CAMBRIDGESHIRE
& PETERBOROUGH
COMBINED AUTHORITY

Statement of Accounts

2018/19

Cambridgeshire and Peterborough Combined Authority

Statement of Accounts 2018/19

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Narrative Report

Introduction

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

This report provides the narrative to the financial statements for the year ended 31 March 2019

1. Organisational Overview and External Environment

The Combined Authority is made up of the seven Constituent Authorities, who are represented by their nominated representative or substitute at Combined Authority meetings, the private sector Business Board Chair and the Mayor. The seven Constituent Authorities are:

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

The following bodies have co-opted member status:
The Police and Crime Commissioner for Cambridgeshire
Cambridgeshire and Peterborough Fire Authority representative
Clinical Commissioning Group representative

The Combined Authority Board, with the support of Government, agreed to form a new model of strategic leadership through the dissolution of the Greater Cambridgeshire Greater Peterborough Local Enterprise Partnership (GCGLEP) and the creation of a new Business Board.

In September 2018, the Business Board was constituted as a non-statutory body to be the Local Enterprise Partnership (LEP) for the region. It operates as a private-public sector partnership, focusing on the key business sectors to provide strategic leadership and drive growth in the Cambridgeshire and Peterborough and wider Local Enterprise area.
The staff and business of the LEP were transferred to the Combined Authority with effect from 1 April 2018. Subsequently all staff have been consolidated on a single set of conditions and pay structure as part of an organisational review

undertaken in the year. The accountable body status for the LEP also transferred to the Combined Authority, from Cambridgeshire County Council, on 1 April 2018.

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

- Local Industrial Strategy – strategy development, implementation oversight, and monitoring of key objectives
- Place-based growth plans – including master plan development for our market towns, oversight of implementation, making investment recommendations, strategically managing business growth zones (including Enterprise Zones)
- Key sectors – determining our priority sectors, agreeing plans for their growth, overseeing the products and services that directly stimulate sector growth
- International trade and exports – import and export strategies, fostering key places in the world for trade accords, with particular focus on post-Brexit trade and export planning
- Skills – strategy and delivery plans to achieve a pipeline of people with skills required by business
- Major investment opportunities – maintaining an overview and management of the pipeline of the single most direct investment opportunities facing the area
- Devolution – employment improvement and increased exporting impacting on GVA

2. Governance

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

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

The Annual Governance Statement, as set out from page 47, explains how the Combined Authority has complied with the Local Code of Governance and meets the requirements of the Accounts and Audit (England) Regulations 2015 Regulation 6.1 (b).

3. Operational Model

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

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

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

HM Government required devolution areas in receipt of single pot funding to adopt an assurance framework that explains how this flexible funding will be spent with regularity, propriety and value for money.

The CPCA assurance framework is a set of systems, processes and protocols designed to provide an evidence-based and independent assessment of the governance, risk management, and control processes of the organisation.

The Assurance Framework enables the organisation to monitor, measure and scrutinise how well its objectives are being met and sets out processes to ensure an adequate response if risks or performance are perceived to be unacceptable. The Framework is "an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organisation".

4. Risks and Opportunities

The Combined Authority asked the Cambridge and Peterborough Independent Economic Commission, chaired by Dame Kate Barker, to develop an authoritative evidence base on the economic performance and potential of our area in order to inform choices on policy priorities and strategic investment.

The Commission developed a strategic analysis, the Cambridgeshire & Peterborough Independent Economic Review (CPIER), of the economic issues Cambridgeshire and Peterborough faces. The review set out 14 main recommendations, and 13 subsidiary recommendations, which ranged from advice on measuring future growth to priorities for a second devolution deal.

Key elements of that analysis include:

- The future growth of our area is of strategic importance for the future global competitiveness of a Britain that must prosper outside the EU
- Our economy is diverse, with the two major cities and what the Commission referred to as the Fens economy facing different challenges
- While endorsing the Devolution Deal target of doubling GVA, the Commission has also said current efforts aren't enough to hit it
- The risk of the Greater Cambridge economy decelerating for lack of infrastructure and housing growth; the need to raise productivity in the Fens economy; the need to improve transport connectivity; and the need to build significantly more homes to address affordability and commuting costs
- The CPIER also emphasised the economic significance of tackling health inequalities, educational disparities, and the sustainability of new communities.

5. Our Growth Ambition

The Combined Authority has developed a Growth Ambition Statement to summarise it's strategy and response to the Cambridgeshire & Peterborough Economic Review (CPIER).

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

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

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

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

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

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

Bringing transport and spatial planning together around projects like the Cambridge Autonomous Metro (CAM) creates opportunities to fund future investment through Land Value Capture. The Combined Authority will consider acquiring and promoting strategic housing sites along the proposed CAM routes. We will work to develop these as possible future garden villages. We will also engage with Government about utilising Tax Increment Financing models to fund infrastructure so that it can precede development.

Responding to the growth challenge means public sector interventions to help firms raise their productivity, especially outside the Greater Cambridge area. Our Local Industrial Strategy (LIS) will reflect the CPIER's recommendations about key sectors and the drivers of productivity. Our LIS will recognise the different economic roles that different towns play and will be about targeting support to businesses in areas that need it. It will focus on improving productivity and encouraging exporting. As part of this, the Combined Authority is already supporting digital connectivity for businesses.

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

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

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

Four Key Strategies will underpin Combined Authority Work

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

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

Phase one of the Non-Statutory Strategic Spatial Framework has been completed, which sets out the principles of planning or sustainable growth. In 2019 we will be bringing forward Phase two with a growth vision to 2050.

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

It is envisaged that 2019/20 will see the priority planned interventions to address the strategic priorities. These include the University of Peterborough, implementing localised adult education, a work readiness pilot and a Progression and Apprenticeship Market Place. 2019 will also be the second year of the Health & Care Sector Work Academy, a programme to tackle the local shortage of skilled workers in the health and care sector. This three-year programme will train 2,100 learners.

Local Transport Plan
Following devolution, the Combined Authority is now the Local Transport Authority with strategic transport powers. The Local Transport Plan provides an overview of the area's aims and objectives, its strategies to address challenges and summarises the major transport schemes required to achieve targeted growth and place-making across the Combined Authority geography. Whilst the current interim plan complies with the Authority's statutory requirements, it is not fully aligned with the aspirations of the Combined Authority as set out by the Mayor. Major work was undertaken in 2018/19 and the final Local Transport Plan will be produced during 2019.

6. Performance

Projects invested in by the Combined Authority in 2018-19 included the following:

CPIER report
The Combined Authority welcomed the findings of the report published by the Cambridgeshire & Peterborough Independent Economic Commission. The Commission, chaired by Dame Kate Barker, was set up in January 2018 to bring together prominent experts in the fields of business, academia and economics to undertake a major review of the Cambridgeshire and Peterborough economy.

Cambridge Autonomous Metro (CAM)
The Combined Authority and Greater Cambridge Partnership (GCP) have developed a strategic outline business case for the CAM proposal in 2018/19. Further funding has been committed in 2019/20 to develop a strong Outline Business Case as a driver to release funding.

Wisbech Road Improvements and Wisbech Rail Study
Following recommendation from the Business Board £10.5 million was allocated for a package of improvements to the road system around Wisbech.
The highway improvements will stimulate housing, economic and jobs growth in the town.

The Combined Authority also approved a budget of £1.5 million to fund a detailed study into delivering a rail link between Wisbech and March.

This work was commenced in 2018/19.

Peterborough City Centre Improvements: Bourges Boulevard
An extensive improvement programme along Peterborough's Bourges Boulevard Corridor was completed in October 2018. The final £1.35m of the £9.2m allocation was paid in this year.

St Neots Master Plan
Following the approval of Phase One of the St Neots Masterplan by the Combined Authority Board in 2017, a bid for £4.1 million of investment in St Neots over the next three years was agreed by the Combined Authority Board in June 2018. This work commenced in 2018/19.

Affordable Housing
£13.55m was paid to Cambridge City Council towards the delivery of 500 affordable homes in the city. Spend will escalate in 2019/20 in Cambridge and in other areas across the Combined Authority.

Ely Southern Bypass
October 2018 saw the opening the Ely Southern Bypass, delivering a boost to residents and the economy of East Cambridgeshire and beyond, after years of suffering the effects of delays and congestion on the busy A142 route.

Saving the X3 Bus Service
A vital bus service between Papworth and Cambridge was saved thanks to a £10,000 grant by the Combined Authority and South Cambridgeshire District Council.

Kings Dyke
Funding for the new King's Dyke level crossing project was approved by the Cambridgeshire & Peterborough Combined Authority in October 2018, allowing it to progress to the construction phase. £6.11m was paid in this year.

Agri-tech grant programme
The Eastern Agri-Tech Growth Initiative is run by the Combined Authority with support from New Anglia LEP, Norfolk County Council, and the local authorities covering the two LEP areas. £1.98m was funded in 2018/19. The Combined Authority agreed to extend the project to 2021, with a further £4 million available to businesses.

Training for apprentices at iMET
iMET is an advanced technical training centre, based in the heart of the Alconbury Weald Enterprise Campus, conceived from an identified need to deliver higher-level training for the manufacturing, built environment and science & technology sectors and was opened in June 2018. The final payment of £1.34m of the £10.5m project was paid in 2018/19.

Delivering Digital Connectivity Strategy
In June 2018 the region's new Delivering Digital Connectivity Strategy was launched with a £5.6 million investment from the Combined Authority to significantly improve mobile, broadband and public Wi-Fi coverage, whilst securing future proof full fibre and 5G networks. Nearly £0.5m was funded in 2018/19.

Greater South East Energy Hub
The Energy Hub was established this year and is operated by the Combined Authority for a 15-county area plus Greater London to promote sustainable energy solutions.

M11 Junction 8
Following the recommendation of the Business Board, £1 million is being invested in improvements to Junction 8 on the M11. This is an important intersection for Stansted Airport, a key international gateway for the Cambridgeshire and Peterborough.

7. Outlook

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

Partnership will be essential to delivery. The public sector in particular needs to work more closely to leverage all our resources, human and financial. We also need to depoliticise what we do about growth and build a consensus that gives our communities, businesses and central government the confidence that when they make decisions to live, grow and invest in our region they do so knowing there's not a better area in the country to do it.

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

8. Basis of Preparation and Presentation

This Statement of Accounts has been prepared in accordance with statutory requirements, detailed in the Local Government Act 2003, the Accounts and Audit Regulations 2015 and The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code).

The Statement of Accounts brings together the major financial statements for the Authority for the financial year 2018/19. The financial statements, along with the notes that accompany them, aim to give a full and clear picture of the financial position of Cambridgeshire and Peterborough Combined Authority, including all aspects of the Business Board (LEP). The key contents of the various sections are as follows:

- Statement of Responsibilities – sets out the responsibilities of the Authority and the Chief Finance Officer in respect of the Statement of Accounts.
- Comprehensive Income and Expenditure Statement – shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.
- Movement in Reserves Statement – this statement shows the movement in the year on the reserves held by the Authority.
- Balance Sheet – shows the value of the assets and liabilities recognised by the Authority as at 31 March 2019.
- Cash Flow Statement – summarises the inflows and outflows of cash, and cash equivalents, arising from transactions with third parties.
- Notes to the Financial Accounts - the various statements are supported by technical notes and by the Statement of Accounting Policies.
- Statement of Accounting Policies – outlines the accounting policies adopted by the Authority.

Jon Alsop
Head of Finance and S73 Officer

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

DRAFT INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY

Opinion

We have audited the financial statements of Cambridgeshire & Peterborough Combined Authority for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cash Flow Statement, the related notes 1 to 46, and the Statement of Accounting Policies.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of Cambridgeshire & Peterborough Combined Authority as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Statement of Accounts 2018/19, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, we are satisfied that, in all significant respects, Cambridgeshire & Peterborough Combined Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;

- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether

Cambridgeshire & Peterborough Combined Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Cambridgeshire & Peterborough Combined Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Peterborough City Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Use of our report

This report is made solely to the members of Cambridgeshire & Peterborough Combined Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Suresh Patel (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

Cambridge

XXXX 2019

Statement of Responsibilities for the Statement of Accounts

The Combined Authority's Responsibilities

The Combined Authority is required to:

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

The Section 73 Officer's Responsibilities

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

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

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

The Section 73 Officer has also:

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

Section 73 Officer's Certificate

I certify that the accounts set out on pages 16 to 45 present a true and fair view of the financial position of the Combined Authority at 31 March 2019 and its income and expenditure for the year ended 31 March 2019.

Section 73 Officer:

Date: ____________________

Approval of the Statement of Accounts

I confirm that these accounts were approved by the Audit and Governance Committee at the meeting held on xx xxx 2019.

Chair of the Audit Committee:

Date: ____________________

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Combined Authorities can raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

*Restated 2017/18**					**2018/19**		
Gross Expenditure £000	*Gross Income £000*	*Net Expenditure £000*	**Comprehensive Income & Expenditure Statement (CIES)**	**Notes (From Page 20)**	**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
852	-	*852*	Combined Authority Staffing Costs		3,008		3,008
-	-	-	Financing Costs (Enterprise Zone receipts)			(452)	(452)
21	-	*21*	Public Service Reform and Strategic Planning		620	(338)	282
1,038	-	*1,038*	Governance Costs		112	-	112
865	-	*865*	Operational Costs		1,167	(80)	1,087
1,109	-	*1,109*	Fiscal and Economic Strategy		655	(6)	649
163	*(7)*	*156*	Mayor's Office		349	(24)	325
2,987	*(2,985)*	*2*	New Homes and Communities		14,068	(14,480)	(412)
31,468	*(31,323)*	*145*	Transport & Infrastructure		33,549	(30,139)	3,410
2,553	*(1,346)*	*1,207*	Employment & Skills		924	(264)	660
-	-	-	The Business Board (Previously the Local Enterprise Partnership)		16,643	(15,150)	1,493
41,056	*(35,661)*	*5,395*	**Cost of Services**		**71,095**	**(60,933)**	**10,162**
-	*(287)*	*(287)*	Financing & Investment Income & Expenditure	4	-	(1,410)	(1,410)
-	*(56,569)*	*(56,569)*	Non-Specific Grant Income & Expenditure	5	-	(41,611)	(41,611)
41,056	*(92,517)*	*(51,461)*	**Surplus on Provision of Services**		**71,095**	**(103,954)**	**(32,859)**
		-	**Other Comprehensive Income & Expenditure –** deficit from investments in equity instruments designated at fair value through other comprehensive income				132
		(51,461)	**Total Comprehensive Income & Expenditure**				**(32,727)**

** Restated to take account of changes in organisation structure during 2018/19 in order to present figures on a like for like basis.*

Movement in Reserves Statement

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

Movement in Reserves	**Note**	**General Fund Balance**	**Earmarked General Fund Reserves**	**Capital Grants Unapplied Account**	**Usable Capital Receipts Reserve**	**Total Usable Reserves**	**Unusable Reserves** *	**Total Combined Authority Reserves**
		£000	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
Balance at 1 April 2017		*(7,057)*	*(446)*	*(32,500)*	*-*	*(40,003)*	*-*	*(40,003)*
Total Comprehensive Income & Expenditure		*(51,461)*	*-*	*-*	*-*	*(51,461)*	*-*	*(51,461)*
Adjustments between accounting basis & funding basis under regulations	9	*48,569*	*-*	*(48,569)*	*-*	*-*	*-*	*-*
Net Increase before Transfers to Earmarked Reserves		*(2,892)*	*-*	*(48,569)*	*-*	*(51,461)*	*-*	*(51,461)*
Transfers to / (from) Reserves		*54*	*(54)*	*-*	*-*	*-*	*-*	*-*
Increase / (Decrease) in 2017/18		*(2,838)*	*(54)*	*(48,569)*	*-*	*(51,461)*	*-*	*(51,461)*
Balance at 31 March 2018 Carried Forward		*(9,895)*	*(500)*	*(81,069)*	*-*	*(91,464)*	*-*	*(91,464)*
Accountable Body Transfer (see note 25)		**(102)**	**(1,190)**	**(18,720)**	**(9,189)**	**(29,201)**	**(7,125)**	**(36,326)**
Balance at 1 April 2018		**(9,997)**	**(1,690)**	**(99,789)**	**(9,189)**	**(120,665)**	**(7,125)**	**(127,790)**
Total Comprehensive Income & Expenditure		**(32,859)**	-	-	-	**(32,859)**	132	**(32,727)**
Adjustments between accounting basis & funding basis under regulations	9	30,814	-	(31,190)	(1,947)	(2,323)	2,323	-
Net Increase before Transfers to Earmarked Reserves		(2,045)	-	(31,190)	**(1,947)**	**(35,182)**	2,455	**(32,727)**
Transfers to / (from) Reserves		857	(857)	-	-	-	-	**-**
Increase / (Decrease) in 2018/19		**(1,188)**	**(857)**	**(31,190)**	**(1,947)**	**(35,182)**	2,455	**(32,727)**
Balance at 31 March 2019 Carried Forward		**(11,185)**	**(2,547)**	**(130,979)**	**(11,136)**	**(155,847)**	**(4,670)**	**(160,517)**

Balance Sheet

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

31 March 2018	*Accountable Body Transfer (see note 25)*	*1 April 2018*	**Balance Sheet**	**Notes**	**31 March 2019**
					£000
-	-	-	Property, Plant & Equipment	15	209
-	-	-	Long Term Investments	18, 19	209
-	4,342	4,342	Long Term Debtors	18, 19	4,459
-	4,342	4,342	**Long Term Assets**		**4,877**
858	31,984	32,842	Short Term Debtors	19, 21	1,234
25,049	-	25,049	Short Term Investments	19, 21	57,743
73,994	-	73,994	Cash & Cash Equivalents	19, 24	109,758
99,901	31,984	131,885	**Current Assets**		**168,735**
(6,216)	-	(6,216)	Short Term Creditors	22	(10,786)
(777)	-	(777)	Provisions		-
(6,993)	-	(6,993)	**Current Liabilities**		**(10,786)**
(1,444)	-	(1,444)	Capital Grants Receipts in Advance		(2,309)
(1,444)	-	(1,444)	**Long Term Liabilities**		**(2,309)**
91,464	36,326	127,790	**Net (Liabilities) / Assets**		**160,517**
(91,464)	(29,201)	(120,665)	Usable Reserves		(155,847)
-	(7,125)	(7,125)	Unusable Reserves		(4,670)
(91,464)	(36,326)	(127,790)	**Total Reserves**		**(160,517)**

Section 73 Officer:

Date:

Cash Flow Statement

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

2017/18 £000	**Cash Flow Statement**	**Notes**	**2018/19 £000**
(51,461)	Net (Surplus) / Deficit on the Provision of Services		(32,859)
(7,083)	Adjust net (Surplus) / Deficit on the Provision of Services for Non Cash Movements		(33,200)
-	Adjust for Items Included in the Net (Surplus) / Deficit on the Provision of Services that are Investing & Financing Activities		-
(58,544)	**Net Cash Flows from Operating Activities**		**(66,059)**
25,049	Investing Activities	23	30,295
-	Financing Activities		-
(33,495)	**Net (Increase) / Decrease in Cash & Cash Equivalents**		**(35,764)**
40,500	Cash & Cash Equivalents at the Beginning of the Reporting Period		73,994
33,494	Increase / (Decrease) in Cash and Cash Equivalents		35,764
73,994	**Cash & Cash Equivalents at the end of the Reporting Period**	24	**109,758**

Notes to the Accounts

1 External Audit Costs

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

2017/18	External Audit Costs	2018/19
£000		**£000**
35	Fees payable with regard to external audit services carried out by the appointed auditor	35
35	**Total**	**35**

2 Mayor's and Member's Allowances

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

The interim Chair of the Business Board was paid a £2,000 per month allowance, in line with the allowance paid to the LEP chair prior to its inclusion within the CPCA.

The Chair of Audit and Governance Committee receives an allowance in lieu of expenses

Role	Year	Allowance	Expenses	Total
Mayor	17-18 (part year)	£70,919	£5,309	£76,228
	18-19	**£75,000**	**£5,835**	**£80,835**
Chair of the Business Board[1]	**18-19**	**£24,000**	**-**	**£24,000**
Chair of Audit and Governance Committee[2]	17-18	-	-	-
	18-19	**1,656**	**-**	**1,656**

[1]As the Business Board LEP was not part of the CPCA in 17-18 there were no costs in the prior year for comparison.

The Mayor took office with effect from 8th May 2017. Hence the 2017/18 figure for the Mayor's allowance reflects a part year charge.

3 Officers' Remuneration

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

These requirements only apply to directly employed staff.

During 2018/19 some Combined Authority staff were contractually employed by Peterborough City Council however, for clarity of the accounts, these staff will be included but clearly noted where this is the case.

Senior Employees

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

• the designated head of paid service, a statutory chief officer or a non-statutory chief officer of a relevant body, as defined under the Local Government and Housing Act 1989;

• any person having responsibility for the management of the relevant body, to the extent that the person has power to direct or control the major activities of the body, in particular activities involving the expenditure of money, whether solely or collectively with others.

All those employees who would be classed as Senior were employed by PCC or on an interim basis, as such the total costs of each post for the year has been included below

	Name(s) of post holders in 2018-19	Total Remuneration including Employer Pension Contributions £000	
		2017-18	2018-19
Chief Executive[1]	M Whiteley K Sawyer J Hill	230	350
Monitoring Officer[2]	K Sawyer P Arran H Norris	127	166
Chief Finance Officer[3]	R Musson K Fenlon N O'Neill	95	201
Director of Business and Skills[4]		-	161
Director of Strategy and Policy[5]		-	77
Director of Housing[5]		-	109
Director of Transport[5,6]		-	171
Total		**452**	**1,235**

1. The permanent Chief Executive Officer (Martin Whiteley) left the Combined Authority in September and two interim joint CEOs (Kim Sawyer and John Hill) have been in post since 26th September 2018. The total remuneration figures include any agreed exit packages.
2. The permanent Monitoring Officer, Kim Sawyer, was acting up to interim joint CEO from 26th September 2018. From October the Monitoring Officer role was covered by two successive interims.
3. The role of Interim Chief Finance Officer was held successively by Rachel Musson, Karl Fenlon and Noel O'Neill during 2018/19.
4. The Director of Business and Skills post was held by two successive appointments throughout the year, neither received more than £150,000.
5. These Director posts were appointed within the reporting period, their actual costs to the Combined Authority are recorded here.
6. The role of Director of Transport was covered by Inner Circle Consulting Ltd.

Employee remuneration above £50,000

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

Remuneration Banding	2017-18	2018-19 Employed by Peterborough City Council	2018-19 Employed by the Combined Authority	2018-19 Total
£50,000-£54,999	-	-	2	**2**
£55,000-£59,999	1	1	1	**2**
£60,000-£64,999	-	1	1	**2**
£65,000-£69,999	-	2	-	**2**
£70,000-£74,999	-	-	2	**2**
£75,000-£79,999	-	3	-	**3**
£80,000-£84,999	-	1	1	**2**
£85,000-£104,999	-	-	-	**-**
£105,000-£109,999	-	1	-	**1**
£110,000-£139,999	-	-	-	**-**
£140,000-£144,999	-	1	-	**1**
£145,000-£174,999	-	-	-	**-**
£175,000-£179,999	1	-	-	**-**
£180,000-£194,999	-	-	-	**-**
£195,000-£199,999	-	1	-	**1**
Total	**2**	**11**	**7**	**18**

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

	Number of compulsory redundancies	Number of other departures with exit packages*	Total number of exit packages
£0-£20,000	1	-	1
£20,001-£80,000	-	-	-
£80,001-£100,000	-	1	1
Totals	1	1+	2+

* Those individuals included within the other departures column were employed by PCC on behalf of the Combined Authority.

+ A second member of staff is in negotiation regarding their exit package. The value of this is currently uncertain.

There were no exit package costs to the Combined Authority in 2017-18.

Pay Multiple

The pay multiple is defined as the ratio between the highest paid taxable earnings for a given year (including base salary, variable

pay, bonuses, allowances and the cash value of any benefits-in-kind) and the median earnings figure of the whole of the authority's workforce.
For 2018-19 the Combined Authority's pay ratio takes into account those members of staff employed by both the CA and those employed via PCC and was 5.09.

4 Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure

2017/18	Financing & Investment Income & Expenditure	2018/19
£000		£000
(287)	Interest Receivable & Similar Income (Note 17)	(1,410)
(287)	**Total**	(1,410)

5 Comprehensive Income & Expenditure Statement –Non Specific Grant Income

2017/18	**Non-Specific Grant Income**	**2018/19**
£000		**£000**
	Non-Specific Government Grants	
(8,000)	Gain Share - Revenue	(8,000)
-	Other revenue	(1,820)
(8,000)	**Total Non-Specific Grants**	**(9,820)**
	Capital Grants & Contributions	
(11,055)	Gain Share - Capital	(11,332)
(27,608)	Housing Grant - General	(14,539)
(9,906)	Housing Grant - Cambridge	(3,458)
-	Local Growth Fund	(2,462)
(48,569)	**Total Capital Grants & Contributions**	**(31,791)**
(56,569)	**Total Income**	**(41,611)**

6 Related Parties

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

a) Central Government

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

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

2017/18 £000	Income	2018/19 £000
(8,000)	CLG – revenue grants	(9,928)
(52,500)	CLG – capital grants	(60,705)
(30,378)	DfT – capital grants	(33,055)
(1,300)	DWP – career and pay progression	(2,500)
(46)	DfE – adult education budget and skills panel	(237)
(92,224)	**Total Income**	**(106,425)**

b) Cambridgeshire and Peterborough Constituent Councils

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

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

	2018/19 £000
Expenditure	
Expenditure with Councils	56,973
Creditors	
General creditors with Councils	4,562

c) Members

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

During the period no works or services were commissioned from companies in which any Members had an interest.

d) Officers

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

Inner Circle Consulting Limited provides consultancy and project management support to the Combined Authority. One of the Directors of Inner Circle, Chris Twigg, fulfilled the role of Interim Director of Transport for the Combined Authority.

7 Expenditure and Income Analysed by Nature

2017/18 £000	Expenditure and Income Analysed by Nature	2018/19 £000
	Expenditure	
-	Employee Expenses - Contracts held by CPCA	1,095
634	Employee Expenses - Contracts held by PCC	2,137
34,309	Capital Grants made treated as REFCUS	59,958
6,113	Other Service Expenses	7,905
41,056	Total Expenditure	71,095
	Income	
(287)	Interest & Investment Income	(1,410)
(92,224)	Government Grants & Contributions	(101,965)
(6)	Other Income	(579)
(92,517)	Total Income	(103,954)
(51,461)	**Deficit / (Surplus) on the Provision of Services**	**(32,859)**

8 Expenditure and Funding Analysis

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

Restated 2017/18 Expenditure Chargeable to the General Fund £000	*Restated 2017/18* Adjustments between the Funding and Accounting Basis £000	*Restated 2017/18* Net Expenditure in the CIES £000	**Expenditure and Funding Analysis (EFA)**	**Notes**	**2018/19 Net Expenditure Chargeable to the General Fund £000**	**2018/19 Adjustments between the Funding and Accounting Basis £000**	**2018/19 Net Expenditure in the CIES £000**
852	-	*852*	Combined Authority Staffing Costs		3,008	-	3,008
-	-	-	Financing Costs		(452)	-	(452)
21	-	*21*	Public Service Reform and Strategic Planning		282	-	282
1,038	-	*1,038*	Governance Costs		112	-	112
865	-	*865*	Operational Costs		1,035	52	1,087
1,109	-	*1,109*	Fiscal and Economic Strategy		649	-	649
156	-	*156*	Mayor's Office		325	-	325
2	-	*2*	New Homes and Communities		(412)	-	(412)
145		*145*	Transport & Infrastructure		2,357	1,053	3,410
1,207	-	*1,207*	Employment & Skills		660	-	660
-	-	-	The Business Board (Previously the Local Enterprise Partnership		1,493	-	1,493
5,395	-	*5,395*	**Cost of Services**		**9,057**	**1,105**	**10,162**
(8,287)	*(48,569)*	*(56,856)*	Other Income & Expenditure	4, 5	(11,102)	(31,919)	(43,021)
(2,892)	*(48,569)*	*(51,461)*	**Surplus on Provision of Services**		**(2,045)**	**(30,814)**	**(32,859)**
(7,503)			Opening General Fund Balance		(10,395)		
-			Accountable Body Transfer (see note 25)		(1,292)		
-			Revised Opening General Fund Balance		**(11,687)**		
(2,892)			Surplus on General Fund Balance in Year		(2,045)		
(10,395)			**Closing General Fund Balance**		**(13,732)**		

* *Restated to take account of changes in organisation structure during 2018/19 in order to present figures on a like for like basis.*

9 Movement in Reserves Statement – Adjustments between Accounting Basis and Funding Basis under Regulations

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

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

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

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

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

Adjustments between Accounting Basis and Funding Basis under Regulations 2017/18	*Usable Reserves* *General Fund Balance*	*Capital Receipts Reserve*	*Capital Grants Unapplied*	*Movement in Unusable Reserves*
	£000	*£000*	*£000*	*£000*
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the CIES:				
Capital grants and contributions	*34,309*	*-*	*-*	*(34,309)*
Revenue expenditure funded from capital under statute	*(34,309)*	*-*	*-*	*34,309*
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants & contributions unapplied from the CIES	*48,569*	*-*	*(48,569)*	*-*
Total Adjustments	*48,569*	*-*	*(48,569)*	*-*

- **Summary of Usable and Unusable Reserves**

The table below shows the movement on each reserve to give total balances as at 31 March for usable and unusable reserves.

1 April 2017	*Movement*	*31 March 2018*	**Summary of Usable and Unusable Reserves**	**Accountable Body Transfer See note 25**	**1 April 2018**	**Movement**	**31 March 2019**
£000	*£000*	*£000*		**£000**	**£000**	**£000**	**£000**
			Usable Reserves				
(7,057)	*(2,838)*	*(9,895)*	General Fund Balance	(102)	(9,997)	(1,188)	(11,185)
(446)	*(54)*	*(500)*	Specific Earmarked Reserves (Note 10)	(1,190)	(1,690)	(857)	(2,547)
-	-	-	Capital Receipts Reserve	(9,189)	(9,189)	(1,947)	(11,136)
(32,500)	*(48,569)*	*(81,069)*	Capital Grants Unapplied Account	(18,720)	(99,789)	(31,190)	(130,979)
(40,003)	*(51,461)*	*(91,464)*	**Total Usable Reserves**	**(29,201)**	**(120,665)**	**(35,182)**	**(155,847)**
			Unusable Reserves				
-	-	-	Capital Adjustment Account	(7,310)	(7,310)	2,451	(4,859)
-	-	-	Financial Instruments Adjustment Account	185	185	(128)	57
-	-	-	Financial Instruments Revaluation Reserve		-	132	132
-	-	-	**Total Unusable Reserves**	**(7,125)**	**(7,125)**	**2,455**	**(4,670)**
(40,003)	*(51,461)*	*(91,464)*	**Total Usable and Unusable Reserves**	**(36,326)**	**(127,790)**	**(32,727)**	**(160,517)**

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

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

General Fund Earmarked Reserves	31 March 2018 £000	Accountable Body Transfer (see note 25) £000	1 April 2019 £000	Transfers Out £000	Transfers In £000	Movement between Reserves £000	31 March 2019 £000	Purpose of the Earmarked Reserve
Revenue Reserve	500	-	500	-	500	-	1,000	This reserve provides a working balance to cover risks to the revenue budget.
Elections Costs Reserve	-	-	-	-	260	-	260	This reserve smooths the impact on the revenue budget of the Mayoral elections which take place every four years.
Departmental Reserves	-	1,190	1,190	(160)	257	-	1,287	These represent unspent grant funding which does not require repayment, but is earmarked for projects in future years.
Total Reserves	**500**	**1,190**	**1,690**	**(160)**	**1,017**	**-**	**2,547**	

11 Capital Grants Unapplied Reserve

Capital Grants Unapplied Reserve Reserves	31 March 2018 £000	Transfers In £000	31 March 2019 £000
Gain Share - Capital	23,054	10,731	33,785
Housing Grant - General	37,609	14,539	52,148
Housing Grant - Cambridge	20,406	3,458	23,864
Local Growth Fund	18,720	2,462	21,182
Total Reserves	**99,789**	**31,190**	**130,979**

12 Capital Adjustment Account

2017/18 £000	Capital Adjustment Account:	2018/19 £000
-	Balance at start of year	-
	Accountable Body Transfer (see note 25)	(7,310)
	Revised opening balance	(7,310)
(34,309)	Capital Grants & Contributions that have been applied to Capital Financing	(58,905)
34,309	Revenue Expenditure Funded from Capital under Statue (REFCUS)	59,958
-	Redemption of financial assets (loans)	3,000
	Transfer from usable capital receipts reserve	(1,053)
	Application of Grants to Capital Financing from the Capital Grants Unapplied Account	(601)
-	Charges for depreciation	52
-	Balance at end of the year	**(4,859)**

13 Financial Instruments Adjustment Account

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

2017/18 £000	Financial Instruments Adjustment Account:	2018/19 £000
-	Balance at start of year	-
	Accountable Body Transfer (see note 25)	185
	Revised opening balance	185
-	Amounts arising from timing differences associated with the certain financial instruments	(128)
-	Balance at end of the year	**57**

14 Financial Instruments Revaluation Reserve

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

2017/18 £000	Financial Instruments Revaluation Reserve:	2018/19 £000
-	Balance at start of year	-
-	Impairment of Equity Instrument	132
-	Balance at end of the year	**132**

15 Property Plant and Equipment

2017/18 £000	Vehicles, Plant and Equipment	2018/19 £000
-	Balance at start of year	-
-	Additions	260
-	Disposals	-
-	Depreciation	(51)
-	**Balance at end of the Year**	**209**

16 Capital Expenditure and Capital Financing

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

2017/18 £000		2018/19 £000
-	**Opening Capital Financing Requirement**	-
	Capital Investment	
34,309	Revenue Expenditure Funded From Capital Under Statute	59,958
-	Property Plant and Equipment	260
-	Equity Instruments	341
	Sources of Finance	
-	Usable Capital Receipts	(1,053)
(34,309)	Capital Grants & Contributions	(59,506)
-	**Closing Capital Financing Requirement**	**-**

2017/18 £000	Reconciliation of Grant Funding Applied to Capital Financing	2018/19 £000
-	Applied from Capital Grants Unapplied Account	601
	Grants used to Fund Revenue Expenditure Funded from Capital Under Statues	
34,309	In year	58,905
34,309-	**Total Grants & Contributions applied**	**59,506**

2017/18 £000	Body of Grant Funding Applied	2018/19 £000
28,628	Department for Transport – Local Transport Grant	24,522
1,750	Department for Transport – Highways Challenge Fund	-
2,392	C&P Housing Capital Grant	86
	Local Growth Fund	13,249
	Transforming Cities Fund	4,667
	National Productivity Infrastructure Fund	1,596
594	Cambridge Housing Grant	13,542
945	Gainshare Funding - Capital	894
34,309	**Total Grants Applied**	**58,556**

17 Combined Authority Leasing Arrangements

Combined Authority as Lessee - Operating Leases

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

31 March 2018		31 March 2019
£000	**Council as Lessee - Operating Leases**	**£000**
-	Not Later than One Year	212
-	Later than One Year & Not Later than Five Year	741
-	Later than Five Years	1,634
-	**Total**	**2,587**

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

31 March 2018		31 March 2019
£000	**Council as Lessee - Operating Leases**	**£000**
-	Minimum Lease Payments	143
-	**Total**	**143**

18 Financial Instruments

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

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

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

2018		2018/19
£000	**Financial Assets**	**£000**
(287)	Interest Income	(1,410)
(287)	**Total for Financial Assets**	**(1,410)**
-	**Total for Financial Liabilities**	**-**
(287)	**Net expenditure for the year**	**(1,410)**

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

2018 Long Term	2018 Current		2019 Long Term	2019 Current
£000	£000	**Financial Instruments Balances**	**£000**	**£000**
-	25,049	Investments – Amortised Cost	-	57,743
-	73,994	Investments – Amortised Cost - Short term classified as Cash & Cash Equivalents	-	109,758
-	-	Medtech Shares – (FVOCI)	209	-
-	858	Debtors – Amortised Cost	4,459	1,234
-	(6,216)	Creditors	-	(10,786)

19 Fair Value of Financial Assets and Financial Liabilities

Financial liabilities and financial assets represented by loans and receivables are carried in the balance sheet at amortised cost.

Their fair value has been assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- the prevailing rate of a similar instrument with a published market rate has been used as the discount factor for other loans receivable and payable;
- no early repayment is recognised;
- where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount.

All Financial Assets and Liabilities held by the Combined Authority are assessed for Fair Value and are therefore held at the the carrying amount. The input level in the fair value hierarchy is Level 1 for all Financial Assets held except the Medtech shares which are Level 2.

With the introduction of IFRS 9 the authority has designated the Medtech shares at 31 March 2019 as fair value through other comprehensive income. This is because the shares are not held for trading or income generation, rather a longer term policy initiative.

The Fair Values calculated are as follows:

2018			**2018/19**	
Carrying Amount £000	*Fair Value £000*	**Financial Liabilities**	**Carrying Amount £000**	**Fair Value £000**
(6,216)	*(6,216)*	Short Term Creditors	(10,786)	(10,786)
(6,216)	*(6,216)*	**Total**	**(10,786)**	**(10,786)**

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

2018			**2018/19**	
Carrying Amount £000	*Fair Value £000*	**Financial Assets**	**Carrying Amount £000**	**Fair Value £000**
25,000	*25,000*	Temporary Investments	57,500	57,500
49	*49*	Interest Associated with Temporary Investments	243	243
73,700	*73,700*	Short Term Investments Classified as Cash & Cash Equivalents	109,300	109,300
81	*81*	Interest Associated with Short Term Investments	289	289
-	*-*	Medtech Shares – (FVOCI)	209	209
213	*213*	Total Cash & Bank	169	169
		Debtors - Loans	4,459	4,459
858	*858*	Debtors - other	1,234	1,234
99,043	*99,043*	**Total**	**173,403**	**173,403**

20 Nature and Extent of Risks Arising from Financial Instruments

The Combined Authority's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Combined Authority.
- Liquidity risk – the possibility that the Combined Authority might not have funds available to meet its commitments to make payments.

- Market risk – the possibility that financial loss might arise for the Combined Authority as a result of changes in such measures as interest rates and money market movements.

The Combined Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Capital and Treasury Team, under policies approved by the Combined Authority in the Annual Treasury Management Strategy. The Combined Authority provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Combined Authority's customers.

The risk is minimised through the Annual Investment Policy set out in the approved Treasury Strategy, which requires that investments are not made with financial institutions unless they meet minimum credit criteria in accordance with the Fitch Moody's and Standard & Poor's Credit Ratings Services. This Policy also imposes a maximum sum to be invested with a financial institution located within each category.

The 2018/19 Annual Investment Policy sets out the credit criteria below although the Combined Authority actually minimised the risk further by only investing with the Debt Management Office, its banking provider (Barclays), and the CCLA money market fund.

The credit criteria in respect of financial assets held by the Combined Authority are as follows:

- Deposits could be made with banks and other financial institutions that have been rated by recognised independent credit rating agencies with a minimum score of "A", with £100m of the total amounted deposited in the highest rated category. The credit element of the methodology focuses solely on the Short and Long Term investment ratings, therefore no longer including the viability and financial strength of the institution.
- Deposits can be made with other institutions that have not found it necessary to maintain a credit rating e.g. local authorities, and these are subject to an assessment of risk that is carried out internally. Deposits to these bodies are limited to £200m in total.
- No more than £15m is held with any one banking institution, except for the Debt Management Office (DMO), regardless of standing or duration, and a range of counterparties that operate in different sectors in the UK is used to reduce risk exposure.
- All the counterparties used are licensed to accept deposits in the United Kingdom and are regulated by the Financial Conduct Authority.
- Creditworthiness advice and market intelligence is received from treasury advisors as required.

The Combined Authority had a total of £49.3m deposited with the Debt Management Office (DMO), UK banks and CCLA at 31 March 2019. As the DMO is within the scope of HM Treasury this reduces the overall credit risk. There is a specific risk attached to amounts deposited with the individual institutions based on their ability to make interest payments and repay the principal outstanding, it is however more difficult to assess the risk in general terms. Recent experience has shown that it is rare for such entities to not meet their commitments. Whilst there is a risk of recoverability with regard to these deposits, there was no evidence that this was likely at 31 March 2019.

Liquidity Risk

The Combined Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. In the unlikely event that unexpected movements happen, the Combined Authority has ready access to borrowings from the Public Works Loans Board (PWLB) and the money market generally. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Market risk

Interest rate risk

The Combined Authority is exposed to risk in terms of its exposure to interest rate movements on its and investments. Movements in interest rates have a complex impact on the Combined Authority. For instance, a rise in interest rates would have the following effects:

- investments at fixed rates – the fair value of the assets will fall
- investments at variable rates – the interest income credited to the (Surplus) / Deficit on the Provision of Services will rise

The Capital and Treasury Team assesses interest rate exposure which feeds into the setting of the annual budget and is used to update the forecasts during the period. This allows any adverse changes to be accommodated.

Price Risk

The Combined Authority holds shares is a single company, which is not publicly traded. It's value in the accounts is based on the shareholder funds held on the 31st March 2019, rather than a market share value, as such we do not consider there to be exposure to losses arising from movements in the traded price of shares. **Foreign Exchange Risk**

The Combined Authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

21 Debtors

31 March 2018 £000	**Debtors**	**31 March 2019 £000**
451	Central government bodies	546
	Other local authorities	487
407	Other entities and individuals	201
858	**Total Debtors**	**1,234**

22 Creditors

31 March 2018 £000	**Creditors**	**31 March 2019 £000**
(1,321)	Central government bodies	(3,520)
(2,631)	Other local authorities	(4,562)
(12)	Public corporations and trading funds	-
(2,252)	Other entities and individuals	(2,704)
(6,216)	**Total Creditors**	**(10,786)**

23 Cash Flow Statement – Investing Activities

Short Term Investments are sums invested with a maturity of greater than three months but less than 12 months at the balance sheet date. Sums invested with a maturity of less than three months at the balance sheet date are classified as Cash and Cash Equivalents, see note 24. The cash flows for investing activities include the following items:

2018 £000	**Cash Flow Statement – Investing Activities**	**2018/19 £000**
25,049	Purchase of Short Term Investments	32,694
	Purchase of Property, Plant & Equipment and Equity Instruments	601
	Proceeds from loan repayment	(3,000)
25,049	**Net cash flows from investing activities**	**30,295**

24 Cash Flow Statement – Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is shown in the following table. The 'Bank Current Accounts' line includes payments that have not yet cleared in the actual bank accounts.

2018	**Cash Flow Statement – Cash and Cash Equivalents**	**2018/19**
£000		**£000**
73,781	Short Term Cash Investments	109,589
213	Bank Accounts	169
73,994	**Total Cash & Cash Equivalents**	**109,758**

25 Transfer of LEP accountable body status from Cambridgeshire County Council

As part of the changes around the creation of the new Business Board, the accountable body status for the LEP also transferred to the Combined Authority, from Cambridgeshire County Council, on 1 April 2018.

This is being accounted for as a transfer of function under common control. This requires the opening balances to be adjusted for the function transferred, rather than being shown as an in year movement. The notes affected show the closing balance as at 31 March 2018, the impact of the transfer and the revised opening balance as at 1 April 2018. A summary of the impact is shown in the following table:

Impact on balance sheet of transfer	**2018/19**
	£000
Long Term Debtors – Long Term Loans	4,342
Short Term Debtors – Short Term Loans	2,885
Short Term Debtors – Cash to be transferred	29,099
Usable Reserves – General Fund	(102)
Usable Reserves – Earmarked Reserves	(1,190)
Usable Reserves – Usable Capital Receipts	(9,189)
Usable Reserves – Capital Grants Unapplied	(18,720)
Unusable Reserves - CAA	(7,310)
Unusable Reserves - FIAA	115
Unusable Reserves - FIRR	70
Total Impact on balance sheet of transfer	**-**

26 Critical Judgement in Applying Accounting Policies

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

- The Combined Authority has received a number of capital grants, see note 5. A judgement has been required for each one, and although some of the grants have been ring fenced for specific purposes, not all of these have conditions in place that satisfy the requirements of the Code to treat the unspent elements of the grants as Capital Grant Receipts in Advance. Unspent capital grant funding in relation to these grants has been accounted for in the CIES and transferred to the Capital Grants Unapplied Reserve.

27 Accounting Standards that have been Issued but have Not Yet Been Adopted

The standards which have been introduced by the 2019/20 Code and will be effective from 1 April 2019 are as follows:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property clarifies the guidance on accounting for transfers to and from Investment Property. As the Combined Authority does not have any such assets, there will be no impact on the Combined Authority’s financial statements;
- Annual Improvements to IFRS Standards is a process to deal efficiently with a collection of narrow scope amendments to IFRSs and focus on areas of inconsistency in IFRSs or where clarification of wording is required. The amendments are clarifying or correcting in nature, and do not propose new principles or changes to existing ones. Annual Improvements to IFRSs 2014 - 2016 Cycle will be effective from 1 April 2019. The issues included in these cycles will not have a material impact on the Combined Authority's financial statements;
- IFRIC 22 Foreign Currency Transactions and Advance Consideration clarifies the accounting for transactions in foreign currency that include the receipt or payment of advance consideration in a foreign currency. This will not have an impact on the Combined Authority’s financial statements as the Combined Authority does not have material transactions of this nature;
- IFRIC 23 Uncertainty over Income Tax Treatments clarifies the accounting treatment of Income Tax where uncertainty exists. This will have not have an impact on the Combined Authority’s financial statements as the Combined Authority does not produce group accounts which incorporate companies with income tax liabilities;
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation introduces minor changes to IFRS 9 to allow classification of some debt instruments where a borrower was permitted to prepay the instrument at an amount less than the unpaid principal and interest owed at amortised cost instead of fair value through profit and loss. As the Combined Authority does not have any such instruments, there will be no impact on the Combined Authority’s financial statements.

28 Authorisation of the Accounts

The Section 73 Officer authorises these accounts to be issued by 31 July 2019.

General Principles

The Statement of Accounts summarises the Combined Authority's transactions for the 2018/19 financial year and its position at the year-end 31 March 2019. The Combined Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015.

The Statement of Accounts must be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, supported by International Financial Reporting Standards (IFRS).

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

Accruals of Income and Expenditure

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

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

Acquired Operations

Where services are transferred from other public bodies there are treated as a transfer of function under common control. Opening balances are adjusted for the function transferred rather than being shown as an in year movement.

New operations are shown as a separate segment on the Comprehensive Income and Expenditure Statement in the year of acquisition.

Cash and Cash Equivalents

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

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

Charges to Revenue for Non-current Assets

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

depreciation attributable to the assets used by the relevant service

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

amortisation of intangible assets attributable to the service.

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

Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg cars) for current employees and are recognised as an expense for services in the year in which employees render service to the authority. An accrual is made for the cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

Events after the Reporting Period

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

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

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

Financial Instruments

Financial Liabilities

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

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

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

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

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

Financial Assets

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

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

Financial Asset Measured at Amortised Cost

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

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

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

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

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

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

Financial Assets Measured at Fair Value through Profit or Loss

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

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

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

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

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

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

Expected Credit Loss Model

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

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

Government Grants and Contributions

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

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

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

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

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

Leases

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

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

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

The Authority as Lessee

Operating Leases

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

Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

the purchase price

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

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

Impairment

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

Depreciation

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

Deprecation is calculated on the following bases:

vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer

Programme Management of Delegated Funds

Some funds are delegated to CPCA that HM Government require it to distribute and manage to achieve the desired outcomes. Government subsequently require officers of CPCA to monitor activity and report thereon regularly. Such funds require specific project management and this sets out the methodology for funds under management in 2018/19.

Local Growth Fund

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

Housing Investment Fund

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

Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Combined Authority has an obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

Reserves

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

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

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

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

Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

The Combined Authority receives many capital funds from H.M. Government to achieve outcomes in the area. Such funds include Gainshare (Capital), Transforming Cities Fund, Housing Investment Fund and Local Growth Fund. Currently CPCA doesn’t own assets and seeks to deliver the outcomes through third parties such as constituent authorities by giving capital grants to deliver these capital projects. Under the CIPFA prudential code such expenditure is treated as REFCUS.

Value Added Tax (VAT)

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

Glossary

Accounting Period - 1 April to 31 March is the local authority accounting period. It is also termed the financial year.

Accruals - Revenue and capital income and expenditure are recognised as they are earned or incurred, not as money is received or paid. Transactions are accrued with income and expenditure due but unpaid at 31 March brought into the accounts.

Annual Governance Statement – Identifies the systems that the Combined Authority has in place to ensure that its business is conducted in accordance with the law and proper standards and that public money is safeguarded.

Balance Sheet – This statement is fundamental to the understanding of the Combined Authority's financial position at the year-end. It shows the balances and reserves at the Combined Authority's disposal and its long term indebtedness. It also shows the long term and net current assets employed in its operations.

Balances – The non-earmarked reserves of the Combined Authority. These are made up of the accumulated surplus of income over expenditure. This is known as the General Fund Balance. Adequate revenue balances are needed to meet unexpected expenditure or a shortfall in income. The Combined Authority may decide to use its revenue balances to reduce its budget and thus its call on the Collection Fund.

Budget - A statement of an Combined Authority's plans for net revenue and capital expenditure.

Capital Expenditure - Expenditure on the acquisition or development of major assets which will be of use or benefit to a Authority in providing its services beyond the year of account.

Capital Grant - A grant received towards the capital expenditure incurred on a particular service or project. Capital grants can be made by an Authority.

Cash Equivalent – An investment that is liquid and matures within three months. There is no significant risk to the value on redemption.

Code of Practice on Local Authority Accounting – The statutory accounting code published by CIPFA.

Comprehensive Income and Expenditure Statement or CIES- Reports the income and expenditure for all the Combined Authority's services. The CIES demonstrates how services have been financed from general government grants and income from taxpayers.

Creditor - An amount owed by the Combined Authority for work done, goods received or services rendered to the Combined Authority within the accounting period but for which payment has not been made.

Current Asset - An asset which can be expected to be consumed or realised during the next accounting period.

Current Liability - An amount which will become payable or could be called in within the next accounting period.

Debtor - An amount owed to the Combined Authority within the accounting period, but not received at the Balance Sheet date.

Effective Rate of Interest – The rate of interest that is consistent with estimated cash flows over the life of a financial instrument and its initial value in the balance sheet. It is calculated using discounted cash flow.

Fair Value – Fair value is an important in setting the value for various assets in the balance sheet. It is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial Asset – A right to future economic benefits controlled by the Combined Authority. Examples include bank deposits, investments made and loans receivable by the Combined Authority.

Financial Instrument – This is an important definition in understanding the accounts. It includes both financial assets and liabilities. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

Financial Liability – An obligation to transfer economic benefits controlled by the Combined Authority. Examples include borrowings, financial guarantees and amounts owed to trade creditors.

General Fund - The main fund of the Combined Authority that meets the cost of most services provided by the Combined Authority. The services are paid for from Council Tax, business rates, government grant and other income.

Government Grants and Subsidies - Grants towards either the revenue or capital cost of Combined Authority services. These may be either in respect of particular services or purposes, (specific and supplementary grants), or in aid of local services generally such as Revenue Support Grant.

Movement in Reserves Statement or MIRS – This statement shows the movement in the year on the different reserves held by the Combined Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves.

Non-current asset - An asset which has value beyond one financial year.

Non-Domestic Rates (NDR) or business rates - The rates payable by businesses on their properties are calculated by applying a nationally determined multiplier to the rateable value of the property. There is a lower multiplier for small businesses.

Precept – The Combined Authority is not empowered to bill council tax payers directly. Instead it may raise a precept on the billing authorities that are its members.

Reserves - Amounts set aside for purposes falling outside the strict definition of provisions are considered as reserves. Reserves include earmarked reserves set aside for specific projects or service areas, or expected future commitments.

Revenue Expenditure - The day-to-day running costs the Combined Authority incurs in providing services (as opposed to capital expenditure).

Usable Reserves – Those reserves that can be applied by the Combined Authority to fund expenditure or reduce local taxation.

Unusable Reserves – Those reserves that absorb the timing differences arising from different accounting arrangements. Unusable reserves are not available to fund expenditure or reduce local taxation.

Index of Notes to the Core Financial Statements

Annual Governance Statement

For the year ended 31 March 2019

Cambridgeshire and Peterborough Combined Authority
Annual Governance Statement – 2018/19

Scope of Responsibility

The Cambridgeshire and Peterborough Combined Authority ("the Authority") is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Authority is also the accountable body for the Local Enterprise Partnership (known as the Business Board.)

The Combined Authority also has a duty under the Local Government Act 1999 to arrange to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

As the Authority was formally established on 3 March 2017, the organisation is at the start of its third year of operation and this is its third statement. The Authority has made good progress which is described in this statement and further progress will be made throughout the year. A copy of the Authority's constitution, assurance framework and monitoring and evaluation framework is available on its website.

The governance arrangements will comply with the principles of the Local Code of Governance, which is consistent with the principles of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government 2016 and the National Local Growth Assurance Framework (January 2019).*

This statement explains how the Combined Authority has complied with the Code and meets the requirements of the Accounts and Audit (England) Regulations 2015 Regulation 6.1 (b) in relation to the publication of an Annual Governance Statement.

The Authority acknowledges that good governance arrangements will enable it to establish effective policies and to deliver ambitious programmes to communities in the combined authority area. The arrangements put in place must be both robust and adaptable to deliver its objectives in a dynamic and strategic environment. For this reason, a review has been undertaken to establish progress in implementing its governance arrangements against the 2016 principles and the National Local Growth Assurance Framework.

The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values, by which the Authority is directed and controlled and how it engages with and leads the community in those activities for which it is accountable. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

As the organisation is now starting its third year, the governance framework remains in its development stage.

The Governance Framework

Context

Between March and June 2016, seven constituent councils across the Cambridgeshire and Peterborough area negotiated a devolution deal with Government. In June 2016, the constituent councils agreed a scheme for a combined authority for the Cambridgeshire and Peterborough area, with a directly elected Mayor, for wider consultation. Following extensive consultation with residents, businesses and stakeholders in Cambridgeshire and Peterborough over a six week period, the seven councils submitted the scheme to the Secretary of State for approval in November 2016. The Cambridgeshire and Peterborough Combined Authority Order 2017 was made on 2 March 2017 and came into force on 3 March 2017.

The Cities and Local Government Devolution Act 2016 came into force on 28 March 2016, making Cambridgeshire and Peterborough local authorities amongst the first to establish a combined authority for its area under these new provisions. Following the making of the Order, the Authority's first directly elected Mayor was elected on 4 May 2017 for a four year term of office until May 2021.

The powers which have been devolved from Central Government to the Combined Authority include:

- Control of a new additional £20 million a year funding allocation, over 30 years, to be invested to the Cambridgeshire and Peterborough Single Investment Fund, to boost growth.
- £170 million to deliver new homes over a five-year period in Cambridgeshire and Peterborough which includes affordable, rented and shared ownership housing
- Responsibility for chairing an area-based review of 16+ skills provision
- Responsibility to develop a more effective joint working with the Department for International Trade to boost trade and investment through agreement of a Joint Export Plan

- Powers devolved to the Mayor as part of the devolution plan include:
  - Responsibility for a multi-year, consolidated and devolved transport budget
  - Responsibility for an identified Key Route Network of local authority roads
  - Powers over strategic planning and the responsibility to create a non-statutory spatial framework for Cambridgeshire and Peterborough and to develop with Government a Land Commission.

Further secondary legislation has come into force over the past year to increase its powers. This includes

- Mayoral powers to levy a business rate supplement to raise money for projects that will promote economic development
- Devolved powers for the Adult Education Budget and associated powers to deliver an adult education service that supports wider economic and social priorities;
- Housing regulation enabling the Combined Authority to fund homes for Affordable Rent

The Combined Authority is small in size and strategic in nature. The Authority has adopted a commissioning model with delivery being undertaken by those best qualified to do so across the public and private sector.

Cambridgeshire and Peterborough Combined Authority Structure
The Authority is made up of a directly elected Mayor and the following seven local authorities (referred to as the Constituent Councils) and the Local Enterprise Partnership known as the Business Board:

- Cambridge City Council;
- Cambridgeshire County Council;
- East Cambridgeshire District Council;
- Fenland District Council;
- Huntingdonshire District Council;
- Peterborough City Council; and
- South Cambridgeshire District Council.

The Constitution for the Authority sets out the Authority's governance arrangements. It sets out the powers and functions of the Combined Authority, including matters reserved to the Mayor and Board, financial procedures, contract standing orders, Member Codes of Conduct, the scheme of delegation to officers and arrangements for the operation of executive committees, an overview and scrutiny committee, and an audit and governance committee function.

The Scheme of Delegation provides for the day to day management and oversight of the Authority including the responsibilities of the Head of Paid Service, the Chief Finance Officer and the Monitoring Officer.

The key elements of the governance framework, its systems and processes, are outlined below.

Board

Each of the Constituent Councils appoints a nominated representative to be a Member of the Combined Authority and another Member to act in his or her absence. The Business Board (LEP) nominates one of its Members, normally the Chair and a substitute member.

The Combined Authority Members comprise the Board. The Board's role and powers are set out in the constitution. Essentially, it provides strategic leadership for the Combined Authority area, approving strategies, policies and overseeing fiscal matters to ensure that the required outcomes are delivered. The Board meets monthly.

The Combined Authority Board has invited the following organisations with direct responsibility for functions relevant to the Combined Authority objectives to become co-opted Members to attend the Combined Authority Board and may take part in the debate.

(a) The Police and Crime Commissioner for Cambridgeshire;
(b) Cambridgeshire and Peterborough Fire Authority representative;
(c) Clinical Commissioning Group representative.

Mayor

Certain functions are reserved to the Mayor as set down in the Order and the Constitution. The Mayor has an overall leadership role and chairs the Board meetings. Both the Mayor and the Combined Authority have a general power of competence.

The functions of the Combined Authority are grouped into portfolios. In accordance with the Combined Authority's Constitution, the Mayor and the Combined Authority Board agree portfolio responsibilities in respect of those functions. The Mayor nominates the agreed portfolio responsibilities from amongst the Members of the seven constituent councils and formally approved by the Board. Each Lead Member leads on his/her allocated portfolio functions and is accountable for his/her allocated area. Leads do not have delegated powers. The Mayor has appointed two deputies.

Executive Committees

In September 2018, the Board set up three executive committees; the Transport and Infrastructure Committees, the Skills Committee and the Housing and Communities Committee. By placing responsibility for three of the largest portfolios into a committee system, it enabled the Combined Authority to meet challenges of resilience and volume. The Chair of each committee leads the portfolio responsibilities of that committee and can distribute responsibility for delivering discreet areas of the portfolio amongst the members of the committee. By creating a division of the portfolio workload across the committee members, the Combined Authority ensures a measure of continuity in the delivery of its key projects. A committee system also allows member oversight of the delivery of its programme of works against the Combined Authority's Assurance Framework and Monitoring and Evaluation Framework.

The Governance arrangements are under review as at May 2019 to ensure the Combined Authority has the most effective and efficient decision-making arrangements.

Overview and Scrutiny Committee

The Combined Authority has established an overview and scrutiny committee to comply with the requirements of the Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017.

It comprises 14 elected councillors, two from each of the seven constituent councils, and reflects the political balance across the combined authority area. Its primary role is to review and scrutinise decisions of the combined authority and the Business Board. They monitor the forward plan of forthcoming key decisions and may call-in any of these decisions where members consider that further scrutiny and challenge is required. Two requests have been made to call-in Combined Authority decisions in the last year.

A committee have worked with the Centre for Public Scrutiny (CfPS) to explore areas for scrutiny. The committee undertake other roles including pre-decision scrutiny where they can act as a “critical friend” to highlight key issues, and challenge policies at the developmental stage. The committee has set up a task and finish group to review the mass rapid transport project and the Board agreed a budget to enable the committee to commission the CfPS to assist them. The review began in June 2018. The Mayor and Chief Executive attends meetings at least quarterly to update the committee and to answer any questions. The committee also appointed lead members to key themes to enable them to better scrutinise the work of the Board.

Audit and Governance Committee

The Board has established an Audit and Governance Committee in accordance with the Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017. It comprises 7 elected members reflecting the political balance across the area and an independent person chairs the meetings.

The committee recommended a number of governance policies and procedures to the Combined Authority Board in 2017/18 including a

(a) member complaints procedure

(b) corporate complaints procedure

(c) whistleblowing and confidential reporting of complaint by third parties procedure

(d) Data Protection policy

(e) Freedom of Information policy and publication scheme

(f) A Code of Corporate Governance in line with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE) Framework Delivering Good Governance in Local Government

(g) Anti-fraud and corruptions policies and

(h) risk management strategy

In 2018/19 the committee recommended further governance policies and procedures to the Board including:

(a) Review of the Constitution

(b) Review of Business Board Governance Arrangements

(c) Review of the Joint Business Board and Combined Authority Assurance Framework

This statement has been reviewed against the Joint Business Board and Combined Authority Assurance Framework.

Business Board (Local Enterprise Partnership)
On 1 April 2018, the GCGP LEP was dissolved and a new Local Enterprise Partnership was formally created in September 2018 and is known as the Business Board. The Business Board is a voluntary partnership between constituent councils and non-constituent local authorities and the business community, playing a key role in determining local economic priorities and growth. The Partnership is a key interface with Centre Government and the region and offers policy advice and strategic direction aligned to the Authority's objectives.

The current membership (September 2018) comprises nine members, which includes two public sector members and up to seven business representatives from amongst the key sectors across the Cambridgeshire and Peterborough area. The majority members on the Board are from the private sector. Prior to the formal establishment of the Business Board a recruitment campaign was undertaken to appoint representatives from the business community. This recognised two key concepts:
(1) that the Business Board should be predominantly private sector led to provide the best possible platform for businesses within the area and that
(2) the Board ought to be comprised of representatives of those key sectors which are driving economic growth in the area. There are seven private sector members of the board representing the key industrial sectors to ensure the prosperity of the area.

The Business Board is a key member of the Combined Authority. The Mayor and the Portfolio Holder for Economic Growth/Deputy Mayor are members of the Business Board recognising the importance of its role and the private sector in any growth strategies for delivery in the Combined Authority area.

The Business Board is more closely aligned to the Combined Authority through a unified strategic framework and has a single staffing structure under the Combined Authority's Chief Executive. The Combined Authority is the accountable body for the Business Board.

Its constitutional arrangements comply with the Local Enterprise Partnership governance and transparency: best practice guidance issued by the Ministry of Housing, Communities & Local Government. The Guidance supports Local Enterprise Partnerships (LEPs) in meeting the recommendations made by a review into Local Enterprise Partnership governance and transparency, commonly known as the Mary Ney review.

Strategic Direction

Over the past year the Combined Authority has made good progress in developing its strategic direction.

1. As reported last year, the **Cambridgeshire and Peterborough Independent Economic Review** (CPIER) was commissioned by the Combined Authority and other local partners to provide a world-class evidence base, alongside independent and expert analysis, to inform future strategies and investment. It was also informed by two rounds of open public consultation. The CPIER is publicly available at www.cpier.org.uk.
2. The **Cambridgeshire and Peterborough Growth Ambition Statement** sets out the area's priorities for achieving ambitious levels of inclusive growth and meeting the commitments of the Devolution Deal. The Statement has been adopted by the Combined Authority Board (November 2018) and is based upon the significant work of the Cambridgeshire and Peterborough Independent Economic Review (CPIER).
3. The **Local Industrial Strategy** approved by the Combined Authority and Business Boards in March 2019 sets out the economic strategy for Cambridgeshire and Peterborough, taking a lead role in implementing the business growth, productivity, and skills elements of the Growth Ambition Statement as set out below:

The Local Industrial Strategy was co-produced with Government as part of the first wave of these strategies being developed to deliver the UK Industrial Strategy in local areas.

The Local Industrial Strategy is focussed around the five foundations of productivity established in the UK Industrial Strategy 2018, namely:

- People
- Ideas
- Business Environment
- Infrastructure
- Place

It is a core principle of the Local Industrial Strategy that the fifth foundation of place reflects the findings of the CPIER. In this area there will be economic strategies which respond to the three sub-economies identified in the region.

- Greater Cambridge
- Greater Peterborough
- The Fens

Investments will only be made if they can demonstrate that they will support the delivery of the Growth Ambition Statement and the Local Industrial Strategy, and the more detailed place and sector strategies (where they are in place).

4. In May 2018, the Combined Authority agreed its **2030 prospectus** to articulate its longer-term ambition and aspirations for Cambridgeshire and Peterborough. It also agreed its **Four-Year Plan** which set out how the Combined Authority planned to deliver its strategic growth ambitions and priority programmes in the period 2018/19 – 2021/22. It brings together the plans to support delivery of the 2030 ambitions for the benefit of all our communities. The Four-Year Plan has been developed through working closely with Leaders, Chief Officers and partners.

5. The **Cambridgeshire and Peterborough Combined Authority Business Plan** was agreed in January 2018 and set out the investment priorities for the period to 2020. The Combined Authority has been developing its detailed strategies for key areas of activity including:

   - Housing Strategy
   - Local Industrial Strategy
   - Local Transport Plan
   - Non-statutory spatial plan

6. The Combined Authority has 12 priority programmes based upon the CPIER objectives

and the strategies highlighted above. These 12 priority programmes are reflected in the Business Plan.

7. On 30th January 2019 the Cambridgeshire and Peterborough Combined Authority Board approved a four-year **Medium-Term Financial Plan** that forms the investment plan for the Combined Authority. This allocates resources to deliver the next stages of these priority programmes.

   This Business Plan and the Medium-Term Financial Plan sets out at a high level the transformational investments that the Cambridgeshire and Peterborough Combined Authority will commit resources to, subject to the detailed consideration and appraisal of project business cases. Some are project ideas at an early stage and might not be feasible, others are further advanced. The Business Plan and the Medium-Term Financial Plan are not intended to be an exhaustive list of activity as new opportunities will arise during the period, but it identifies the key activities that are transformational and will need investment during the plan period to unlock the opportunities they could bring. Prioritisation has been undertaken to ensure that our investment goes into projects that will unlock transformational anchor projects that will have a significant impact on growing the whole Cambridgeshire and Peterborough economy.

The Business Plan aligns with the approach to performance management which the Board has already adopted and the Board's quarterly performance reports will therefore enable members to monitor performance against the Business Plan priorities

The Business Plan will be reviewed in parallel with mid-year review of the Budget and Medium-Term Financial Plan (MTFP).

The Board has also approved a Skills Strategy and Housing Strategy and public consultation has begun on the Combined Authority Local Transport Plan and phase 2 of the Non-Statutory Strategic Special Framework~~.~~

The Combined Authority has progressed key investment decisions in a range of transport and infrastructure, skills, housing and economic development initiatives.

Assurance Framework

In March 2019, the Combined Authority Board and the Business Board agreed a single Assurance Framework which was finalised in May 2019. The latest Framework complies with the National Local Growth Assurance Framework (MHCLG) published in January 2019). The Assurance Framework sets out:

(a) How the seven principles of public life shape the culture within the Combined Authority in undertaking its roles and responsibilities in relation to the use and administration of the Cambridgeshire and Peterborough Investment, incorporating the Single Pot funding.

(b) The respective roles and responsibilities of the Combined Authority, the Local

Enterprise Partnership and the Section 73 Officer, in decision-making and ways of working

(c) The key processes for ensuring accountability, including public engagement, probity, transparency, legal compliance and value for money.

(d) How potential investments to be funded through the Cambridgeshire and Peterborough Medium Term Financial Plan incorporating the Single Pot, will be appraised, prioritised, approved, signed off and delivered.

(e) The processes for oversight of projects, programmes and portfolios and how the progress and impacts of these investments will be monitored and evaluated.

Project Delivery

In March 2019, the Combined Authority agreed the latest version of its monitoring and evaluation framework. The framework provides assurance to the Combined Authority Board and to Central Government through robust monitoring and evaluation arrangements for each of the commissioned projects. Monitoring and evaluation (M&E) is a critical component of an effective performance management regime. Monitoring supports the effective tracking of a scheme or series of policy interventions ensuring that intended outputs are being achieved. Evaluation quantifies and assesses outcomes, including how schemes were delivered and whether the investment generated had the intended impact and ultimately delivered value for money.

Decision Making

All agendas and reports produced for meetings of the Combined Authority, its associated Committees and the Business Board are issued to members and published on the Authority’s website in accordance with access to information requirements in the 2017 Order. All Combined Authority Board and committee meetings are held in public.

A Forward Plan identifying strategic decisions that will be made by the Board over a four-month period is updated and presented to the Board each month. It will also include all forthcoming key decisions which require at least 28 days’ notice. The Business Board has also agreed to publish its own forward plan.

Notice of decisions are also published no more than two days after the meeting and are not implemented until five days after they are published to enable the overview and scrutiny committee to exercise its right to call-in decisions.

Financial Management

A key responsibility of the Combined Authority is determining, agreeing and monitoring appropriate budgets for it to be able to fulfil strategic objectives.

A budget framework has been agreed for setting the budget in future years which takes account of the process laid down in the Combined Authorities (Finance) Order 2017

In summary, for the financial year 2018/9 onwards, the draft Budget shall be submitted to the Combined Authority Board for consideration and approval for consultation purposes before the end of December. The Board will agree the timetable for consultation and those to be consulted. The consultation period shall not be less than four weeks, and the consultees shall include Constituent Authorities, the Business Board (LEP) and the Overview and Scrutiny Committee.

Before 1st February, having considered the draft Budget, the consultation responses, and any other relevant factors, the proposed budget for the following financial year, including the Mayor's budget, will be submitted to the Board for final approval. There is also a process for agreeing the Mayor's budget where no agreement can be reached.

Budget update reports are reviewed by Directors and presented to the Combined Authority Board monthly to provide information on income and expenditure for the year to date against the approved budget and to provide an analysis of any variances between actuals and budget for both Revenue Funds and the Capital Programme.

Developing Capacity
The member structure is well defined and following the transfer of staff from the former LEP to the Combined Authority, a workforce plan has been developed to identify the resources required to ensure the organisation is best placed to deliver its objectives through a commissioning model. Recruitment to Chief Officer posts has taken place and a permanent staffing structure is now in place.

Internal Audit
Peterborough City Council provides the internal audit function. The Chief Internal Auditor presented the second audit plan to the meeting of the Audit and Governance Committee and has provided the Committee with regular updates on it throughout the year.
The Chief Internal Auditor also presented the first audit plan for the Business Board.

External Audit
Ernst & Young LLP has been appointed as the Authority's external auditors and has audited these accounts.

Risk Management
The Authority's Audit and Governance Committee is responsible for overseeing the Authority's risk management strategy and corporate risk register. A Risk Strategy has been agreed by the committee.

Corporate and project risk are identified, recorded and monitored by the Directors Management Team and the Audit and Governance Committee, and will be escalated to the Board where needed.

Managing Performance
Given the level of investment the combined authority will generate, it is vital that robust programme management processes are developed for its programmes, across distinct themes and for collective consideration of outputs and outcomes. As stated above, a monitoring and evaluation framework has been agreed by the Board and Government. A Performance Management process has also been developed, to monitor and report on programme delivery (time, quality, cost) and the outcomes and impact of projects/programmes.

Review of Effectiveness
The Authority has responsibility for conducting an annual review of the effectiveness of its governance framework. This includes consideration of systems of internal control and arrangements for internal audit and assurance statement from key officers. This has focused on where we are now and where we want to be in the year ahead against the Good Governance Principles.

There were a number of reviews during the year:

The Interim Chief Executive, commissioned CIPFA C. Co Limited to undertake an independent assurance review related to the production of the Authority's 2019/20 budget. CIPFA C. Co was satisfied that:

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

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

Theme	Recommendation	Agreed Proposed Action
Process	Satisfactory – no recommendation	
Budget Presentation	a) Review the Capital summary table within the Budget report and, where appropriate, more closely align to the Revenue summary table.	This will be reviewed and updated in the mid-year refresh of the budget and Medium-Term Financial Plan.

Budget Assumptions	Revenue: a) Software & Licenses – A flat rate of £20k is budgeted to March 2023 and appears low in the context of an "immature Finance System" and developments in mobile technology. A review of this element is recommended. b) Recruitment – Given the forecast outturn for 2018/19, a zero budget against recruitment appears odd. Clarification on the revenue funding source for future recruitment is recommended. c) Accommodation/Office Running Costs – it would be useful to clarify the distinction between the two. d) Corporate Overheads – accepting that significant progress was made to reduce the salary element of the budget between draft and final budget reports, it would be prudent to review all corporate elements of the budget to ensure that the Authority continues to deliver value for money.	Again, these recommendations will be reviewed and addressed in the mid-year refresh of the budget and Medium-Term Financial Plan.
Revenue/Capital Split	Satisfactory – no recommendation	
Governance	a) The introduction of monthly reporting to the Board, including proposals for a detailed mid-year review, is a positive step from a governance perspective. However, it is important that the content, format and impact of monthly reporting is kept under review to ensure that it continues to support effective delivery of both revenue and capital expenditure.	Noted. We are continually reviewing and updating reporting to the Board in order to keep them properly informed of the financial position of the Authority.

In 2017/18, Internal Audit undertook a review of the Combined Authority's governance arrangements. The conclusion was that reasonable assurance can be placed on the systems and controls for the delivery of effective corporate governance. All the actions have been implemented.

In 2018/19, Internal Audit undertook a review of the Combined Authority's governance arrangements. The Specific areas for attention with 'High' and 'Medium' ratings and the action plan to address the issues raised by the review are as follows:

Rating	Area For Attention	Agreed Proposed Action
Medium	**Budget Management** **BM1** The CPCA should ensure that following appropriate testing and data population etc. that the installation of (Agresso) financial software is in accordance with Go Live Project Action Plan timetable.	It will be handed over on 1st June and live from 1st July 2019.
Medium	**BM3** The CPCA should establish who all the cost centre managers are to deliver the business in order to agree accountability and responsibility for financial monitoring. It is accepted that at the time of the audit, the review of the structure had resulted in the Director level only being determined.	In line with Board expectations, and reflected in our Constitution, spending decisions are taken by CPCA Board and there is limited delegation. Directors, under this system, is the right level for control. This is the control that CPCA want at this moment in time. This is likely to change as the organisation matures so functionality has been developed to enable different 'roles' to manage and monitor budgets within Agresso. These roles will be allocated to staff once the new establishment structure has been confirmed, and if and when appropriate amendments to the Organisation's scheme of delegation have been agreed.
Medium	**BM4** Monthly budgetary returns must be completed. Any areas of non-compliance should be reported through to Director Group. A separate audit review is proposed for 2019/2020 once the finance system has been activated.	The CPCA budget is focussed and tightly controlled. The size of the organisation makes this possible. Directors oversee all spending and this is collectively monitored at Directors meeting. The CPCA is both very transparent and very controlled in how it reports spending and decisions publicly. Budget monitoring is reported to directors.
Medium	**BM6** CPCA should look to novate staff away from PCC as a matter of urgency.	This action is completed

Medium	**Governance** **G1** The CPCA should consider establishing an overarching Project Outcomes Plan which sets out the timelines for the delivery of critical projects.	 Six-month review of the Business Plan and MTFP to commence September 2019
Medium	**Risk Management** **RM1** The Risk Register should be reviewed to ensure that it remains relevant and fit for purpose.	 The risk register is subject to continual review
Medium	**Performance management Framework** **PMF1** The CPCA should consider establishing appropriate performance measures for other committees / portfolios in order to provide effective scrutiny and challenge.	 CPCA will continuing to provide Board members with a quarterly Performance Report, which provides an update on the 6 key indicators and an exception report with projects of a red and amber status. The exception report is created from the monthly highlight reports, and the template for this is be reviewed over the next few months.
Medium	**Freedom of Information** CPCA, in line with good practice should consider recording FOI requests / responses on the website	 FOI responses published on line from 5 March 2019
Critical	**Human Resources** **HR1**: A fundamental review is required of HR processes and a clear action plan developed to ensure that the key back office function can be delivered. Internal Audit will undertake a full review of this area in 2019 / 2020.	 A number of corrective actions have already been put in place including the transfer of staff from PCC into a single structure, commencement of a review of all contractual arrangements, appointment of a payroll provider, the writing and evaluation of job descriptions for all roles, the writing of18 Key procedures and a gap analysis is under way to determine any further key policies and processes. It is agreed that at the point of review the situation could be considered critical and we put in place corrective actions as outlined

		above, we would ask that a further review of the HR function in 6 months time to ensure these actions have embedded successfully.
High	**HR2**: It is imperative that there is a robust HR function which provides appropriate arrangements to monitor staff performance	Due to changes in the policy around incremental pay and the move towards Performance Management, an Appraisal Process will be introduced in the later stages of 2019. Development and implementation of a performance management and appraisal process and individual actions set out above.

A separate report was undertaken as part of the agreed Internal Audit Plan in to the arrangements for Treasury Management. The report has been issued and concluded that “The treasury management function at the CPCA is operating effectively and efficiently, however, we identified a few areas that could be improved such as updating the authorisation matrix, the introduction of process documentation and the documentation and approval of investment decisions which would serve to enhance the audit trail and ensure clarity of accountability”. It was concluded that we could place reasonable assurance on the system and processes.

Rating	Area For Attention	Agreed Proposed Action
Medium	3. The Head of Finance, CPCA should be satisfied that PCC document all investment concerns and that the CPCA responsibility of continuing with a loan be clearly evidenced for the purpose of establishing an audit trail.	Agreed. This recommendation has also been discussed and agreed with PCC.
Medium	4. The Head of Finance, CPCA should be satisfied that PCC notify the CPCA of all investment deals for approval before they are actioned.	Agreed. This recommendation has also been discussed and agreed with PCC.
Medium	5. The Head of Finance, CPCA should ensure that the SLA is updated to note that the responsibility and accountability for investment decisions remains with the CPCA	The SLA states that PCC will provide CPCA’s treasury management function in accordance with the Treasury Management Strategy. The Treasury Management Strategy states that “The Combined Authority recognises the responsibility for treasury management decisions remains with the Combined Authority at all times”

Medium	7. The Head of Finance, CPCA should ensure that all discussions and decisions taken at the monthly meeting are minuted to ensure accountability and transparency. Both the CPCA and PCC should keep copies of the minutes for audit trail purposes.	This recommendation has now been implemented.
Medium	8. The Head of Finance, CPCA should be satisfied that PCC Treasury Management processes are suitable for CPCA purposes. This should include: • up-to-date process and policy documentation • up-to-date authorisation's matrix to reflect limits and authority levels • suitable segregation of duties	Agreed. This recommendation has also been discussed and agreed with PCC.

In 2018/19, Internal Audit undertook a review of the Business Board's governance arrangements. The findings of the audit give reasonable assurance on the effectiveness of the governance arrangements that has been established within the Assurance Framework. The Specific areas for attention with 'High' and 'Medium' ratings and the action plan to address the issues raised by the review are as follows:

Rating	Area For Attention	Agreed Proposed Action
Medium	**Publication of Financial Data** The CPCA should increase the level of information provided on its website, with particular reference to financial data as outlined in the national framework.	In addition to publishing the quarterly return to BEIS on growth fund projects, spend and performance, the quarterly returns will be published separately on the Business Board section on the website under "projects" to increase transparency.
Medium	**Arrangements to ensure Value for Money** On completion of each project, an overall report should be produced providing an evaluation as to how it has met (or not as the case might be) the original objectives, the outputs and outcomes. An	A report will be submitted to the November meeting of the Business Board setting out the arrangements for ensuring value for money.

	assessment of value for money should be included.	
Medium	The CPCA as the Accountable Body, should produce an annual report which sets out details of all its projects / schemes currently in delivery stage and an assessment as to whether they are providing value for money. Where schemes are seen to be failing then the Board should take appropriate decisions.	This will be done for ALL projects whether Business Board and Growth Fund funded or other CPCA projects. We already do this for the BEIS return. We will publish this in the Business Board element of the website.
Medium	**Project Delivery** Details on the website should be regularly refreshed as additional projects are approved and funding allocated.	All current projects are now available on the website and will be updated as new projects are agreed, processed and accepted by the recipient. No further action required
Medium	**Engagement** The CPCA should determine how it will demonstrate effective consultation for each area of activity. This could include, but not limited to, the number of bidders received for funding compared with those successful etc.	The review of engagement for the CPIER and LIS has been drafted and will go up on the Business Board website that covers the past year. Next year a review of engagement will be part of the Annual Delivery Plan (May 2020).
Medium	**Board Remuneration** There should be an annual declaration of all payments made to Board members and this should be published on the website.	When an allowance and expenses scheme is approved, it will be published on the Business Board website.
Medium	**Government Branding** Details in relation to specific branding requirements should be included on the website.	Website has been reviewed. Create guidance for our organisations so that social media, signage etc. expectations are clear for every Government funded project

High	**Recovery of Funding** In order to meet the Framework requirements to protect public funds, the CPCA should establish appropriate processes for the recovery of any funding deemed to have not met agreed standards or misused	Review funding agreements to make it clearer what our recovery action will be.

Conclusion

- The Combined Authority recognises its responsibilities for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively, alongside a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised.
- The Authority has made good progress during the year and we are committed to making continued improvements during the course of the next year.