section 151 Officer

3.4.5 Section 151 of the Local Government Act 1972 places a statutory responsibility on the Authority to appoint a 'Section 151 Officer' to ensure the proper administration of the Authority's financial affairs. To this end, the Section 151 Officer will advise all Members and employees regarding financial propriety, probity and budgetary issues. The Section 151 Officer role is very much supported by the work undertaken by Internal Audit.

Role of Management

3.4.6 Managers at all levels are responsible for establishing sound systems of internal control in all of their service's operations, both financial and otherwise, such that the CPCA has sound methodologies for administering its responsibilities in the provision of services. 'Internal control' means the systems of control devised by management to ensure the Authority's objectives are achieved in a manner that promotes economic, efficient and effective use of resources. Such systems must safeguard the CPCA's assets and interests from fraud, bribery and other wrongdoing and steps must be taken to enhance them as necessary following any identified incident of fraud, bribery or other wrongdoing, or if weaknesses in controls are identified through other means.

3.4.7 Managers are also responsible for ensuring that their employees are aware of the Authority's Constitution (including the related policies, protocols, codes and procedures and in particular the Code of Conduct for Employees and the Anti-Fraud and Bribery Policy) and that the requirements of each are being met in their everyday business activities.

3.4.8 Managers are expected to create an environment within which employees feel able to approach them with any concerns they may have about suspected irregularities and adhere to the Whistleblowing Policy when applicable.

3.4.9 The CPCA recognises that a key preventative measure in dealing with fraud and bribery is for managers to take effective steps at the recruitment stage to establish, as far as possible, the honesty and integrity of potential employees, whether for permanent, temporary or casual posts and agency staff. The Authority's formal recruitment procedure contains appropriate safeguards in the form of written references, the verification of qualifications held and employment history.

3.4.10. Management is also required to ensure that employees are properly trained to discharge the responsibilities allocated. Once training has been provided, performance is monitored and action taken where appropriate to ensure adherence to proper practices / agreed procedures.

Role of Employees

3.4.11 Employees are governed in their work by the various policies, protocols, codes, rules and procedures, particularly regarding conduct issues and are responsible for ensuring that they follow any instructions given to them by management, particularly in relation to the safekeeping of assets. In this context, any act committed by an employee of the Authority in their private life, for which they are convicted of a criminal offence, should be brought to the attention of their line manager by the employee concerned, (in line with the requirements of the Employee Code of Conduct), with a view to enabling an appropriate assessment of any possible impact on their job role and the

instigation of any action to address associated risks. Failure to do so, should the matter come to light through other means, may result in investigation under the CPCA Disciplinary Procedure.

3.4.12 Line managers should consult with Internal Audit and HR in assessing risks to the Authority regarding any notification by an employee of a criminal conviction.

3.4.13 Employees also have a duty to be alert to the possibility that fraud and bribery may exist in the workplace and are obliged to share (with management or other agreed body as detailed in the Fraud Response Plan at Appendix 1) any concerns they may have. Employees are protected under the Whistleblowing Policy, where required, regarding any concerns they raise in good faith.

Role of Internal Audit

3.4.14 Internal Audit independently monitors the existence, appropriateness and effectiveness of internal controls as a service to management and thereby plays a vital preventative role. Internal Auditors are empowered through the Authority's Financial Procedure Rules and as agreed in the SLA with Peterborough City Council terms of reference to:

- Enter at all reasonable times any Authority premises or land;
- Have access to all records, documentation and correspondence relating to any financial and other transactions as considered necessary;
- Have access to records belonging to third parties such as contractors when required (dependent on rights of access clauses within individual contracts / agreements);
- Require and receive such explanations as are regarded necessary concerning any matter under examination;
- Require any employee of the CPCA to account for cash, stores or any other CPCA property under their control or possession.

3.4.15 Internal Audit work results in a liaison / reporting process whereby changes in procedures are recommended / agreed with management with a view to reducing risks and preventing losses to the Authority

3.4.16 Internal Audit also follows up and informs management as to the extent that such agreed action has been implemented. Internal Audit has reporting lines to the highest levels of authority within the CPCA, enabling any failure to implement agreed action to be appropriately challenged.

3.4.17 In addition to the independent assurance role outlined above, Internal Audit has a significant proactive and reactive role to play in the Authority's fight against fraud. In supporting the s151 Finance Officer, Internal Audit fulfils the following role:

- Production and periodic update of this Policy document;
- Coordinating completion and ongoing review of a Corporate Fraud Risk Assessment in liaison with relevant Managers, aimed at assessing and evaluating the CPCA's vulnerability to significant fraud;
- Dealing with fraud concerns in line with the Fraud Response Plan detailed at Appendix 1 of this Policy;

- Periodic review of the Authority's arrangements for acknowledging; preventing and pursuing fraud, including developing and coordinating implementation of an Anti- Fraud Action Plan;
- Coordinating provision of training to Members and officers on anti-fraud related issues;
- Proactive testing of CPCA transactions / activity in areas at risk of fraud in order to provide levels of assurance on processes in place.

Role of External Audit

3.4.18 Independent external audit is an essential safeguard of the stewardship of public money. Our external carry this out through specific reviews that are designed to test (amongst other things) the adequacy of the Authority's financial systems and arrangements for preventing and detecting fraud and bribery. It is not the external auditors' function to prevent fraud and irregularities, but the integrity of public funds is at all times a matter of general concern. External auditors are always alert to the possibility of fraud, bribery and other irregularity, and will act without undue delay if grounds for suspicion come to their notice.

The external auditor has a responsibility to review the Authority's arrangements for preventing and detecting fraud and irregularities within financial statements, and arrangements designed to limit the opportunity for bribery.

Role of Partners, Contractors, Suppliers and other Organisations associated with the CPCA

3.4.19 All organisations associated with the Authority are expected to take a proactive role in ensuring the occurrence of fraud and bribery is minimised regarding any dealings with the CPCA , in line with the due diligence expectations portrayed by the Bribery Act 2010. The standards expected are often set out through legal agreements, which specify the requirements of the CPCA, when setting up partnerships and other contractual arrangements. However in the interests of good working relationships and continued dealings with the Authority, all associated organisations have a general duty to be vigilant regarding the possibility of fraud and bribery, irrespective of any legal agreement, with a view to reporting any suspicions in accordance with the principles stemming from the CPCA's own policies, procedures and standards, which includes possible referral to the Police.

Role of the Public

3.4.20 Whilst this policy is primarily aimed at those within or directly associated with the Authority, the public has a role to play in that they should be honest in their dealings with the CPCA and inform appropriate Members / employees if they feel that fraud, bribery or other wrongdoing may have occurred.

Other Arrangements

3.4.21 Both elected Members and employees must ensure that they avoid situations where there is a potential for a conflict of interest. Such situations can arise with externalisation of services, internal tendering, planning and land issues etc. Effective role separation will ensure decisions made are seen to be based upon impartial advice and avoid questions about improper disclosure of confidential information. Where such conflicts do arise, these should be openly disclosed and recorded and the relevant Member / employee should not be involved in the decision-making

process. Additionally, Members / co-opted Members and employees have a duty to be open and honest about any incidents that they may have been involved in outside of their Authority role, which could adversely impact on the CPCA's reputation or the ability to fulfil their role with impartiality.

3.4.22 Deterrence also acts as a preventative measure against potential wrongdoers by outlining the consequences of committing or attempting fraudulent acts or becoming involved with bribery. The CPCA seeks to deter would-be fraudsters by publicising that:

- The CPCA is firmly against fraud and bribery and will take stern action against perpetrators which may include dismissal of employees, prosecution of offenders and termination of contracts for services;
- The Authority will act robustly and decisively when fraud and / or bribery are suspected and, if proven, will take the strongest action as appropriate bearing in mind all relevant factors of each case;
- CPCA will always seek to maximise recoveries through agreement, repayment, court action, penalties and fines, insurance, employee superannuation benefits or any other means that may be open to them such as the Proceeds Of Crime Act (POCA);
- The Authority has specific powers to impose a penalty or a fine in addition to recovering the actual values involved with some acts of fraud and bribery and will publicise any penalties and fines actually imposed, taking account of any relevant reporting restrictions;
- All cases will be referred to the police where there is sufficient evidence that criminal offences are likely to have occurred;
- The CPCA will liaise with the press with a view to promoting any anti-fraud and bribery initiatives and disclosing the outcomes of investigations undertaken, with a view to creating a naming and shaming ethos, where deemed appropriate and taking account of relevant reporting restrictions.

3.5. Pursuing Offenders

3.5.1 Detecting incidents of suspected fraud and bribery is the first step towards pursuing offenders and recovering any identified losses. Whilst it is not solely an Internal Audit responsibility to detect fraud and bribery (this is the responsibility of management as well), Internal Audit plays an important role in such detection. Internal Audit Plans include reviews of systems of internal control, specific fraud, error and bribery tests, spot checks and unannounced visits. Such work invariably contributes to improved controls / procedures that may aid detection of fraud, bribery and error or otherwise deter it from happening.

3.5.2 Corporate Directors and their managers have responsibility for detecting fraud and bribery and incorporate the following into daily work routines, which may identify concerns requiring:

- further investigation;
- supervisory checks;
- authorisation procedures;
- Random spot checks / observations;

- Other internal checks where the work of one person acts as a check on another person such as 'reconciliation procedures';
- Other operational and management control procedures such as 'Segregation of Duties'.

Additionally, where management has any concerns about the effectiveness of their control systems they should request specific reviews to be undertaken by Internal Audit.

3.5.3, It is often the alertness of employees or members of the public who report their suspicions, which leads to the detection of fraud or bribery. Allegations and complaints are by far the most common means by which incidents of fraud and bribery are detected and as such the Authority treats this type of information seriously; maintaining confidentiality as far as possible and operating in line with the Whistleblowing Policy as applicable.

3.5.4 Awareness of the main indicators of fraud and bribery is also advantageous to the detection of these offences as this aids employees to spot suspicious circumstances and report them accordingly. To this extent the CPCA is committed to training and communicating relevant issues with a view to Members, managers and employees being updated with the relevant facts that will aid their vigilance regarding the identification of fraud and bribery.

3.5.5 The Peterborough City Council's Internal Audit team uses software to review its key systems data and search for potential fraud and error. As with data matching, the output from the data analysis is further investigated with a view to determining whether fraud or error has taken place and reporting outcomes to service management to take action as may be necessary. The intention is to continually make better use of information and technology with a view to enhancing detection of suspected fraud and other wrongdoing, and engaging with management as necessary to further investigate.

3.5.6 Investigation into any suspected or discovered fraudulent activity or bribes will be carried out in accordance with the CPCA's Fraud Response Plan (see Appendix 1) and related protocols with the Police.

3.5.7 Subject to the outcome of an investigation providing evidence of wrongdoing then the CPCA will seek to pursue offenders to the full extent of its powers with a view to concluding the case with the most severe and appropriate sanctions possible under the circumstances of each case. Additionally where a successful criminal prosecution has been achieved and there is evidence of a criminal lifestyle, a financial investigation will be considered in relation to the Proceeds of Crime Act (POCA) 2002.

3.5.8 Where adverse issues are noted in terms of the progress of an investigation or which leads to any subsequent challenge of outcomes from an investigation, then a note will be made of such issues and reported as necessary throughout the CPCA with a view to learning any appropriate lessons and ensuring future investigations avoid such pitfalls. The note will take the form of a 'lessons learned' log, which must be communicated to all those that need to know to ensure continuous learning and suitability of arrangements.

3.6 Training / Continuing Awareness

3.6.1 The CPCA recognises that the success of the anti-fraud and bribery arrangements will, to a degree, depend on the effectiveness of programmed training and continuing awareness of officers and of facilitating the ability of officers to be alert and responsive to fraud and bribery issues.

3.6.2 To facilitate awareness of these arrangements, the CPCA supports the concept of including anti-fraud responsibilities and procedures within induction training for all new Members and employees of the Authority. Support is also given to any more detailed anti-fraud and bribery training that is subsequently deemed to be required with a view to ensuring everyone knows their responsibilities and duties regarding fraud and bribery.

4. CONCLUSION

4.1 The CPCA has in place a robust network of systems and procedures to assist it in the fight against fraud, bribery and corruption. The Authority is determined that these arrangements will keep pace with any future developments for countering fraud and bribery in particular to combat developments in computer fraud. To this end, the CPCA will maintain a continuous overview of cybersecurity developments.

4.2 These anti-fraud and bribery arrangements provide a comprehensive framework for dealing with fraudulent acts, bribes and other wrongdoing against the Authority, which should limit the possibility of any adverse impact. The approval of this Policy & Strategy Statement demonstrates the CPCA's commitment to protecting public funds, minimising losses to fraud and bribery and maintaining its reputation.

4.3 Having made this commitment, it is imperative that Corporate Directors put in place arrangements for informing staff of the Anti-Fraud & Bribery Policy & Strategy; the related Policies, Procedures, Protocols, Codes, Rules and other documents. The CPCA recognises the importance of promoting fraud awareness throughout the organisation and is committed to ensuring that Members and staff receive guidance on issues such as:

- The need for Members and officers to comply with laws and regulations applicable to the Authority's business;
- Holding positions outside the Authority and other potential conflicts of interest;
- Inducements, gifts and entertainment; and
- Developments in computer fraud and the provision of cybersecurity systems
- Methods of establishing cost-effective controls and procedures to prevent, detect, deter and deal with fraud.

APPENDIX 1: FRAUD RESPONSE PLAN

1. INTRODUCTION

1.1 The purpose of this Fraud Response Plan is to set out the action to be taken when a fraud is suspected or discovered and reported to management or an appropriate officer within the Authority. The Plan is part of the CPCA's overall Anti-Fraud & Bribery Policy & Strategy Statement, embodied within the CPCA's Constitution and, as such, will be applied to all reported or identified incidents of fraud and bribery that affect the Authority; whether committed by elected Members, employees, or persons from outside the CPCA such as contractors, suppliers, partners, members of the public or other bodies associated with the Authority.

1.2 The Plan covers the following areas:

- Reporting concerns or suspicions about fraud, bribery or irregularity within the CPCA;
- Reacting to reported incidents;
- Conducting the investigation;
- Action to be taken against perpetrators of fraud and bribery;
- Training and review.

1.3 Adhering to the Plan will enable the CPCA to:

- Deal with fraud and bribery in a consistent and responsible manner;
- Ensure any loss or damage is minimised;
- Take appropriate action against the perpetrators;
- Recover any identified losses to the fullest degree possible;
- Review the reasons for the incident and, where necessary, take action to prevent a recurrence;
- Deter would-be fraudsters through communicating outcomes, taking account of any legislative restrictions.

2. REPORTING CONCERNS OR SUSPICIONS

2.1 General concerns or actual suspicions of fraud, bribery or other irregularity may arise through supervisory arrangements or other checks and observations of employees or simply through overheard comments or knowledge regarding particular issues. In such circumstances employees are required to report genuine concerns or suspicions without delay to an appropriate manager within the CPCA to allow consideration as to the best way forward by way of review or investigation.

Whilst it is accepted that people may wish to remain anonymous, investigations are often much more efficient when there is opportunity to go back to the referrer so that any ambiguity can be clarified and further questions asked where initial detail may be sketchy. It is therefore preferable for people reporting their concerns to be open, leave contact details and co-operate with any investigators allocated to the case. This ensures that all relevant information is likely to be obtained and helps progress matters much more quickly and efficiently.

2.3 In the first instance, reports should be made verbally (in person / via telephone) or in writing (letter / e-mail) directly to:

- An appropriate Manager;
- The relevant Corporate Director where it may not be appropriate to inform the Manager;
- The CPCA Internal Audit section where there are concerns as to whether it should be reported within the relevant service area (e.g. where there is a possibility of the relevant Corporate Director or Manager being associated with the concerns raised);
- The CPCA's Monitoring Officer where a Councillor, the Chief Executive or a Corporate Director is purported to be directly involved;
- An appropriate higher level of management if previous concerns do not appear to have been acted upon within a reasonable period of time.

It should be noted that matters can be reported to outside organisations if there is good reason to think that matters will not be dealt with properly by reporting them within the CPCA or where staff feel dissatisfied with an internal investigation into their concerns. The Authority's Whistleblowing Policy outlines the options available for reporting matters outside the CPCA.

2.4 Regardless of which of the above officers receive initial notification of suspected fraud, bribery, theft or other irregularity the matter must be brought to the attention of Internal Audit immediately to facilitate proper consideration and investigation of matters and to follow up on progress as necessary.

3. REACTING TO REPORTS OF POTENTIAL FRAUD, BRIBERY OR IRREGULARITY

3.1 All reported cases of suspected wrongdoing will be treated seriously and investigated in accordance with relevant legislation and the CPCA's Anti-Fraud and Bribery Policy & Strategy Statement, unless there is reason to believe that there is no foundation to the report or that the report has been made maliciously. Where concerns or suspicions are found to have been made maliciously, the CPCA will consider the options open to it for taking action against the person making them and instigate proceedings as may be appropriate, including the possibility of taking action under the Disciplinary Procedure where employees are involved.

3.2 All investigations will be carried out thoroughly with a view to establishing the facts, but will be sensitive to the alleged wrongdoers to ensure minimisation of any possible damage where matters cannot be substantiated.

3.3 Once a concern is reported, appropriate steps will be taken to secure all possible evidence and ensure a complete and objective investigation takes place in all cases, whether financial or not. Management will liaise with Internal Audit to ensure full consideration of the issues and the extent to which immediate action needs to be taken and who will take it.

4. CONDUCT OF THE INVESTIGATION

4.1 Internal Audit is responsible for overseeing all fraud and bribery investigations to ensure that they conform to the same standard and are in accordance with legislation, professional practice and any agreed procedures. Investigation of the suspected fraud, bribery or other irregularity will be carried out by service management, Internal Audit or jointly, following consultation.

The method of conducting the investigation will be determined when the initial facts are known and the potential severity of the issue is ascertained, but as a minimum will establish Terms of Reference setting out:

- The people who will conduct the investigation;
- Arrangements for collecting and documenting evidence, taking account of the CPCA formal Management Investigation Guidance where appropriate;
- Estimated time span;
- Adherence to legislation / professional standards;
- Consideration of referral to / liaison with the Police;
- Consideration of the need to suspend / transfer from duty the individual(s) concerned if a CPCA employee;
- Agreed reporting mechanism;
- Consideration of who may chair the disciplinary hearing / appeal should the need arise;
- Contacts within Human Resources allocated to the case for liaison purposes.

4.2 Internal Audit has responsibility for notifying the Police of incidents that are likely to have involved criminal acts. Referral will be subject to liaison with the appropriate Corporate Director(s), but where there is any conflict of opinion the Section 151 Officer, in conjunction with the Chief Executive, will make the final decision. Any referral to the Police will be undertaken in accordance with the protocol set up between Internal Audit and the Police and may involve either financial or non-financial cases). Any case referred will not normally impact upon investigative work undertaken by officers of the CPCA. All employees will cooperate fully with Police enquiries and, wherever possible, CPCA and Police enquiries will be coordinated to maximise the effective and efficient use of resources and information.

4.3 Any necessary investigation will be conducted without regard to any person's relationship with the CPCA, position, status or length of service, but subject to any legislative requirements relative to the extent of envisaged action, (i.e. whether the matter is likely to be dealt with under internal disciplinary procedures or involving the Police / Courts).

4.6 Regardless of who undertakes the investigation, following an examination of records and / or the conduct of interviews with relevant persons, findings will be documented and a report made to management for appropriate action to be taken. Where such a report is compiled by Management, Internal Audit will be given opportunity to comment on such documentation / reports in the interests of consistency and upholding relevant standards. All reports will outline any control weaknesses that enabled the incident to occur and make recommendations to strengthen control systems with a view to preventing any recurrence.

4.7 In certain circumstances where investigations are undertaken within the service area as part of the role of management there will be a need to assess whether there has been a fraudulent attempt or simply an error, mistake or oversight. In supporting Management in making this judgement, the intention is for the facts of each case to be presented to a Fraud Panel by the service area concerned with a view to making a determination as to whether to prosecute the offender or not. Such a Fraud Panel will be made up from various disciplines within corporate services (Audit, Legal and HR if appropriate where employees are involved) and will meet when required to hear cases (bearing in

mind the need to comply with any time barring issues relevant to such cases) with a view to making recommendations on reports made by the service area as to whether a prosecution should be brought.

5. CONSIDERATION OF FURTHER ACTIONS

5.1 Where initial enquiries provide reasonable grounds for suspecting an elected Member or a CPCA employee, appropriate consideration will be given to the need to suspend from duty, or transfer to other duties, the individual(s) concerned. Any suspensions will result in the individual(s) being escorted off the premises, having been allowed to collect personal property only. Items such as security passes, petty cash floats, mobile telephones and keys to premises, offices and furniture will be recovered instantly and where CPCA property is held at the individual's home, he / she will be accompanied by a member of staff to recover any such items.

5.2 Management will consider the need for / process of denying suspended or transferred individuals access to colleagues, premises / property / records relevant to the investigation. Where necessary, steps will be taken to change locks, withdraw access to computer systems and instruct colleagues accordingly to ensure a complete and objective investigation can take place.

5.3 Following an investigation, disciplinary action will be considered where appropriate and any such action required will be conducted in line with relevant employment legislation, recognised Codes of Practice and the CPCA's own documented procedures.

5.4 It is the responsibility of management to ensure that losses arising from an investigation are recovered, provided that there are reasonable grounds for doing so. Recovery will be by one of the following methods:

- Agreement by the perpetrator to repay amounts due, either in full or by instalments as agreed with management;
- Through a pension scheme;
- Following a civil action, in which case the advice of the CPCA's Monitoring Officer will be sought;
- Through the CPCA insurers;
- Through confiscation proceedings under POCA / court rulings.

5.5 The person raising the initial concerns will be informed of progress / completion of the investigations (but not outcomes) irrespective of whether allegations were substantiated or not.

5.6 Where investigations do not substantiate the allegations the outcome will only be communicated to persons who have a legitimate need to know, so as to minimise any possible damage to the reputation of individuals suspected, but subsequently found innocent, of fraud.

5.7 To act as a deterrent and reduce the risk of recurrence, outcomes of investigations where fraud, bribery or irregularity is substantiated will be communicated internally to employees and Members in broad terms, where deemed appropriate by management after consultation with Internal Audit. Additionally, taking into account legislative restrictions, wider communication of outcomes to the community / press will be considered at a corporate level on a case by case basis with a view to promoting the CPCA stance on fraud, bribery and irregularity and that the Authority will do what it needs to do to combat such instances as and when they are identified.

6. TRAINING AND REVIEW

6.1 A comprehensive training programme will be established and led by Internal Audit with support from other service areas within the CPCA, to ensure consistency of approach in identifying/dealing with fraud, bribery and other irregularities. Training issues will include:

- Ability to identify any possible fraud, bribes or other irregular activity; Dealing with reports of suspected fraud and bribery;
- Carrying out investigations;
- Conducting interviews;
- Attendance at Disciplinary Hearings;
- General awareness of responsibilities for fraud & bribery.

6.2 Training requirements will be reviewed to take account of CPCA policies and procedures, new legislation and any need arising from changes in circumstances with a view to ensuring continued compliance with the Anti-Fraud & Bribery Policy.

6.3 The Fraud Response Plan will be reviewed periodically taking account of all incidents of fraud, bribery and irregularity, to ensure that it remains appropriate and relevant. Any requirement for amendment, resulting from the review, will be agreed between Internal Audit, Legal Services and Human Resources as appropriate.



AUDIT AND GOVERNANCE COMMITTEE	AGENDA ITEM No: 10
26 MARCH 2018	PUBLIC REPORT

GOVERNANCE FRAMEWORK FOR MARKET TOWNS MASTERPLAN

1. PURPOSE

- 1.1 The Chair of the Audit and Governance Committee requested clarification around the governance for the process around the delivery of the Market Towns Masterplans.

<u>DECISION REQUIRED</u>	
Lead Officer:	Kim Sawyer, Legal Counsel and Monitoring Officer
The Audit and Governance Committee is recommended to note the governance arrangements in place for Market Town Masterplans.	

2. BACKGROUND

- 2.1 Following the publication of the St. Neots Market Town, questions were raised concerning the governance of the Market Town Master Plans. As market towns are a key policy in the economic growth of the Combined Authority, there was a good deal of interest in ensuring local involvement in the development and roll out of the Master Plans.
- 2.2 The Chair of Audit & Governance Committee therefore requested a report clarifying the governance arrangements surrounding the Master Plans. This report sets out the governance process which has been incorporated into the report for the Combined Authority Board on 28 March 2018. These governance proposals will apply to the remaining 9 market towns in the Combined Authority.

Proposed Programme for Market Town Masterplans for Growth

- 2.3 It is proposed that Masterplans for Growth are produced with the following three-stage principles:



1. The Combined Authority commissions the development of the Masterplan and requests the District Council to form a Partnership team. The Partnership team will be led by the District Council and bring together local representatives from across public, private and community sectors.

Combined Authority investment brings additional capacity and expertise into this process



2. Nine-month programme of engagement, evidence gathering, and idea generation is undertaken to scope the ambitions of the town.

Attention is focussed around the game-changing interventions that can make the most difference for the town, and the creation of jobs in and around towns. The Combined Authority will use its relationship with the Business Board and the new LEP to develop bespoke growth products for towns, such as locally-designed versions of Enterprise Zones.



3. Approval by the Combined Authority of a Masterplan for Growth and associated Action Plan which have the collective backing of the town and acts as:

- An evidence-base to unlock new investment
- A focussing of collective resources
- A prospectus attracting and inviting new interest in the town

- 2.4 The role of the Combined Authority rests primarily in engaging consultants, following its own contract rules, in accordance with its objectives to increase growth. Once approved by the Combined Authority, the Master Plan will effectively be owned in a partnership between the District Council and local interest parties. This group will include a mixture of private and public sector representatives.

- 2.5 The Combined Authority will continue to monitor the work of the Partnership team to ensure that it is delivering in accordance with its primary objective of delivering growth. This is a requirement of the Assurance Framework.

3. FINANCIAL IMPLICATIONS

- 3.1 The financial implications of the Master Plans will be dealt with in reports to the Combined Authority Board seeking approval to commissioning the consultant to draw up the Master Plan. There are no financial implications specifically arising out of this report.

4.1 LEGAL IMPLICATIONS

- 4.1 The Audit & Governance Committee has a role to ensure good governance in the delivery of all the Combined Authority's objectives. This ability to deliver the project is set out in the Combined Authority Board paper on 28 March 2018.

5.0 SIGNIFICANT IMPLICATIONS

- 5.1 Equalities impacts will be dealt with as part of the Master Plans development.

1. APPENDICES

<u>Source Documents</u>	<u>Location</u>
List background papers: St Neots Master Plan & report to Combined Authority Board October 2017	Combined Authority website



AUDIT AND GOVERNANCE COMMITTEE	AGENDA ITEM No: 11
26 MARCH 2018	PUBLIC REPORT

CODE OF CORPORATE GOVERNANCE

1.0 PURPOSE

- 1.1. Good corporate governance is essential to deliver an effective organisation and maintain public confidence.
- 1.2. The Audit and Governance Committee is requested to review the Corporate Governance Code and Framework.

<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 Corporate Governance Code and Framework (Appendix 1); (b) That the Combined Authority Board approve and adopt the Corporate Governance Code and Framework, subject to any comments made by the Audit and Governance Committee.	

2.0 BACKGROUND

- 2.1. The Combined Authority has produced a Code of Corporate Governance. This follows the Guidance 'Delivering Good Governance in Local Government: Framework 2016' produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE).

- 2.2. The Guidance states that local government should develop and shape its own approach to governance, taking account of the environment in which it operates. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.
- 2.3. Appendix 1 sets out the Corporate Governance Code and framework, using the seven principles and supporting-principles in the Guidance.
- 2.4. Following approval of the framework, the Annual Governance Statement will be reviewed against the Corporate Governance Code and Framework to assess how well it has been applied in the year under review and will identify any planned improvements or enhancements. The annual statement will form part of the annual accounts to be considered by the Audit and Governance Committee in July 2019.

3.0 FINANCIAL IMPLICATIONS

- 3.1. There are no financial implications.

4.0 LEGAL IMPLICATIONS

- 4.1. Section 3.7 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 notes:
- 4.2. Regulation 6(1)(a) of the Accounts and Audit Regulations 2015, require an authority to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts (England). Regulation 6(1)(b) of the Accounts and Audit Regulations 2015, require that for a local authority in England, the statement is an Annual Governance Statement.
- 4.3. The preparation and publication of an Annual Governance Statement in accordance with Delivering Good Governance in Local Government: Framework (2016) would fulfil the statutory requirements across the United Kingdom for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control and to include a statement reporting on the review with its Statement of Accounts. In England the Accounts and Audit Regulations 2015 stipulate that the Annual Governance Statement must be “prepared in accordance with proper practices in relation to accounts”. Therefore a local authority in England shall provide this statement in accordance with Delivering Good Governance in Local Government: Framework (2016) and this section of the Code.

5.0 SIGNIFICANT IMPLICATIONS

None

6.0 APPENDICES

Appendix 1 – Corporate Governance Code and Framework

<u>Source Documents</u>	<u>Location</u>
List background papers: Delivering Good Governance in Local Government: Framework (2016 Edition)	http://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework-2016-edition

Appendix 1

LOCAL CODE OF CORPORATE GOVERNANCE

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FOREWORD

Good governance underpins the way in which Cambridgeshire & Peterborough Combined Authority delivers its services. It involves collaborating and balancing current financial challenges with longer term planning and is defined as “The system by which local authorities direct and control their functions and relate to communities”.

Cambridgeshire & Peterborough Combined Authority ('the CPCA') has approved and adopted a code of corporate governance which is consistent with the principles of the best practice guidance issued jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE). CIPFA/SOLACE updated in 2016 with their new framework to assist organisations in ensuring that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities. The seven core principles are:

A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;

B. Ensuring openness and comprehensive stakeholder engagement;

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits;

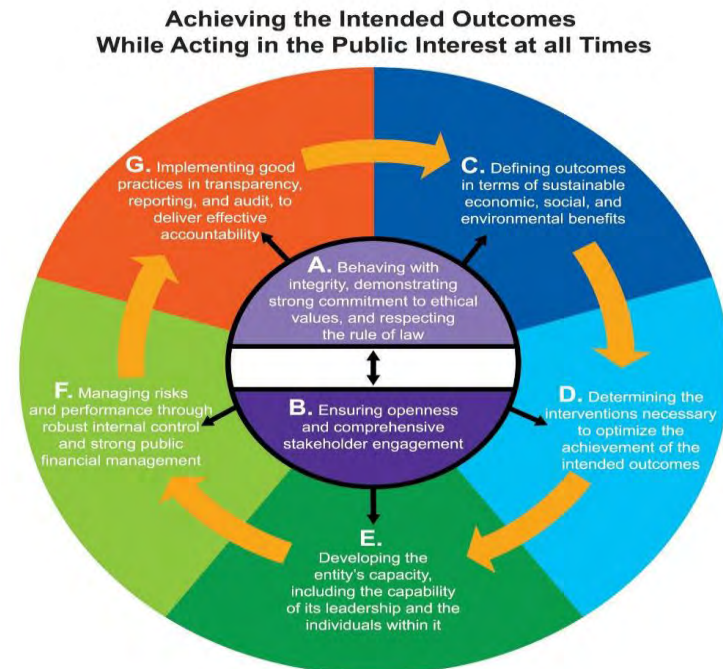
D. Determining the interventions necessary to optimise the achievement of the intended outcomes

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

F. Managing risks and performance through robust internal control and strong public financial management

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Diagrammatically this can be demonstrated as:



The CPCA is committed to meeting these principles. This statement sets out how the supporting principles beneath each statement will be achieved, monitored and reviewed. It is the responsibility of the Audit and Governance Committee to keep corporate governance matters under review. As part of this process it undertakes regular reviews throughout the year of the processes and systems in place with a formal review at the year end. This includes the results of the work carried out by internal audit. The Committee reviews and approves the Annual Governance Statement which forms part of the statutory annual accounts which are subject to external audit.

CORE PRINCIPLES: ACTING IN THE PUBLIC INTEREST

PRINCIPLE A:

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

SUPPORTING PRINCIPLES:

The Combined Authority is accountable not only for how much it spends, but also for how it uses the resources under its stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, we have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, we can demonstrate the appropriateness of all our actions and have mechanisms in place to encourage and enforce adherence to ethical values and respect the rule of law.

The Combined Authority supports the above principle by:

Supporting principles	To achieve this the organisation:	This is evidenced and supported by:
We will behave with integrity;	- Ensures members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated, - Leads by example, ensuring members take the lead in establishing specific standard operating principles and values (building on the Seven Principles for Public Life) for the Combined Authority and the Local Enterprise Partnership and its staff and that they are communicated and understood. - Utilise the operating principles and values above as a framework for decision making and other actions. - Demonstrate, communicate and embed the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively.	- A Code of Conduct for Members to ensure high standards of conduct are maintained. The code also applies to members of committees, co-opted members, and members of the Local Enterprise Partnership. - Established a procedure for dealing with breaches of the Member Code of Conduct. - Registers of Members' interests are published on the CA's, LEP and constituent council websites. - Members must declare gifts or hospitality with an estimated value of at least £100, £50 for LEP members. Records of gifts and hospitality and standard form have been established and will be published on the CA's website. - Officers must declare any gifts or hospitality received either before, during or after the procurement; - Standard decision making reporting format and processes in place to ensure that all those responsible for taking decision have the necessary information on which to do - Members' declaration of interests are a standing item on all agendas. Minutes show declarations of interest were sort and the appropriate declarations made.

Supporting principles	To achieve this the organisation:	This is evidenced and supported by:
		• A complaint, Whistleblowing and Third Party confidential reporting policy and procedure that is published on the CA's and LEP websites • Officers Codes of Conduct policies are in place and. The policy requires all conflicts of interests to be declared. • Gifts and Hospitality Policy for Officers and members will be developed • Records of gifts and hospitality will be published on the CA's website • Induction programmes for new staff incorporate the required standard of behaviour expected will be developed. Key documents include: Constitution, Member Code of Conduct, Declarations of Interest forms, Whistleblowing Policy, Third Party Confidential reporting policy, Complaints Policy, Staff Code of Conduct, Gifts and Hospitality register In Progress Equal Opportunities Policy Gifts and Hospitality Guidance
• We will demonstrate strong commitment to ethical values;	• Has established and monitors the Combined Authority's ethical standards and performance. • Has robust policies and procedures which place emphasis on agreed ethical values which underpin behaviour and all aspects of the Combined Authority's culture and operation. • Ensures that external providers of services are required to act with integrity and in compliance with the same ethical standards expected of the Combined Authority.	• Policies and procedures that make the constitution, which sets out delegations to the Combined Authority, its Committees and Senior Officers, and the decision-making processes. • All committees and working groups have clear terms of reference. • Annual reports are published regarding audit activities and governance arrangements. • An anti-fraud and corruption policy that is reviewed with associated action plans where required • In Progress • The Combined Authority organisational values which are widely publicised and describe how we treat our customers, partners and staff • Annual staff appraisals include awareness and contribution to core values and priorities will be

Supporting principles	To achieve this the organisation:	This is evidenced and supported by:
		developed. • A current register of gifts and hospitality which will be reviewed by the Combined Authority's appointed Internal Auditor. • Partnership agreements comply with own procurement rules - partners and contractors to operate within our core values and demonstrates transparency with regards to any potential conflicts Key documents include: Constitution, Annual Governance Statement, Register of Interests, Anti-Fraud and Corruption Policy; Statement of Partnership Working In Progress Corporate Values Annual Complaints Report
• We will respect the rule of the law:	• Ensures members and staff demonstrate a strong commitment and adheres to relevant laws and regulations. • Creates the environment to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements, optimising full powers available to the benefit of communities, citizens and other stakeholders. • Deals with breaches of legal and regulatory provisions promptly and effectively.	• The Combined Authority has a Legal Counsel who is designated as the Combined Authority's Monitoring Officer ensuring that policies, procedures, laws and regulations are followed. She also attends all Combined Authority meetings. • The Finance Director is designated the Chief Finance Officer and is responsible for ensuring a balanced budget. • A scheme of delegation identifies responsibilities and authorisation levels. • Internal Audit will report annual activity and outcomes to the Audit & Governance Committee based on assurances gained and issues identified where appropriate. • External Audit provides an Annual Audit Letter which is presented to the Audit and Governance Committee and published on the Combined Authority's website. • The Combined Authority will maintain a record of complaints made to the Local Government Ombudsman as well as self-referring to the Information Commissioner where information data breaches occur and actions taken

Supporting principles	To achieve this the organisation:	This is evidenced and supported by:
		to improve processes. The Combined Authority has a Data Protection Policy. Key documents include: Constitution includes Financial Regulations and Contract Rules, job descriptions for the Legal Counsel and Finance and Finance and Commercial Director, Service agreement with Peterborough City Council to provide Chief Internal Auditor Services, HoIA Annual Opinion, Data Protection Policy,

CORE PRINCIPLES: OPENNESS AND STAKEHOLDER ENGAGEMENT

PRINCIPLE B:

Ensuring openness and comprehensive stakeholder engagement.

SUPPORTING PRINCIPLES:

Local government is run for the public good. The Combined Authority should ensure openness in its activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

The Combined Authority supports the above principle by:

Supporting principles	To achieve this the organisation:	This is evidenced and supported by:
We will be open	- Supports an open culture through demonstrating, documenting and communicating the Combined Authority's commitment to openness. - Makes decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. Where a decision is considered confidential, reasons for this are provided. - Provides clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear. - Uses formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action.	- Adoption of a Publication Scheme that describes the kinds of information available and provides guidance about how submit a Freedom of Information request. - The Combined Authority's committee meetings timetable is published and the public are able to attend unless there is a reason for confidentiality (exempt reports). The public are able ask questions and petitions at all Combined Authority meetings. - The forward plan of all decisions to be taken is published each month - Committee meetings are minuted detailing decisions/deliberations and are published along with associated reports and agendas. Meetings can also be video recorded to increase public awareness. - A standard reporting process is utilised for consistency. Key documents include: Constitution, Committee meeting timetable, agenda and minutes, video recordings Outstanding Consultation principles to be developed

Supporting principles	To achieve this the organisation:	This is evidenced and supported by:
We will engage comprehensively with Institutional stakeholders	- Effectively engages with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably. - Utilises formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively - Ensuring that partnerships are based on trust - a shared commitment to change - a culture that promotes and accepts challenge among partners; and - that the added value of partnership working is explicit.	- The Combined Authority operates extensively with institutional stakeholders and partners in identifying the best way to deliver services. This is a continuously evolving with recent partnerships including: - Service level agreements and partnership agreements with constituent councils to provide support services to the Combined authority - Procuring contracts through established constituent council arrangements - The Combined Authority consults in many ways to ensure that stakeholders have the opportunity to contribute views to the organisations vision, performance and intended outcomes - Key partners are invited to regular Strategy meetings to establish a long term vision for the Combined Authority and a four year plan including Chief Executives of constituent Councils and other statutory bodies - The Combined Authority Chief Executive is a member of the Cambridgeshire Public Services Board which provides an opportunity for the leaders of public sector organisations in Cambridgeshire and Peterborough to come together and make strategic interventions and to provide better outcomes for our residents and place. The Board includes Leaders of constituent councils and other public sector partners In progress Partnership agreements are in place which determine the roles and responsibilities for each partnership arrangement where it is expected that the Combined Authority's values are adhered to. Key documents include: Statement of Partnership Working Outstanding Partnership terms and agreements

Supporting principles	To achieve this the organisation:	This is evidenced and supported by:
We will engage stakeholders effectively, including citizens and service users	- Consults with or involve individual citizens, service users and other stakeholders to ensure that service provision is contributing towards the achievement of intended outcomes. - Ensures communication methods are effective and that members and officers are clear about their roles with regard to community engagement. - Encourages, collects and evaluates the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs. - Implements effective feedback mechanisms in order to demonstrate how their views have been taken into account. - Balances feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity.	- The Combined Authority seeks views from individuals, organisations and businesses on a number of areas including strategies, policies and detailed projects, using a variety of means including face to face and online. - The Mayor and Members ensure they are accessible to the community and contact details are held on the Combined Authority's website; - Question time at Board meetings and petition scheme is advertised on the Combined Authority - Public consultation takes place on the budget Key documents include: Contact details on website, budget, Constitution includes questions and petition scheme In progress: Consultation principles (optional)

PRINCIPLE C: ECONOMIC, SOCIAL AND ENVIRONMENTAL BENEFITS

PRINCIPLE C:

Defining outcomes in terms of sustainable economic, social, and environmental benefits.

SUPPORTING PRINCIPLES:

The long-term nature and impact of many of the Combined Authority's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the Authority's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.

The Combined Authority supports the above principle by:

Supporting principle	To achieve this the organisation:	This is evidenced and supported by:
We will define outcomes	- Maintains a statement of the Combined Authority's purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation's overall strategy, planning and other decisions. - Identifies the intended impact on, or changes for, stakeholders including citizens and service users, both in the short and long term. - Delivers defined outcomes on a sustainable basis within the resources that will be available. - Identifies and manages risks to the achievement of outcomes. - Manages service user's expectations effectively with regard to determining priorities and making the best use of the resources available.	- The Combined Authority is developing its 30 year strategic plan which sets out a clear vision which drives the strategy for the organisation. - Core strategic plans as well as the 4 year business plan will set out detailed plans and measurable outcomes and a medium term financial strategy. - Effective budget reporting processes ensures sustainability is effectively managed. - The Combined Authority's risk management strategy and associated risk registers identify, address and treat areas that may impact on the achievement. - Leadership team and CA will receive performance monitoring reports at regular intervals based on the 4 year plan and key strategies. - Programmes and projects are assessed against the assurance framework with outcomes set and confirmed when they are approved. - Programmes and projects are or will be monitored against the monitoring and evaluation framework

		Key documentation includes: Annual Report, Budget Monitoring Reports to Board, Risk Management Strategy, Risk Registers,
We will provide sustainable economic, social and environmental benefits	- Considers economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision. - Takes a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between intended outcomes and short-term factors such as the political cycle or financial constraints. - Determines the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs.	- The Combined Authority has established an Independent Economic Commission to develop a robust evidence base on Cambridgeshire and Peterborough's economic performance and potential and to provide objective and independent advice to the Combined Authority: (i) on the economic impact of key decisions and investment programmes; and (ii) long-term drivers of growth across the Cambridgeshire and Peterborough economy. - The evidence base will identify the outcomes in the Core strategic plans as well as the 4 year business plan are achieved. Key documentation includes: Constitution includes terms of reference and membership of the Independent Economic Commission and Core strategies 30 year plan, , 4 year plan

PRINCIPLE D: ACHIEVEMENT OF INTENDED OUTCOMES

PRINCIPLE D:

Determining the interventions necessary to optimise the achievement of the intended outcomes.

SUPPORTING PRINCIPLES:

The Combined Authority achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that the Combined Authority has to make to ensure intended outcomes are achieved. It needs robust decision-making mechanisms to ensure that defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised.

The Combined Authority supports the above principle by:

Supporting principle	To achieve this the organisation:	This is evidenced and supported by:
We will determine interventions	- Ensures decision makers receive objective information covering of a variety of options indicating how intended outcomes would be achieved along with the associated risks and value achieved. - Consults and considers feedback from citizens and service users when making decisions	- The strategic priorities are set out in the 30 year plan shape the decision making of the Combined Authority and ensure interventions are priorities to deliver the aims and objectives. - We will apply the principle of governments 5 stage business model and treasury green book principles and monitoring and evaluation process applicable to particular schemes. - The format of decision making reports to ensure that all relevant information is considered such as analysis of options, resource implications, and outcomes of Integrated Impact Assessment etc. Options are clearly defined and analysed to ensure decisions are based on the best possible information. - Project appraisal processes seek to ensure maximum value for money from investments in programmes and projects. The assurance framework is applied to these projects and ensure that they are effectively assessed (in terms of analysis of options, resource implications and strategic outcomes) and evaluated before approval is sought to proceed and that outcomes are achieved.- - Post project evaluation with monitoring and evaluation will include post completion project evaluation -

Supporting principle	To achieve this the organisation:	This is evidenced and supported by:
	about service improvements or closures in order to prioritise competing demands within limited resources, whilst considering future impacts.	Key documents include: Agendas and Reports, Assurance and Monitoring and Evaluation Framework, 30 year plan,
We will plan interventions	- Ensures that those making decisions, whether for the authority or any partnerships, are provided with information that is fit for purpose, relevant and timely. - Ensures that proper professional advice on matters that have legal or financial implications is available, recorded and used appropriately.	- The 4 year plan and medium term financial strategy sets out the planned interventions for the coming year. Longer term plans are or will be included in core strategies, such as the Local Transport Plan, Housing Strategy, Skills Strategy - Financial reporting processes which include budget setting processes and budget monitoring are clearly defined to highlight budget pressures where intervention may be required. - Committee report framework requiring legal and financial authorisation prior to issue. - Financial and legal representation at committee meetings. - Performance monitoring against key performance indicators and benchmarking is or will be undertaken as appropriate - Leadership team and CA will receive performance monitoring reports at regular intervals based on agreed actions and targets for the year- Key documents include: Committee Reports and minutes In progress 4 year plan and Medium Term Financial Strategy
We will optimise achievement of intended outcomes	- Ensures that risk management is embedded into the culture of the authority, with members and managers at all levels. - Ensures that effective arrangements for whistle-blowing are in place and accessible to officers, staff and all those contracting with or appointed by the authority.	- The annual budget is prepared for scrutiny and approval by Members and published in line with agreed priorities and the medium term financial strategy. Budget plans are shared in advance with partner local authorities. - The assurance framework provides the means to assess projects in terms of outcomes to enable a prioritisation of interventions. - A risk management strategy that is regularly reviewed by senior management and the Audit and Governance Committee. - A whistleblowing policy which is accessible to all, detailing key officers and feedback processes. - Ongoing review of projects and programme risk registers.

Supporting principle	To achieve this the organisation:	This is evidenced and supported by:
		Key documents include: Whistleblowing policy, Risk Management Strategy, Risk Registers,

PRINCIPLE E: CAPACITY AND CAPABILITY

PRINCIPLE E:

Developing the organisations capacity, including the capability of its leadership and the individuals within it.

SUPPORTING PRINCIPLES:

The Combined Authority needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind-set, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. It must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the operating environment will change over time, there will be a continuous need to develop capacity as well as the skills and experience of the leadership and of individual staff members. Leadership is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

The Combined Authority supports the above principle by:

Supporting principle	To achieve this the organisation:	This is evidenced and supported by:
We will develop the Combined Authority's capacity	- Reviews operations, performance use of assets on a regular basis to ensure their continuing effectiveness. - Improving resource use through appropriate application of techniques to determine how the authority's resources are allocated so that outcomes are achieved effectively and efficiently. - Recognises the benefits of partnerships and collaborative working where added value can be achieved. - Is developing and maintaining an effective workforce plan to enhance the strategic allocation of resources.	- The Combined Authority has established an organisational structure and is in the process of recruiting to that structure. - The aim is to have a lean organisation that commissions from experts from the public and private sector to achieve its objectives most effectively and efficiently. - It is currently amalgamating the Combined Authority and the Local Strategic Partnership Key documents include: Staffing structure, Partnership and Service Level Agreements
We will develop the capability of the Combined Authority's	Has protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the	The Combined Authority has a robust framework via the constitution of the roles and responsibilities of members and officers that encompass the Mayor, Members, Overview and

leadership and other individuals	relationship and that a shared understanding of roles and objectives is maintained. • Publishes a statement that specifies the types of decisions that are delegated and those reserved for collective decision making. • Ensures the leader and the chief executive have clearly defined and distinctive leadership roles. • Develops the capabilities of members and senior management to achieve effective shared leadership and to enable the Combined Authority to respond successfully to changing legal and policy. • Has structures in place to encourage public participation. • Holding staff to account through regular performance reviews which take account of training or development needs. • Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.	Scrutiny Committee and Audit and Governance Committee. • The Mayor and Board members hold portfolio responsibilities which sets out their respective roles. • The scheme of delegation is in place and reviewed annually; • Overview and Scrutiny Committee members have received training from the Centre for Public Scrutiny on their role and producing a work programme. • Audit and Governance Committee have received training on their role and specific topics; • Officers are appointed using competency based job descriptions. Managers are being encouraged to set clear objectives for each employee and to then measure their performance against these competencies and objectives • Training development programmes are available to staff and needs are discussed through regular performance appraisals (APD's). • Various HR policies exist to support the performance of staff including Recruitment and Retention, Capability, Attendance Management currently using Peterborough City Council's terms and conditions • An induction programmes for all employees will be developed . • Staff Appraisals will be linked to the Combined Authority's core values. • Health and Safety policies designed to protect and enhance the welfare of staff will be actively promoted and monitored. Key documents include: Constitution, Senior Management job description, HR policies, In Progress, Staff Appraisal Process (PDR), Core Values and Priorities
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PRINCIPLE F: MANAGING RISKS AND PERFORMANCE

PRINCIPLE F:

Managing risks and performance through robust internal control and strong public financial management.

SUPPORTING PRINCIPLES:

The Combined Authority needs to ensure that the governance structures it has implemented can sustain an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities.

A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability.

It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

The Combined Authority supports the above principle by:

Supporting principle	To achieve this the organisation:	This is evidenced and supported by:
We will manage risk	- Implement robust and integrated risk management arrangements to inform decision making processes and ensure that they are working effectively. - Ensure ownership for managing individual risks is clearly identified.	- The Combined Authority's Risk Management Strategy which sets out the approach to Risk Management. This is overseen by Corporate Management Team and the Audit and Governance Committee - Regular reviews of risk and associated registers both operationally and strategically which identifies who is managing the risks and timescales for any required actions. Key documents include: Risk management strategy, risk registers
We will managing performance	Monitors service delivery effectively including planning, specification, execution and independent post implementation review.	The Finance and Commercial Director is the authority's S151 / s.73 Chief Finance Officer and is responsible for ensuring that effective financial management is in place.

Supporting principle	To achieve this the organisation:	This is evidenced and supported by:
	- Makes decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook. - Ensures an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing performance. - Provides members and senior management with regular reports on service delivery plans and on progress towards outcome achievement. - Ensures there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements).	- The Combined Authority has an established approach to financial governance involving members, senior officers and budget holders in the budget setting process and on-going monitoring arrangements by way of forecast performance against budget. - The Scrutiny Standing Orders provide for the Overview and Scrutiny Committee to call in any CA decision. Throughout the year, it will develop a programme that enables it to consider policy and objectives before, during and after decisions are made. The Overview and Scrutiny Committee has chosen to meet two days before the Board meetings to scrutinise the Board's agenda and make any representations to the Board via the Chair before decisions are made. - Agenda, minutes of Overview and Scrutiny meetings and any associated reports with recommendations to the CA are published on the CA's website. - Contracts Standing Orders and Financial Regulations set out the council's arrangements and ensure that processes continue to operate consistently. - Key indicators will be identified which support the 4 year plan which sets out the actions required in year to deliver the 30 year strategy. These corporate KPIs will be set at the start of each year and performance managed against them. Key documents include: Job Description for the Finance Director, Terms of Reference and procedure rules of Overview & Scrutiny Committees (Constitution), budget monitoring reports to Board and Budget Managers, Constitution call in mechanism.
We will have robust internal control	- Aligns the risk management strategy and policies on internal control with achieving the objectives. - Evaluates and monitor the authority's risk management and internal control on a regular basis. - Ensures effective counter fraud and anti-corruption arrangements are in place. - Ensures that additional assurance is provided by the Chief Internal Auditor regarding the governance, risk and control environment.	- An annual report is produced by Internal Audit which provides an opinion on the CA's control environment, and a self-assessment of its arrangements against the public sector internal audit standards and CIPFA's guide to the role of the Head of Internal Audit. - Financial Regulations ensures responsibility and controls over expenditure are clearly assigned. - The Annual Governance Statement (AGS) is produced for inclusion in the annual accounts that are subject to review and approval by the Audit and Governance Committee. - The Audit and Governance Committee oversees the management

Supporting principle	To achieve this the organisation:	This is evidenced and supported by:
	Has an audit committee that receives assurance regarding arrangements for managing risk and maintaining an effective control environment and recommendations are listened to and acted upon.	of governance issues, internal controls, risk management and financial reporting. - The Audit and Governance Committee Terms of Reference are reviewed annually and revised to reflect professional bodies' expectations and best practice. The Combined Authority has a Risk Management Strategy which is agreed by senior management and the Audit and Governance Committee. A strategic risk register containing high level strategic risks is regularly reviewed and reported to the audit committee at least six monthly. - Risk management effectiveness is reviewed as part of the Annual Governance Statement and Head of Internal Audit annual reporting process. - The Chief Internal Auditor is responsible for fraud and investigation activities. A strategy has been developed and annual investigation activity is reported to the audit committee. Key documents include: HolA annual report, annual governance statement, Fraud and Corruption Strategy Risk strategy & risk register
We will manage data	- Ensures effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data. - Ensures effective arrangements are in place and operating effectively when sharing data with other bodies. - Reviews and audits regularly the quality and accuracy of data used in decision making and performance monitoring.	- Procedures for the effective, fair and lawful processing of data are set out in the Data Protection Policy and supporting information governance framework. Outstanding - The CA's ICT policies control access to the network and data held on it, with information regarding the use of passwords and sharing of data set out. - Effective information sharing is undertaken in accordance with the Data Protection Act and the CA's Data Protection Policy. - Data Subjects are informed why their personal information is being collected and how it will be processed (including when shared with other bodies) through the appropriate form of privacy notices. - Information Sharing Agreements are in place to document the sharing of information with other organisations.

Supporting principle	To achieve this the organisation:	This is evidenced and supported by:
		• Data verification and validation processes are integrated within systems and processes. • Procedures are in place for reporting data breaches which are recorded and reviewed to identify any remedial process actions required. • Details of data breaches will be reported to senior management with self-referral to the ICO if considered appropriate. • Mandatory data protection training is undertaken by staff. • Internal audits that encompass data quality. Key documents include: Data Protection Policy Outstanding Information governance strategy and associated policies, information risk register, data protection training
• We will implement strong public financial management	• Ensures financial management supports both long term achievement of outcomes and short-term financial and operational performance. • Ensures well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls.	• The Medium Term Financial Strategy, Forward Plan and Constitution identifies both short and long term financial outcomes and processes required in achieving both short and long term aims. • Regular finance and performance reporting to senior management and Board ensures pressures and risks are discussed and treated as appropriate. • Monthly budget monitoring reports. Key documents include: Forward Plan, Budget monitoring reports. In progress Medium Term Financial Strategy

PRINCIPLE G: TRANSPARENCY, AUDIT AND ACCOUNTABILITY

PRINCIPLE G:

Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

SUPPORTING PRINCIPLES:

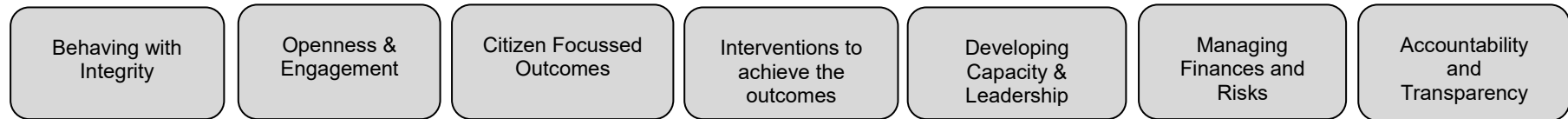
Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

The Combined Authority supports the above principle by:

Supporting principles	To achieve this the organisation:	This is evidenced and supported by:
We will implement good practice in transparency	- Produces reports for the public and other stakeholders in an understandable style appropriate to the intended audience, ensuring that they are easy to access and interrogate. - Strikes a balance between providing the right amount of information to satisfy transparency but can be understood by users to encourage public scrutiny.	- Agendas, reports and minutes for CA and formal committees are published on the CA website in accordance with statutory deadlines. - Forward Plan of CA decisions published monthly In progress - Adoption of the National Transparency Code and a Publication Scheme providing information on the website regarding CA business, expenditure and governance. The process for making Freedom of Information requests is clearly set out on the website - Freedom of information requests and responses will be published on the website. Key documents include: Committee report and agendas, Freedom of Information Policy and reports, Data Protection Policy, Outstanding Data Retention Policy, Publication of Freedom of Information requests

Supporting principles	To achieve this the organisation:	This is evidenced and supported by:
We will implement good practices in reporting	- Reports at least annually on performance, value for money and the stewardship of its resources. - Ensures members and senior management own the results. - Has robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (annual governance statement). - Provides performance information that accompanies the financial statements is prepared on a consistent and timely basis.	- The Combined Authority publishes its Annual Report and Statement of Accounts which is available on the website. It includes information on performance along with financial statements. - An Annual Governance Statement is produced each year. . Key documents include: Annual Report and Statement of Accounts, Annual Governance Statement.
Assurance and effective accountability	- Ensures that recommendations for corrective action made by external audit are acted upon. - Provides an effective internal audit service with direct access to members which provides assurance with regard to governance arrangements and recommendations are acted upon. - Encourages peer challenge, reviews and inspections from regulatory bodies and implementing recommendations. - Obtains assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement. - Ensures that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met.	- An external audit programme will be completed each year. External Audit recommendations will be formally responded to and reported to Audit & Governance Committee. Regular meetings are held with senior management and External Audit to review progress. - An independent internal audit team commissioned from Peterborough City Council which conforms to Public Sector Internal Audit Standards (PSIAS). Its Annual Plan and outcomes are reported to the Audit & Governance Committee via the Head of Internal Audit Annual Audit Opinion. Follow up action is undertaken to monitor recommendation implementation. - The Chief Internal Auditor has direct access to the Chair of the Audit Committee. - Governance arrangements for partnerships and shared services are or will defined in partnership and contract agreements. - An independent panel is utilised for setting member allowances. Key documents include: External Audit Annual Report and Letter Annual Audit Plan

Supporting principles	To achieve this the organisation:	This is evidenced and supported by:
		HoIA Annual Report, Internal Audit Charter, Internal Audit Effectiveness Report, Annual Governance Statement Internal Audit Reports

**Key Documents: Annual Review/Production**

Medium Term Financial Strategy
 Annual Report
 Statement of Accounts
 Prudential Code and Treasury
 Finance Reports
 Annual Governance Statement
 Head of Internal Audit Opinion
 Investigations Annual Report
 External Audit Letter
 Risk Management Strategy
 Strategic Risk Register
 Core Values
 Corporate Priorities
 Local Code of Corporate Governance
 Internal Audit Annual Plan

Key Documents: Ad-hoc Reviews/Production

Financial Regulations
 Contract Rules
 Constitution
 Code of Conduct for Members
 Code of Conduct for Officers
 Anti-Fraud and Corruption Strategy
 Complaints Policy
 Health and Safety Policy
 HR Policies
 Whistleblowing Policy
 Information Governance Policy

Processes / Regulatory Monitoring

Internal Audit Committee Section 151 Officer Board Scrutiny Framework Data Protection Financial Reporting Member Independent Remuneration Member Training Programme Member Induction Staff Appraisal Process Job Descriptions Staff Induction Workforce Development and Training Staff Surveys Employment Assistance Prog External Website, social media & Insite (intranet app)	Chief Executive Monitoring Officer Corp. Management Team Scheme of delegation Internal Audit External Audit Freedom of Information Consultations Declarations of Interests Gifts and Hospitality Partnership and contract monitoring Senior Manager Salaries Expenditure in excess £500
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AUDIT AND GOVERNANCE COMMITTEE	AGENDA ITEM No: 12
26 MARCH 2018	PUBLIC REPORT

WHISTLEBLOWING AND CONFIDENTIAL REPORTING OF COMPLAINTS

1.0 PURPOSE

- 1.1. Good corporate governance is essential to deliver an effective organisation. In authorities which serve the public it demonstrates a commitment to transparency of decision making and ethical conduct and therefore delivers public confidence.
- 1.2. The Audit and Governance Committee is responsible for reviewing corporate governance arrangements. This report suggests a process for dealing with whistleblowing and confidential reporting of complaints.

<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 whistleblowing policy (Appendix 1); (b) Comment on and note the confidential reporting of complaints policy for third parties (Appendix 2); (c) That the combined authority board approve and adopt the whistleblowing and confidential reporting of complaints policy, subject to any comments made by the Audit and Governance Committee.	

2.0 BACKGROUND

- 2.1. The committee at its meeting on 18 December agreed to recommend a complaints procedure to the combined authority board which was agreed by the board on 31 January.
- 2.2. This report proposes two further policies:
 - (a) a whistleblowing policy (Appendix 1)
 - (b) a confidential reporting of complaints by third parties and the public (Appendix 2).
- 2.3. In December, the Greater Cambridgeshire Greater Partnership Local Enterprise Board agreed to voluntarily wind up the Company. A new Local Enterprise Partnership will be established on 1 April 2018, and the Combined Authority will be the Accountable Body for all business growth funding streams from 1 April 2018. These arrangements also enable the transition to a single Assurance Framework and the opportunity to create a single officer structure to support both the objectives of the Combined Authority and the new Business Board.
- 2.4. It is proposed to align the policies of the Combined Authority and new LEP Business Board.
- 2.5. In October 2017, the Ministry of Housing, Communities and Local Government (MHCLG), published the Review of Local Enterprise Partnerships Governance and Transparency a report led by Mary Ney, Non-Executive Director (NED) of the MHCLG Board.
- 2.6. This review formed part of the wider work that the Government is currently undertaking to strengthen Local Enterprise Partnerships, ensuring they have robust corporate governance arrangements in place that enable them to fulfil their role in driving local economic growth. The Government accepted the review recommendations in full and published Best Practice Guidance on corporate governance issues:
- 2.7. The whistleblowing policy and the confidential reporting policies recommended to the committee are based on the best practice guidance issued by MHCLG.

3.0 FINANCIAL IMPLICATIONS

There are no financial implications.

4.0 LEGAL IMPLICATIONS

- 4.1. These are dealt with in the report.

5.0 SIGNIFICANT IMPLICATIONS

None

6.0 APPENDICES

Appendix 1 – Whistleblowing policy

Appendix 2 - Confidential reporting of complaints by third parties and the public

<u>Source Documents</u>	<u>Location</u>
List background papers: Local Enterprise Partnership governance and transparency Best practice guidance, Ministry of Housing, Communities and Local Government January 2018 ISBN: 978-1-4098-5173-8	https://www.gov.uk/government/publications/local-enterprise-partnership-governance-and-transparency-best-practice-guidance

Cambridgeshire and Peterborough Combined Authority and the Local Enterprise Partnership Business Board

Whistleblowing Policy

The Combined Authority and Business Board's policy on Whistleblowing and how to raise concerns.

Policy Number	Insert policy number	Version Number	1
Date of Issue			
Reviewed by	Audit and Governance Committee	26 March 2018	
Approved by	Cambridgeshire and Peterborough Combined Authority		
Approved by	Business Board		

1. Introduction

A Discloser is the person who is the whistle-blower. They might be an employee, a Cambridgeshire and Peterborough Combined Authority Member, a Local Enterprise Partnership Business Board Member, a contractor or a third party.

This procedure outlines the process to follow for a Discloser when reporting a perceived wrongdoing within the Cambridgeshire and Peterborough Combined Authority or the Local Enterprise Partnership Business Board, including something they believe goes against the core values of Standards in Public Life (the Nolan Principles) and the Code of Conduct for Cambridgeshire and Peterborough Combined Authority or the Local Enterprise Partnership Business Board Members and staff. The Standards in Public Life include the principles of; integrity, honesty, objectivity, accountability, openness, honesty, leadership and impartiality.

In particular both Cambridgeshire and Peterborough Combined Authority and the Local Enterprise Partnership Business Board Members, as the key decision makers of these bodies, have a right and a responsibility to speak up and report behaviour that contravenes these values.

It is important that this procedure is followed when raising any concerns, to ensure that the matter is dealt with correctly.

2. Definitions

This document uses the following definitions:

- **Whistleblowing** - where an individual who has concerns about a danger, risk, contravention of rules or illegality provides useful information to address this. In doing so they are acting in the wider public interest, usually because it threatens others or impacts on public funds. By contrast, a grievance or private complaint is a dispute about the individuals own position and has no or very limited public interest.
- **Combined Authority** - Cambridgeshire and Peterborough Combined Authority
- **Business Board** - the Local Enterprise Partnership Business Board
Discloser – this is the person who is the whistle-blower. They might be an employee, a Cambridgeshire and Peterborough Combined Authority or the Local Enterprise Partnership Business Board Member, a contractor or a third party.
- **Responsible Officer** - this is the person, appointed by the Cambridgeshire and Peterborough Combined Authority and the Local Enterprise Partnership Business Board, with overall responsibility for maintaining and operating this whistleblowing policy. They will maintain a record of concerns raised and the outcomes (but will do so in a form that does not endanger confidentiality) and will report as necessary to the Accountable Body for Local Enterprise Partnership Business Board, the Cambridgeshire and Peterborough Combined Authority and the Local Enterprise Partnership Business Board .
- Their name is Martin Whiteley and their contact details are

Martin Whiteley
Chief Executive,
Cambridgeshire and Peterborough Combined Authority and the Local
Enterprise Partnership Business Board
The Incubator,
Alconbury Weald Enterprise Campus,
Alconbury Airfield,
Huntingdon,
Cambridgeshire,
PE28 4WX.
01480 277180
Martin.Whiteley@cambridgeshirepeterborough-ca.gov.uk

If the concern relates to the Responsible Officer then in the alternative the concern should be raised with the statutory Chief Finance Officer and S151 Officer to the Combined Authority and Accountable Finance Officer for the Business Board. Their contact details are

Rachel Musson
Finance Director

Cambridgeshire and Peterborough Combined Authority and the Local Enterprise Partnership Business Board
The Incubator,
Alconbury Weald Enterprise Campus,
Alconbury Airfield,
Huntingdon,
Cambridgeshire,
PE28 4WX.
[Rachel Musson@cambridgeshirepeterborough-ca.gov.uk](mailto:Rachel.Musson@cambridgeshirepeterborough-ca.gov.uk)

- **Relevant Concern** – something the Discloser has been asked to do, or is aware of which they consider to be wrong-doing and is in the public interest.

3. Scope

The Combined Authority and the Business Board are committed to creating a work environment with the highest possible standards of openness, probity and accountability. In view of this commitment, we encourage Disclosers with serious concerns about the work of the Combined Authority and the Business Board to come forward and voice their concerns without fear of reprisal.

Disclosers should note that where the concern is one that might fall under Combined Authority's staff or work force policies on equality and diversity or harassment and bullying or other staff policies, they should consider using the reporting mechanisms for those other policies first, as stated in the Staff Handbook.

The Combined Authority and Business Board has a pre-existing complaints procedure that in many cases will be more appropriate for third parties or members of the public to follow. Third parties or members of the public should review the separate confidential complaints procedure link outlined in the Combined Authority and the Business Board complaints policy **[insert relevant LEP website hyperlinks]** on their website first before going through the whistleblowing process.

However, if a member of the public or third party believes that their complaint fits the description of a 'relevant concern' outlined below, they may report their concerns through the whistleblowing policy procedure.

4. Policy Statement

The Combined Authority and the Business Board acknowledges that Disclosers may often be the first people to realise that there may be something seriously wrong within the organisation.

This policy aims to:

- Encourage people to feel confident about raising serious concerns and to question and act upon their concerns without fear of victimisation or harassment;
- Provide avenues for Disclosers to raise those concerns and receive feedback on any action taken;

- Allow Disclosers to take the matter further if they are dissatisfied with the Combined Authority or Business Board's response; and
- Reassure all Disclosers, employees in particular who may have specific concerns about their position and employment status in the Combined Authority, that they will be protected from possible reprisals or victimisation if they have a reasonable belief that they have made any disclosure in the public interest.

5. What is a relevant concern?

If a Discloser is asked to do something, or is aware of the actions of another, which they consider to be wrongdoing, they can raise it using this procedure. The Discloser must have a reasonable belief that raising the concern is in the public interest.

A Discloser may decide to raise a concern under the whistleblowing policy if they are aware of a situation that they feel:

- is against the Combined Authority or the Business Board's procedures and protocols as set out in its code of conduct and the Combined Authority and the Business Board's Single Assurance Framework;
- falls below established standards of practice the Combined Authority and the Business Board subscribes to;
- amounts to improper conduct; or
- is an abuse of power for personal gain.

The types of matters regarded as a relevant concern for the purpose of this procedure include, but are not limited to, the following:

- Fraud or financial irregularity
- Corruption, bribery or blackmail
- Other Criminal offences
- Failure to comply with a legal or regulatory duty or obligation
- Miscarriage of justice
- Endangering the health or safety of any individual
- Endangering the environment
- Improper use of authority
- Concealment of any of the above.

Disclosers should not raise malicious or vexatious concerns, nor should they raise knowingly untrue concerns. In addition, this procedure should not be used to raise concerns of a HR/personal nature, for example, complaints relating to a management decision or terms and conditions of employment. These matters should be dealt with using the relevant alternative procedure, for example, the Combined Authority's grievance procedure. Equally, this policy would not apply to matters of individual conscience where there is no suggestion of wrongdoing by the Combined Authority and the Business Board but, for example, an employee or Combined Authority and the Business Board Member is required to act in a way which conflicts with a deeply held personal belief.

6. Safeguards

The Public Interest Disclosure Act (1999) gives legal protection to employees against being dismissed or penalised by their employers as a result of publicly disclosing certain serious concerns. The Combined Authority believes that no member of staff should be at a disadvantage because they raise a legitimate concern.

The Combined Authority and the Business Board will not tolerate harassment or victimisation and will take action to protect Disclosers when they raise a concern in the public interest.

If a Discloser experiences something in the workplace which they consider a relevant concern, it is important that the concern is raised as early as possible. Proof is not required at this point – it is for the Combined Authority or the Business Board to investigate. The Discloser must, however, have a reasonable belief that disclosing the information is in the public interest before raising a concern.

All concerns will be treated in confidence and every effort will be made to protect the Discloser's identity if they wish to remain anonymous. However, at the appropriate time, it is possible that the Discloser will need to come forward as a witness for the matter to progress.

It is important to follow the correct procedure when raising a whistleblowing concern. The following steps should be adhered to:

- a. It is important that the concern is raised with the person best placed to deal with the matter, in most cases this will be the Responsible Officer. However, the Discloser may want to raise the concern with someone they know and trust, such as their line manager who can raise it with the Responsible Officer on their behalf.
- b. If it is suspected that the concern may implicate the line manager in some way, then it could be raised with a more senior manager in the line management chain.
- c. If the Discloser is unable to raise a relevant concern with a line manager or a senior manager or feel that it has not been adequately addressed, it should be raised directly with the Responsible Officer.
- d. Ultimately, the Discloser can raise their concern with the statutory Chief Finance Officer and S151 Officer.

7. Information needed to raise a concern

When raising a concern under the procedure the Discloser should try to provide the following information:

- the background and reason behind the concern
- whether they have already raised a concern with anyone and the response
- any relevant dates when actions related to the concern took place.

This information should demonstrate that there are reasonable grounds for the concern to be acted upon. It is important that matters are not investigated by the Discloser themselves.

If applicable, personal interests must be declared from the outset.

8. How the concern will be handled

All investigations will be conducted sensitively and as quickly as possible. While the Combined Authority and the Business Board cannot guarantee that the outcome will be as the Discloser may wish, it will handle the matter fairly and in accordance with this procedure.

Once a concern has been raised with either the line manager or Responsible Officer, Senior Manager or Chief Executive, or statutory Chief Finance Officer and S151 Officer, a meeting may be arranged with them to determine how the concern should be taken forward.

The Combined Authority or the Business Board may decide to take the matter forward by a number of methods, including:

- An internal inquiry or other formal investigation
- An internal or external audit
- Referring the matter to the police
- Referring the matter to another relevant authority for investigation.

Before a final decision is taken on how to proceed, or as part of the investigation, the Discloser may be asked to meet with those investigating their allegation.

If a meeting is arranged, the Discloser may wish to be accompanied by a trade union representative, colleague or friend. The person who accompanies the Discloser should not be involved or have a direct interest in the area of work to which the concern relates. The meeting can be conducted over the telephone rather than face to face.

Within 10 working days of a concern being raised, the Combined Authority and the Business Board's Responsible Officer will write to the Discloser to:

- Acknowledge that the concern has been received
- Indicate how they propose to deal with the matter
- Give an estimate of how long it will take to provide a final response
- Tell the Discloser whether any initial investigation or enquiry has been made
- Tell the Discloser whether further investigation will be made, and if not, why not.
- Tell the Discloser how frequently the Combined Authority and the Business Board will keep them up to date on progress of the investigation.

The amount of contact between the Combined Authority or the Business Board and the Discloser concerned will vary, depending on the concern raised, any difficult

issues and any further clarity required. If necessary, the Combined Authority or the Business Board will seek further information from the Discloser.

The Combined Authority or the Business Board will confirm when the matter is concluded and, if appropriate, the outcome of the investigation, maintaining security and confidentiality for all parties as far as possible.

Throughout any investigation, the Discloser will still be expected to continue their duties/role as normal unless deemed inappropriate.

9. Confidentiality and anonymity

The best way to raise a concern is to do so openly, as this makes it easier for the Combined Authority or Business Board to investigate and provide feedback.

Any disclosures made under this procedure will be treated in a sensitive manner. However the Combined Authority or the Business Board recognises that the Discloser may want to raise a concern in confidence, i.e. they may want to raise a concern on the basis that their name it is not revealed without their consent.

The Combined Authority or Business Board will respect any request for confidentiality as far as possible, restricting it to a 'need to know' basis. However, if the situation arises where it is not possible to resolve the concern without revealing the Discloser (for example in matters of criminal law), the Combined Authority or Business Board will advise them before proceeding. The same considerations of confidentiality should be afforded to the recipient(s) at the centre of the concern, as far as appropriate.

The Combined Authority or the Business Board always encourages potential Disclosers to speak up about potential serious wrongdoing in a way that they feel comfortable. Disclosers may choose to raise concerns anonymously, i.e. without providing their name at all. If this is the case, the investigation itself may serve to reveal the source of information. Disclosers are therefore encouraged, where possible to put their names to concerns raised. When anonymous concerns are raised, they will be treated as credible and investigated so far as possible.

10. Protection

If a concern is raised in the reasonable belief that it is in the public interest and procedures have been followed correctly, the Discloser raising the concern will be protected by the terms of this policy and, where applicable, by whistleblowing legislation (see gov.uk for more information on who is covered by whistleblowing legislation). Where a Discloser has been victimised for raising a concern, the Combined Authority or the Business Board concerned will take appropriate action against those responsible, in line with the Combined Authority's disciplinary policy and procedures.

11. Changes to procedures or policy as a result of whistleblowing

If changes are made to Combined Authority or the Business Board policies and processes as result of whistleblowing investigations, the Combined Authority or the

Business Board will publicise the changes as appropriate, taking into consideration the importance of protecting the anonymity and confidentiality of individuals.

12. Untrue allegations

If a Discloser makes an allegation but it is not confirmed by the investigation, no action will be taken against them. However, if a malicious or vexatious allegation is made without good reason to: cause trouble; for personal gain; or to discredit the Combined Authority or the Business Board an investigation may take place. Where the Discloser is an employee or a Combined Authority or the Business Board Member or a contractor this may result in disciplinary or other action if they have broken the terms of their employment, acted against the LEP Code of Conduct or broken a clause in a contract.

13. How this matter can be taken forwards if you are not satisfied

This procedure is intended to provide Disclosers with an avenue to raise legitimate concerns. If you are either unable to raise the matter with the Combined Authority or Business Board or you are dissatisfied with the action taken you can report the matter externally.

If you are either unable to raise the matter with the Combined Authority or the Business Board or you are dissatisfied with the action taken you may consider raising it with:

- The police
- The relevant regulatory body or professional body
- Your Trade Union
- Your solicitor
- Your Citizens Advice Bureau

Further information and signposting for potential Disclosers is available on www.gov.uk.

If a Discloser does take the matter outside the Combined Authority or the Business Board, to an external body, they should ensure they do not disclose information that is confidential, for example, if you are an employee your contract of employment may set out expectations of your regarding what is confidential.

Prescribed Persons

Where your concerns are in the public interest, you can take them to a number of persons who have been prescribed by the Secretary of State.

A full list of prescribed persons to whom you can make a protected disclosure can be obtained through the following link: [List of Prescribed Persons](#)

Business Board Matters Only

If you are dissatisfied with the action taken in relation to a Business Board matter, you can raise the matter directly to the Cities and Local Growth Unit in the Department of Communities and Local Government and the Department of Business Energy and Industrial Strategy, at the following email address:

LEPPolicy@communities.gsi.gov.uk or by writing to: LEP Policy Deputy Director, Cities and Local Growth Unit, Fry Block, 2 Marsham Street, London, SW1P 4DF. You should clearly mark your email or letter as “Official - whistleblowing”.

14. Feedback on Whistleblowing Policy

Any feedback or comments on this policy should be directed to the Combined Authority and the Business Board’s Responsible Officer.

15. Review

This procedure will be kept under review and any amendments will be subject to consultation with staff representatives. It will be reviewed by the Combined Authority’s Audit and Governance Committee.

Cambridgeshire and Peterborough Combined Authority and the Local Enterprise Partnership Business Board

Confidential reporting of complaints

The Combined Authority and Business Board's confidential reporting of complaints policy on and how to raise concerns.

Policy Number	Insert policy number	Version Number	1
Date of Issue			
Reviewed by	Audit and Governance Committee	26 March 2018	
Approved by	Cambridgeshire and Peterborough Combined Authority		
Approved by	Business Board		

1. Introduction

The Cambridgeshire and Peterborough Combined Authority and the Local Enterprise Partnership Business Board is committed to creating a work environment with the highest possible standards of openness, probity and accountability. In view of this commitment we encourage employees and others with serious concerns about any aspect of the Cambridgeshire and Peterborough Combined Authority or the Local Enterprise Partnership Business Board's work to come forward and voice those concerns without fear of reprisal. For employees and those working closely with the Combined Authority or Business Board, please follow the whistleblowing policy on our website. Insert hyperlink to whistleblowing procedure

For third parties and members of the public, please follow the confidential complaints procedure outlined below.

Whistleblowing - where an individual who has concerns about a danger, risk, contravention of rules or illegality provides useful information to address this. In doing so they are acting in the wider public interest, usually because it threatens

others or impacts on public funds. By contrast, a grievance or private complaint is a dispute about the individual's own position and has no or very limited public interest.

Confidentiality

If a member of the public or a third party wants to make a confidential complaint or raise a concern, it will be treated in confidence and every effort will be made to protect the person's identity if they wish to remain anonymous. The Cambridgeshire and Peterborough Combined Authority or the Local Enterprise Partnership Business Board will investigate all complaints or allegations.

Anonymous allegations

The Cambridgeshire and Peterborough Combined Authority and the Local Enterprise Partnership Business Board take all complaints and concerns raised by members of the public and third parties seriously. We will investigate anonymous allegations but remind complainants that when people put their names to an allegation the ability to investigate and therefore reach firm conclusions is strengthened. Concerns expressed anonymously will be considered at the discretion of the Cambridgeshire and Peterborough Combined Authority or the Local Enterprise Partnership Business Board. When exercising this discretion the factors to be taken into account would include:

- the seriousness of the issue raised;
- the credibility of the concern; and
- the likelihood of confirming the allegation from attributable sources.

The Ministry of Housing, Communities & Local Government may request information arising from this process if they have concerns regarding a combined authority or local authority, or have been approached with similar complaints. The expectation is that this information will be provided on an anonymous basis, but it may be necessary to provide personal details to progress a complaint.

Where details are gathered, the Cambridgeshire and Peterborough Combined Authority and the Local Enterprise Partnership Business Board will put in place appropriate data protection arrangements in line with the Data Protection Act 1998.

2. Confidential Complaints Procedure

The Cambridgeshire and Peterborough Combined Authority or the Local Enterprise Partnership Business Board is aware that the organisation's ordinary complaints procedure may not be suitable if someone wants the complaint to remain confidential. If you would like to make a confidential complaint please write to:

Martin Whiteley,
Chief Executive of Cambridgeshire and Peterborough Combined Authority and the
Local Enterprise Partnership
Business Board, Unit 3,
The Incubator,
Alconbury Weald Enterprise Campus,
Alconbury Weald,

Huntingdon, PE28 4WX. Or
email Martin.Whiteley@cambridgeshirepeterborough-ca.gov.uk

State that you want the complaint to remain confidential.

3. Action taken by Cambridgeshire and Peterborough Combined Authority or the Local Enterprise Partnership Business Board

The designated complaints officer will raise your concern and investigate the complaint. You can expect the officer to

- Contact you within 10 working days to acknowledge the complaint and discuss the appropriate course of action.
- Write to you within 28 working days with findings of the investigation. If the investigation has not concluded within 28 working days, the officer will write to you to give reasons for the delay in resolving the complaint.
- Take the necessary steps to rectify the issue.

If you are unhappy with the outcome of the complaint or the complaint involves those responsible for the confidential complaints procedure:

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.

For local Enterprise Partnership Business Board Matters Only

You can escalate your concerns through the Local Enterprise Partnership Business Board's accountable Finance Officer for the Business Board. Their contact details are

Rachel Musson
Finance Director
Cambridgeshire and Peterborough Combined Authority and the Local Enterprise Partnership Business Board

The Incubator,
Alconbury Weald Enterprise Campus,
Alconbury Airfield,
Huntingdon,
Cambridgeshire,
PE28 4WX.

[Rachel Musson@cambridgeshirepeterborough-ca.gov.uk](mailto:Rachel.Musson@cambridgeshirepeterborough-ca.gov.uk)

If you are either unable to raise the matter with the Cambridgeshire and Peterborough Combined Authority or the Local Enterprise Partnership Business Board or you are dissatisfied with the action taken you can report it direct to the Cities and Local Growth Unit in the Department of Communities and Local Government and the Department of Business, Energy and Industrial Strategy, at the following email address:

LEPPolicy@communities.gsi.gov.uk or by writing to LEP Policy Deputy Director, Cities and Local Growth Unit, Fry Block, 2 Marsham Street, London, SW1P 4DF. You should clearly mark your email or letter as “Official - complaints”.

For employees and those working closely with the LEP, please follow the staff whistleblowing policy on our website **[\[Insert hyperlink to whistleblowing procedure\]](#)**.



AUDIT AND GOVERNANCE COMMITTEE	AGENDA ITEM No: 13
26th MARCH 2018	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 the 2018/19 municipal year and ask them for comments and suggestions.

<u>DECISION REQUIRED</u>	
FROM:	26th March 2018
Lead Officer:	Anne Gardiner
That the Committee notes the work programme for the Audit and Governance Committee for the remainder of the 2017/18 municipal year and the 2018/19 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 There are no financial implications

4.0 LEGAL IMPLICATION

4.1 There are no legal implications

5.0 EQUALITIES IMPLICATION

5.1 None

6.0 APPENDICES

6.1 Draft Work Programme

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



Appendix 1

AUDIT & GOVERNANCE COMMITTEE – WORK PROGRAMME

LEAD OFFICER(S): Rachel Musson, S151 Officer

DEMOCRATIC SERVICES OFFICER (DSO): Anne Gardiner

Date	Report Description	Relevant Officer/ Report Author
26 th March 9:15am Training Session	Training session – Treasury Management Strategy	Jon Alsop
26 th March 2018 10am – Public Meeting	Internal Audit Plan 2018/19	Steve Crabtree
	Internal Audit – Progress Report	Steve Crabtree
	External Audit – Final Audit Plan 2017/18	Suresh Patel/Kay McClennon (Ernst & Young)
	External Audit – Progress Report	Suresh Patel/Kay McClennon (Ernst & Young)
	External Audit - Local Government Sector Briefing	Suresh Patel/Kay McClennon (Ernst & Young)
	Treasury Management Strategy Review (follow-up report from 18 Dec meeting)	Jon Alsop
	Risk Management Strategy & Corporate Risk Register	Brian Madden
	Anti-Fraud, Bribery & Corruption Policy	Brian Madden
	Annual Review of Constitution	Kim Sawyer
	Code of Corporate Governance	Kim Sawyer
	Whistleblowing Policy and Confidential Reporting	Kim Sawyer
	Assurance Framework & Implementation Plan – blueprint document outlining the rollout process	Brian Madden/Kim Sawyer
	Forward Agenda Plan	Anne Gardiner
Deadlines:	Final Reports to DSO: 4pm Wednesday 14 March 2018	Agenda Publication/Despatch: Friday 16 March 2018
Mid May 2018 – Informal Workshop	Draft Accounts 2017/18 - Date to be agreed	Jon Alsop

20 July 2018 9:15am Training Session		
20 July 2018 10am – Public Meeting	Annual Governance Statement	Rachel Musson
	Annual Financial Report 2017/18	Jon Alsop
	External Audit - Audit Results Report	Suresh Patel/Kay McClennon (Ernst & Young)
	External Audit Progress Report	Suresh Patel/Kay McClennon (Ernst & Young)
	External Audit - Local Government Sector Briefing	Suresh Patel/Kay McClennon (Ernst & Young)
	Internal Audit Annual Report	Steve Crabtree
	Internal Audit – Progress Report	Steve Crabtree
	Forward Agenda Plan	Anne Gardiner
Deadlines:	Final Reports to DSO: 4pm Tuesday 10 July 2018	Agenda Publication/Despatch Thursday 12 July 2018
28 September 2018 9:15am Training Session		
28 September 2018 10am – Public Meeting	External Audit - Annual Audit Letter	Suresh Patel/Kay McClennon (Ernst & Young)
	External Audit - Local Government Sector Briefing	Suresh Patel/Kay McClennon (Ernst & Young)
	Treasury Operations Annual Performance Review	Jon Alsop

	Corporate Risk Register Review	Brian Madden
	Internal Audit – Progress Report	Steve Crabtree
	Forward Agenda Plan	Anne Gardiner
Deadlines:	Final Reports to DSO: 4pm Tuesday 18 September 2018	Agenda Publication/Despatch: Thursday 20 September 2018
30 November 2018 9:15am Training Session		
30 November 2018 10am – Public Meeting	External Audit – Annual Certification Report (if required)	Suresh Patel/Kay McClennon (Ernst & Young)
	External Audit - Annual Audit and Inspection Plan	Suresh Patel/Kay McClennon (Ernst & Young)
	External Audit - Local Government Sector Briefing	Suresh Patel/Kay McClennon (Ernst & Young)
	Annual Treasury Management Strategy/MRP/AIS	Jon Alsop
	Internal Audit – Progress Report	Steve Crabtree
	Forward Agenda Plan	Anne Gardiner
Deadlines:	Final Reports to DSO: 4pm Tuesday 20 November 2018	Agenda Publication/Despatch: Thursday 22 November 2018

29 March 2019 9:15am Training Session		
29 March 2019 10am – Public Meeting	External Audit Progress Report	Suresh Patel/Kay McClennon (Ernst & Young)
	External Audit - Local Government Sector Briefing	Suresh Patel/Kay McClennon (Ernst & Young)
	Code of Corporate Governance Review	Kim Sawyer
	CA Constitution Annual Review	Kim Sawyer
	Corporate Complaints Procedure(s) - Annual Reports & Review	Kim Sawyer
	Corporate Risk Register Annual Review	Brian Madden
	Internal Audit Plan 2019/20	Steve Crabtree
	Internal Audit – Progress Report	Steve Crabtree
	Forward Agenda Plan	Anne Gardiner
Deadlines:	Final Reports to DSO: 4pm Tuesday 19 March 2019	Agenda Publication/Despatch: Thursday 21 March 2019
31 May 2019 – Informal Workshop	Draft Accounts 2018/19	Jon Alsop

Items to be Timetabled

- *Performance Management Framework*