



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

JAMES PALMER
CAMBRIDGESHIRE &
PETERBOROUGH MAYOR

Statement of Accounts

2019/20

Draft V6 24/05/20



Cambridgeshire
County Council



EAST CAMBRIDGESHIRE
DISTRICT COUNCIL



Fenland District Council



THE BUSINESS BOARD



Huntingdonshire
DISTRICT COUNCIL



PETERBOROUGH
CITY COUNCIL



South
Cambridgeshire
District Council

Cambridgeshire and Peterborough Combined Authority

Statement of Accounts 2019/20

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Narrative Report:

1. 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 Cambridgeshire and Peterborough financial statements for the year ended 31 March 2020

2. Organisational Overview and External Environment

The Combined Authority is made up of eight founding members across Cambridgeshire and Peterborough. Each of the following Constituent Authorities is represented by their nominated representative or substitute at Combined Authority meetings.

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

The Business Board also has representation on the Combined Authority Board. By virtue of their office, the Chair of the Business Board is the voting representative on the Combined Authority and the Deputy Chair is the substitute representative

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 Business Board was constituted as a non-statutory body to be the Local Enterprise Partnership (LEP) for the region. It is independent of the Combined Authority operating 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 Business Board builds upon the strengths of established LEP services to create a stronger new model and focuses 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

The Business Board gives commerce a stronger voice in developing the Combined Authority's plans and decision making, and is committed to advising the Combined Authority on achieving its Growth Ambition. It ensures that a clear business perspective is brought forward as the Combined Authority seeks to be at the frontier of accelerating delivery and securing new investment models, with and across Government, the private sector and the local area.

At its meeting on 25 September 2019 the Combined Authority Board agreed to amendments to the Constitution. Those amendments included the establishment of three Executive Committees and provision for the appointment of Lead Members.

The changes to the constitution were made in response to the threats to the Cambridgeshire and Peterborough economy, as outlined in the CPIER report and to support a dynamic and innovative approach to delivering the growth necessary to ensure the long term prosperity of the area.

The Combined Authority Board will decide the strategic direction of the Authority but will delegate many of its decision-making powers for operational matters to the Transport & Infrastructure Committee, the Skills Committee and the Housing & Communities Committee.

3. Governance

Cambridgeshire and Peterborough Combined 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 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.

In May 2019, the Business Board and Combined Authority Board approved a revised single Assurance Framework following the Ministry of Housing, Communities & Local Government's revised National Local Growth Assurance Framework for Mayoral Combined Authorities with a Single Pot and Local Enterprise Partnerships.

This single Assurance Framework has subsequently been submitted to and approved by the Ministry of Housing, Communities and Local Government.

By creating a single Assurance Framework, the Combined Authority and the Business Board will have a robust, singular framework that brings cohesion to the work of the single officer team, ensuring clarity, transparency and openness for Government, partners and members of the public around governance and compliance processes, and a singular approach to the recommendation and decision-making processes of both Boards.

4. 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.

5. Risks and Opportunities

COVID-19

On 25 March 2020, the Combined Authority set out its response to COVID-19 to support recovery and formulated an approach covering an immediate, short term and medium-term response.

The immediate response was to remain 'open for business' with the Combined Authority's workforce being fully mobilised to work from home, meetings taking place virtually, and the Mayor's general power of competence being relied upon to make decisions.

Innovations to support local businesses affected by COVID-19 have included:

- The re-design and re-purpose of resources towards growth coaching, advice, grants and equity investments, to provide a rapid response to support businesses.
- Supporting clients to access information regarding the Central Government Support Packages and to provide signposting to appropriate local sector Business networks
- Allocate grant funding for short term support grants to COVID recovery and regrowth strategies for local firms.

The medium-term response includes undertaking a review of all priorities to focus on those which will increase the ability of economic recovery.

The Combined Authority Board approved the budget for 2020/21 and Medium Term Finance Plan (MTFP) in January 2020. The MTFP set out assumed future funding streams and a full capital programme of investments for the period to 2023/24. The whole of the MTFP is currently being reviewed to deliver short and medium-term responses to the COVID-19 crisis. This includes undertaking a review of all key priorities to consider risks to delivery and to consider all priorities to focus on those which will increase the ability of economic recovery and budget realignment. Any resulting changes to the Authority's budget and MTFP will be done to ensure that they continue to represent a balanced budget, and do not affect the medium or long-term operational viability of the Combined Authority.

Brexit

The Combined Authority received funds to allocate to improve business resilience across the region and to address some concerns raised by businesses. The Combined Authority has planned schemes to contract services to provide marketing and delivery of Brexit Basics workshops to businesses, for example import and export documentation knowledge and to address the retention and recruitment of EU workers to curtail the current drain of that valuable workforce.

Our Growth Ambition

The Combined Authority has a Growth Ambition Statement to summarise its 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 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.

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 Market Towns 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.

6. Strategy and Resource allocation

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 for these jobs. 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 other strategies of the Combined Authority. Local planning authorities, all of whom are represented on the Combined Authority Board, retain their statutory planning powers.

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.

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.

During the September refresh of the business plan, six projects were included as additions to the key projects list which the Board monitors quarterly. These projects are:

- Fenland Stations Regeneration – a project to deliver a range of interventions at train stations across March, Manea and Whittlesea and to promote more frequent and later services from these stations;
- Bus Review Task Force – this is a programme of work designed to implement the recommendations and findings of the 2018 Strategic Bus Review. This includes building business cases for possible franchising or other bus delivery models by early 2021;
- Adult Education Budget – responsibility for the devolved Adult Education funding;
- Community Land Trusts – increasing the potential CLTs in the area;
- £100,000 Homes – enabling the delivery of the first £100,000 homes;
- Business Board – tracking and monitoring progress in The Business Board's programme to deliver the Local Industrial Strategy as a key project.

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.

The Business and Skills Directorate and the Business Board, for which it supplies the executive support, is focused on the Combined Authority's vision to double our economy. Its strategic approach in achieving this is to:

- **Improve the long-term capacity for growth in Greater Cambridge** to support the expansion of this innovation powerhouse and, crucially, reduce the risk of any stalling in the long-term high growth rates that have been enjoyed for several decades.
- **Increase sustainability and broaden the base of local economic growth**, by identifying opportunities for high growth companies to accelerate business growth where there is greater absorptive capacity, beyond the current bottlenecks to growth in Greater Cambridge.
- **Do this by expanding and building upon the clusters and networks** that have enabled Cambridge to become a global leader in innovative growth, creating an economy-wide business support eco-system to promote inclusive business growth.

The Delivery and Strategy Directorate promotes the Mayor and Combined Authority's growth ambition by:

- Supporting their role as the Transport Authority, developing and overseeing the delivery of new transport schemes, developing the Local Transport Plan, and ensuring the provision of subsidised public transport by delivery partners;
- Supporting Local Planning Authorities by developing an overall spatial framework for the area;
- Providing programme and performance management to ensure successful delivery of Combined Authority projects; and
- Supporting the Mayor and Combined Authority's role in public service reform.

In 2017, the Combined Authority successfully negotiated £170 million from Government for delivery of an ambitious housing programme providing 2,500 new affordable homes by March 2022.

Within this programme, £100 million is available to be used across the Combined Authority area to deliver 2,000 affordable homes and £70 million is available to Cambridge City Council to deliver 500 new council homes.

The Housing and Development Team at the Combined Authority is working with officers in all partner local authorities (via the Cambridgeshire and Peterborough Housing Board) to identify new schemes to come forward for support from the Affordable Housing Programme. The Team is also building relationships with landowners, developers and housing providers to seek opportunities to influence, enable and accelerate delivery of new affordable housing across the Combined Authority area.

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 2015/16 (the Code).

The Statement of Accounts brings together the major financial statements for the Authority for the financial year 2019/20. 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. 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 2020.
- 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.

- Annual Governance Statement – sets out how the authority’s governance arrangements comply with the principles of the Local Code of Governance.

Jon Alsop
Chief Finance Officer (S73)



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

This report will be provided after the audit of the Authority's accounts is completed.

DRAFT

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 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 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 xx to xx present a true and fair view of the financial position of the Combined Authority at 31 March 2020 and its income and expenditure for the year ended 31 March 2020.

Jon Alsop
Chief Finance Officer and
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 xxxxxxxx.

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. The Combined Authority has the ability to levy a council tax precept but this power has not been utilised in 2019-20.

2018/19 (Restated*)			CIES	2019/20		
Gross Exp. (Restated) £000	Gross Income (Restated) £000	Net Exp (Restated) £000	Notes	Gross Expend'	Gross Income	Net Exp
4,103	0	4,103	Combined Authority Staffing Costs	3,327	0	3,327
606	(80)	526	External Support Services	291	0	291
820	(0)	820	Corporate Overheads	985	0	985
(13)	0	(13)	Election Costs	0	0	0
0	(102)	(102)	Financing Costs	0	(503)	(503)
89	0	89	Governance Costs	17	0	17
1,058	(348)	710	Economic Strategy	1,691	(720)	971
439	(24)	415	Mayor's Office	368	0	368
14,064	(14,132)	(69)	Housing	12,568	(524)	12,044
41,835	(44,625)	(2,790)	Transport	39,616	(35,380)	4,236
704	(338)	366	Strategy, Planning and Performance	553	(277)	276
7,389	(934)	6,455	Business and Skills	11,724	(4,219)	7,505
71,094	(60,582)	10,512	Net Cost of Services	71,140	(41,623)	29,517
0	(1,410)	(1,410)	Financing & Investment Income & Expenditure	0	(1,646)	(1,646)
0	(41,961)	(41,961)	Taxation & Non-Specific Grant Income	0	(39,149)	(39,149)
71,094	(103,954)	(32,859)	(Surplus) / Deficit on Provision of Services	71,140	(82,418)	(11,278)
132	0	132	(Surplus) / deficit from investments in equity instruments designated at fair value through other comprehensive income	76	0	76
			Actuarial (Gains) / Losses on Pension Assets / Liabilities			
		(32,727)	Other Comprehensive Income & Expenditure			(11,202)

* Restated to take account of changes in organisation structure during 2019/20 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 2018		(9,997)	(1,690)	(99,789)	(9,189)	(120,665)	(7,125)	(127,790)
Total Comprehensive Income & Expenditure		(32,859)	0	0	0	(32,859)	132	(32,727)
Adjustments between accounting basis & funding basis under regulations	12	30,814	0	(31,190)	(1,947)	(2,323)	2,323	0
Net Increase before Transfers to Earmarked Reserves		(2,045)	0	(31,190)	(1,947)	(35,182)	2,455	(32,727)
Transfers to / (from) Reserves		857	(857)	0	0	0	0	0
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 at 1 April 2019		(11,185)	(2,547)	(130,979)	(11,136)	(155,847)	(4,670)	(160,517)
Total Comprehensive Income & Expenditure		(11,276)	0	0	0	(11,276)	76	(11,200)
Adjustments between accounting basis & funding basis under regulations		7,792	0	23,320	924	32,036	(32,036)	(0)
Net Increase before Transfers to Earmarked Reserves		(3,484)	0	23,320	924	20,760	(31,960)	(11,200)
Transfers to / (from) Reserves		811	(811)	0	0	0	0	0
Increase / (Decrease) in 2019/20		(2,673)	(811)	23,320	924	20,760	(31,960)	(11,200)
Balance at 31 March 2020 Carried Forward		(13,858)	(3,358)	(107,659)	(10,212)	(135,087)	(36,630)	(171,717)

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'.

31st March 2019 £000	Balance sheet		31st March 2020 £000
208	Property, Plant & Equipment	Notes 18	544
209	Long Term Investments	21, 22	133
4,459	Long Term Debtors	24, 21, 22	20,378
4,876	Long Term Assets		21,055
1,235	Short Term Debtors	24, 21, 22	25,723
57,743	Short Term Investments	21, 22	99,699
109,758	Cash and Cash Equivalents	21, 22, 27	61,565
168,736	Current Assets		186,987
(10,786)	Short Term Creditors	25, 21, 22	(21,946)
(10,786)	Current Liabilities		(21,946)
(2,309)	Capital Grants Receipts in Advance		(14,378)
(2,309)	Long Term Liabilities		(14,378)
160,517	Net Assets		171,718
(155,847)	Usable Reserves		(135,087)
(4,670)	Unusable Reserves		(36,631)
(160,517)	Total Reserves		(171,718)

Chief Finance Officer and 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.

2018/19 £000	Cash Flow Statement	Notes	2019/20 £000
(32,859)	Net (Surplus) / Deficit on the Provision of Services		(11,276)
(33,199)	Adjust net (Surplus)/Deficit on the Provision of the Services for non cash movements		17,380
0	Adjust for items included in the net (surplus)/Deficit on the Provision of Services that are Investing & Financing Activities		0
(66,059)	Net Cash Flows from Operating activities		6,104
30,295	Investing activities	26	42,089
0	Financing activities		0
(35,763)	Net (Increase)/Decres in Cash & cash Equivalent		48,193
73,994	Cash & Cash Equivalent at the beginning of the Reporting Period		109,758
35,763	Increase / (Decrease) in Cash and Cash Equivalents		(48,193)
109,758	Cash & Cash Equivalents at the end of the Reporting Period	27	61,565

Notes to the Accounts

1 Accounting Policies

General Principles

The Statement of Accounts summarises the Combined Authority's transactions for the 2019/20 financial year and its position at the year-end 31 March 2020. 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 2019/20, 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 these are treated as a transfer of function under common control. In 2018/19 opening balances were adjusted for the function transferred rather than being shown as an in year movement. For the comparative purpose, this is shown in 2019/20 Statement of Accounts as a separate segment on the Comprehensive Income and Expenditure Statement.

There have been no services transferred from other public bodies in 2019/20.

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

In 2019/20, in addition to Vehicle, plant, furniture & equipment, there have been some expenditure classified as Assets Under Construction measured at the same basis as above incurred for the University of Peterborough project.

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).

Depreciation is calculated on the following bases:

- Vehicle, plant, furniture and equipment – Depreciation is calculated from the year of acquisition, on a straight line basis, over a period of five years.
- Assets Under construction – Assets in the course of construction are not depreciated until they are brought into use.

The useful lives of assets are reviewed regularly. Where necessary, the life of an asset is revised and the carrying amount of the asset is then depreciated over the remaining useful life.

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 2019/20.

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. The CPCA is primarily a commissioning organisation 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.

2 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 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.

3 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 0. 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.

4 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).

2018/19 £ 000	External Audit Costs	2019/20 £ 000
35	Fees payable with regard to external audit services carried out by the appointed auditor	46
0	PSAA audit refund	(3)
35	Total	43

5 Mayor's and Member's Allowances

The 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 waived his allowance thus resulting in no cost – a new chair took up the role in 2019-20 and thus there have been payments made for both allowance and expenses.

	Allowances (Restated)		Expenses		Total	
Role	2018/19 (Restated)	2019/20	2018/19	2019/20	2018/19	2019/20
Mayor	£75,000	£75,000	£5,835	4471	£80,835	£79,471
Chair of the Business Board	£0	£18,204	£0	£2,585	£0	£20,789

6 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 have been included in the prior years' figures to enable meaningful comparisons.

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 2019-20	Total Remuneration including Employer Pension Contributions £000	
		2018-19	2019/20
Chief Executive¹	K Sawyer J Hill	350	tbc
Monitoring Officer²	D Pearson R Parkin H Norris	166	tbc
Chief Finance Officer³	Jon Alsop N O'Neil	201	tbc
Director of Business and Skills	John T Hill	161	tbc
Director of Strategy and Policy	Paul Raynes	77	tbc
Director of Housing	Roger Thompson	109	tbc
Director of Transport⁴		171	
Total		1,235	tbc

1. CPCA has two joint CEOs (Kim Sawyer and John Hill) who have been in post since 26th September 2018.
2. R Parkin was appointed as the Monitoring Officer in March 2020.
3. J. Alsop was appointed as the Chief Finance Officer in June 2019.
4. The Director of Transport role was removed as a result of restructuring.

Employee remuneration above £50,000

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

Remuneration Banding	2018-19	2019-20
		Total
£50,000-£54,999	2	6
£55,000-£59,999	2	4
£60,000-£64,999	2	4
£65,000-£69,999	2	2
£70,000-£74,999	2	3
£75,000-£79,999	3	1
£80,000-£84,999	2	
£85,000-£89,999	-	3
£105,000-£109,999	1	1
£110,000-£139,999	-	
£140,000-£144,999	1	
£150,000-£154,999	-	1
£155,000-£159,999	-	2
£185,000-£189,999	-	1
£195,000-£199,999	1	
Total	18	28

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.

Exit Packages

	Number of compulsory redundancies		Number of other departures with exit packages*		Total number of exit packages	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
£0-£20,000	1		-	2	1	2
£20,001-£80,000	-		-		-	0
£80,001-£100,000	-		1	1	1	1
Totals	1		1	3	2	3

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 2019-20 the Combined Authority's pay ratio takes into account those members of staff employed by the CA and was **TBC** (18/19 5.09)

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

2018/19 £000	Financing & Investment Income & Expenditure	2019/20 £000
(1,410)	Interest Receivable & Similar Income	(1,646)
(1,410)	Total	(1,646)

8 Comprehensive Income & Expenditure Statement –Non Specific Grant Income

2018/19 £000	Taxation & Non-Specific Grant Income	2019/20 £000
	Non-Specific Government Grants	
(8,000)	Gain Share - Revenue	(8,000)
0	DfE - Adult education budget	(7,255)
(1,820)	other	(1,904)
(9,820)	Total Non-Specific Grants	(17,159)
	Capital Grants & Contributions	
(11,332)	Gain Share - Capital	(9,946)
(14,539)	Housing Grant - General	0
(3,458)	Housing Grant _ Cambridge	0
(2,462)	Growth Deal	(12,044)
(31,791)	Total Capital Grants & Contributions	(21,990)
(41,611)	Total Income	(39,149)

9 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;

2018/19 £000	Income	2019/20 £000
(9,928)	CLG – revenue grants	(15,905)
(60,705)	CLG – capital grants	(29,199)
(33,055)	DfT – capital grants	(43,658)
(2,500)	DWP – career and pay progression	(3,900)
(237)	DfE – adult education budget and skills panel	(7,255)
(106,425)	Total Income	(99,916)

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		2019/20 £000
	<u>Expenditure</u>	
	<i>Expenditure with Councils</i>	
12,889	Cambridge City Council	12,654
34,882	Cambridgeshire County Council	23,093
(3)	East Cambridgeshire District Council	286
501	Fenland District Council	556
20	Huntingdonshire District Council	265
8,683	Peterborough City Council	5,873
0	South Cambridgeshire District Council	-210
56,973		42,516
	<u>Creditors</u>	
	<i>General creditors with Councils</i>	
(2,684)	Cambridge City Council	(5,459)
(984)	Cambridgeshire County Council	3,953
0	East Cambridgeshire District Council	(0)
(185)	Fenland District Council	(506)
(20)	Huntingdonshire District Council	(50)
(688)	Peterborough City Council	(2,643)
0	South Cambridgeshire District Council	0
(4,562)		(4,704)

c) Members

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

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 provided 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 for part of the year.

10 Expenditure and Income Analysed by Nature

2018/19 (Restated) £000	Expenditure and Income Analysed by Nature	2019/20 £000
	Expenditure	
1,095	Employee Expenses - Contracts held by CPCA	4,648
2,137	Employee Expenses - Contracts held by PCC	TBC
59,958	Capital Grants made treated as REFCUS	51,533
52	Depreciation	52
7,853	Other Service Expenses	14,907
71,095	Total Expenditure	71,140
	Income	
(1,410)	Interest & Investment Income	(2,226)
(101,965)	Government Grants & Contributions	(79,472)
(579)	Other Income	(720)
(103,954)	Total Income	(82,418)
(32,859)	Deficit / (Surplus) on the Provision of Services	(11,278)

11 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 by 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).

2018/19				2019/20			
Expenditure Chargeable to the General Fund (Restated)	Adjustments between the Funding and Accounting Basis (Restated)	Net Expenditure in the Comprehensive Income and Expenditure Statement (Restated)		Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	
£000	£000	£000		£000	£000	£000	
4,103	0	4,103	Combined Authority Staffing Costs	3,327	0	3,327	
526	0	526	External Support Services	291	0	291	
768	52	820	Corporate Overheads	933	52	985	
(13)	0	(13)	Election Costs	0	0	0	
(102)	0	(102)	Financing Costs	(503)	0	-503	
89	0	89	Governance Costs	17	0	17	
710	0	710	Economic Strategy	377	594	971	
415	0	415	Mayor's Office	368	0	368	
(69)	0	(69)	Housing	426	11,617	12,043	
1,851	(4,640)	(2,790)	Transport	2,868	1,369	4,237	
366	0	366	Strategy, Planning and Performance	276	(0)	276	
762	5,693	6,455	Business and Skills	8,350	(845)	7,505	
9,407	1,105	10,512	Net Cost of Services	16,731	12,788	29,517	
(11,452)	(31,919)	(43,371)	Other Income and Expenditure	(20,216)	(20,579)	(40,795)	
(2,045)	(30,814)	(32,859)	Surplus or Deficit	(3,485)	(7,792)	(11,278)	
(11,687)			Opening General Fund Balance	(13,732)			
(2,045)			Less/Plus Surplus or (Deficit) on General Fund Balance in Year	(3,485)			
(13,732)			Closing General Fund Balance	(17,217)			

12 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 2019/20	Usable Reserves		Capital Grants Unapplied	Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve		
Adjustments involving the Capital Adjustment Account:	£000	£000	£000	£000
<u>Reversal of items debited or credited to the CIES:</u>				
Depreciation & impairment of non-current assets	(52)			(52)
Capital grants and contributions	38,797			38,797
Reversal of Expected credit loss on capital loans	(643)			(643)
Revenue expenditure funded from capital under statute	(51,516)			(51,516)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants & contributions unapplied from the CIES	21,673		(21,673)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	(480)		44,993.03	44,513
Adjustments involving the Capital Receipts Reserve:				
Redemption of Financial Assets (Loans)		(254)		(254)
Application of capital receipts to capital financing transferred to the Capital Adjustment Account		1,178		1,178
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.	13			13
Total Adjustments	7,792	924	23,320	32,036

Adjustments between Accounting Basis and Funding Basis under Regulations 2018/19	Usable Reserves		Capital Grants	Movement in Unusable Reserves
	General Fund Balance	Capital Receipts		
Adjustments involving the Capital Adjustment Account:	£000	£000	£000	£000
<u>Reversal of items debited or credited to the CIES:</u>				
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

- **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.

01-Apr-18 Movement £000	£000	31-Mar-19 £000	Summary of Usable and Unusable Reserves	01-Apr-19 Movement £000	£000	31-Mar-20 £000
Usable Reserves						
(11,185)	(1,188)	(11,185)	General Fund Balance	(11,185)	(2,673)	(13,858)
(2,547)	(857)	(2,547)	Specific Earmarked Reserves	(2,547)	(811)	(3,358)
(11,136)	(1,947)	(11,136)	Capital Receipts Reserve	(11,136)	924	(10,212)
(130,979)	(31,190)	(130,979)	Capital Grants Unapplied Account	(130,979)	23,320	(107,659)
(155,847)	(35,182)	(155,847)	Total Usable Reserves	(155,847)	20,760	(135,087)
Unusable Reserves						
(4,859)	2,451	(4,859)	Capital Adjustment Account	(4,859)	(32,023)	(36,882)
57	(128)	57	Financial Instruments Adjustment Account	57	(13)	44
132	132	132	Financial Instruments Revaluation Reserve	132	76	208
(4,670)	2,455	(4,670)	Total Unusable Reserves	(4,670)	(31,960)	(36,630)
(160,517)	(32,727)	(160,517)	Total Usable and Unusable Reserves	(160,517)	(11,200)	(171,717)

13 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	01-Apr-19 £000	Trf. Out £000	Trf. In £000	Movement £000	31-Mar-20 £000	Purpose of the Earmarked Reserve
Revenue Reserve	1,000	0	0	0	1,000	This reserve provides a working balance to cover risks to the revenue budget.
Elections Costs Reserve	260	0	260	260	520	This reserve smooths the impact on the revenue budget of the Mayoral elections which take place every four years.
AEB Reserve	0	0	659	659	659	This reserve holds the balance of adult education budget funding to maintain a locally determined ringfence between financial years
Departmental Reserves	1,287	(108)	0	(108)	1,179	These represent unspent grant funding which does not require repayment, but is earmarked for projects in future years.
Total Reserves	2,547	(108)	919	811	3,358	

14 Capital Grants Unapplied Reserve

Capital Grants Unapplied Reserve Reserves	31-Mar-19 £000	Transfers In £000	Transfers Out £000	31-Mar-20 £000
Gain Share - Capital	33,785	9,946	(388)	43,343
Housing Grant - General	52,148		(35,761)	16,387
Housing Grant - Cambridge	23,864		(9,885)	13,979
Local Growth Fund	21,182	14,427	(1,659)	33,950
Total Reserves	130,979	24,373	(47,693)	107,659

15 Capital Adjustment Account

2018/19 £'000		2019/20 £'000
(7,310)	Balance Brought Forward	(4,859)
(58,905)	Reversal of Items Debited or Credited to the Comprehensive Income & Expenditure Statement: Capital Grants & Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to Capital Financing	(38,797)
59,958	Revenue Expenditure Funded from Capital under Statute	51,516
3,000	Redemption of financial assets (loans)	254
(1,053)	transfer from usable capital receipts	(1,178)
52	charges for depreciation	52
0	charges for expected credit loss relating to capital loans	643
0	Application of grants to finance capital loans from the Capital Grants Unapplied Accounts	(32,584)
(601)	Application of Grants to Capital Financing from the Capital Grants Unapplied Account	(11,929)
(4,859)		(36,882)

16 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.

2018/19 £000	Financial Instruments Adjustment Account:	2019/20 £000
185	Balance at start of year	57
(128)	Amounts arising from timing differences associated with the certain financial instruments	(13)
57	Balance at end of the year	44

17 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.

2018/19 £000	Financial Instruments Revaluation Reserve:	2019/20 £000
-	Balance at start of year	132
132	Impairment of Equity Instrument	76
132	Balance at end of the year	208

18 Property Plant and Equipment

Property, Plant & Equipment		Vehicle, Plant, furniture & equipment	Assets under construction	Total Property, Plant & Equipment
		£000	£000	£000
Cost or valuation				
At 01 April 2019		261	0	261
Additions		27	361	388
At 31 March 2020		287	361	648
Accumulated Depreciation & Impairments				
At 01 April 2019		52	0	52
Depreciation charge		52	0	52
At 31 March 2020		104	0	104
Net book value				
At 31 March 2019		208	0	208
At 31 March 2020		183	361	544

19 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.

2018/19 £000	Capital Financing Requirement	2019/20 £000
0	Opening Capital Financing Requirement	0
	Capital Investment	
59,958	Revenue Expenditure Funded From Capital Under Statute	51,516
260	Property Plant and Equipment	388
341	Equity Instruments	0
0	Capital loans	32,584
	Sources of Finance	
(1,053)	Usable Capital receipts	(1,178)
(601)	Capital grants unapplied	(44,513)
(58,905)	Capital Grants & Contributions	(38,797)
0	Closing Capital Financing Requirement	0

2018/19 £000	Reconciliation of Grant Funding Applied to Capital Financing	2019/20 000
601	Applied from Capital Grants Unapplied Account	44,513
	Grants used to Fund Revenue Expenditure Funded from Capital under Statute:	
58,905	In Year	38,797
59,506	Total Grants & Contributions applied	83,310

2018/19	Body of Grant Funding Applied	2019/20
£000		£000
24,522	Dept for Transport - Local Transport Grant	23,541
4,667	Transforming Cities Fund	4,103
1,596	National Productivity Infrastructure Fund	3,944
13,249	Local Growth Fund	5,155
86	C&P Housing Capital Grant	0
13,542	Cambridge Housing Grant	0
894	Gainshare Funding - Capital	2,054
58,556		38,797

20 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.

2018/19		2019/20
£000	Combined Authority as Lessee - Operating Leases	£000
212	Not later than one year	216
742	Later than one year & not later than five years	733
1,634	Later than five years	1,461
2,588		2,410

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:

2018/19		2019/20
£000	Combined Authority as Lessee - Operating Leases	£000
143	Minimum lease payments	212
0	Contingent rents	0
0	Sublease payment receivable	0
143		212

21 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:

2018/19 £000	Financial Assets	2019/20 £000
(1,410)	Interest Income	(1,646)
0	Financial Liabilities	0
(1,410)	Net gain/(loss) for the year	(1,646)

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

2018/19 Long Term £000	2018/19 Current £000	Financial Instruments Balances	2019/20 Long Term £000	2019/20 Current £000
		Assets at Amortised Cost:		
	57,743	Investments - Amortised Cost		80,699
209		Medtech Shares - FVOCI	133	
	109,758	Short Term Investments classed as Cash & Cash Equivalents		80,565
4,459		Debtors - Amortised Cost	20,378	
	1,235	Debtors - Other		19,666
4,667	168,736		20,511	180,930
		Liabilities at Amortised Cost:		
0	(10,786)	Creditors	0	(21,946)
0	(10,853)		0	(21,946)

22 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 carrying amount, except loans. 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 2020 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:

2018/19			2019/20	
Carrying Amount £000	Fair Value £000	Financial Liabilities	Carrying Amount £000	Fair Value £000
(10,786)	(10,786)	Creditors	(21,946)	(21,946)
(10,786)	(10,786)	Total	(21,946)	(21,946)

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

2018/19			2019/20	
Carrying Amount £000	Fair Value £000	Financial Assets	Carrying Amount £000	Fair Value £000
57,500	57,500	Temporary Investments	99,000	99,000
243	243	Interest associated with Temporary Investments	699	699
209	209	Medtech Shares - FVOCI	133	133
109,300	109,300	Short Term Investments classified as Cash & Cash	60,921	60,921
289	289	Interest associated with Short Term Investments	0	0
169	169	Total Cash & Bank	644	644
4,459	4,459	Debtors - Loans	39,662	40,127
0		12 months ECL on loans	(643)	0
1,235	1,235	Other Debtors	1,024	1,024
173,403	173,403		207,498	208,605

23 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 2019/20 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, other local authorities, 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 £159.9m deposited with the Debt Management Office (DMO), other local authorities, 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 2020. We are in constant communication with our treasury advisors to update our position in accordance with their advice on managing emerging risks particularly relating to COVID 19.

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 Finance 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 in a single company, which is not publicly traded. Its value in the accounts is based on the shareholder funds held on the 31st March 2020, 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.

24 Debtors

31-Mar-19 £000	Short Term Debtors	31-Mar-20 £000
547	Central government bodies	606
487	Other local authorities	226
201	Other entities and individuals	18,834
0	Prepayments	6,057
1,235	Total Debtors	25,723

31-Mar-19 £000	Long Term Debtors	31-Mar-20 £000
4,459	Other entities and individuals	20,378
4,459	Total Debtors	20,378

25 Creditors

31-Mar-19 £000	Creditors	31-Mar-20 £000
(3,520)	Central government bodies	(8,652)
(4,562)	Other local authorities	(4,788)
0	NHS bodies	
0	Public corporations and trading funds	
(2,704)	Other entities and individuals	(8,505)
(10,786)	Total Creditors	(21,945)

26 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 27. The cash flows for investing activities include the following items:

2018/19	Cash Flow Statement - Investing Activities	2019/20
£000		£000
32,694	Purchase of Short Term Investments	41,956
601	Purchase of Property, Plant & Equipment	388
(3,000)	Proceeds from loan repayments	(254)
30,295	Net Cash flows from investing activities	42,089

27 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.

2018/19	Cash Flow Statement - Cash & Cash Equivalent	2019/20
£000		£000
109,589	Short Term Cash Investments	60,921
169	Bank Accounts	644
109,758		61,565

28 Group Accounts

Angle Holding Ltd, a wholly owned subsidiary by CPCA, is deemed immaterial and not consolidated in to CPCA accounts as of 31 March 2020 in compliance with the definition in the Code of Practice.

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.

Annual Governance Statement

2019/20



Cambridgeshire and Peterborough Combined Authority Annual Governance Statement – 2019/20

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 fourth year of operation and this is its fourth 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 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, two reviews have been undertaken by Internal Audit, into the corporate governance of the Authority and into the governance of the Local Enterprise Partnership following its amalgamation into the Authority as the Business Board, 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 fourth 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 regulations 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) Cambridgeshire and Peterborough 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 Lead Members 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. Lead Members 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 discrete 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.

In September 2019 the Combined Authority Board agreed amendment to the Authority's constitution to strengthen the role of the Executive Committees by delegating to them decision-making powers previously exercised by the Combined Authority Board. The membership of the Executive Committee was expanded to include representatives of all the constituent councils on each committee.

The advantages of the new arrangements include:

- Creating more realistic workloads for the members of the Combined Authority Board, who are also the Leaders of their councils:
- Allowing members of the Combined Authority Board to have a strategic focus
- Increasing the profile of the Authority amongst the constituent councils
- Increasing the understanding of the Authority amongst constituent councils
- Sharing of knowledge and regional issues
- Improving cross-boundary co-operation
- Bringing in additional member expertise to the Authority in key areas; and
- Decreasing the frequency of Combined Authority Board meetings

The effectiveness of the new governance arrangements will be kept under review by the Authority's Audit & Governance Committee.

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. One request was made to call-in a Combined Authority decision in the last year but this was

unable to proceed because the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 were not brought into force in time to enable a virtual meeting of the Committee to take place.

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 two task and finish groups, one to consider the Cambridgeshire Autonomous Metro project and one to consider the Authority’s Bus Review. The Mayor and Chief Executive attend meetings at least quarterly to update the committee and to answer any questions. The committee has also responded to the change in the Authority’s governance arrangements by revising its own arrangements for pre-scrutiny to allow lead members appointed by the Committee to formulate questions for the Executive Committees.

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 who chairs the meetings.

The committee has reviewed and revised the following Authority policies and procedures in 2019/20:

- (a) Corporate Risk Strategy
- (b) Assurance Framework
- (c) Data Protection Policy

The Committee has also received a report on Freedom of Information requests, fraud, whistleblowing and complaints together with the Internal Audit reviews of the governance of the Authority and the Business Board referred to above.

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 Greater Cambridge Greater Peterborough Local Enterprise Partnership 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 Central Government and the region and offers policy advice and strategic direction aligned to the Authority’s objectives.

The current membership now comprises fourteen members, which includes two public sector members and up to twelve business representatives from amongst the key sectors across the Cambridgeshire and Peterborough area. The majority members on the Board are from the private sector. Membership of the Business Board reflects two key priorities:

- (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.

The Business Board is a key part 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 of the private sector in any growth strategies for delivery in the Authority's area.

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

The Business Board's constitutional arrangements comply with the National Local Growth Assurance Framework and with the joint Assurance Framework for the Authority and the Business Board.

Strategic Direction

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

1. As reported previously, 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. It was most

recently updated in January 2020 covers 2020-21. 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 Local Industrial Strategy was published in July 2019.
7. Following the statutory process the Local Transport Plan was adopted by the Authority in January 2020.
8. The Combined Authority has 16 priority programmes based upon the CPIER objectives and the strategies highlighted above. These 16 priority programmes are reflected in the Business Plan.
9. On 29th January 2020 the Authority 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 Authority has already adopted and the Authority'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 Combined Authority has progressed key investment decisions in a range of transport and infrastructure, skills, housing and economic development initiatives.

Assurance Framework

In November 2019, the Combined Authority Board and the Business Board agreed a revised joint Assurance Framework. The latest Framework complies with the National Local Growth Assurance Framework 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 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 Executive 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 Combined Authority 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 & 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, 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 a permanent staffing structure is now in place.

Internal Audit

Peterborough City Council provides the internal audit function. The Chief Internal Auditor presented the audit plan to the Audit & Governance Committee and has provided the Committee with regular updates on it throughout the year.

The Chief Internal Auditor also presented the 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 revised Corporate Risk Strategy has been agreed by the committee as above.

Corporate and project risk are identified, recorded and monitored by the Directors Management Team and the Audit & Governance Committee, and are escalated to the Combined Authority Board where necessary.

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 Combined Authority 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 Internal Reviews during the year into the governance of the Authority and the Business Board as set out above:

The objective of the Internal Audit review of the governance of the Authority was to provide assurance that the systems of control in respect of Corporate Governance were adequate and being consistently applied. The areas of focus were:

- **Organisational Structure / Roles and Responsibilities:** To confirm that the Authority has an open and transparent organisational structure and that roles and responsibilities are clearly defined and communicated across the organisation
- **Decision Making:** To confirm that there is a clear and transparent decision making process within the Authority and decisions taken adhere to these processes as set out in the assurance framework
- **Strategy and Planning:** To confirm that the Authority's strategies are up to date and communicated across the organisation. To confirm that strategies complement and support each other and are linked to key aims and priorities.

Together with verification that Human Resources processes were robust and followed best practice.

The main findings of the review were that improvements had been made to the governance arrangements as the Combined Authority had evolved and previous actions had been progressed. Following extending the review to other areas of governance the part of the

business requiring most attention was that of Human Resources. While the audit focus was primarily to look at the recruitment process – which the auditors were unable to place any reliance on – the audit also touched upon the performance management framework and similarly there was nothing in place in relation to employees. A detailed action plan was required to take this key business activity forward.

Of the fifteen activity areas reviewed, two received substantial assurance ratings, twelve received reasonable assurance ratings and one [HR] received no assurance rating.

A report on progress with the Human Resources recommendations was taken to the meeting of the Audit & Governance Committee on 19 July 2019 and progress continues to be monitored.

For the Internal Audit review of the governance of the Business Board the matters under review included that:

- The LEP has a local assurance framework in place, as required by the Government's National Assurance Framework
- The LEP is operating under a clear governance framework.

The main findings of the review were that there has been good progress in establishing a clear framework which brought together the previous arrangements. A number of areas were identified which need to be addressed to ensure governance was effective. Those identified as requiring attention included:

- Increased transparency in relation to data available and how value for money is achieved;
- Development of a consistent brand identity; and
- Processes in place for the recovery of funds should any project be deemed to have misused public monies etc.

The findings of the audit give Reasonable Assurance on the effectiveness of the governance arrangements that has been established within the Assurance Framework. Eight recommendations were made to tighten up the assurance framework.

The Head of Internal Audit of a Local Authority is required annually to provide their opinion on the overall systems of internal control and their effectiveness. This is informed by the work that has been described above and, for the financial year 2018-19, the opinion was as follows:

I am satisfied that sufficient quantity and coverage of Internal Audit work and other independent assurance work has been undertaken to allow me to draw a reasonable conclusion on the adequacy and effectiveness of the Authority's risk management, control and governance processes. In my opinion the CPCA has adequate systems of internal control in place to manage the achievement

of its objectives. In giving this opinion, it should be noted that assurance can never be absolute and, therefore, only reasonable assurance can be provided that there are no major weaknesses in these processes. Notwithstanding my overall opinion, Internal Audit's work identified a number of opportunities for improving control procedures which management has accepted and are documented in each individual audit report

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.

Certification

As Mayor and Chief Executive Officer, we have been advised on the implications of the results of the review of the effectiveness of the Combined Authority's governance framework, by the Audit and Governance Committee.

Our overall assessment is that the Annual Governance Statement is a balanced reflection of the governance environment and that an adequate framework exists within the Combined Authority to ensure effective internal control is maintained. We are also satisfied that there are appropriate plans in place to address any significant governance issues and will monitor their implementation and operations as part of our next annual review.

Signed:

James Palmer, Mayor of Cambridgeshire
and Peterborough Combined Authority

Date: _____

Signed:

Kim Sawyer, Chief Executive Officer of
Cambridgeshire and Peterborough
Combined Authority

Date: _____