



AUDIT & GOVERNANCE COMMITTEE

Date: Friday, 31 July 2020

Democratic Services

Robert Parkin Dip. LG.
Chief Legal Officer and Monitoring Officer

10:00 AM

The Incubator
Alconbury Weald
Cambridgeshire
PE28 4WX

Due to Government guidance on social-distancing and the Covid-19 virus it will not be possible to hold physical meetings of the Combined Authority Board and the Combined Authority's Executive Committees for the time being. The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 allows formal local government meetings to be held on a virtual basis, without elected members being physically present together in the same place. Meetings will therefore be held on a virtual basis and the procedure is set out in the "Procedure for Combined Authority Virtual Decision-Making" which will be available to view at the foot of the meeting page under the "Meeting Documents" heading when the agenda and reports have been published. That document will also contain a link which will allow members of the public and press to observe the

virtual meetings.
[Venue Address]

AGENDA

Open to Public and Press

- 1 Apologies for Absence and Declarations of Interest**
At this point Members must declare whether they have a disclosable pecuniary interest, or other interest, in any of the items on the agenda, unless it is already entered in the register of members' interests.
- 2 Confirmation of Membership of the Audit & Governance Committee for Municipal Year 2020/21 and the Election of a Committee Vice-Chair**
A&G Membership July 2020 **5 - 6**
- 3 Chair's Announcements**
To include Lancaster Way
- 4 Minutes of the Previous Meeting**
To approve the minutes of the meeting held on 26 May 2020 and consideration of Action Notes
A G Minutes Final 26 May 20 **7 - 28**
- 5 Draft Financial Statements 2019/20**

201920 draft statement of accounts **29 - 84**
- 6 External Audit 2019/20 Update**
External auditors Ernst & Young to provide an update to the Committee.
EY Update Report July 2020 **85 - 92**
- 7 Internal Audit 2019/20 Report and Opinion**

2020.07 CPCA IA Opinion CTTEE REP - v2 **93 - 112**

8	Internal Audit 2020/21	
	Item 8 - Internal Audit 2020 21 31 July	113 - 116
9	Annual Governance Statement 2019/20	
	AGS Item 9	117 - 134
10	Combined Authority Board Update	
	The Chief Executive to update the Committee on the CA Board meetings since the last meeting of the Committee.	
11	Independent Commission on Climate Change	
	To provide the Committee with an update on the process of the appointment of a Chair to the Commission.	
	Item 11 Climate Change v2	135 - 138
12	Corporate Risk Register	
	Report Risk Register cover report	139 - 142
13	Audit & Governance Committee Work Programme	
	Work Programme Cover Report 202021	143 - 164
14	Date of next meeting:	
	Friday, 2 October 2020 at 10.00 a.m.. Venue to be confirmed.	

The Audit & Governance Committee comprises the following members:

John Pye

Councillor Ian Benney

Councillor David Brown

Councillor Mike Davey

Councillor Mark Goldsack

Councillor Tony Mason

Councillor Mac McGuire

Councillor Nick Sandford

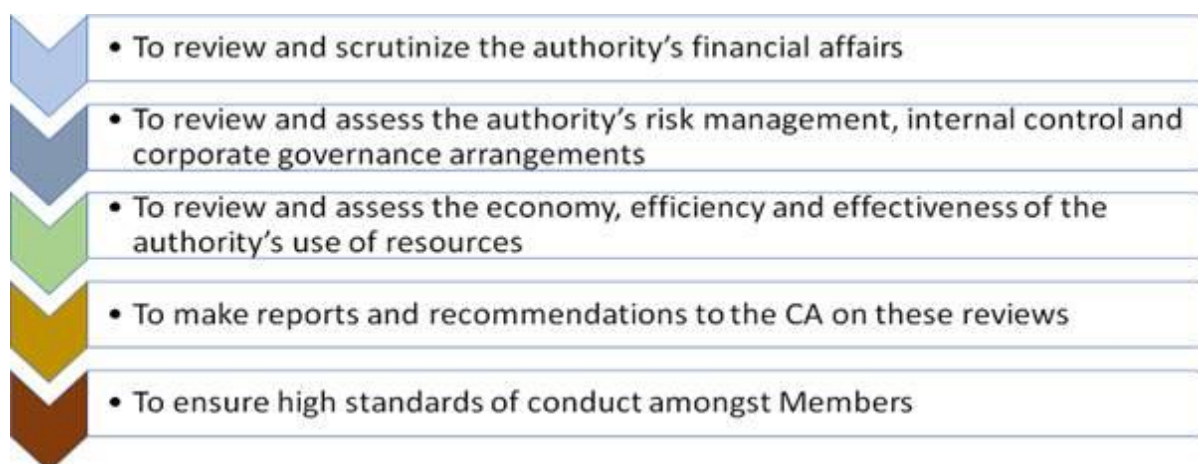
For more information about this meeting, including access arrangements and facilities for people with disabilities, please contact

Clerk Name: Katarina O'Dell

Clerk Telephone:

Clerk Email: katarina.odell@cambridgeshirepeterborough-ca.gov.uk

The Audit and Governance Committee Role.



The Combined Authority is committed to open government and members of the public are welcome to attend Committee meetings. It supports the principle of transparency and encourages filming, recording and taking photographs at meetings that are open to the public. It also welcomes the use of social networking and micro-blogging websites (such as Twitter and Facebook) to communicate with people about what is happening, as it happens.

Appointments to the Audit & Governance Committee – Confirmed following Constituent Council AGMs in June 2020

Constituent Council	Member	Substitute
Cambridgeshire County Council	<u>Cllr Mark Goldsack</u>	<u>Cllr David Wells</u>
Peterborough City Council	<u>Cllr Nick Sandford</u>	<u>Cllr Simon Barkham</u>
Fenland District Council	<u>Cllr Ian Benney</u>	<u>Cllr Samantha Hoy</u>
Huntingdonshire District Council	<u>Cllr Graham Bull</u>	<u>Cllr Dr Phillip Gaskin</u>
South Cambs DC	<u>Cllr Tony Mason</u>	<u>Cllr Peter Fane</u>
East Cambs DC	<u>Cllr David Brown</u>	<u>Cllr David Ambrose-Smith</u>
Cambridge City Council	<u>Cllr Mike Davey</u>	<u>Cllr Kevin Price</u>



CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY – DRAFT MINUTES

AUDIT AND GOVERNANCE COMMITTEE: MINUTES

Date: Tuesday, 26 May 2020

Time: 9.00 a.m.

Location: Virtual meeting via the Zoom Platform

Present:

Mr John Pye
Cllr Ian Benney
Cllr David Brown
Cllr Mike Davey
Cllr Mark Goldsack
Cllr Mac McGuire
Cllr Tony Mason
Cllr Nick Sandford

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

Officers:

Kim Sawyer
Robert Parkin
Jon Alsop
Robert Fox
Francesca Houston
Steve Crabtree

Chief Executive Officer
Chief Legal Officer and Monitoring Officer
Chief Finance Officer (s.73 Officer)
Interim Scrutiny Officer
Transport Programme Co-ordinator
Internal Auditor (Peterborough City Council)

1. APOLOGIES AND DECLARATIONS OF INTERESTS

- 1.1 There were no apologies or declarations of interest.

2. CONFIRMATION OF THE MEMBERSHIP OF THE COMMITTEE

- 2.1 Currently there were no changes to the membership of the Committee. Fenland District Council holds its Annual general Meeting on 17 June when

appointments from that Authority would be confirmed. Any changes would be reported to the next meeting of the Committee.

3. CHAIR'S ANNOUNCEMENTS

- 3.1 The Chair informed the Committee a paper regarding Internal Audit provision following the cessation of the Service Level Agreement with Peterborough City Council would be presented to the next meeting.

4. MINUTES OF THE LAST MEETING

- 4.1 The minutes of the meeting held on 16 December 2019 were agreed.
- 4.2 The Action Sheet was reviewed by the Committee.

RESOLVED:

- 4.3 That Action Sheets would be presented to future meetings in a format that more clearly distinguished open and closed actions.

5. COMBINED AUTHORITY BOARD UPDATE

- 5.1 The Chief Executive provided a verbal report and said that the Combined Authority was the first to hold a public meeting virtually, with the March 2020 meeting of the CA Board relying on the Mayor's General Power of Competence for decision-making.
- 5.2 The Chief Executive outlined the measures the Combined Authority had brought in to assist local businesses as a result of the Covid-19 pandemic, and the actions it was taking to mitigate against the ongoing risks. The relationship with central government had been very close since the outbreak of the pandemic: a national Mayoral forum was held each week.
- 5.3 In response to a question, the Chief Executive assured the Committee that all decisions that had been made by the CA Board and the Business Board were Assurance Framework compliant.
- 5.4 Following a question, the Chief Executive undertook to provide detail on the Local Transport Plan and how it relates to Peterborough.
- 5.5 The Chief Executive advised that the provision of the internal audit function was being reconsidered, following the conclusion of the current Service Level Agreement with Peterborough City Council.
- 5.6 Following a question, it was confirmed that the decision-making functions of the Combined Authority had retained the same structure as before the pandemic. The decisions taken under the Mayor's General Power of Competence were in public session and available on the Combined Authority website; other decisions had also been made in public meetings and all were available on the Combined Authority website.
- 5.7 With regard to the Combined Authority office relocation, the Chief Executive explained this was an operational decision. The Mayor had contacted all

constituent authority Leaders to inform them of the decision. There would be a public report going to the Combined Authority Board.

RESOLVED:

- 5.10 That the Chief Executive to provide detail on the Local Transport Plan and how it relates to Peterborough.

6. ANNUAL STATEMENT OF ACCOUNTS 2019/20

- 6.1 The s.73 Officer introduced the draft statement of accounts for 2019/20. The s.73 Officer explained the previous version supplied was to give members a flavour of the accounts; the presented accounts were those provided the evening before the meeting. Several members expressed their dissatisfaction that the accounts were presented and published late for this meeting.
- 6.2 The s.73 Officer explained that owing to Covid-19 the national publication deadline for draft accounts was now 31 August 2020; with published audited accounts having a deadline of 30 November 2020. The original deadlines were May and July 2020, respectively. It was still the intention to present the final audited accounts to the Committee, within statutory deadlines, at the meeting on 31 July 2020. The external auditors, Ernst & Young would not, however, be publishing audit opinions until October 2020. The s.73 Officer stated that despite the challenge of managing audits remotely he was confident that accounts would be completed and audited properly.
- 6.3 The internal auditor's report, with their opinion, would be included in the final statement of accounts.
- 6.4 The s.73 Officer said that this was the first year that Combined Authority staff were members of the Cambridgeshire Pension Fund, and this was reported in the statement of accounts. Details of the potential assets and liabilities from the transfer of staff to the Pension Fund were still awaited from the actuaries.
- 6.5 The draft accounts included the CIPFA guidance on Covid-19 for the impact of lockdown and the financial stability of organisations. The published accounts would include wording on the impact of Covid-19 on the Combined Authority in the last financial year, together with the potential implications for 2020/21.
- 6.6 The Medium-Term Financial Plan (MTFP) was being refreshed to re-prioritise the budget, which would remain balanced.
- 6.7 The s.73 officer explained that a paper on trading companies would be provided for the 31 July meeting. These companies would not be included in the statement of accounts for 2019/20 as there were no trading transactions in the course of the year.
- 6.8 The Chair said it would help to receive the final statement of accounts in advance of the publication deadline for the 31 July 2020 Committee meeting. It was suggested by a member that circulation by the end of the second week of July would enable greater challenge. The Chief Executive confirmed this would be the case.
- 6.9 Following a question by the Chair, the s.73 Officer confirmed that the final statement of accounts to be presented at the next meeting would have been

audited but that the audit opinion would not be included. Therefore, there was still an opportunity for members to provide input.

- 6.10 A member requested further detail on the loans provided and who they were to as there are likely to be questions prompted by this. This would be included in the final statement of accounts it was confirmed.
- 6.11 Following a comment from the Chair, the s.73 Officer agreed to make sure that the notes to the accounts provided context to the section on salaries and salary related payments, as this was likely to be an area of public interest.

RESOLVED:

- 6.12 That the concerns of members related to the late presentation of the accounts were recognised and future iterations would be issued in good time.
- 6.13 That the intervention of the Chief Executive to look at operational issues around presentation was welcomed, and that the final draft statement of accounts would be provided to members by the end of the second week of July.
- 6.14 That there would still an opportunity for the Committee to affect the final statement.
- 6.15 That the final statement of accounts would be presented at the 31 July 2020 meeting for sign-off by the Committee.
- 6.16 That there would be trading companies transactions in the statement of accounts for 2019/20.
- 6.17 That the final statement of accounts notes would provide context to salaries and salary related payments.

7. EXTERNAL AUDIT UPDATE

- 7.1 Suresh Patel and Dan Cooke, from the external auditors Ernst & Young, were in attendance to present the update. It was reported that Covid-19 had seriously impacted all audits. The timetable for reporting had been amended by the Ministry of Housing Communities and Local Government with the target date for publishing final audited accounts being the end of November 2020.
- 7.2 A new area of risk was on pension valuations and disclosures. This was due to the Combined Authority becoming an admitted body in the Cambridgeshire Pension Fund, and, as such, would need to disclose pension liabilities on the balance sheet.
- 7.3 Covid-19 could affect the value for money conclusion.
- 7.4 A member of the public had asked about the governance and accountability of loans given to East Cambridgeshire Trading Company. Ernst & Young reported that the Finance Director had provided evidence in response to the questions raised.
- 7.5 The audit was being conducted over the next three-four weeks. Ernst & Young reported that, as a result of Covid-19, they would need to take their proposed report through an internal consultation process. The fee for the audit was

currently estimated in the region of £45,000, but the final fee would be discussed and agreed with the Finance Director.

- 7.6 The external auditors felt that the revised deadlines for local authority audits were realistic, provided those involved were not directly affected by Covid-19.
- 7.7 The Chair requested early warning if there was to be any timetable slip. The external auditors would provide an update at the 31 July meeting.
- 7.8 In response to a question, the auditors explained that materiality meant the accounts were true and fair at a material level. Ernst & Young use 2% of gross revenue expenditure as the materiality threshold for the Combined Authority.

RESOLVED:

- 7.9 That the Committee welcomed the progress on the external audit and requested a further update at the next meeting on 31 July 2020.

8. INTERNAL AUDIT UPDATE

- 8.1 The Internal Auditor noted that Covid-19 had had a significant impact on auditing. Nevertheless, the internal audit opinion was on track to be presented to the 31 July 2020 meeting.
- 8.2 A fraud risk assessment was being conducted for the Combined Authority and Business Board and their financial transactions. A report would be issued in June.
- 8.3 Covid-19 had prevented site visits as part of the audit of the Adult Education Budget. The focus of this audit had therefore been changed and the auditors would use central government data assess the assurance level.
- 8.4 The audit for the Business Board would be a reasonable assurance.
- 8.5 The Internal Auditor highlighted a number of areas that might be focussed upon in next year's programme.
- 8.6 A Committee member commended the report for referencing the use of video-conferencing in conducting the audit. He hoped greater use would be made of such facilities in future.
- 8.7 A Committee member welcomed the audit of the process of appointments to various committees to ensure transparency.
- 8.8 The Internal Auditor confirmed the trading company referred to in the report was the East Cambridgeshire Trading Company not East Cambridge.
- 8.9 In response to a question, the Internal Auditor stated that post-Covid-19 there would be a shift of focus for the Combined Authority. Grants for business support and development was a future topic for internal audit.

RESOLVED:

- 8.10 That the internal audit opinion would be received at the 31 July 2020 meeting of the Committee.

- 8.11 That the 31 July 2020 meeting would include a report on the arrangements for internal audit following cessation of the Service Level Agreement with Peterborough City Council.
- 8.12 That the Audit & Governance Committee noted the report.

9. DRAFT ANNUAL REPORT OF THE CHAIR OF THE AUDIT & GOVERNANCE COMMITTEE

- 9.1 The Chair introduced the report to the Committee and confirmed that it would be presented to the Combined Authority Board meeting on 5 August 2020.
- 9.2 It was confirmed the committee quoracy threshold was set out in the Constitution of the Combined Authority.

AGREED:

- 9.3 That the report be presented as the Annual Report of the Chair of the Audit & Governance Committee for 2019/20 to the CA Board on 3 August 2020.

10. CORPORATE RISK REGISTER

- 10.1 The Chief Legal & Monitoring Officer and the Transport Programme Co-ordinator advised that a substantial amount of work had recently been put into the document. The risk management strategy had been considered by the Committee in December 2019 and had received CA Board approval in January 2020. The risk register was ever-evolving, as evidenced by Covid-19 which had resulted in the introduction of two new risks. The Corporate Management Team (CMT) continually reviewed the register.
- 10.2 Concern was raised about the legibility of the documentation. This was a long standing issue of the Committee.
- 10.3 Climate change was not currently an identified risk. The Independent Commission on Climate Change would be commencing its work shortly. The Chair asked that climate change be included on the register and received the backing of Committee members.
- 10.4 It was suggested the register include a priority order of risk. A question was raised as to why the Gateway review was not considered a significant risk? In response, the Chief Legal & Monitoring Officer said he would be working closely with CMT to offer support and incorporate the feedback from the Committee.
- 10.5 The Chair stated his concern that as presented 75% of risks were rated as 'red' which was not a sustainable position for any organisation. The Chief Executive said that the current register was developed at the height of the Covid-19 outbreak; she was taking an active role and affirmed her confidence that the risks would be ameliorated. The Chair welcomed that advice.

RESOLVED:

- 10.6 That a risk related to climate change be included in the risk register.

- 10.7 That the next Committee meeting on 31 July 2020 be presented with an updated risk register. That update should highlight the top three or four risks and show where risks were increasing or decreasing.
- 10.8 That more work was needed to present the risk register in a legible format.

11. COMPLAINTS PROCEDURES

- 11.1 The Chief Legal & Monitoring Officer introduced the revised Complaints' guidance which would be presented to the Combined Authority Board on 3 June 2020 at its Annual General Meeting.
- 11.2.1 It was suggested the table of contacts for street matters should include contact details for the city and district councils.

RESOLVED:

- 11.3 With the addition of the contact details of the city and district councils, the procedures were noted and approved for submission to the Combined Authority Board.

12. TREASURY MANAGEMENT STRATEGY SUMMARY

- 12.1 The s.73 Officer presented the Treasury Management Strategy summary had been approved by the CA Board in March 2020.

RESOLVED:

- 12.2 The Audit & Governance Committee noted the report.

13. TRADING COMPANIES

- 13.1 The Deputy Monitoring Officer, Rochelle White, introduced the report and explained that the shareholder agreements for both Angle Holdings and Angle Development East Ltd. were finalised on 5 September 2019. The Combined Authority was the only shareholder in the companies.
- 13.2 The trading companies' day-to-day governance processes were currently being considered. The Board had an Independent Chairman, Brian Stewart OBE. Mr Stewart went through a rigorous selection process prior to appointment.
- 13.3 The Annual Accounts for the companies would require audit. However, there would be no audit for 2019/20 as no trading activity occurred.
- 13.4 It was confirmed, after a question, that the Overview & Scrutiny Committee received a report on the Trading Companies in February 2020. This report was being presented to the Audit & Governance Committee to explain the governance arrangements, the risks and accounts' requirements for the companies. The report also explained the role of the Overview & Scrutiny in relation to trading companies.

- 13.5 The appropriateness of the Company Secretary of the Trading Companies being a Combined Authority employee was raised by a member of the Committee. A response would be provided to the Committee.
- 13.6 Following a question focused upon accountability, the Deputy Monitoring Officer explained that as a local authority the Combined Authority itself was unable to trade.
- 13.7 It was confirmed that the trading companies were subject to Freedom of Information requests; details of the companies were in the public domain on the Combined Authority website.

RESOLVED:

- 13.8 That the Deputy Monitoring Officer was thanked for the report.
- 13.9 That a future development session on the trading companies be timetabled at some stage during the course of the year.
- 13.10 That it is recognised that the Overview & Scrutiny Committee was able to hold trading companies to account.
- 13.11 That a response would be provided to the Committee related to the employment status of the Trading Companies Company Secretary.

14. REVISED GUIDE FOR PROJECT MANAGEMENT

- 14.1 The Committee was requested to note the report.
- 14.2 In discussion, it was suggested items that are 'to note' be circulated as a batch to Members in advance of the publication deadline. That would allow time to decide whether they would wish further information to be presented to the Committee.

RESOLVED:

- 14.3 That future 'to note' items are sent to members in advance of Committee publication deadlines.

15. WORK PROGRAMME

- 15.1 The draft work programme for the Audit & Governance Committee was noted.

RESOLVED:

- 15.2 That the presentation of the work programme be developed to improve its clarity.

16. URGENT BUSINESS AT THE DISCRETION OF THE CHAIR: LANCASTER WAY

- 16.1 The Chief Executive and the Chief Legal & Monitoring Officer thanked the Chair for agreeing to accept this item as urgent business.
- 16.2 At a special meeting of the Transport and Infrastructure Executive Committee on 15 May 2020, it was resolved that the Audit & Governance Committee should be asked to agree an independent review of the Lancaster Way Road Traffic Scheme.
- 16.3 Terms of Reference (TORs) had been drawn up for an independent review by the Combined Authority and Cambridgeshire County Council (as the highways authority). These TORs were presented to the Committee. An external auditor would be appointed to conduct the review. The Combined Authority would not be contributing to the budget for this review, it was confirmed.
- 16.4 The aim was for the Audit & Governance Committee (A&GC) to consider the results of the independent review before they were presented to Cambridgeshire County Council and the Combined Authority. The Chief Executive explained that the County Council are keen for a speedy resolution: they had asked for the A&GC to an Extraordinary meeting if appropriate. In the meantime, the reporting timescales would be kept under review.
- 16.5 Following a question, the Chief Executive confirmed that the review would not delay the completion of the road traffic scheme. The review would look retrospectively at the lessons learned from the schemes implementation and the increased costs.
- 16.6 The Chair said he would respond positively to the request for an independent review as there was no impact on the scheme itself.
- 16.7 Members of the Committee requested background information on the scheme well in advance of any meeting.

AGREED:

- 16.7 That the Audit & Governance Committee (A&GC) agreed to an independent review of the Lancaster Way Traffic Scheme.
- 16.8 That the A&GC was prepared to hold an Extraordinary meeting, if necessary, provided there was sufficient time beforehand to consider the report from the independent review.

17. DATE AND TIME OF NEXT MEETING

- 17.1 The next scheduled meeting of the Committee would be Friday, 31 July at 10.00 a.m. (by Zoom)
- 17.2 All future 2020/21 meeting dates were being approved by the Combined Authority Board on 3 June 2020.
- 17.5 Subsequently, the Combined Authority Board confirmed the dates below for the A&GC meetings during the 2020/21 municipal year. All meetings to commence at 10.00 a.m., with venues to be agreed:

- 2 October 2020
- 27 November 2020
- 29 January 2021
- 6 April 2021
- 25 May 2021 (municipal year 2021/22)

The meeting closed at 12:55



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

AUDIT & GOVERNANCE COMMITTEE - Decision Summary

Meeting of: 26 May 2020

[AGENDA](#)

Chair: John Pye (Chair and Independent Person)

Summary of decisions taken at this meeting

Item	Topic	Decision <i>[None of the decisions below are key decisions]</i>
1	Apologies and Declarations of Interests	There were no apologies and no declarations of interest made
2	Confirmation of Membership of the Audit & Governance Committee for Municipal Year 2020/21	<ol style="list-style-type: none">1. Membership was the same as in the last municipal year and there had been no changes amongst substitute members. The Committee noted Fenland DC Annual General Meeting was to be held on 17 June, which could signal change in Fenland Dc membership of the Committee.2. A Vice-Chairman of the Committee would be appointed at the next meeting on 31 July as the Combined Authority Board Annual Meeting was not until 3 June and a decision on a Vice-Chairman appointment would be ratified at that meeting.

Item	Topic	Decision <i>[None of the decisions below are key decisions]</i>
3	Chairs Announcement's	<ol style="list-style-type: none"> 1. The Chair informed the Committee that a report on internal audit provision would be received at the 31 July meeting of the Committee. 2. The Chair stated his intention to hold a development session for the Committee in the autumn of 2020.
4	Minutes of the last meeting	<ol style="list-style-type: none"> 1. The minutes of the last meeting held on 16 December 2019 were agreed as an accurate record. 2. Action sheets appended to the minutes at future meetings will be presented in an improved format with additional information related to when they have been resolved.
5	Combined Authority Board Update	<ol style="list-style-type: none"> 1. The Chief Executive provided the Committee with an update on the work of the CA Board. 2. The Chief Executive explained the actions the Combined Authority are taking to mitigate the risks of the Covid-19 pandemic. The CEO explained all decisions made during the pandemic, using the Mayor's general power of competence are published on the Combined Authority website. 3. The Chief Executive undertook to provide Cllr Sandford with detail on the Local Transport Plan how it relates to Peterborough.
6	Statement of Accounts 2019/20	<p>Several members of the Committee expressed their disquiet about the timing of the receipt of the accounts.</p> <ol style="list-style-type: none"> 1. The s.73 officer elaborated on the report provided for which the purpose was to provide the Committee with the opportunity to comment on the draft in a workshop format, rather than be tabled on the day. 2. The s.73 officer explained that as a result of the Covid-19 pandemic the publication deadlines for the accounts had been pushed back nationally. Draft accounts will need to be published by 31 August 2020 and the final version of the accounts by 30 November 2020. 3. A updated draft statement of accounts will be published on the CA website once outstanding information contained in the actuarial report (which was not received until

Item	Topic	Decision <i>[None of the decisions below are key decisions]</i>
		<p>21 May) is incorporated.</p> <p>4. The external audit is underway and the intention is for the Committee to receive final audited accounts at its meeting on 31 July 2020. The external audit report is not expected to be provided until September.</p> <p>5. A decision was made not to consolidate the CA subsidiary companies within the financial statements as they have not yet starting trading and the impact is not material. This approach has been discussed and agreed with the auditors.</p> <p>6. The s.73 officer resolved to provide some additional detail on loans and to consider within the context of post balance sheet events.</p> <p>7. The Chief Executive provided a commitment to provide the Committee with advance sight of the statement of accounts two-weeks in advance of the 31 July meeting.</p> <p>It was RESOLVED:</p> <p>The statement of accounts to be presented at the 31 July 2020 meeting of the Committee will be circulated to members two-weeks in advance of the meeting.</p>
7	External Audit Update	<p>1. The external auditors presented an update to the Committee and reiterated the change in deadlines for the publication of accounts.</p> <p>2. The external audit of the Combined Authority is taking place over the next three or four weeks.</p> <p>3. The total audit fee is expected to be c. £45,000.</p> <p>4. Chair welcomed the report and praised the progress being made and looked forward to receiving a further update at the 31 July 2020 meeting of the Committee.</p> <p>RESOLVED:</p> <p>1. A further report be received at the 31 July 2020 meeting of the Committee.</p>

Item	Topic	Decision <i>[None of the decisions below are key decisions]</i>
8	Internal Audit Update	<p>The Committee received a progress report from the Internal Auditor.</p> <p>It was reported that Covid-19 has had an impact on some of the audits; however, the Internal Audit with opinion is on track to be reported to the 31 July 2020 meeting of the Committee.</p> <p>RESOLVED:</p> <ol style="list-style-type: none"> 1. That the Internal Audit with opinion be received at the 31 July 2020 meeting of the Committee. 2. A separate paper on how the Combined Authority is to take Internal Audit forward after the Service Level Agreement with Peterborough City Council concludes.
9	Draft Annual Report of the Chair of the Audit & Governance Committee	<p>The Chair presented his report and informed the Committee that it would be presented to the CA Board meeting on week commencing 3 August 2020.</p> <p>RESOLVED:</p> <p>The report was approved by the Committee for submission to the CA Board subject to the correction of a typographical error.</p>
10	Corporate Risk Register	<ol style="list-style-type: none"> 1. The Risk Register was presented to enable the Committee to review and recommend any amendments. 2. The document is a 'live' document which is ever-evolving, for example risks associated with the Covid-19 pandemic. 3. A question was raised as to whether climate change be included on the risk register? The Chair encouraged climate change to be included on future iterations of the register. The Monitoring Officer agreed to discuss this with the CA Corporate Management Team. 4. The Chair raised a concern that around 75% of the risk are red rated and that this would not be sustainable moving forward. The Monitoring Officer stated he would be working closely with CMT to improve the ratings on the register. 5. The Chief Executive stated she is taking an active role and is confident the risks would

Item	Topic	Decision <i>[None of the decisions below are key decisions]</i>
		<p>change to amber/green. The report presented was put together at the height of the Covid-19 outbreak and improvement is fully expected.</p> <p>RESOLVED:</p> <ol style="list-style-type: none"> 1. That a recommendation from the Committee to include climate change on the Risk Register in future. 2. The Committee expressed its concern that around 75% of the risks are rated red but welcomed the advice from the Chief Executive that these would be ameliorated. 3. That a further report be presented to the 31 July 2020 meeting of the Committee so that progress can be monitored. This report to include the top three to four risks that are improving/getting worse. 4. That a future report either be more eligible or posted to members in advance of the meeting in hard copy.
11	Complaints Procedures	<p>The report presented would be taken to the CA Board meeting on 3 June. Committee received a report which provided an update on the activities of the Cambridgeshire and Peterborough Combined Authority Board meetings of the previous 6 months.</p> <p>RESOLVED:</p> <p>That the Committee noted the revised procedures and, with the addition of the contact details of 'street scene' issues for the borough, city and district councils, approve them to the CA Board.</p>
12	Treasury Management Strategy Summary	The Committee noted the strategies.
13	Trading Companies	<ol style="list-style-type: none"> 1. A report, previously presented to the Overview & Scrutiny Committee in February 2020, was received. It was explained this was being presented to this Committee in order that it understands the dynamic of the Overview & Scrutiny functions in terms of the traded companies. Additionally, this Committee needs to be satisfied with the governance and expenditure of the traded companies.

Item	Topic	Decision <i>[None of the decisions below are key decisions]</i>
		<p>2. The companies are wholly owned by the Combined Authority.</p> <p>3. The Committee was assured the Chairman of the traded companies went through a rigorous appointments process.</p> <p>RESOLVED:</p> <p>That a development session on the trading companies be held, possibly in autumn 2020.</p>
14	Revised Guide for Project Management	<p>The Committee received and noted the revised guide.</p> <p>RESOLVED:</p> <p>That future items to be noted by the Committee are sent in advance to members as a batch, thus enabling them to request further information to be presented to the Committee where necessary.</p>
15.	Work Programme	<p>The report which provided the draft work programme for Audit and Governance Committee was noted.</p> <p>RESOLVED:</p> <p>1. The meeting initially scheduled for 2 April 2021 will be moved to 6 April 2021. The pre-election period for 2021 will have no impact on this date change.</p> <p>2. Future presentation of the work programme will provide greater clarity.</p>
16.	Urgent Business at the Chair's Discretion: Lancaster Way	<p>1. The Chief Executive and Monitoring Officer stated they were grateful to the Chair for agreeing to include this item, at late notice onto the agenda.</p> <p>2. The Transport & Infrastructure Committee had referred the item to this Committee to approve the implementation of an independent review. Terms of Reference for the review have been drawn up by the CA and in conjunction with Cambridgeshire County Council as the Highways Authority.</p> <p>3. The County Council, it was reported, by the Chief Executive are keen for a speedy resolution. Therefore, an Extraordinary meeting of the Committee might be required.</p>

Item	Topic	Decision <i>[None of the decisions below are key decisions]</i>
		<p>The reporting timescale will be kept under review.</p> <p>4. It was confirmed the Lancaster Way project itself will not be delayed as a result of the independent review.</p> <p>RESOLVED:</p> <ol style="list-style-type: none"> 1. That the Committee responds positively to the request for an independent review and that this has no impact on the delivery of the project. 2. That the Committee is open to an Extraordinary meeting, if necessary, with the proviso that sufficient time is afforded to enable the Committee to have all the background information it requires.
17.	Date of Next Meeting	The next meeting will be held virtually on the Zoom platform on 31 July 2020 at 10.00 a.m.

Audit and Governance Committee Action Sheet 2020/21

Meeting Date	Action	Officer	Delegated officer	Completed
26 May 2020	CLOSED ACTIONS			
	Chief Executive to provide detail on the Local Transport Plan and how it relates to Peterborough	Kim Sawyer (CEO)		Provided in advance of 31 July 2020 meeting.
	Any changes to the membership of the Committee to be reported to the next meeting.	Robert Fox		Completed on agenda.
	A paper regarding Internal Audit provision following the cessation of the Service Level Agreement with Peterborough City Council would be presented to the next meeting	Jon Alsop		Completed on agenda.
	Action Sheets to be presented to future meetings in a format that more clearly distinguished open and closed actions	Robert Fox		Completed on agenda
	The Chair asked that the final statement of accounts be forwarded to members in advance of the publication deadline for the 31 July 2020 Committee meeting.	Jon Alsop		Completed
	A member requested further detail on the loans provided and who they were to as there are likely to be questions prompted by this	Jon Alsop		Completed on agenda

	The s.73 Officer agreed to make sure that the notes to the accounts provided context to the section on salaries and salary related payments, as this was likely to be an area of public interest	Jon Alsop		Completed on agenda
	The final statement of accounts notes would provide context to salaries and salary related payments	Jon Alsop		Completed on agenda
	A further update on External Audit requested for 31 July 2020 meeting	Ernst & Young		Completed on agenda
	The next Committee meeting on 31 July 2020 be presented with an updated risk register. That update should highlight the top three or four risks and show where risks were increasing or decreasing	Francesca Houston		Completed on agenda
	The presentation of the work programme be developed to improve clarity	Robert Fox		Completed on agenda
	Protocols for agreeing changes to the Audit Plan and developing future plans would be included as part of the next report to Committee in December 2019.	Steve Crabtree/Jon Alsop		Completed.
	OPEN ACTIONS			
	The Annual Report of the Chair of the Audit & Governance Committee for 2019/20 to the CA Board on 3 August 2020	John Pye (Chairman)		5 August 2020 (revised CA Board date)
	The Independent Commission on Climate Change would be commencing its work shortly. The Chair asked that climate change be included on the Risk Register	Francesca Houston		Ongoing

	There should be ongoing work to present the Risk Register in a legible format	Francesca Houston		Ongoing
	There be a future development session for the Committee on Trading Companies	Robert Parkin/ Rochelle White		To be timetabled
	A response would be provided to the Committee related to the employment status of the Trading Companies Company Secretary	Robert Parkin		Verbal confirmation to be provided at 31 July 2020 meeting
	Future 'to note' items are sent to members in advance of Committee publication deadlines	Robert Fox		Ongoing
	The Committee agreed to an independent review of the Lancaster Way Traffic Scheme	John Pye (Chair)/Robert Parkin/Jon Alsop		Chair's Announcement at 31 July 2020 meeting
	Value for Money Workshop	Robert Fox/Jon Alsop		October 2020
	Adult Education Budget A & G requested a landscape view on areas where money has been contracted and the Combined Authority has the authority/obligation that standards are met.			October 2020
	Update from the Data Protection Officer Update to include data on aspects such as the volume of data, any requests for erasure etc.	Robert Parkin	Rochelle White	December 2020



AUDIT AND GOVERNANCE COMMITTEE	AGENDA ITEM No: 5
31 JULY 2020	PUBLIC REPORT

STATEMENT OF ACCOUNTS

1.0 PURPOSE

- 1.1. The purpose of the report is for the Audit and Governance Committee to:
- (a) Receive and review the draft 2019/20 Statement of Accounts

<u>DECISION REQUIRED</u>	
Lead Officer:	Jon Alsop – Head of Finance (S73)
<p>The Audit and Governance Committee is recommended to:</p> <ul style="list-style-type: none">(a) Receive and review the draft 2019/20 Statement of Accounts	

2.0 BACKGROUND

Review of the Statement of Accounts 2019/20

- 2.1. According to their Terms of Reference, the Audit and Governance Committee shall:
- No. 3.12 – Review the annual accounts.*
- 2.2. An early ‘workshop’ version of the Combined Authority’s draft Statement of Accounts for the year ended 31 March 2020 was presented to the Audit and Governance Committee on 26 May 2020.
- 2.3. Some sections of the 26 May version of the draft accounts were incomplete, for example because of the late receipt of the actuarial report containing information necessary for the proper accounting treatment and accompanying notes of the Combined Authority’s pension fund.
- 2.4. The revised version shown at appendix A also reflects presentational and disclosure improvements suggested by Committee Members during the workshop discussion.

- 2.5. Subject to any other changes suggested by Members, the attached will be published as the draft version on the Combined Authority's website together with the notice of the exercise of public rights.
- 2.6. As stated in the 26 May report to the Committee, due to the impact of COVID-19 on local authorities, MHCLG made amendments to the required timing of the publication of local authority accounts and of the public inspection requirement, as follows:
- For 2019/20, the requirement for the public inspection period to include the first 10 working days of June (for Category 1 authorities) has been removed. Instead local authorities must commence the public inspection period on or before the first working day of September 2020. This means the draft accounts must be published by 31 August 2020
 - The publication date for final, audited, accounts will move from 31 July (for Category 1 authorities) to 30 November 2020 for all local authority bodies.
- 2.7. The notice of the exercise of public rights states that the documents are unaudited and subject to change and sets out the rights of members of the public and local government electors in the audit process.
- 2.8. Any person may inspect and take copies of the accounts and certain related documents. During this period, the Cambridgeshire and Peterborough Combined Authority electors will be able to ask the external auditor questions on the accounts and are able to object to the accounts.
- 2.9. Following the period of inspection and conclusion of the External Audit, the 2019/20 Statement of Accounts will be brought back to the Committee for final approval in October.

3.0 FINANCIAL IMPLICATIONS

- 3.1. The fee for the planned code work is £26,950. EY's proposed uplift is £2,695 and additional fees are expected to be between £9,000 and £16,000. The total audit fee for the year is therefore expected to be between £38,645 and £45,645. Last year's total fee was £35,350.

The additional fees cover the following:

Value for Money Conclusion significant risk - £3,000 to £6,000
Significant risk – incorrect capitalisation - £1,000 to £2,000
IAS 19 audit of pension disclosures - £2,500 to £4,000
Correspondence from the public - £2,500 to £4,000

- 3.2. All additional code work fees are subject to agreement with the S73 Officer and PSAA.

4.0 LEGAL IMPLICATIONS

4.1. None.

5.0 SIGNIFICANT IMPLICATIONS

5.1. None.

6.0 APPENDICES

6.1. Appendix A – Draft Statement of Accounts 2019/20

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



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

JAMES PALMER
CAMBRIDGESHIRE &
PETERBOROUGH MAYOR

Statement of Accounts

2019/20

Draft V9 20/07/2020

DRAFT



THE BUSINESS BOARD



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 Cambridgeshire and Peterborough Combined Authority, its main objectives and strategies, to provide a commentary on how the Combined Authority has used its resources to achieve its desired outcomes, and to demonstrate how it is equipped to deal with the challenges ahead.

This report provides the narrative to Cambridgeshire and Peterborough Combined Authority's 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 direct investment opportunities open to the area
- Devolution – employment improvement and increased exporting impacting on Gross Value Added

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 Cambridgeshire and Peterborough Independent Economic Review (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 Combined 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. 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 Combined 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 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 has been reviewed to consider risks to delivery and to focus on priorities which will support economic recovery.

The review updated the assumptions made in the MTFP on the funding of projects to which central government and its agencies have now made a clear public commitment. This highlights the 'promoter' role of the Combined Authority and its success in obtaining future funding commitments from central government.

The 'remodelled' MTFP confirms that the current mayoral priorities are still affordable within the existing MTFP funding envelope, that the refresh has refocused funds towards the immediate COVID-19 response and has enabled the release of some resources to support economic recovery, including an increased commitment to market towns and funding to support the development of the Cambridgeshire Autonomous Metro (CAM). The proposed changes, which were approved by the Board in June 2020 leave the revenue and capital budgets balanced and affordable across the lifetime of the MTFP, whilst maintaining a £1m Contingency Reserve.

Despite the potential impact of COVID-19 on local authority financial sustainability, the Combined Authority is able to maintain a balanced and affordable budget and to continue to operate for the foreseeable future. It is therefore appropriate to prepare the financial statements on a going concern basis.

Brexit

The Combined Authority has not received any material funding from EU sources in 2019-20; however, it currently has bids being evaluated by both the European Social Fund (ESF) and European Regional Development Fund (ERDF). Both these funds are available to UK projects to spend by the end of March 2023 regardless of the outcome of Brexit negotiations. The Combined Authority does not consider Brexit itself a risk to these funding streams.

If there is a delay in the funding decisions being made, or the projects slip, then replacement funding would need to be identified, or the project scope scaled back.

Our Growth Ambition

The Combined Authority has a Growth Ambition Statement to summarise its strategy and response to the Cambridgeshire & Peterborough Independent 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 Cambridgeshire 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.

The local industrial strategy can be viewed [here](#).

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.

The Strategic Spatial Framework can be viewed [here](#).

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 use of the devolved Adult Education Budget (AEB). The strategic priorities ensure local provision is matched to industry need, making sure people are work-ready, raising aspirations, and influencing choices.

The Skills Strategy can be viewed [here](#).

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.

The local transport plan is still in the public consultation phase and the consultation documentation can be viewed [here](#).

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 2019/20 (the Code).

The Statement of Accounts brings together the major financial statements for the Combined 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 Combined 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 Combined Authority.
- Balance Sheet – shows the value of the assets and liabilities recognised by the Combined 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 Combined 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.

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)	Gross Income (Restated)	Net Exp (Restated)	Notes	Gross Expend*	Gross Income	Net Exp
£000	£000	£000		£000	£000	£000
4,103	0	4,103	Combined Authority Staffing Costs	4,064	0	4,064
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	370	0	370
14,064	(14,132)	(69)	Housing	12,561	(524)	12,037
41,835	(44,625)	(2,790)	Transport	38,824	(35,379)	3,445
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	71,080	(41,622)	29,458
0	(1,410)	(1,410)	Financing & Investment Income & Expenditure	37	(1,646)	(1,609)
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	71,117	(82,417)	(11,300)
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	1,028	0	1,028
		132	Other Comprehensive Income & Expenditure			1,104
		(32,727)	Total Comprehensive Income & Expenditure			(10,196)

* 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 of the year on reserves held by the Combined Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) 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 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 £000	Earmarked General Fund Reserves £000	Capital Grants Unapplied Account £000	Usable Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Combined Authority Reserves £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	13	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		(11,300)	0	0	0	(11,300)	1,104	(10,196)
Adjustments between accounting basis & funding basis under regulations	13	7,995	0	20,687	128	28,810	(28,810)	0
Net Increase before Transfers to Earmarked Reserves		(3,305)	0	20,687	128	17,510	(27,706)	(10,196)
Transfers to / (from) Reserves		554	(554)	0	0	0	0	0
Increase / (Decrease) in 2019/20		(2,751)	(554)	20,687	128	17,510	(27,706)	(10,196)
Balance at 31 March 2020 Carried Forward		(13,936)	(3,101)	(110,292)	(11,008)	(138,337)	(32,376)	(170,713)

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 20	544
209	Long Term Investments	23, 24	133
4,459	Long Term Debtors	26, 23, 24	19,677
4,876	Long Term Assets		20,354
1,235	Short Term Debtors	26, 23, 24	26,434
57,743	Short Term Investments	23, 24	80,699
109,758	Cash and Cash Equivalents	23, 24, 29	80,565
168,736	Current Assets		187,698
(10,786)	Short Term Creditors	27, 23, 24	(21,407)
(10,786)	Current Liabilities		(21,407)
0	Other Long Term Liabilities	7	(1,554)
(2,309)	Capital Grants Receipts in Advance	28	(14,378)
(2,309)	Long Term Liabilities		(15,932)
160,517	Net Assets		170,713
(155,847)	Usable Reserves	13	(138,337)
(4,670)	Unusable Reserves	13	(32,376)
(160,517)	Total Reserves		(170,713)

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		(11,300)
(33,199)	Adjust net (Surplus)/Deficit on the Provision of the Services for non cash movements		17,403
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	29	23,089
0	Financing activities		0
(35,763)	Net (Increase)/Decres in Cash & cash Equivalent		29,193
73,994	Cash & Cash Equivalent at the beginning of the Reporting Period		109,758
35,763	Increase / (Decrease) in Cash and Cash Equivalents		(29,193)
109,758	Cash & Cash Equivalents at the end of the Reporting Period	30	80,565

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.

1.1 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.

1.2 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 **reporting date** 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.

1.3 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.

1.4 Employee Benefits

1.4.1 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.

1.4.2 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.

1.4.2 Post-employment Benefits

Employees of the authority are can become members of the Local Government Pensions Scheme, administered by Cambridgeshire County Council.

The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the authority.

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the pension fund attributable to the Authority are included in the balance sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of based on the indicative rate of return on high quality corporate bonds
- The assets of the pension fund attributable to the Authority are included in the balance sheet at their fair value:
 - o quoted securities – current bid price
 - o unquoted securities – professional estimate
 - o unitised securities – current bid price
 - o property – market value.

The change in the net pensions liability is analysed into the following components:

- Service cost comprising:
 - o current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the comprehensive income and expenditure statement to the Combined Authority Staffing Costs line
 - o past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited in the comprehensive income and expenditure statement to the Combined Authority Staffing Costs line
 - o net interest on the net defined benefit liability (asset), ie net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the financing and investment income and expenditure line of the comprehensive income and expenditure statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
 - o the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the pensions reserve as other comprehensive income and expenditure
 - o actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the pensions reserve as other comprehensive income and expenditure.
 - o contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the general fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the movement in reserves statement, this means that there are transfers to and from the pensions reserve to remove the notional debits and credits for retirement 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. The negative balance that arises on the pensions reserve thereby measures the beneficial impact to the general fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.5 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.

1.6 Financial Instruments

1.6.1 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.

1.6.2 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)

1.6.2.1 Financial Asset Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Authority 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.

1.6.2.2 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.

1.6.2.3 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.

1.6.3 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.

1.7 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.

1.8 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.

1.8.1 The Authority as Lessee

1.8.1.1 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).

1.9 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.

1.9.1 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.

1.9.2 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.

1.9.3 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.

1.9.4 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.

1.10 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.

1.10.1 Local Growth Fund

This programme was inherited from the former GCGP LEP. Funding is allocated by the Business Board based upon the 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.

1.10.2 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.

1.11 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.

1.12 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.

1.13 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.

1.14 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.

1.15 Going Concern

Despite the potential impact of COVID-19 on local authority financial sustainability, the Combined Authority is able to maintain a balanced and affordable budget and to continue to operate for the foreseeable future. It is therefore appropriate to prepare the financial statements on a going concern basis.

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

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

The above changes in accounting requirements which have been introduced by the 2020/21 code are not anticipated to have a material impact on the authority's financial performance or financial position.

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. 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	External Audit Costs	2019/20
£ 000		£ 000
35	Fees payable with regard to external audit services carried out by the appointed auditor	46
	PSAA audit refund	(3)
35	Total	42

5 Mayor's and Members' 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 18-19 allowances have been restated to reflect that, while an allowance for the interim Chair of the Business Board in 2018-19 was accrued, he subsequently waived his allowance and therefore there was no actual cost realised – 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	£4,471	£80,835	£79,471
Chair of the Business Board	£0	£18,204	£0	£2,585	£0	£20,789
Chair of Audit and Governance Committee	£1,534	£1,534	£0	£0	£1,534	£1,534

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. For clarity of the accounts, these staff have been included in the prior year's 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.

	2018-19 Comparator by total post remuneration £000	Name(s) of post holders in 2019-20	Total Remuneration including Employer Pension Contributions £000			
			2019/20			
			Pay	Pension	3rd Party Payments ⁶	Total
Co-Chief Executive ¹	350	John Hill	-	-	129	129
Co-Chief Executive and Director of Corporate Resources		Kim Sawyer	164	25	-	189
Monitoring Officer ²	166	Robert Parkin	2	-	-	2
		Dermot Pearson	-	-	156	156
		Howard Norris	-	-	35	35
Chief Finance Officer ³	201	Jon Alsop	77	12	-	89
		Noel O'Neill	-	-	46	46
Director of Business and Skills	161	John T Hill	148	-	-	148
Director of Delivery and Strategy ⁴	77	Paul Raynes	135	22	-	157
Director of Housing ⁴	109	Roger Thompson	135	22	-	157
Director of Transport ⁵	171		-	-	-	-
Total	1,235		661	81	366	1,108

1. CPCA has two joint CEOs (Kim Sawyer and John Hill) have been in post since 26th September 2018, prior to this the CPCA had a single Chief Executive
2. H Norris was in post between March 2019 and May 2019, D Pearson was in this post between June 2019 and March 2020 and R Parkin was appointed as the Monitoring Officer in March 2020.
3. N O'Neill was Chief Finance Officer until the end of May 2019 and J. Alsop was appointed from June 2019.
4. Directors of Housing and Delivery and Strategy were appointed part way through 2018-19
5. The Director of Transport role was removed as a result of restructuring.
6. Where these posts were covered by non-employees (consultants) these costs are shown here.

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
£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

Exit Packages

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 and includes pension strain payments where applicable.

	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	-	-	1	1	1
£20,001-£40,000	-	-	1	-	1	-
£40,001 - £60,000	-	1	-	-	-	1
Totals	1	1	1	1	2	2

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 4.21 (18/19 5.09)

7 Defined Benefit Pension Scheme

Following the transfer of employment contracts held by Peterborough City Council on 1 May 2019, the Authority became an admitted body to the Local Government Pension Scheme, administered locally by Cambridgeshire County Council. The scheme assets and liabilities related to these staff transferred to the Authority on a fully funded basis. For reasons of comparability between funds the Code prescribes the use of specific rates for discounting the scheme liabilities, which are different from the locally determined ones used in the calculation of the funding position and contribution rates. Therefore, under the actuarial calculations used for the accounts the Authority's share of the scheme showed an opening net liability of £1,351k. This is not a real cost to the General Fund and has no impact on the funding calculation.

As part of the terms and conditions of employment of its officers, the authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The authority participates in the Local Government Pension Scheme, administered locally by Cambridgeshire County Council – this is a funded defined benefit scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The Cambridgeshire County Council pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Fund Committee of Cambridgeshire County Council. Policy is determined in accordance with the Pensions Fund Regulations. The Fund invests the contributions in accordance with the Investment Strategy Statement (<https://pensions.cambridgeshire.gov.uk/app/uploads/2019/04/Investment-Strategy-Statement.pdf>) which manages risks with diversification of asset classes, geography and asset managers.

Other principal risks to the authority of the scheme are the demographic risks, statutory changes to the scheme, changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to

charge to the general fund the amounts required by statute as described in the accounting policies note.

Transactions relating to post-employment benefits

The cost of retirement benefits in the reported cost of services is recognised when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, the charge that is required to be made against the General Fund is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the general fund via the movement in reserves statement.

The following transactions have been made in the comprehensive income and expenditure statement and the general fund balance via the movement in reserves statement during the year.

2018/19 £000	2019/20 £000
Comprehensive Income and Expenditure Statement	
Cost of Services:	
Service cost comprising:	
- Current Service Cost	975
- Past Service Costs Including Curtailments	105
- (Gain)/ Loss from Settlements	-
Financing & Investment Income & Expenditure	
- Net Interest Expense	37
Total Post Employment Benefit Charged to the (Surplus)/Deficit on the Provision of Services	1,117
Other post-Employment Benefits Charged to the Comprehensive Income & Expenditure Statement	
Remeasurement of the net Defined Benefit Liability	
Comprising:	
Recognition of net Defined Benefit Liability on transfer on IAS19 basis	1,351
- Return on Plan Assets (excluding amounts included in net interest)	289
Actuarial (Gains)/Losses Arising on Changes in Demographic Assumptions	-
Actuarial (Gains)/Losses Arising on Changes in Financial Assumptions	(588)
- Other	(24)
Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement	2,145
Movement in Reserves Statement	
Reversal of net charges made to the (Surplus)/Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(2,145)
Actual Amount charged against the General Fund Balance for pensions in the year:	
- Employers' contributions payable to scheme	591
- Retirement benefits payable to pensioners	(1,554)

Pensions assets and liabilities recognised in the balance sheet

The amount included in the balance sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

31-Mar-19	31-Mar-20
£000 Pension Assets & Liabilities Recognised in the Balance Sheet	£000
- Present value of the defined benefit obligation	(4,404)
- Fair Value of Plan Assets	2,850
-	(1,554)

Reconciliation of the movements in the fair value of scheme (plan) assets

31-Mar-19	31-Mar-20
£000 Reconciliation of the Movements in the Fair Value of the Scheme (plan) Assets	£000
- Opening Fair Value of Scheme Assets at transfer 1st May 2020	2,271
- Interest Income	61
Remeasurement Gain/(Loss)	
Return on Plan Assets, excluding amounts included in the net	
- interest expense	(289)
- Contributions from employer	591
- Contributions from employees into the scheme	216
- Benefits Paid	-
- Closing Fair Value of Scheme Assets	2,850

Reconciliation of present value of the scheme liabilities (defined benefit obligation)

31-Mar-19	31-Mar-20
£000 Reconciliation of Present Value of the Scheme Liabilities (defined benefit obligation)	£000
- Opening balance at transfer 1st May 2020	3,622
- Current Service Cost	975
- Interest Cost	98
- Contributions from Scheme Participants	216
Remeasurement (Gains) & Losses	
Actuarial (Gains)/Losses Arising from Changes in Demographic	
- Assumptions	-
Actuarial (Gains)/Losses Arising from Changes in Financial	
- Assumptions	(588)
- Other	(24)
- Past Service Cost	105
- Benefits Paid	-
- Closing balance at 31 March	4,404

Local Government Pension Scheme assets comprised

Local Government Pension Scheme Assets Comprised					Period Ended 31st March 2020			
<i>Period Ended 31st March 2019</i>								
	<i>Quoted Prices in Active Markets £000</i>	<i>Quoted Prices not in Active Markets £000</i>	<i>Total £000</i>	<i>Percent of Total Assets</i>	<i>Quoted Prices in Active Markets £000</i>	<i>Quoted Prices not in Active Markets £000</i>	<i>Total £000</i>	<i>Percent of Total Assets</i>
Debt Securities								
UK Government	-	-	-	0%	-	147.5	147.5	5%
Private Equity								
All	-	-	-	0%	-	233.8	233.8	8%
Real Estate								
UK Property	-	-	-	0%	-	213.3	213.3	7%
Investment Funds & Unit Trusts								
Equities	-	-	-	0%	-	1,727.4	1,727.4	61%
Bonds	-	-	-	0%	-	193.3	193.3	7%
Infrastructure	-	-	-	0%	-	257.0	257.0	9%
Total Investment Funds & Unit Trusts	-	-	-	0%	-	2,177.7	2,177.7	77%
Derivatives								
Other	-	-	-	0%	-	34.7	34.7	1%
Cash & Cash Equivalents								
All	-	-	-	0%	43.0	-	43.0	2%
Total Assets	-	-	-	0%	43.0	2,807.0	2,850.0	100%

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The Local Government Pension Scheme liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates for the county council fund being based on the latest full valuation of the scheme as at 31 March 2019.

The significant assumptions used by the actuary have been:

31-Mar-19 <i>Basis for Estimating Assets & Liabilities</i>	31-Mar-20
Mortality Assumptions	
Longevity at 65 for Current Pensioners:	
- Men	22.0 years
- Women	24.0 years
Longevity at 65 for Future Pensioners:	
- Men	22.7 years
- Women	25.5 years
Financial Assumptions	
- Rate of inflation	1.8%
- Rate of increase in salaries	3.0%
- Rate of increase in pensions	2.5%
- Rate for discounting scheme liabilities	2.5%
- Take-up of option to convert annual pension into retirement lump sum for Pre-April 2008 service	25.0%
- Take-up of option to convert annual pension into retirement lump sum for Post-April 2008 service	64.0%

The liabilities include an estimated allowance with respect to the McCloud judgement which relates to transitional protection given to some scheme members with respect to changes in the scheme which the Court of Appeal ruled was unlawful discrimination.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie on an actuarial basis using the projected unit credit method.

Changes in Assumptions at 31 March 2020	Approximate % Increase to Defined Benefit Obligation	Approximate Monetary Amount £000
0.5% Decrease in Real Discount Rate	13%	590
0.5% Increase in the Salary Increase Rate	2%	100
0.5% Increase in the Pension Increase Rate	11%	482
1 Year Increase in Member Life Expectancy	3-5%	132-220

Impact on the authority's cash flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The county council has agreed a strategy with the scheme's actuary to achieve a 70% likelihood of a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis.

The next triennial valuation is due to be completed on 31 March 2022.

The authority anticipated to pay £505k expected contributions to the scheme in 2020/2021.

8 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)
0	IAS 19 - Pension Interest & Return on Assets	37
(1,410)	Total	(1,609)

9 Comprehensive Income & Expenditure Statement – Non Specific Grant Income

There are two material differences in the funding received by the Combined Authority between 2018-19 and 2019-20:

- 1) the Adult Education Budget was devolved to the authority for the first time for the academic year 2019-20 and the funding associated with these responsibilities was therefore received.
- 2) No payments for the Cambridge and General Housing grants were received in 2019-20. The Cambridge grant was paid directly to the City Council, who deliver the programme, however overall responsibility for this devolved programme remains with the Combined Authority. The General element's release was delayed due to discussions with Government around the expenditure profile of the programme. Once these are concluded the Combined Authority expects to receive the funds expected in 19-20 and those for 20-21 in the new financial year.

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)
(2,170)	other	(1,904)
(10,170)	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)
(41,961)	Total Income	(39,149)

10 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 funds received from the Central Government in year were as follows;

2018/19 £000	Income	2019/20 £000
(9,928)	CLG – revenue grants	(14,884)
(60,705)	CLG – capital grants	(29,199)
(33,055)	DfT – capital grants	(43,658)
(2,500)	DWP – career and pay progression	(1,400)
(237)	DfE – adult education budget and skills panel	(7,255)
(106,425)	Total Income	(96,396)

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.

11 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	5,193
2,137	Employee Expenses - Contracts held by PCC	181
59,958	Capital Grants made treated as REFCUS	50,737
52	Depreciation	52
7,853	Other Service Expenses	14,954
71,095	Total Expenditure	71,117
	Income	
(1,410)	Interest & Investment Income	(2,226)
(101,965)	Government Grants & Contributions	(79,471)
(579)	Other Income	(720)
(103,954)	Total Income	(82,417)
(32,859)	Deficit / (Surplus) on the Provision of Services	(11,300)

12 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	3,593	471	4,064
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	352	18	370
(69)	0	(69)	Housing	420	11,617	12,037
1,851	(4,640)	(2,790)	Transport	2,871	574	3,445
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	16,977	12,481	29,458
(11,452)	(31,919)	(43,371)	Other Income and Expenditure	(20,282)	(20,476)	(40,758)
(2,045)	(30,814)	(32,859)	Surplus or Deficit	(3,305)	(7,995)	(11,300)
(11,687)			Opening General Fund Balance	(13,732)		
(2,045)			Less/Plus Surplus or (Deficit) on General Fund Balance in Year	(3,305)		
(13,732)			Closing General Fund Balance	(17,037)		

Adjustments between funding and accounting basis:

2018/19					2019/20			
Adjustments for Capital Purposes ¹	Net Change for the Pensions Adjustments ²	Other Differences ³	Total Adjustments		Adjustments for Capital Purposes ¹	Net Change for the Pensions Adjustments ²	Other Differences ³	Total Adjustments
£000	£000		£000		£000	£000		£000
0	0	0	0	Combined Authority Staffing Costs	0	471	0	471
0	0	0	0	External Support Services	0	0	0	0
52	0	0	52	Corporate Overheads	52	0	0	52
0	0	0	0	Election Costs	0	0	0	0
0	0	0	0	Financing Costs	0	0	0	0
0	0	0	0	Governance Costs	0	0	0	0
0	0	0	0	Economic Strategy	594	0	0	594
0	0	0	0	Mayor's Office	0	18	0	18
0	0	0	0	Housing	11,617	0	0	11,617
(4,640)	0	0	(4,640)	Transport	574	0	0	574
0	0	0	0	Strategy, Planning and Performance	0	0	0	0
5,693	0	0	5,693	Business and Skills	(845)	0	0	(845)
1,105	0	0	1,105	Net Cost of Services	11,992	489	0	12,481
(31,791)	0	(128)	(31,919)	Other Income and Expenditure	(20,500)	37	(13)	(20,476)
				Difference between general fund surplus or deficit and comprehensive income and expenditure statement surplus or deficit on the provision of services				
(30,686)	0	(128)	(30,814)		(8,508)	526	(13)	(7,995)

1. Adjustments for Capital Purposes:

- for service lines this column adds in depreciation, Revenue Expenditure Funded by Capital Under Statute and associated grant funding and the expected credit losses on capital loans.

- the other income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

2. Net change for the pension adjustments:

- for service lines this represents the removal of the employer pension contributions made by the Combined authority as allowed by statute and the replacement with current service costs and past service costs.

- for other income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

3 Other Statutory adjustments for other income and expenditure this column recognises adjustments to the general fund for the timing differences for premiums and discounts.

13 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			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
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	(50,720)			(50,720)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants & contributions unapplied from the CIES	21,673		(21,673)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	(547)		42,360	41,813
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		382		382
Adjustments involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	(526)			(526)
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	7,995	128	20,687	28,810

Adjustments between Accounting Basis and Funding Basis under Regulations 2018/19	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts	Capital Grants	
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	31-Mar-19	Summary of Usable and Unusable Reserves	01-Apr-19	Movement	31-Mar-20
£000	£000	£000		£000	£000	£000
Usable Reserves						
(9,997)	(1,188)	(11,185)	General Fund Balance	(11,185)	(2,751)	(13,936)
(1,690)	(857)	(2,547)	Specific Earmarked Reserves	(2,547)	(554)	(3,101)
(9,189)	(1,947)	(11,136)	Capital Receipts Reserve	(11,136)	128	(11,008)
(99,789)	(31,190)	(130,979)	Capital Grants Unapplied Account	(130,979)	20,687	(110,292)
(120,665)	(35,182)	(155,847)	Total Usable Reserves	(155,847)	17,510	(138,337)
Unusable Reserves						
(7,310)	2,451	(4,859)	Capital Adjustment Account	(4,859)	(29,323)	(34,182)
185	(128)	57	Financial Instruments Adjustment Account	57	(13)	44
0	132	132	Financial Instruments Revaluation Reserve	132	76	208
0	0	0	Pensions Fund Reserve	0	1,554	1,554
(7,125)	2,455	(4,670)	Total Unusable Reserves	(4,670)	(27,706)	(32,376)
(127,790)	(32,727)	(160,517)	Total Usable and Unusable Reserves	(160,517)	(10,196)	(170,713)

14 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	Trf. Out	Trf. In	Movement	31-Mar-20	Purpose of the Earmarked Reserve
	£000	£000	£000	£000	£000	
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	(364)	0	(364)	923	These represent unspent grant funding which does not require repayment, but is earmarked for projects in future years.
Total Reserves	2,547	(364)	919	555	3,101	

15 Capital Grants Unapplied Reserve

Capital Grants Unapplied Reserve Reserves	31-Mar-19	Transfers In	Transfers Out	31-Mar-20
	£000	£000	£000	£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	11,727	(1,726)	31,183
Total Reserves	130,979	21,673	(47,760)	104,892

16 Capital Adjustment Account

2018/19 £'000		2019/20 £'000
(7,310)	Balance Brought Forward	(4,859)
	Reversal of Items Debited or Credited to the Comprehensive Income & Expenditure Statement:	
(58,905)	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	50,720
3,000	Redemption of financial assets (loans)	254
(1,053)	transfer from usable capital receipts	(382)
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	(35,284)
(601)	Application of Grants to Capital Financing from the Capital Grants Unapplied Account	(11,929)
(4,859)		(39,582)

17 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

18 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

19 Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Combined Authority accounts for post-employment benefits in the comprehensive income and expenditure statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Combined Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The

debit balance on the Pensions Reserve therefore shows a shortfall in the benefits earned by past and current employees and the resources the Combined Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2018/19 £000	Pensions Reserve:	2019/20 £000
-	Balance at start of year	-
-	Recognition of net Defined Benefit Liability on transfer on IAS19 basis	1,351
-	Remeasurements of the net defined benefit liability/(asset)	(323)
-	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the comprehensive income and expenditure statement	1,117
-	Employer's pensions contributions and direct payments to pensioners payable in the year	(591)
-	Balance at end of the year	1,554

20 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

21 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	50,720
260	Property Plant and Equipment	388
341	Equity Instruments	0
0	Capital loans	35,284
	Sources of Finance	
(1,053)	Usable Capital receipts	(382)
(601)	Capital grants unapplied	(47,213)
(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	47,213
	Grants used to Fund Revenue Expenditure Funded from Capital under Statute:	
58,905	In Year	38,797
59,506	Total Grants & Contributions applied	86,010

2018/19 £000	Body of Grant Funding Applied	2019/20 £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

22 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 £000	Combined Authority as Lessee - Operating Leases	2019/20 £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
143		212

23 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		2019/20
£000	Financial Assets	£000
(1,410)	Interest Income	(1,646)
-	Financial Liabilities	-
(1,410)	Net (gain)/loss for the year	(1,646)

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

31-Mar-19			31-Mar-20		
Long Term	Current		Long Term	Current	
£000	£000	Financial Instruments Balances	£000	£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	19,677	-	
-	1,235	Debtors - Other	-	20,377	
4,667	168,736		19,809	181,641	
		Liabilities at Amortised Cost:			
-	(10,786)	Creditors	-	(21,407)	
-	(10,853)		-	(21,407)	

24 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:

31-Mar-19		Financial Liabilities	31-Mar-20	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
(10,786)	(10,786)	Creditors	(21,407)	(21,407)
(10,786)	(10,786)	Total	(21,407)	(21,407)

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

31-Mar-19			31-Mar-20	
Carrying Amount £000	Fair Value £000	Financial Assets	Carrying Amount £000	Fair Value £000
57,500	57,500	Temporary Investments	80,000	80,000
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 Equivalents	79,921	79,921
289	289	Interest associated with Short Term Investments	-	-
169	169	Total Cash & Bank	644	644
4,459	4,459	Debtors - Loans	39,662	40,127
-	-	12 months ECL on loans	(643)	-
1,235	1,235	Other Debtors	1,735	1,735
173,403	173,403		202,152	203,259

25 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. During the 2019-20 year risk management was carried out by PCC's Capital and Treasury Team, under policies approved by the Combined Authority in the Annual Treasury Management Strategy, this function has been brought in house for 2020-21 and will be supported by the creation of a new post within the Combined Authority's Finance department. 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 2020. 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.

Expected Credit Loss calculations on loans outstanding at year end have been adjusted for the expected impact of COVID-19 across the relevant sector.

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 outside its group, which is not publicly traded. It's 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.

26 Debtors

31-Mar-19 £000	Short Term Debtors	31-Mar-20 £000
547	Central government bodies	616
487	Other local authorities	226
201	Other entities and individuals	19,535
0	Prepayments	6,057
1,235	Total Debtors	26,434

31-Mar-19 £000	Long Term Debtors	31-Mar-20 £000
4,459	Other entities and individuals	19,677
4,459	Total Debtors	19,677

'Other' includes loans of £26.3m to East Cambs Trading Company, £6.8m to other housing developers and £5.9m of Growth Fund loans (18/19 £4.5m of Growth Fund Loans).

27 Creditors

31-Mar-19 £000	Creditors	31-Mar-20 £000
(3,520)	Central government bodies	(8,652)
(4,562)	Other local authorities	(4,704)
(2,704)	Other entities and individuals	(8,051)
(10,786)	Total Creditors	(21,407)

28 Capital Grants Receipts in Advance

The Combined Authority has received a number of capital grants that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the funding body if not met. The balances at the year-end are as follows:

31-Mar-19 £000	Capital Grants Receipt In Advance	31-Mar-20 £000
(988)	Pothole and Flood Resistance	0
(371)	Transforming Cities Fund	(13,268)
(950)	National Productivity Infrastructure Fund	(1,110)
(2,309)	Total Creditors	(14,378)

29 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 30. The cash flows for investing activities include the following items:

2018/19 £000	Cash Flow Statement - Investing Activities	2019/20 £000
32,694	Purchase of Short Term Investments	22,956
601	Purchase of Property, Plant & Equipment	388
(3,000)	Proceeds from loan repayments	(254)
30,295	Net Cash flows from investing activities	23,089

30 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 £000	Cash Flow Statement - Cash & Cash Equivalent	2019/20 £000
109,589	Short Term Cash Investments	79,921
169	Bank Accounts	644
109,758		80,565

31 Group Accounts

The CPCA's group structure includes one wholly owned subsidiary, Angle Holding Ltd, which itself has a wholly owned subsidiary (Angle Development (East) Ltd). The CPCA's total investment in Angle Holdings is £100, the company has not undertaken any trading activity and has incurred expenses of <£10k in 19-20 thus 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.



AUDIT AND GOVERNANCE COMMITTEE	AGENDA ITEM No: 6
31 JULY 2020	PUBLIC REPORT

EXTERNAL AUDIT UPDATE

1.0 PURPOSE

- 1.1 This report provides an update of progress made to date on the audit of the Combined Authority's 2019/20 Draft Statement of Accounts.

<u>DECISION REQUIRED</u>	
Lead Officer:	Jon Alsop – Head of Finance (S73)
The Audit and Governance Committee is recommended to: (a) Receive the audit progress report from Ernst and Young LLP (EY)	

2.0 BACKGROUND

- 2.1. According to its Terms of Reference, the Audit and Governance Committee shall consider the annual external audit of the Combined Authority's accounts.
- 2.2. The Audit and Governance Committee received EY's Outline Audit Plan for 2019/20 at its May meeting, which set out how EY intended to carry out their responsibilities as auditor of the 2019/20 Statement of Accounts.
- 2.3. The attached report provides an update on progress made to date against that audit plan.
- 2.4. EY have confirmed that to date they have not identified any audit differences that they need to report to the Committee, and will aim to complete the remaining audit procedures in sufficient time to enable the Authority to approve the statements by the due date.

3.0 FINANCIAL IMPLICATIONS

- 3.1. The fee for the planned code work is £26,950. EY's proposed uplift is £2,695 and additional fees are expected to be between £9,000 and £16,000. The total

audit fee for the year is therefore expected to be between £38,645 and £45,645.

4.0 LEGAL IMPLICATIONS

4.1. None.

5.0 APPENDICES

5.1. Appendix A – EY Audit Progress report

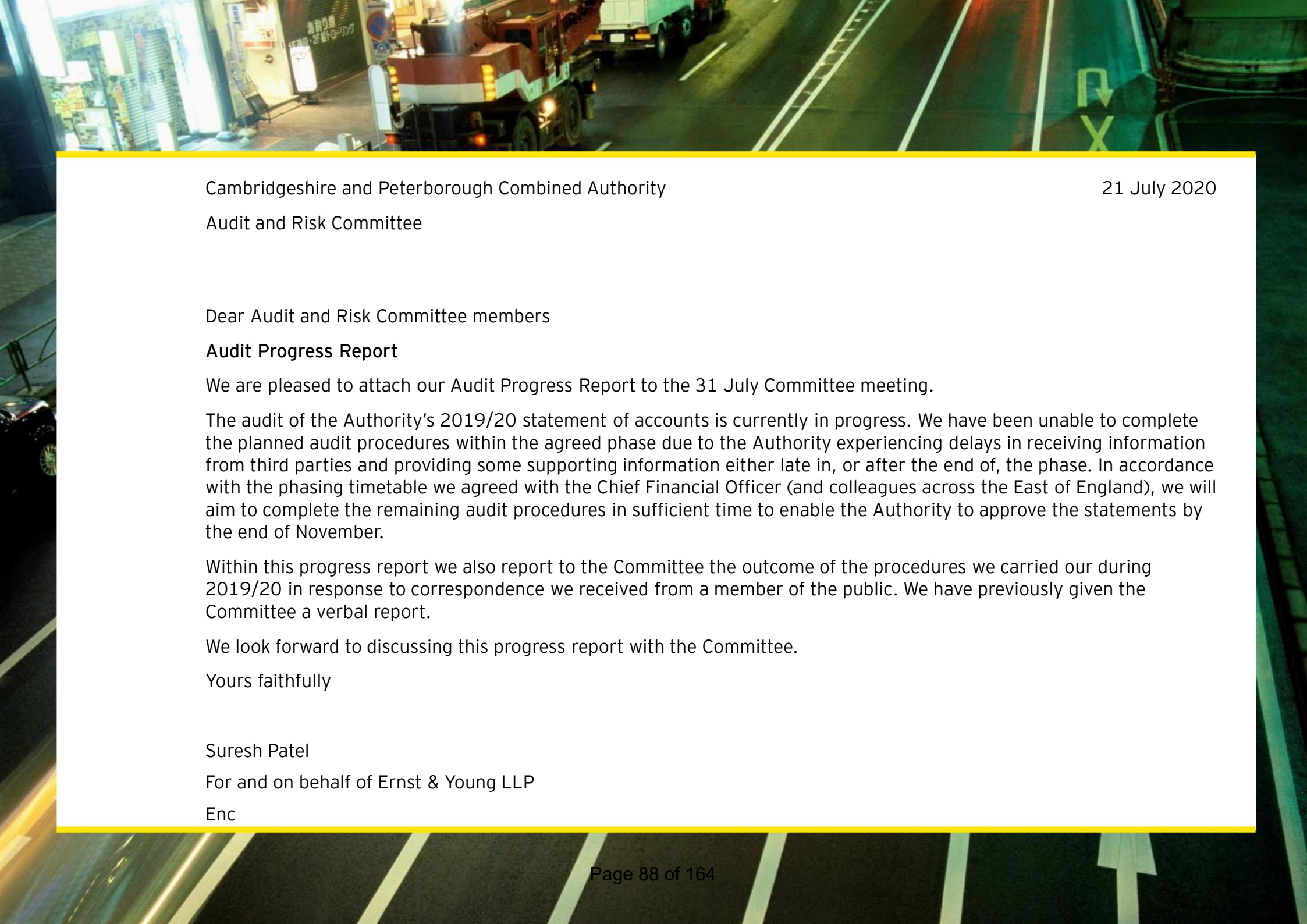
<u>Source Documents</u>	<u>Location</u>
None	n/a

Cambridgeshire and Peterborough Combined Authority

Progress Report

Year-ended 31 March 2020

21 July 2020



Cambridgeshire and Peterborough Combined Authority

21 July 2020

Audit and Risk Committee

Dear Audit and Risk Committee members

Audit Progress Report

We are pleased to attach our Audit Progress Report to the 31 July Committee meeting.

The audit of the Authority's 2019/20 statement of accounts is currently in progress. We have been unable to complete the planned audit procedures within the agreed phase due to the Authority experiencing delays in receiving information from third parties and providing some supporting information either late in, or after the end of, the phase. In accordance with the phasing timetable we agreed with the Chief Financial Officer (and colleagues across the East of England), we will aim to complete the remaining audit procedures in sufficient time to enable the Authority to approve the statements by the end of November.

Within this progress report we also report to the Committee the outcome of the procedures we carried out during 2019/20 in response to correspondence we received from a member of the public. We have previously given the Committee a verbal report.

We look forward to discussing this progress report with the Committee.

Yours faithfully

Suresh Patel

For and on behalf of Ernst & Young LLP

Enc

Audit progress

Audit status

At the last Committee meeting in May 2020, we reported that we had agreed with the Authority to commence the audit of the 2019/20 statements on 18 May, with a view to completing audit procedures in an agreed phase ending 19 June. In accordance with the principles agreed with the East of England CFOs, we also confirmed that we would not be looking to issue the audit report until October 2020. The Authority received the relevant information from its Actuary in late May and then provided for audit the relevant pension disclosures in the accounts on 20 July. In addition, the Authority has provided some supporting information either late in the phase or after the phase ended. As a result, we have been unable to complete all our audit procedures within the agreed phase. In accordance with the principles agreed with the East of England CFOs, we have agreed with the Authority's CFO that we will aim to complete the outstanding audit procedures to enable us to report a completed audit to the planned October Committee meeting.

To date we have not identified any audit differences that we need to report to the Committee.

The Authority has now provided all requested information with the exception item 2 from the list of outstanding audit procedures:

1. Review of the IAS 19 accounting in the updated financial statements
2. Receipt and review of the final REFCUS sample items
3. Conclusion of our value for money work
4. Review of exit packages and officers remuneration
5. Review of going concern assessment and Covid-19 implications
6. Conclude on significant contracts and loan agreements
7. Conclude on employee expenses testing
8. Review of creditor sample items, including cut-off items
9. Final review procedures

In addition we have been notified by the auditor of Cambridgeshire Pension Fund that they are aiming to provide their IAS19 assurance letter by the end of September. Until we receive this letter and carry out our audit procedures we will not be in a position to conclude the audit.

Audit progress

Correspondence

In October 2019 information was brought to our attention in the form of correspondence from a member of the public. We considered this information to be relevant for our consideration of the Authority's arrangements for the effective use of resources for 2019/20 and our subsequent value for money conclusion. The letter highlighted concerns over the governance and accountability arrangements in respect of the loans given by the Authority to East Cambridgeshire Trading Company (ECTC).

Summary of matters highlighted

The correspondence highlighted three key concerns:

1. How does the Authority assure itself on an ongoing basis that there are no conflicts of interest in its relationship with ECTC?
2. What are the arrangements that the Authority has in place to gain assurance on the robustness of ECTC's financial forecasts?
3. How is the Authority managing the risk of ECTC being unable to repay its loan commitments and how is this factored into the Authority's Medium Term Financial Strategy?

Summary of procedures carried out by EY

We have made relevant enquiries to the Chief Financial Officer (CFO) and asked a series of questions in respect of the three issues identified above. As these procedures have formed part of our VFM work we have not carried out any testing of information provided but through requesting information and asking questions we have sought evidence that arrangements are in place. The CFO has responded promptly and comprehensively to all of our enquiries. We have also been provided with the internal audit follow up report on ECTC loans (dated June 2020). We concur with their findings and do not repeat them here.

Background

ECTC was incorporated on 14 March 2016 as a wholly owned subsidiary of East Cambridgeshire District Council. Its principle business is providing markets services, ground maintenance and property consultancy and development services.

On the 28 March 2018, the Authority's Board approved in principle a £6.5m two year loan to ECTC subject to the completion of the business case, due diligence being undertaken and agreement of loan terms. The loan was to facilitate a housing development in Haddenham. In May 2018, the interim CFO at the time reported on the due diligence that was undertaken to support the loan. This included due diligence by members of the Authority's Finance and Legal teams, discussions with the Portfolio lead for Fiscal, discussions with the ECTC management team and advice from external treasury advisors. In addition, specific legal advice was sought and obtained to develop a facilities agreement and provide assurance that all conditions precedent were met prior to the first drawdown. The loan was then approved by the Chief Executive, Monitoring Officer and interim CFO. Details of the background to the decision to approve the loan are included in the Officer Decision Notice. The loan facility agreement was signed on 26 November 2018.

The loan terms include the Authority having First Legal Charge over the land and housing assets of ECTC in relation to the loan. In addition to the repayment of the interest, the loan terms also include for the Authority an element of profit share. The Authority identified the provision of the loan facility as 'concept funding', meaning that it was the first time the Authority had provided a loan to a third party on this basis and for the fulfilment of key Authority strategic objectives. According to the CFO the principles of this first loan have been applied to subsequent loan applications.

On the 31 July 2019, the Authority agreed a further facility with ECTC to provide a £24m two year loan to ECTC for the purposes of delivering the MOD Ely development.



Consideration of the matters highlighted by the correspondence

1. How does the Authority assure itself on an ongoing basis that there are no conflicts of interest in its relationship with ECTC?

The Authority obtains its own Register of Interest forms from all Authority Board members and members of constituent authorities who sit on the Authority's committees. This process is repeated for each municipal year. In addition, the monitoring officer reviews each loan arrangement and is present at Board meetings to identify and advise on conflicts of interest. The Board members who made the decision to provide a loan to ECTC declared no interests in the company.

These arrangements appear reasonable to identify potential or actual conflicts of interest.

2. What are the arrangements that the Authority has in place to gain assurance on the robustness of ECTC's financial forecasts?

The Authority places significant emphasis on the initial due diligence it carries out before it agrees loan facilities. The Authority uses the loan drawdown process effectively as the valuation of the work in progress, on which the loan is being drawn. The Authority receives regular monitoring reports which documents the process upon which the CFO then approves when satisfied.

These arrangements appear reasonable to identify potential or actual issues with ECTC's financial forecasts.

3. How is the Authority managing the risk of ECTC being unable to repay its loan commitments and how is this factored into the Authority's Medium Term Financial Strategy?

The Authority aims to reduce the impact of the risk that ECTC cannot repay its loan commitments through the inclusion of loan terms providing it with First Legal Charge over the land and housing assets of ECTC in relation to the loan. In addition, the Authority relies on the ongoing financial monitoring as outlined above. The CFO is also required by the Investment Strategy (approved at the 25 March 2020 Board) to regularly consider all investment loans and if appropriate provide a loss allowance in the accounts, which will then also be reflected in the Medium Term Financial Strategy.

These arrangements appear reasonable to identify potential or actual risks if ECTC being unable to repay its loan commitments.

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ED None

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AUDIT AND GOVERNANCE COMMITTEE	AGENDA ITEM No:
31 JULY 2020	PUBLIC REPORT

INTERNAL AUDIT: ANNUAL AUDIT OPINION 2019 / 2020

1.0 PURPOSE

- 1.1 Internal Audit look to provide assurance to the Audit and Governance Committee that activities undertaken across the Combined Authority are appropriately managed, monitored and delivered in accordance with set governance, controls and risk management frameworks. This report sets out how Internal Audit has supported the Committee in 2019 / 2020.
- 1.2 The Annual Audit Opinion provides details of the performance of Internal Audit during 2019 / 2020 and the areas of work undertaken, together with an opinion on the soundness of the control environment in place to minimise the risk to the Combined Authority.

<u>DECISION REQUIRED:</u>
Lead Officer and Author: Steve Crabtree, Peterborough City Council
The Audit and Governance Committee is recommended to: 1...Consider and endorse the attached Annual Report and Opinion from Internal Audit for the year ended 31 March 2020

2.0 INTERNAL AUDIT OPINION (Appendix 1)

- 2.1 Public Sector Internal Audit Standard PSIAS 2459, requires the Chief Audit Executive (CAE), the lead auditor providing the service, to provide an annual report to the Audit and Governance Committee timed to support the Annual Governance Statement. This report includes:
- An annual opinion on the adequacy and effectiveness of governance, risk and control framework (the control environment); and

- A summary of audit work performed from which the opinion is derived including any reliance placed on works by other assurance bodies.
- 2.2 In addition, the PSIAS require the CAE to confirm to the Audit and Governance Committee at least annually, the organisational independence of the internal audit activity. In the context of PSIAS, “opinion” means that Internal Audit will have done sufficient, evidenced work to form a supportable conclusion about the activity it has examined.
- 2.3 In preparing the opinion, the CAE has reviewed all audit activities carried out relating to 2019 / 2020. Each individual audit undertaken contains an assurance opinion on the adequacy and effectiveness of controls in place to mitigate the risks identified. Where systems have fallen below expected standards, details of these have been identified within the report. Furthermore, ongoing internal performance indicators are monitored and their level of achievement, or otherwise, are included for information purposes.
- 2.4 The overall conclusion based on our work for CPCA is that:
- ***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.***
- 2.5 From the works undertaken it can be demonstrated that governance arrangements in place are embedding across the CPCA. Where weaknesses have been identified previously the CPCA has taken on board the recommendations made by Internal Audit and have addressed the agreed actions. We have also not identified, not been informed of any significant issues which would have a material impact on our works / conclusions.

3.0 FINANCIAL IMPLICATION

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

4.0 EQUALITIES IMPLICATION

None.

5.0 APPENDICES

Appendix 1: Internal Audit Opinion 2019 / 2020

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

APPENDIX 1



ANNUAL INTERNAL AUDIT OPINION 2019 / 2020

ANNUAL REPORT

1. Introduction
2. Arriving at an Opinion
3. Opinion 2019 / 2020
4. Basis of Annual Opinion
5. Delivery of Audit Plan

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

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

1. INTRODUCTION

1.1 Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. On behalf of the Audit and Governance Committee, Internal Audit acts as an assurance function providing an independent and objective opinion to the organisation on the entire control environment by evaluating the effectiveness in achieving the organisation's objectives. This report is the culmination of the work during the course of the year and seeks to provide an opinion on the adequacy of the control environment and report the incidence of any significant control failings or weaknesses.

1.2 Internal Audit services are provided by Peterborough City Council (PCC) to the CPCA via a Service Level Agreement. The UK Public Sector Internal Audit Standards (PSIAS) states that the Chief Audit Executive¹ (CAE) must produce an annual report that can be used to inform the Annual Governance Statement, which forms part of the Council's accounts. It must include an opinion on the overall adequacy of the governance, risk and control framework; a summary of the work from which the opinion is derived and a statement on conformance with the PSIAS. This report, the Annual Audit Opinion, fulfils these requirements.

2. ARRIVING AT AN OPINION

2.1 Background

2.1.1 The opinion is derived from work carried out during the year, as part of the agreed Internal Audit Plan for 2019 / 2020. The Plan was developed primarily to provide management with independent assurance on the adequacy and effectiveness of the system of internal control. We have conducted our work both in accordance with the mandatory standards and good practice within the Code of Practice and additionally from our own internal quality assurance systems. Our opinion is limited to the work carried out by Internal Audit but, where possible, we have considered the work of other assurance providers, such as External Audit; quality accreditation or other pieces of consultancy or third-party works designed to alert the CPCA to areas of improvement.

2.2 Risk Based Planning

2.2.1 A risk based approach is used to develop the Annual Plan, allowing us to direct resources at areas key to the organisation's success and to provide an opinion on the control environment as a whole. Examples include:

- Governance reviews, including a review of key assurance frameworks and the Annual Governance Statement;
- Contract, procurement, performance and project and service delivery audits; and
- Fraud risks

¹ The Chief Audit Executive at Peterborough City Council is the Chief Internal Auditor

2.3 The Audit Review

2.3.1 for each Internal Audit review:

- The control and risk environment is reviewed by identifying the objectives of the system and then assessing the controls in place mitigating the risk of those objectives not being achieved. Completion of this work enables Internal Audit to establish an opinion on the adequacy of the control framework in place and any control gaps.
- However, controls are not always complied with which in itself will increase risk, so the second part of an audit is to ascertain the extent to which the controls operate in practice. This element of the review enables Internal Audit to form a view on the extent of compliance with the controls.

2.4 Reporting

2.4.1 Where appropriate, each report we issue during the year is given an overall opinion.

2.4.2 Certain pieces of work do not result in an audit report with an opinion – such as grant reviews. However the certification of grant work should indicate that at the point of approval, information being submitted to external organisations / government bodies meets required criteria. The assessment from each report, along with our consideration of other audit work, is used to formulate the overall Opinion.

Opinion / Assurance	Description
SUBSTANTIAL	The internal control system is well designed to meet objectives and address relevant risks, and key controls are consistently applied. There is some scope to improve the design of, or compliance with, the control framework in order to increase efficiency and effectiveness.
REASONABLE	The internal control system is generally sound but there are some weaknesses in the design of controls and / or the inconsistent application of controls. Opportunities exist to strengthen the control framework and mitigate further against potential risks.
LIMITED	The internal control system is poorly designed and / or there is significant non-compliance with controls, which can put the system objectives at risk. Therefore, there is a need to introduce additional controls and improve compliance with existing ones to reduce the risk exposure for the Authority.

NO	There are significant weaknesses in the design of the internal control system, and there is consistent non-compliance with those controls that exist. Failure to improve controls will expose the Authority to significant risk, which could lead to major financial loss, embarrassment or failure to achieve key service objectives.
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2.4.3 Based on the works undertaken, recommendations may be identified to improve the control environment.

Grade	Description
CRITICAL	Fundamental control weakness that jeopardises the complete operation of the service. TO BE IMPLEMENTED IMMEDIATELY.
HIGH	Major control weakness which significantly increases the risk / scope for error, fraud, or loss of efficiency. To be implemented as a matter of priority.
MEDIUM	Moderate control weakness which reduces the effectiveness of procedures designed to protect assets and revenue of the Authority. To be implemented at the first opportunity.
LOW	Minor control weakness, which, if corrected, will enhance control procedures that are already relatively robust. To be implemented as soon as reasonably practical.

2.4.4 The Internal Audit team follows a prescribed format which is set out within its adopted Audit Charter which is reviewed annually by PCC's Audit Committee and was last reviewed in March 2020. This can be provided for Member information if required and is available on the Councils website.

3. OPINION 2019 / 2020

3.1 In line with PSIAS and prior best practice we are required to provide an opinion on the adequacy and effectiveness of the CPCA's governance, risk management and control processes. In giving our opinion, it should be noted that assurance can never be absolute. The most that Internal Audit can provide is reasonable assurance that there are no major weaknesses in the CPCA's governance, risk management and control processes. We have taken into account:

- Assessed the quantity and coverage of internal audit work against the 2019 / 2020 internal audit plan to allow a reasonable conclusion as to the adequacy and effectiveness of the CPCA's risk management control and governance processes;
- Reviewed the reports from the reviews undertaken during the year by Internal Audit and other assurance providers where appropriate;
- Any follow up action taken in respect of audits from previous periods;
- Considered any significant actions not accepted by management and the consequent risks;
- The extent to which any resource constraints may impinge on the ability to meet the full audit needs of the CPCA;
- Considered the effects of significant changes in the CPCAs objectives or systems and the requirement for Internal Audit involvement;
- Reviewed and considered matters arising from reports to CPCA committees and the Board; and
- Considered whether there were any limitations which may have been placed on the scope of Internal Audit.

3.2 Following consideration of the above I am able to provide the following opinion for 2019 / 2020:

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.

Chief Internal Auditor, July 2020

4. DELIVERY OF THE ANNUAL PLAN

4.1 Scope

4.1.1 The audit work that was completed for the year to 31 March 2020 is detailed below. As part of the audit work there could be areas of scope limitation or impairment. PSIAS states that the CAE should disclose any impairments or restrictions to the scope of Internal Audit work. The Internal Audit Charter sets out our remit and authority to have full, free and unrestricted access to any of the records, assets and people. This includes access to organisations where data is processed as part of a contractual arrangement. It is also demonstrated in the Service Level Agreement with the CPCA.

4.1.2 In line with the PSIAS, we have a process for team members to declare any interests that may impact on the impartiality of our work. I can confirm that all declarations have been made as necessary, and no conflicts have occurred during 2019 / 2020 that have impaired the work carried out at CPCA.

4.1.3 Where the CAE has roles or responsibilities that fall outside of internal auditing, safeguards must be in place to limit impairments to independence or objectivity. The CAE manages the Insurance and Investigations teams at Peterborough and acts as a reserve approver for payments from the CPCA and PCC's bank accounts. The Audit Charter states that, should we carry out an audit of these areas, the work will be quality assured independently from the CAE. There were no audits undertaken during the year which impacted on independence.

4.2 Service Provision

4.2.1 Internal Audit has to comply with the UK PSIAS and Local Government Application Note. An external assessment of the service was carried out in March 2018 and a final report was received in November 2018 setting out that the service was fully compliant.

4.2.2 Resources utilised during the year have been spread across the team and has included the Chief Internal Auditor, Group Auditors, Principal Auditor and Senior Auditor.

4.3 Audit Coverage

4.3.1 The original plan approved in March 2019 highlighted coverage based upon 150 days. All audits identified have been completed and detailed overleaf. These include a number of audits which rolled over from the previous year together with following up of previous reports to ensure that actions proposed had been addressed.

4.4 Audits 2018 / 2019 Carried Forward

4.4.1 **PROJECTS: East Cambridgeshire Trading Company Loan**

The Audit Plan included a review of the loan of £6.5m to ECTC, approved at the March 2018 board meeting. This was later extended to include the loan of £24.4m, which was approved in November 2018, at the request of the Audit and Governance Committee. Both loans are for housing projects (at Haddenham and Ministry of Defence land at Ely) falling under the Affordable Homes Programme. The purpose of the audit was to evaluate the processes that ensure:

- monies have been awarded in line with the aims of the Affordable Homes Programme, Housing Strategy and any central funding requirements
- the governance outlined in the Assurance Framework has been applied (in terms of awarding, monitoring and evaluating the outcomes of the funding)

Activity Level	Assurance	Critical	High	Medium	Low	Total
EC Trading Company Loan	REASONABLE	-	1	3	1	5

A key finding related to how projects are appraised against relevant criteria to ensure that they meet with the aims of the Combined Authority (CA), and also how this appraisal is communicated to those approving the award of loans. Whilst considerable thought has been given to this aspect, there is not a quantitative methodology in place that can be used to determine the fit of a project against such criteria. There has been increasing transparency in the presentation of information (such as business cases) to the CA Board, but this in itself does not provide a standardised rationale to support the decision making process for the use of a substantial proportion of the £40m revolving fund.

Another area that would benefit from more detailed documentary support is the decision in relation to interest rates and compliance with State Aid regulations, particularly as this is an area that could be open to challenge. Whilst the method used to calculate the interest is a recognised approach and the rates being used represent no detriment to the authority, given that the loans are the first of their kind, it may have been appropriate to commission some formal, independent advice on the aspect of State Aid compliance

4.4.2 **GOVERNANCE: Local Enterprise Partnership**

The framework should be completed by CPCA and submitted to MHCLG annually. There is a dedicated compliance team in the CLGU who undertake a series of in-depth checks to ensure that the frameworks meets requirements. With the amalgamation of the LEP into the CPCA, we sought to review the LEPs compliance, or

otherwise, with the requirements set out in the National Assurance Framework. This included that the LEP has a local assurance framework in place, as required by the Government's National Assurance Framework and that it was operating under a clear governance framework

Activity Level	Assurance	Critical	High	Medium	Low	Total
LEP Governance	REASONABLE	-	2	7	-	9

There has been good progress in establishing a clear framework which brings together the previous arrangements. A number of areas have been identified which need to be addressed to ensure governance as effective. Those identified as requiring attention include:

- 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.

It was agreed that this audit would be followed up in year as there were proposals to combine the two Assurance Frameworks in place.

4.5 **2019 / 2020 Coverage**

4.5.1 **GRANTS: Grant Claims**

During the year, Internal Audit review and certify a number of grants for the CPCA. These have been in relation to monies payable through to the (former) LEP or CPCA in relation to highways activities coordinated by PCC or CCC.

Grant	Assurance	Commentary
BEIS LEP Project Grants	Certified	Following review of the financial records maintained, supporting documentation and the grant conditions imposed, we were able to confirm that the monies claimed were appropriate. The grant letter was signed and issued on 13 June 2019.

Local Transport Capital Funding 2018 / 2019	Certified	<p>Four grants coordinated through the CPCA require a declaration to be sent to the Department for Transport, these being Capital Block Funding; Challenge Fund Tranche 2A; Local Transport Grant and Pothole Action Fund.</p> <p>Based on the determination letters, monies are spent separately by PCC and CCC. Where monies are spent directly by County they undertake a review of the appropriateness of spending and provided statement returns to that effect. Similar arrangements were undertaken by PCC.</p> <p>As Chief Internal Auditor for the CPCA, I have looked to place reliance on their works.</p> <p>Following review of claims and completed statements we confirmed to DfT that monies had been spent in line with the determination letters.</p> <p>The grant letter was issued in line with prescribed deadlines to the CPCA and external agencies.</p>
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4.5.2 GOVERNANCE: Human Resources (Recruitment and Selection)

2018 / 2019 coverage as part of the Governance review identified this as an area of concern and produced a **No Assurance** rating. As a result this was seen as a high priority area to revisit. Initial walk through tests were undertaken in September 2019 to gauge whether sufficient improvements had been made to the general control arrangements.

In November 2019 the full review of the processes were undertaken. The objective of the audit was to evaluate the adequacy of the control framework in place to effectively manage and maintain the recruitment control framework. The key areas reviewed covered:

- Up to date and approved policy, regulations and supporting procedures, in line with employment legislation to support the recruitment process and achieve value for money
- Vacancies are adequately identified and advertised with appropriate job and person descriptions which are fair, accurate and complete
- Each stage of the recruitment process is carried out in a timely manner by suitably trained staff
- All appointments are made in a timely manner with appropriate reference checks undertaken and terms and conditions are stated clearly in employment contracts that meet legislative requirements

We undertook a 100% check of all staff records held in relation to the full establishment and sample checked a series of new appointments made between April 2019 and October 2019.

Activity Level	Assurance	Critical	High	Medium	Low	Total
Recruitment and Selection	REASONABLE	-	-	3	3	6

Major improvements have been made in this area and the action plan has been agreed and put in place to deliver.

4.5.3 IT: Attempted Fraud

During August 2019, a CPCA email account was hacked.

Persons unknown logged into the email account via a web browser and made changes which allowed them to move and delete messages. This was used to permanently delete an email and invoice seeking payment from a CPCA contractor. A fraudulent email / invoice was then substituted in its place with differing bank account details. In addition, all audit trail activity was cleansed. The invoice was processed through the normal channels. It was queried by the receiving bank due to the change in sort code which came to light in September 2019.

A number of immediate actions were put in place and a series of recommendations made covering:

- Bank account details verification with all suppliers
- Police liaison
- Consider how supplier data is to be dealt with in new Agresso financial management system

Additional actions arising relate to a technical solution in relation to access authentication.

4.5.4 GOVERNANCE: Fraud Risk Assessment

Fraud is just one risk which affects the Combined Authority's ability to achieve its objectives. The major difference between fraud and other common risks is that the CA does not have the authority to be 'risk tolerant' in this area. There is a responsibility to protect the public purse so it cannot simply accept a level of loss to fraud or theft. If the CA was to do this, it would not be fulfilling its statutory responsibilities. Additionally, fraud and theft are criminal offences. No officer or member has the authority to tolerate a degree of criminality without themselves being culpable. CA officers have a responsibility to report any incidents of fraud and theft to management for investigation and the strengthening of internal controls. Consequently, whilst managers need to apply a balance between risk and cost, a 'risk averse' approach should be applied to the management of fraud risks.

This fraud risk assessment has focussed on benchmarking the CA against best practice and also identifying fraud risks faced by the CA as well as suggested mitigation strategies. The key fraud risk areas reviewed

- Financial Transactions
- Human Resources
- Procurement and Contract Management
- External funding
- Information Technology

Activity Level	Assurance	Critical	High	Medium	Low	Total
Fraud Risk Assessment	REASONABLE	-	-	3	3	6

The fraud risk assessment established that on the whole controls in place throughout the CA are robust, appropriate and fit for purpose in managing the inherent risk of fraud and corruption to a more acceptable residual level. It is not possible to determine whether the controls are as effective as the CA would wish without the CA making a determination as to their acceptable risk level. It is recommended that the CA undertake an exercise to determine their acceptable risk level for each scheme, this would then allow excessive control to be reduced, resulting in more efficient use of resource and where the desired risk level is not being achieved allowing resources to target resource these areas.

4.5.5 GOVERNANCE: Budgetary Control

The overall objective of this audit was to provide assurance over the adequacy and effectiveness of current controls over Budgetary Control, and provide guidance on how to improve the current controls going forward, if appropriate. The following procedures were adopted to identify and assess risks and controls and enable us to recommend control improvements:

- Discussions with key members of Finance staff to ascertain the nature of the systems in operation;
- Evaluation of the current systems of internal control through walk-through and sample testing; and
- Identification of control weaknesses and potential process improvement opportunities;

The scope excluded the budget setting process where we took assurance from the external review undertaken by CIPFA in 2019.

Activity Level	Assurance	Critical	High	Medium	Low	Total
Budgetary Control	REASONABLE	-	-	1	1	2

Responsibility for managing budgets is established, whether with Project Managers in departments overseeing specific schemes or Directors and Line Managers with accountability for core central activities. A new approach has been developed and trialled in the Delivery and Strategy Directorate since February 2020.

At month end the finance system and bank transactions are reconciled and un-coded items actioned to enable budget reports to be run from Agresso. Reports generated are issued to officers to review. This provides managers with the opportunity to challenge expenditure for miscodings or provide commentary in relation to underspend / overspend; mitigating factors for each of those, such as slippage; remedial actions taken to bring back on track; and finally a forecast as to the level of spending at year end. There is a timetable set for responses to be received within Finance.

Following receipt from managers these are then collated into an overarching budget return for the Directorate. Challenge, review and agreement of this monthly report are undertaken by the Director and is then used for internal discussions across the Senior Management Team prior to being used to report through to Executive Committees, Business Board or the CPCA Board as appropriate. Using the trialled template and Transport Finance reports produced for February 2020 we have undertaken a desktop exercise to walk through details from the original report to appropriate committees. Robust procedures are in place for the monitoring of budgets. Any variances identified are investigated and remedial actions taken where appropriate so as to minimise the risk of budget over/underspends. Timely and accurate financial information is produced and is reported to the appropriate forum to facilitate effective monitoring and decision making.

The CPCA has been able to use Agresso in conjunction with the Service Level Agreement with Peterborough. A separate licence was organised although there were some delays in been able to provide support to its project development. While the system as a whole has operated, not all functionality has been implemented. The CPCA have taken the decision to set up a project to review this IT provision and to consider other options. Similarly this has been delayed by Covid-19 pandemic and the project is currently on hold. As a result, the agreement with Peterborough has been extended.

The audit of the CA's internal controls operating over the Budgetary Control found that there is a sound system of internal control designed to achieve the system objectives. We placed reliance on works from CIPFA for the budget setting approach and was outside scope. The controls identified and verified against the Delivery and Strategy Directorate are being consistently applied. The reporting toolkit is seen to be robust and it is encouraged for this to be rolled out to all Directorates.

We will follow up the adoption of the toolkit during 2020 / 2021 to verify full compliance.

4.5.6 PROJECTS: Project Management Framework

This review was undertaken to establish whether a structured approach to Project Management has been implemented, ensuring the following:-

- Project monitoring responsibilities exist, which are clear and documented
- There is a detailed project management framework, that covers all types of projects and stages of the life cycle

Key observations related to Project Management Responsibility, the Project Management Framework and the Project Management Process.

Activity Level	Assurance	Critical	High	Medium	Low	Total
Project Management Framework	SUBSTANTIAL	-	-	-	-	-

Project Management Responsibility: The guidelines relating to the various roles within a project were reviewed, and these were found to be documented clearly and embedded within the updated 10 Point Guide to Project Management for all areas of project responsibility.

Project Management Framework: There is a recently updated 10 Point Guide to CPCA Project Management that includes detailed information on the various stages of a project's life cycle, from initiation to final closure. This document also includes useful links to further information, guides and templates required during the project's life. Both the 10 Point Guide and relevant supporting information were examined and found to be satisfactory in all areas. The CPCA can demonstrate through the use of the Prioritisation Process the early evaluation of each project against overall CPCA objectives and desired outcomes.

Project Management Process: The Project Management Office maintain a single project register and in order to support the requirements of the framework, a filing structure exists within Sharepoint. A documented filing system is included within the 10 Point Guide and this supports the appropriate recording of a project's journey through the various stages, to completion. A review of individual projects and the success of the filing structures in use have not been included as part of this review.

A structured, organised approach to project management has been implemented. The framework in place is detailed, and as such can be used to support project managers, and others involved with projects, appropriately.

4.5.7 PROJECTS: Project Management (Specific Projects)

While we have received a number of items of information to continue with the review, following the request from the Chief Executive the decision was taken to defer the reviews until each organisation returns to normality with the impact of Covid-19. However, this seems appropriate as Internal Audit can look to verify the updated processes and their successful implementation once they are fully embedded in the future based on our assessment of the Framework above.

4.5.8 GOVERNANCE: Performance Management

Following the introduction of quarterly Performance Indicator reporting, Internal Audit have conducted a review to establish the arrangements. The scope of the audit was to ensure:

- Appropriate performance monitoring responsibilities exist
- There is a performance management framework
- Performance Indicators adequately reflect objectives and desired outcomes within the Business Plan
- Performance Indicators are reported and presented appropriately in a timely manner
- Performance Indicators are accurate

Activity Level	Assurance	Critical	High	Medium	Low	Total
Performance Management	SUBSTANTIAL	-	-	-	-	-

There is a high level Monitoring & Evaluation Framework and Business Plan, which have been reviewed and approved by the Board annually. The approach, principles, resource, roles and responsibilities are set out and these documents adequately reflect and support those key aspects of the Devolution Deal.

During October 2018 a decision was taken for the CPCA Board to receive quarterly reports on performance. Following its implementation, this has occurred satisfactorily and has become embedded. Monitoring processes have evolved over time, with the Key Performance Indicators (KPIs) being reported, and supporting papers having recently been updated at the request of the Board.

We noted that the board took the decision (through democratic process) to reduce the number of KPIs from the six originally reported to three. This was implemented in November 2019 to better reflect that the performance reports should be based on the key growth outcomes at the heart of the Devolution Deal, and what is required to be monitored and reported on for its successful implementation. The Board now receives the 3 KPIs (Gross Value Added, Jobs and Housing performance) at every meeting, along with the RAG rating for 16 key projects.

This arrangement includes the new governance responsibilities for the Committees, which receive Dashboards tailored to their responsibility area, including details of the three performance targets that are no longer reported directly to the Board (affordable housing, apprenticeships and distance from employment centres). This is not replicated exactly as the Board previously viewed, but a wider view of performance can be seen due to the three committees now empowered to decide which KPIs are reported. The Board receives these dashboard reports from the committees and so has sight of additional information not being reported directly to them in the three KPIs. The January Board meeting requested some further information on projects, to include some narrative as well as status.

There is also now a 'golden thread' highlighting the contribution each project makes to the key growth outcomes within the business case when being considered and approved by the Board, although we did not review this aspect as part of this audit.

The Performance Indicator Dashboards were examined for accuracy against the source data for the January Board meeting, and March Committee meetings. The information presented accurately reflects the external data sources used to compile the figures as well as the project statuses reported to the Project Management team at that time.

Since its implementation, the reporting of Performance Indicators to the Board, and subsequently its Committees, has been undertaken in a timely and successful manner. Performance management arrangements have developed over time and now offer a robust framework for monitoring the achievement of the CPCA's key targets.

4.5.9 SKILLS: Adult Education Budget

To date consultancy advice has been provided via meetings on the development of an assurance framework; meetings attended on the ongoing requirements with the ESFA along with shadow working at a service provider. A quality assessment site visit previously scheduled for March 2020 was unable to go ahead following lockdown. As a result of being unable to progress on this, Internal Audit has continued to assist and support on development of the assurance framework in order for the CPCA to submit an annual assurance letter to Central Government.

The assessment has been completed and submitted.

4.5.10 FOLLOW UP: ECTC Loan

The purpose of the audit was to determine and report upon the progress of the actions agreed in the previous report (see 4.4.1 above). The scope did not include a review of projects, and therefore cannot offer an opinion on the compliance of any specific project with the new processes implemented as a result of the actions agreed.

The original report made 5 recommendations. The follow-up has found that all recommendations have been actioned. The overall opinion is SUBSTANTIAL.

4.5.11 FOLLOW UP: LEP Assurance Framework

The previous audit (see 4.4.2 above) identified that the CPCA was broadly compliant with the national framework. Since then, the CPCA has taken to amalgamating the LEP and CPCA framework into an overarching document. A desktop review has been undertaken and the previous gaps have been addressed.

The original report made 9 recommendations. The follow-up has found that all recommendations have been actioned. The overall opinion is SUBSTANTIAL.

4.6 Allegations of Fraud / Irregularities and Breach of Codes of Conduct

4.6.1 Internal Audit is a key contact point for any issues of fraud and irregularity across the CPCA. Other than the matter documented in 4.5.3 above in relation to a potential IT fraud no other matters were brought to Internal Audit attention during the year.

4.7 Significant Issues

4.7.1 The PSIAS state that the Chief Audit Executive should report any issues considered particularly relevant to the preparation of the Annual Governance Statement which include consideration of any significant risk or governance issues and control failures which arise. There are no areas to be referred:

“All audits have been completed in line with the agreed Audit Plan and have not identified any “critical” areas which need immediate action. While we are only able to look at a snapshot of the CA through our audit coverage (based on the perceived risks at that time), this further confirms the statement in 3.2 above”.



AUDIT AND GOVERNANCE COMMITTEE	AGENDA ITEM No: 8
31 JULY 2020	PUBLIC REPORT

INTERNAL AUDIT 2020/21

1.0 PURPOSE

- 1.1 This report provides an update of progress made to date on the internal auditor tender process.

<u>DECISION REQUIRED</u>	
Lead Officer:	Jon Alsop – Head of Finance (S73)
<p>The Audit and Governance Committee is recommended to:</p> <p>(a) Note progress being made towards the appointment of an internal auditor</p>	

2.0 BACKGROUND

- 2.1. According to its Terms of Reference with regards to Internal Audit, the Audit and Governance Committee shall:
- (a) Provide assurances over the effectiveness of internal audit functions and assuring the internal control environments of key partners;
 - (b) Review internal audit requirements undertaken by the Combined Authority;
 - (c) Approve the internal audit plan;
 - (d) Consider reports and assurances from the Chief Finance Officer in relation to:
 - Internal Audit performance;
 - Annual Assurance Opinion on the adequacy and effectiveness of the framework of governance, risk management and control;
 - Risk management and assurance mapping arrangement;
 - Progress to implement recommendations including concerns or where managers have accepted risks that the Authority may find unacceptable.
- 2.2. Peterborough City Council (PCC) has provided the Combined Authority with an internal audit service since the Combined Authority was established in March 2017. This has been conducted through an overarching 'Finance Support

Services' Service Level Agreement between the two organisations which covered the following services:

- Treasury Management Services
- Finance Systems
- Technical Accountancy Services
- Insurance, and
- Internal Audit

- 2.3. In November 2019, PCC confirmed that they would no longer be able to provide Treasury and Technical Accountancy Services beyond 31 March 2020.
- 2.4. All of the services provided under the SLA have been under review and it was considered an appropriate time to conduct a tendering exercise for the future internal audit service.
- 2.5. Following advice from the Procurement Manager, expressions of interest were requested from potential internal audit suppliers through the Crown Commercial Service Management Consultancy Framework (MCF RM3745 lot 3 – Audit) to provide a future service.
- 2.6. Six organisations expressed an interest, and these were 'invited to tender' through the framework "to provide internal audit services to Cambridgeshire and Peterborough Combined Authority (CPCA) and to act as the authority's Chief Internal Auditor" and:
 - (a) To produce an annual risk based Internal Audit Plan to be agreed with the Audit and Governance Committee in advance of each financial year.
 - (b) To deliver the audit plan in accordance with the timetable as agreed with the Audit and Governance Committee.
 - (c) To support the CPCA's Audit and Governance Committee throughout the year and provide update reports of the audit plan to the Committee at each Committee meeting.
 - (d) To issue a written report following the conclusion of internal audit assignments. The report will include audit findings and recommendations and management responses to them.
 - (e) To report to the Audit and Governance Committee on progress with delivery against the plan including any necessary changes, findings and assurances from specific audits including any significant control issues identified, and progress made to implement recommendations from previous audit reports.
 - (f) To ensure that the CPCA Chief Finance Officer is aware of any emerging issues. To provide advice on an ongoing basis on all aspects of governance, risk management and internal control.

(g) To submit an annual report to Audit and Governance Committee which will contain an annual assurance opinion and an outturn report against the annual plan.

(h) To provide appropriate advice and support should any fraud or irregularity be suspected.

2.7. The Combined Authority has received three compliant bids from potential suppliers and these are in the process of being evaluated.

2.8. It is the intention to appoint the internal auditor following 'provider presentations' to the evaluation panel and the Chair of the Audit and Governance Committee.

2.9. The internal auditor will be asked to present their audit plan to the next Audit and Governance Committee.

3.0 FINANCIAL IMPLICATIONS

3.1. To be determined as part of the procurement process.

4.0 LEGAL IMPLICATIONS

4.1. None.

5.0 APPENDICES

5.1. None.

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



AUDIT AND GOVERNANCE COMMITTEE	AGENDA ITEM No: 9
26 MAY 2020	PUBLIC REPORT

ANNUAL GOVERNANCE STATEMENT

1.0 PURPOSE

- 1.1 The purpose of the report is for the Audit and Governance Committee to receive and review the Annual Governance Statement 2019/20.
- 1.2 The Annual Governance Statement was previously received by the Committee at the meeting on 26 May 2020 as part of the draft Statement of Accounts.

<u>DECISION REQUIRED</u>	
Lead Officer:	Robert Parkin, Chief Legal Officer and Monitoring Officer
<p>The Audit and Governance Committee is recommended to:</p> <p>(a) Receive and review the Annual Governance Statement 2019/20 as included within the Statement of Accounts.</p>	

2.0 BACKGROUND

Annual Governance Statement

- 2.1. The draft Statement of Accounts, together with the draft Narrative Report and draft Annual Governance Statement are required to be signed by the Chief Finance Officer and published in draft form on the Combined Authority's website together with the notice of the exercise of public rights.
- 2.2. The Audit and Governance Committee are recommended to receive and review the draft Annual Governance Statement alongside the draft Statement of Accounts.
- 2.3. Public Sector Internal Audit Standard PSIAS 2459, requires the Chief Audit Executive (CAE), the lead auditor providing the service, to provide an annual report to the Audit and Governance Committee timed to support the Annual Governance Statement. This report includes:

- An annual opinion on the adequacy and effectiveness of governance, risk and control framework (the control environment); and
- A summary of audit work performed from which the opinion is derived including any reliance placed on works by other assurance bodies

2.4 Detail relating to 2.3 above is included in the Internal Audit Report and Opinion provided to this meeting.

3.0 FINANCIAL IMPLICATIONS

3.1.1 None for the Annual Governance Statement.

4.0 LEGAL IMPLICATIONS

4.1. None.

5.0 SIGNIFICANT IMPLICATIONS

5.1. None.

6.0 APPENDICES

6.1. Appendix 1 – Annual Governance Statement.

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

Annual Governance Statement

For the year ended 31 March 2020

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 2018/19:

- (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 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 assurance 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 a 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 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.

In January 2020, the Authority approved the incorporation of a Local Growth Fund Monitoring & Evaluation Plan into the Monitoring & Evaluation Framework. Being able to show the efficacy and impact of the Business Board's investments will enable a positive case to be made to Government in discussions regarding the allocation and responsibility for future funding streams

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 and Scrutiny Committee to exercise its right to call-in decisions.

Financial Management

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

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

In summary, 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 each Combined Authority Board 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:

Signed:

James Palmer, Mayor of Cambridgeshire
and Peterborough Combined Authority

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

Date:

Date:



AUDIT AND GOVERNANCE COMMITTEE	AGENDA ITEM No: 11
31 JULY 2020	PUBLIC REPORT

INDEPENDENT CLIMATE CHANGE COMMISSION

1.0 PURPOSE

- 1.1 The purpose of this report is to provide an update on the process for appointing the Chair and members of the Independent Climate Change Commission for Cambridgeshire and Peterborough.

<u>DECISION REQUIRED</u>	
FROM:	
Lead Officer:	Paul Raynes, Director of Delivery and Strategy
The Committee is recommended to: a) Note that the appointment was properly made in line with the delegation agreed by the Combined Authority Board.	

2.0 BACKGROUND

- 2.1 On 27 November 2019 the Combined Authority Board approved the establishment of an Independent Commission on Climate Change. The Board authorised the chief executive, in consultation with the Mayor, to appoint a chairperson and members of the Commission. None of the roles are to be remunerated.

3.0 ESTABLISHING THE CLIMATE CHANGE COMMISSION

- 3.1 Under the terms of reference, the Commission consists of a chair, a deputy chair, and ten other members. It is to include a broad spread of expertise with at least four members each from business and the voluntary/community sector. It is not to include elected members of the Combined Authority or local councils. It is to be supported by a management group and a technical group made up of officers of the Combined Authority, local authorities, academia, and business representatives.
- 3.2 A search process for a Chair was undertaken on the basis of a target profile and set of competences. Following that search, a preferred candidate was recommended for interview by the Mayor and the Chief Executive and a competence-based interview was held against a role description for the Chair.
- 3.3 Following that interview, the Chief Executive in consultation with the Mayor agreed to make the appointment in line with the delegation from the Board. This decision is recorded in Officer Decision Notice number 196-2020. The Mayor announced the appointment at the Board meeting of 3rd June and by a press release of the same date.
- 3.4 The Right Honourable Baroness Brown of Cambridge (Dame Julia King) has been appointed the Chair of the Commission. She is an engineer with a career spanning senior engineering and leadership roles in industry and academia. She is a member (and deputy chair) of the national Committee on Climate Change, which is the government's independent advisory body on building a low-carbon economy and preparing for climate change. Baroness Brown also holds the following key positions:
- a) Chair of the Committee on Climate Change's Adaptation Committee
 - b) Non-executive director of the Offshore Renewable Energy Catapult
 - c) Chair of the Carbon Trust
- 3.5 Baroness Brown was non-executive Director of the Green Investment Bank and led the King Review on decarbonising transport (2008). She is a Fellow of the Royal Academy of Engineering and of the Royal Society and was awarded DBE for services to higher education and technology. She is a crossbench Peer.
- 3.6 The Board also delegated the power to the Chief Executive to appoint the Commissioners. As the Commission's work is to be independent, the approach adopted has been to work collaboratively with the Chair in seeking potential Commissioners. This enables the Chair to ensure that a broad range of expertise is represented. The Chair also wishes to ensure that the Commission provides a diverse representation. The Chief Executive will have regard to the Chair's recommendations in appointing the members of the Commission but will retain final oversight and approval of the Commission membership, in particular to ensure that its configuration meets the requirements laid down by the Board in the terms of business/community balance, and having due regard to the Public Sector Equality Duty.

Appointments will be confirmed before the Commission first meets as a group.

- 3.7 Identification and confirmation of the Commissioners is ongoing, with the aim to complete this by end of July.

4.0 LEGAL IMPLICATIONS

- 4.1 Establishing a commission is a function of the Combined Authority Board as set out in the Constitution (Chapter 4, Section 1, paragraph 12). The Board of Nov 2019 agreed to set up the Independent Commission on Climate Change, and delegated appointment of the Chair and Commissioners to the Chief Executive, in consultation with the Mayor.
- 4.2 In confirming the Commissioners, due regard needs to be had to the Public Sector Equality Duty. This includes encouraging persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low
- 4.3 By virtue of Chapter 4, Section 4, paragraph 7 of the Constitution the Forward Plan, Transparency Rules, and Key Decisions procedures do not apply to the Independent Commission.
- 4.4 The Independent Commission has no financial control over the agreed technical support budget, which rests with the Combined Authority. Requests for such technical support therefore be subject to the standard financial procedures and delegated powers of the Combined Authority.

APPENDICES

The announcement of Baroness Brown's appointment is available here:
<https://cambridgeshirepeterborough-ca.gov.uk/news/starting-gun-fired-on-regions-own-climate-change-strategy-to-eradicate-emissions-by-2050/>

<u>Source Documents</u>	<u>Location</u>
Report to CPCA Board, 27th November 2019	https://cambridgeshirepeterboroughcagov.cmis.uk.com/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/849/Committee/63/SelectedTab/Documents/Default.aspx



AUDIT AND GOVERNANCE COMMITTEE	AGENDA ITEM No: 12
31 JULY 2020	PUBLIC REPORT

REVIEW OF CORPORATE RISK REGISTER

1.0 PURPOSE

- 1.1 The Audit and Governance Committee's terms of reference include monitoring the Combined Authority's risk management arrangements including the risk register.
- 1.2 In the interests of good governance, the Committee is requested to review the Combined Authority Corporate Risk Register and approve any changes they would like to put forward as a recommendation to the Combined Authority Board.

<u>RECOMMENDATIONS</u>
Lead Officer: Robert Parkin, Chief Legal Officer and Monitoring Officer
<p>The Audit and Governance Committee are recommended to:</p> <p>(a) Review the Combined Authority's Corporate Risk register [Appendix 1]; and</p> <p>(b) Recommend any proposed changes to the Corporate Risk Register to be reported to the next Combined Authority Board meeting for approval.</p>

2.0 BACKGROUND

- 2.1. The Corporate Risk Register is populated by reference to individual project risk assessments and over-arching corporate risks.
- 2.2. The Corporate Risk Register is reviewed by the Corporate Management Team, any risks which arise, or which become more significant between their meetings are escalated to the next Director's meeting.
- 2.3. The same risk register template and terminology are used by all Project Managers during the reporting process for each project. Any risks that score

over the agreed threshold on an individual project register will then also appear on the main risk register so that it can be monitored accordingly.

- 2.4. A risk has been added to the Register this year to cover the Covid-19 pandemic. This risk has been split into two elements. The first is the risk to the operation of the Combined Authority and the second is the risk arising from the economic impact of the pandemic to the delivery of the Combined Authority's objectives.
- 2.5. A further risk has been added in relation to unplanned increases in budget for highways and transport schemes funded by the Combined Authority and delivered by partner agencies. The unplanned increases in budget prejudice the Combined Authority's ability to manage its finances and could ultimately prejudice delivery of the Combined Authority's Business Plan and a balanced budget.
- 2.6. The Combined Authority Corporate Management Team has instigated internal training for all staff on corporate risk management strategies with a 'Lunch and Learn' session on Thursday, 30 July 2020.

3.0 FINANCIAL IMPLICATIONS

- 3.1. All of the work has been carried out in-house, therefore there are no significant financial implications to this activity.

4.0 LEGAL IMPLICATIONS

- 4.1 The keeping of a corporate risk register is part of the process of appropriately identifying and managing risk within the Combined Authority. The keeping of a Corporate Risk Register is a requirement of the Assurance Framework.

5.0 APPENDICES

- 5.1. Appendix 1 - The Corporate Risk Register (including Scoring Matrix)

<u>Background Documents</u>	<u>Location</u>
None	

Corporate Risk Register																		
Risk ID	Date Identified	Cause(s)	Risk Event	Effect(s)	Risk Type	Risk Status	Date Last Review	Mitigation Plan	Mitigation Action	Action Owner	Date Action Closed	Unlikelihood (1-5)	Impact (1-5)	Residual RAG score	Comments/Notes / Assumptions	Risk Owner	Escalation Required?	Date Closed
														Total				
16	01/03/2020	Covid-19 Pandemic (B)	Disruption of the delivery of the Combined Authority objectives	Economic impact of lockdown in response to Covid-19, may have implications for future government funding and for economic activity within the Combined Authority area	Strategic	Open	13/05/2020	Support to local businesses to weather the Covid-19 lockdown - in co-ordination with the constituent councils Following government guidelines and working with local resilience forum to plan the recovery and restoration of services.	Business Restoration and Business Recovery Groups Board reports - MTFP re-prioritisation towards economic recovery Communication with constituent councils. Mayoral forum Chaired economic recovery group	Chief Executive		3	4	12		Chief Executive	N/A	
8	01/09/2019	Absence of funding of ambitious and long stalled Programmes	Ambitious and long stalled programmes can not proceed due to lack of government funding and or private investment	There are major programmes that will require clear and innovative funding strategies if they are to progress. CPCA funding has been used to develop the feasibility and Strategic Outline Business Cases/Outline Business Cases for such schemes. CPCA funding is used to develop the feasibility and Strategic Outline Business Cases/Outline Business Cases for such schemes.	Financial	Open	13/05/2020	Work is progressing at developing the business cases. Stakeholders across the wider geography are working together to tackle the issues around the growth agenda. Getting Board agreement and matching resources will help get a coordinated approach to prioritise and bidding for resources.	Strong budget process and funding allocation within CPCA MTFP and business plan Business Case approval by CPCA Board and Stakeholders	Directors		3	3	9		Chief Finance Officer	N/A	
17	15/05/2020	Unbudgeted increases in cost for highways and transport schemes funded by the Combined Authority and delivered by partner agencies	Unplanned significant increases in costs lead to requests for additional funding to the Combined Authority to enable schemes to proceed.	The unplanned increases in budget prejudice the Combined Authority's ability to manage its finances and could ultimately prejudice delivery of the Combined Authority's Business Plan and a balanced budget.	Financial	Open	15/05/2020	Close working with delivery partners through best-practice project and programme management. Political and senior leadership engagement with partners to ensure effective communication, early warning, and timely and effective escalation of issues. Particular focus on the relationship between scheme design and cost at an early stage.	(i) Ensuring compliance with CPCA project management guidance (ii) Monthly project highlight reporting (iii) Monthly budget monitoring (iv) creation of a Transport Programme Board (v) stronger discipline around the composition and working of project boards for individual projects (v) regular project reporting to Board and Committees (vi) review of historic overruns to establish cause.	Director of Delivery & Strategy		3	3	9		Chief Executive and Chief Finance Officer	N/A	
13	01/09/2019	First 5 Year Gateway Review of Gainshare Funding (Mar 2021)	Access to Gainshare funding called into question by the Gateway Review evaluation of Gainshare	The Combined Authority is unable to access Gainshare funding	Strategic	Open	15/05/2020	Provision of persuasive evidence to the Gateway Review demonstrating the good management and value for money delivered through Gainshare funding. Processes are in place to allow a proven delivery record.	(i) Effective working with the evaluation contractors SQW (ii) provision of good evidence to the evaluation (iii) effective briefing of internal and external contributors to the review process (iv) the production of an impactful Complementary Report (v) collective CMT engagement in preparation for the review	CMT Members, Roberta Fulton, Mike Soper		2	4	8		Director of Delivery & Strategy	N/A	
1	01/09/2019	External delivery partners unable to deliver on agreed commitments to CPCA projects	External delivery partners do not meet deadlines, budget or qualitative requirements of their agreements with the Combined Authority.	Projects are not delivered on time, budget, or to the required standard.	Strategic	Open	15/05/2020	Close working with delivery partners through best-practice project and programme management. Political and senior leadership engagement with partners to ensure effective communication, early warning, and timely and effective escalation of issues.	(i) Ensuring compliance with CPCA project management guidance (ii) Monthly project highlight reporting (iii) Monthly budget monitoring (iv) Creation of programme boards to engage partners at senior level in managing larger areas of work (v) regular project reporting to Board and Committees (vi) minimising delivery partner risk on some projects by direct in-house contracting with the supply chain (vii) achieving increased clarity about roles and responsibilities in the partner landscape (vii) targeted Mayor-level political engagement with delivery partners on some projects (viii) housing team to monitor changes to the market and potential impacts following this	CMT Members, PMO, Project Managers		2	3	6		Director of Delivery & Strategy	N/A	
10	01/09/2019	Resource Planning & Financial Management	Absence of Resource Planning & Financial Management	The organisation has no clear budget and capital programme that sets out how resources will be deployed and managed within. This is fundamental to any proper management process and any reporting that will be required by CPCA Board, Stakeholders and Government. Without this, no prioritisation takes place and there is no clear measurement of outcome v ambition. It is the framework for sound decision making.	Financial	Open	13/05/2020	A comprehensive Medium Term Financial Plan was approved at Board in January 2020, and is in the process of being reviewed as part of the COVID-19 response to focus on refreshed priorities to support economic recovery. Regular financial and budget update reports are provided to Committees and to the CPCA Board. Internal Management reporting is being developed alongside the PMO highlight reports.	Monthly Budget monitoring reports All business cases for capital spend is approved at Board CFO and Monitoring Officer to sign off all business cases and reports Corporate approach to Monitoring & Evaluation	Chief Finance Officer		2	3	6		Chief Finance Officer	N/A	
4	01/09/2019	Forth coming elections	Changes in Political Management which could lead a change of priorities for CPCA	Impact on funding, contractual arrangements and investor confidence in the CPCA	Strategic	Open	15/05/2020	Clarity around existing priorities and contractual obligations.	MTFP, Business Plan, Leaders Strategy meetings in light of the forth coming elections.	Chief Executive		4	1	4	Elections are bound to have an impact on the priorities on the organisation, but there are systems in place that are able to adapt to the change in priority	Chief Executive	N/A	
6	01/09/2019	Change in government policy around devolution	Lack of structural resilience / Insufficient internal resources	Failure to maintain BAU due to the devolution white paper and known changes of transferring of the transport teams from PCC and CCC. Including changes in SLA requirements. Increase in subsidiary companies requiring increased employment to accelerate programmes e.g. CAM	Strategic	Open	15/05/2020	Employed a strategy team to consider and report on the impacts. HR function to allow recruitment of additional transport function. Ensuring we have sufficient funding to allow employment.	The Directors meet weekly and are responsible for signing off recruitment to new posts The HR team has been increased to support the organisational structure and recruitment of candidates of calibre. There are staff dedicated to programme management with a system of monthly project highlight reporting. This enables Directors to move resources to higher risk projects. We are in the process of standardising documentation to create a single source of information which builds resilience in case of individual staff members incapacity	Chief Executive		4	1	4		Chief Executive	N/A	
7	01/09/2019	Potential impact of Brexit on delivery of the Combined Authority's Growth Ambition Programme	Potential impact of Brexit on delivery of the Combined Authority's Growth Ambition Programme	Potential financial uncertainty and economic instability leading to insufficient investment in priority projects.	Strategic	Open	15/05/2020	Appointment of SRO to advise on BREXIT mitigation strategy and oversee implementation Appointment of INTERIM assistant to SRO to assist with strategy and implementation Engagement with Business Advisory Panel & Business Board to balance views of businesses Engagement with business organisation (FSB, CBI etc) stakeholders to augment	Monitoring of daily/weekly bulletins from MCHLG, BEIS, HMRC to ensure information is accurate and up to date, recognising funding streams relevant to need Engagement with LEP Network and CLGU on funding for additional resources	Director of Business & Skills [Brexit Lead]		2	2	4	Assumption being that CPCA re-calibrate our objectives to a new GVA figure	Director of Business & Skills [Brexit Lead]	N/A	
14	01/03/2020	Covid-19 Pandemic (A)	Disruption to the operation of the Combined Authority	Potential absence of significant numbers of Combined Authority staff undermining the ability to transact the operational business of the Combined Authority	Operational	Open	13/05/2020	Developed a business continuity plan based on technological advances (digital transformation)	HR support to staff working remotely. Communication with both suppliers and delivery partners All Combined Authority staff are now working from home, with support for remote meetings. Developed on digital transformation on virtual exhibitions and online	Chief Executive		1	1	1		Chief Executive	N/A	
18														0				



AUDIT AND GOVERNANCE COMMITTEE	AGENDA ITEM No: 13
31 July 2020	PUBLIC REPORT

WORK PROGRAMME

1.0 PURPOSE

- 1.1 To provide the Committee with the draft work programme for Audit and Governance Committee, looking ahead to the 2020/21 municipal year.

<u>DECISION REQUIRED</u>
Lead Officer: Robert Parkin – Chief Legal Officer
That the Committee: a) Notes the work programme for the Audit and Governance Committee for the 2020/21 municipal year attached at Appendix 1 and agree to regularly review the work programme at each meeting. b) Notes the Audit and Governance Work Programme items for the year.

2.0 BACKGROUND

- 2.1 In accordance with the Constitution, the Audit and Governance Committee must perform certain statutory duties including the approval of accounts, governance arrangements, financial reporting and code of conduct.
- 2.2 A draft work programme which outlines when these decisions are taken for the current municipal year is attached at Appendix 1.
- 2.3 At the May 2020 Audit and Governance Committee meeting members requested that the work programme be presented with greater clarity. The document attached at Appendix 1 provides commentary on items received by the Committee over in the last two municipal years (including the current one) alongside future items to be received throughout the remainder of this municipal year. This includes those items that must be considered annually by the committee.

3.0 FINANCIAL IMPLICATIONS

3.1 There are no financial implications

4.0 LEGAL IMPLICATION

4.1 There are no legal implications

5.0 EQUALITIES IMPLICATION

5.1 None

6.0 APPENDICES

6.1 Work Programme with commentary.

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

AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME 2019/20 – 2020/21

Meeting Date 2019/20	Item	COMMENTS
19 July 2019 Fenland District Council	Internal Auditors Annual Report	The Committee considered and endorsed the Annual Report and Opinion from Internal Audit for the year ended 31st March 2019
	Statement of Accounts 2018/19 and External Audit Final Results	<p>The Committee resolved that:</p> <p>i) That the Chief Executive circulate the draft statutory notice to the members of the Audit and Governance Committee prior to publication.</p> <p>ii) That the Chief Executive liaise with all affected constituent Councils and send a letter to government expressing their dissatisfaction with the auditors performance and the impacts this has had on each Council.</p> <p>iii) That the Chair of the Audit and Governance Committee</p>

write to the Partner leading the Ernst and Young Government and Public Sector Assurance team expressing the Committee extreme disappointment.

iv) That the Committee receive and approve, in principle, the final Statement of Accounts.

v) That the Committee agree to the additional recommendations below:

a) Note that the Combined Authority's external auditors are not able to guarantee that they will have completed their audit of the accounts for 2018/19 before the statutory deadline of 31 July 2019 for the publication of the statement of accounts together with any certificate or opinion from the external auditors;

b) Note that if it is not possible to publish the statement of accounts on time the law

requires the Combined Authority to publish as soon as reasonably practicable on or after the deadline a notice stating that it has not been able to publish the statement of accounts and its reasons for this;

c) Authorise the Chief Finance Officer in consultation with the Chair of Audit and Governance Committee, as and when the final Audit Opinion is provided by the external auditors, to make any minor amendments to the statement of accounts arising from the final Audit Opinion and to authorise the Chief Finance Officer and Chair of Audit and Governance to then sign and publish the statement of accounts together with any certificate or opinion from the external auditors;

d) In the event that amendments arising from the final Audit Opinion would constitute a “material

	<p>adjustment” to the final accounts as defined in the external auditors final audit plan a further report is to be brought to Committee; and</p> <p>e) That the Committee receive and approve the Annual Governance Statement 2018/19 as included within the statement of accounts.</p>
Chairman’s Annual Audit Report	The Annual Report of the Chair of the Committee be submitted to the Combined Authority Board was approved.
Internal Audit Plan	The Committee considered and endorsed the Annual Report and Opinion from Internal Audit for the year ended 31st March 2019.
Value for Money Report	The Committee noted the Combined Authority’s approach to delivering value for money.
Treasury Management Annual Report	The Committee reviewed the actual performance for the year to 31st March 2019, against the adopted prudential and treasury indicators.
Human Resources Risk Reduction Update	The Committee noted the

		update.
	Work Programme	The Committee agreed updates to the work programme and noted the report.
Meeting Date 2019/20	Item	COMMENTS
27 September 2019 Cambridge City Council	Audit Results Reports & Statement of Accounts 2018/19	The Committee received the audit results report for the year ended 31st March 2019.
	Transport Acceleration and Risk Report	The Committee noted the officers' assessment of the impact of the accelerated delivery strategy on project risk and the wider measures put in place by the Authority to manage project risk.
	Medium-Term Financial Plan and Business Plan	The report was noted.
	Combined Authority Board Update	The Committee noted the update.
	Business Board Update	The Committee noted the priorities and objectives of the Business Board.
	Internal Audit Update	The progress report from Internal Audit was considered. Internal Audit would provide timelines and progress indicators in future reports and seek The Committee's approval to any programme changes.

	Governance Review Report	The proposed new governance arrangements for the Combined Authority had been considered and the Committee's Work Programme be amended to include a future report to the Committee reviewing the effectiveness of the proposed new governance arrangements.
	Risk Register and Performance Update	The Committee noted the Performance Reporting processes that are in place for the Combined Authority. The Committee requested that the Performance Reporting Dashboard is presented to the Board on a quarterly basis and recommend any proposed changes be noted. The Committee requested that the proposed changes to the Corporate Risk Register be reported to the next Board meeting for approval.
	Report on Freedom of Information, Whistleblowing and Fraud	The Committee would advise how the Combined Authority communicated the Whistleblowing Policy and

		encouraged its use.
	Response to National Audit Office Consultation	The proposed changes to the Code of Audit practice and the potential impact on reporting to the Committee for local audit work was noted.
	Work Programme	The update was noted.
Meeting Date 2019/20	Item	COMMENTS
16 December 2019 South Cambridgeshire District Council	Assurance Framework	A paper will be produced for Audit & Governance Committee meeting in March 2020. The Committee noted the revised Assurance Framework
	Corporate Risk Register	The proposed revised Strategy and changes to the Corporate Risk Register were recommended.
	Data Protection Policy	An update from the Data Protection Officer be put on Audit & Governance Committee Work Programme for December 2020. That the Combined Authority would keep an eye on implications on data protection after Brexit. The Data Protection Policy report was recommended

	Internal Audit Progress Report	<p>That an update report be brought back to Audit & Governance Committee in March 2020, including a procedure for urgent items.</p> <p>That a reminder email be sent to Members regarding themes for internal auditors for the following year.</p> <p>The Committee noted the report.</p>
	Adult Education Budget and Assurance Programme	<p>An annual insight to be received by the Committee every year.</p> <p>A briefing session to be organised for the Committee in summer/autumn 2020.</p> <p>The Adult Education Budget Audit and Assurance Programme, along with the arrangements, was noted.</p>
	Treasury Management Strategy Update	The update was reviewed by the Committee.
	Combined Authority Board Update	The Committee noted the update.
	Work Programme	The Committee agreed updates to the work programme and noted the report.
Meeting Date	Item	COMMENTS

2020/21		
26 May 2020 Remote Meeting	Confirmation of Membership of the Audit & Governance Committee	Membership was the same as in the last municipal year and there had been no changes amongst substitute members. The Committee noted Fenland DC Annual General Meeting was to be held on 17 June, which could signal change in Fenland DC membership of the Committee.
	Combined Authority Board Update	The Committee noted the update.
	Statement of Accounts 2019/20	The statement of accounts to be presented at the 31 July 2020 meeting of the Committee will be circulated to members two-weeks in advance of the meeting.
	External Audit Update	A further report will be received at the 31 July 2020 meeting of the Committee.
	Internal Audit Update	The Internal Audit with opinion be received at the 31 July 2020 meeting of the Committee.
	Draft Annual Report of the Chair of the Audit & Governance Committee	The report was approved by the Committee for submission to the CA Board meeting on 5 August 2020, subject to the correction of a typographical

		error.
	Corporate Risk Register	The Committee recommended climate change is included on the on the Risk Register in future.
	Complaints Procedures	The Committee noted the revised procedures and, with the addition of the contact details of 'street scene' issues for the borough, city and district councils, approve them to the CA Board.
	Treasury Management Strategy	The Committee noted the strategies.
	Trading Companies	A development session on the trading companies be held, possibly in autumn 2020.
	Revised Guide for Project Management	The Committee received and noted the revised guide.
	Work Programme	The Committee requested greater clarity on the work programme for future meetings.
	Urgent Item: Lancaster Way	The Committee responded positively to the request for an independent review. and that this has no impact on the delivery of the project. The Committee is open to an Extraordinary meeting, if necessary, with the proviso that sufficient time is afforded

		to enable the Committee to have all the background information it requires.
Meeting Date 2020/21	Item	COMMENTS
31 July 2020 Remote Meeting	Appointment of a Vice-Chairman of the Audit & Governance Committee	A Vice-Chairman of the Committee would be appointed at the meeting on 31 July as the Combined Authority Board Annual Meeting was not until 3 June and a decision on a Vice-Chairman appointment would be ratified at that meeting.
	Combined Authority Board Update	Standing item on the agenda when a chief officer or by agreement once a year the Mayor for the Combined Authority provides an update on the activities for the authority.
	Minutes of the previous meeting	Standing item on the agenda for the committee to agree the

		minutes from the last meeting.
	Corporate Risk Register	Standing item by request of the committee to be considered at each meeting. The report to be presented to the 31 July 2020 meeting of the Committee to include the top three to four risks that are improving/getting worse.
	Work Programme	Standing item for the committee to consider their upcoming work programme.
	Internal Audit 2020/21	A separate paper on how the Combined Authority is to take Internal Audit forward after the Service Level Agreement with Peterborough City Council concludes was requested for this 20 meeting.
	Internal Audit – Annual Report	A report provided by the Internal Auditors on the effectiveness of the Authority's systems of governance; risk management and internal control.
	External Audit Final Results	The Committee receive the audit results report from the external auditors.

	Annual Governance Statement	Explains how the Combined Authority has complied with the Local Code of Governance and meets the requirements of the Accounts and Audit (England) Regulations 2015 Regulation 6.1(b) – usually received along with the Annual Financial Report.
	Draft Financial Statements 2019/20	The Committee receives the report which asks them to: a) approve the audited Statement of Accounts 2017/18 b) Receive and approve the Annual Governance Statement 2017/18
	Independent Commission on Climate Change	Committee to receive a report on the procedures undertaken in the appointment of the Independent Chair of the Commission
Meeting Date 2020/21	Item	COMMENTS
2 October 2020 Venue: TBA	Combined Authority Board Update	Standing item on the agenda when a chief officer or by agreement once a year the Mayor for the Combined Authority provides an update on the activities for the

		authority.
	Minutes of the previous meeting	Standing item on the agenda for the committee to agree the minutes from the last meeting.
	Corporate Risk Register	Standing item by request of the committee to be considered at each meeting.
	Work Programme	Standing item for the committee to consider their upcoming work programme.
	Internal Audit – Progress Report	Report from the Internal Auditors to provide an update on the progress of the current internal audits.
	External Audit – Annual Audit Letter	The Committee receive the annual audit letter which communicates the key issues arising from external auditors work in carrying out the audit of the statement of accounts for the Cambridgeshire and Peterborough Combined Authority.
	Internal Audit – Progress Report	Update to be delivered by the Internal Auditors.
	Treasury Management Strategy Review	The Committee receive the

		report which review the current performance against the prudential indicators included within the Treasury Management Strategy.
	Adult Education Budget	
TRAINING	VALUE FOR MONEY	TRAINING FOLLOWING THE MEETING
Meeting Date 2020/21	Item	COMMENTS
29 January 2021 Venue: TBA	Combined Authority Board Update	Standing item on the agenda when a chief officer or by agreement once a year the Mayor for the Combined Authority provides an update on the activities for the authority.
	Minutes of the previous meeting	Standing item on the agenda for the committee to agree the minutes from the last meeting.
	Corporate Risk Register	Standing item by request of the committee to be considered at each meeting.
	Work Programme	Standing item for the committee to consider their upcoming work programme.

	Internal Audit – Progress Report	Report from the Internal Auditors to provide an update on the progress of the current internal audits.
	External Audit – Draft Audit Plan	The Committee receive the draft Audit Plan and comment whether the planned audit is aligned with the Committee's expectations.
	Treasury Management Strategy Update	The Committee receive the report which provides the Audit and Governance Committee with an update on the Combined Authority (CPCA)'s Treasury Management Strategy.
	Assurance Framework	Committee agreed in May 2019 that the A/Framework be presented to Committee on 6-month basis.
	Risk Strategy	
	Data Protection	
	Mayor of the Combined Authority	Mayor James Palmer will be in attendance
Meeting Date	Item	COMMENTS
2 April 2021 Venue: TBA	Combined Authority Board Update	Standing item on the agenda when a chief officer or by agreement once a year the

		Mayor for the Combined Authority provides an update on the activities for the authority.
	Minutes of the previous meeting	Standing item on the agenda for the committee to agree the minutes from the last meeting.
	Corporate Risk Register	Standing item by request of the committee to be considered at each meeting.
	Work Programme	Standing item for the committee to consider their upcoming work programme.
	Internal Audit – Progress Report	Report from the Internal Auditors to provide an update on the progress of the current internal audits.
	External Audit – Audit Plan	The Committee receive and approve the final audit plan prepared by the external auditors
	Internal Audit Plan:	Details of audit activity for the following year.
	Treasury Management Strategy Summary	The Committee receive the report asks for comments comment on the draft

		Treasury Management Strategy.
	Code of Corporate Governance	Code of Corporate Governance is based upon the CIPFA / SOLACE publication entitled “Delivering Good Governance in Local Government: Framework 2016 Edition.” An annual review is undertaken each year.
	Assurance Framework	The Assurance Framework is a set of systems, processes and protocols, which along with standing orders, financial regulations, departmental procedures, and codes of practice is linked in a hierarchy of management and financial control procedures, which clearly define the responsibilities of members and the duties of the CPCA’s officers, consultants and partners. – Approved annually.
	Governance (decision-making) Review	Committee to receive an update to review any issues/concerns raised

		(Executive Committees) etc
Meeting Date 2020/21	Item	COMMENTS
25 May 2021 Venue: TBA	Combined Authority Board Update	Standing item on the agenda when a chief officer or by agreement once a year the Mayor for the Combined Authority provides an update on the activities for the authority.
	Minutes of the previous meeting	Standing item on the agenda for the committee to agree the minutes from the last meeting.
	Corporate Risk Register	Standing item by request of the committee to be considered at each meeting.
	Work Programme	Standing item for the committee to consider their upcoming work programme.
	Internal Audit – Progress Report	Report from the Internal Auditors to provide an update on the progress of the current internal audits.
	Draft Annual Report of the Chair of the Audit & Governance Committee	
ITEMS TO BE SCHEDULED		
	Governance Review of the Business Board	

	Value for Money Presentation (Development Session)	
	Trading Companies (Development Session)	AUTUMN 2020
	Member Skills Training (joint session with the O&S Committee)	