



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

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

21st September 2017

10am

**Cambridge City Council, Committee Rooms 1 & 2, Cambridge City Council,
The Guildhall, Market Square, Cambridge CB2 3QJ**

AGENDA

Open to Public and Press

Number	Agenda Item	Chief Officer	Papers	Pages
1	Apologies and Declarations of Interests	Chair	Oral	
2	Minutes – 26 th June 2017	Chair	Yes	Pages 3-7
3	Risk Management Introduction – Presentation	Steve Crabtree	No	
4	External Audit – Audit Results Report (ISA 260)	Suresh Patel (Ernst & Young)	Yes	Pages 8-42
5	Statement of Accounts	Alex Colyer	Yes	Pages 43-105
6	Treasury Management Mid Year Update	Alex Colyer	Yes	Pages 106-117

Number	Agenda Item	Chief Officer	Papers	Pages
7	Assurance Framework	Brian Madden	Yes	Pages 118-161
8	Internal Audit: Corporate Governance Scoping Document	Steve Crabtree	Yes	Pages 162-164
9	Work programme	Alex Colyer	Yes	Pages 165-168
	Date of next meeting			
	Date: Dec 18 th at 10.00 am Venue- Fenland District Council		Oral	

The Audit & Governance Committee currently comprises the following members:

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

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

For more information about this meeting, please contact Anne Gardiner
anne.gardiner@cambridgeshirepeterborough-ca.gov.uk or 07961240442



**CAMBRIDGESHIRE
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CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY
AUDIT & GOVERNANCE COMMITTEE MEETING
MINUTES

Date: Monday, 26th June 2017

Time: 10.00a.m. – 12.00a.m.

Present: John Pye (Chair and Independent Person)

Councillors:

Barry Chapman – Huntingdonshire District Council,
Andrew Fraser – South Cambridgeshire District Council,
Richard Robertson – Cambridge City Council,
Nichola Harrison – Cambridgeshire County Council,
Alan Sharp – East Cambridgeshire District Council,
Anne Hay – Fenland District Council.

Officers:

John Harrison – Interim Chief Finance Officer,
Marion Kelly – Interim Deputy S151 Officer,
Steve Crabtree – Chief Internal Auditor,
Paul Cook – Interim Head of Corporate Finance, Peterborough City Council,
Ian Pantling – Financial Accounting and Control Manager, Peterborough City Council,
Jon Alsop – Interim Project Accountant.

Others in Attendance:

Suresh Patel – Executive Director, Audit, Ernst & Young LLP,

Kay McClennon – Manager, Ernst & Young LLP.

1. INTRODUCTIONS, APOLOGIES AND DECLARATIONS OF INTERESTS

The Chair welcomed everyone to the inaugural meeting of the Cambridgeshire and Peterborough Combined Authority (CPCA) Audit and Governance Committee and asked all those present to introduce themselves.

The Chair thanked everyone who had completed the skills questionnaire circulated by Anne Gardiner. The Committee was a strong group, including a number holding accounting qualifications.

It was agreed that Committee Members would send any suggestions for short 'pre-meeting training briefings' to Anne Gardiner.

Apologies were received from Councillors Chris Morris (East Cambridgeshire District Council), Chris Seaton (Fenland District Council), David Seaton (Peterborough City Council) and Mark Ashton (Cambridge City Council).

There were no declarations of interest.

2. APPOINTMENT OF VICE-CHAIR

At the meeting held on 31st May 2017, the Combined Authority Board asked the Audit & Governance Committee to elect its Vice Chair for the municipal year 2017/2018.

Councillor Anne Hay proposed the appointment of Councillor Barry Chapman as Vice Chair of the Audit & Governance Committee. The proposal was seconded by Councillor Andrew Fraser.

It was resolved to elect Councillor Barry Chapman as Vice Chair for the municipal year 2017/18.

3. TERMS OF REFERENCE

The Committee was asked to note the Terms of Reference of the Audit and Governance Committee.

One Member queried the process of the appointment of the external auditors and why the Terms of Reference did not refer to it. The Chief Finance Officer explained that following the closure of the Audit Commission, Public Sector Audit Appointments Limited (PSAA) had taken over temporary responsibility for the statutory duty to appoint external auditors to local public bodies. PSAA had put forward Ernst & Young to audit the Combined Authorities Statement of Accounts for 2016/17 and 2017/18. PSAA is in a procurement process to invite tenders for audit providers for audit appointments from 2018/19.

The Chief Finance Officer suggested that the terms of reference be updated once the PSAA tender process has been concluded.

It was resolved to:

- a) note the terms of reference, subject to the update for external and internal audit as outlined above.
- b) review the Terms of Reference in twelve month's time.
- c) It was noted that according to the CPCA Constitution the Chief Finance Officer would arrange internal audit and reviews of financial records and operations in accordance with the Accounts and Audit Regulations 2015 and relevant professional guidance.

4. INTERNAL AUDIT PLAN – OVERVIEW AND FUTURE PLANS

The Committee was asked to note the development of the internal audit plan for 2017/18. Steve Crabtree, Chief Internal Auditor for Peterborough City Council and for other Constituent Authorities introduced the report and suggested that the early focus of internal audit should be on Governance and Programme Management. The Chief Internal Auditor proposed to produce the Audit Brief (scoping document) for the Governance Audit to the September Committee meeting.

The Committee considered how to handle Internal Audit reports. Where an audit report was 'good' or 'low risk' the Committee would receive an overview of the audit., Where there was 'limited' or 'no assurance', the Committee would receive the full report and the Lead Officers responsible would be invited to a meeting to answer questions.

One Member stated that the internal audit plan needed to reflect that the Combined Authority was 'project driven', with large projects with potential for overspends spanning a number of years. The Committee therefore arguably needed greater visibility that finances were recorded correctly than they would receive in a 'normal' Council.

It was resolved:

- (a) to note the development of the internal audit plan for 2017/18.
- (b) that the Chief Internal Auditor produce an Audit Brief (scoping document) for the Governance Audit to the September Committee meeting.

5. WORK PROGRAMME

The Committee was asked to agree the Work Programme.

It was resolved

(a) to agree the Work Programme subject to the following additions:

- (i) an Internal Audit 'Governance Briefing' item be included onto the September agenda from the Chief Internal Auditor.
- (ii) a 'Risk Management' training slot, of about 45 minutes, be included at the beginning of the September meeting.
- (iii) 2017/18 External Audit plan be reported to the December meeting.
- (iv) the inclusion of a 10 minute 'hot topic' slot on Combined Authority activities at each meeting, starting with December 2017 – Chairman to look into.

(b) To update the Work Programme accordingly.

6. STATEMENT OF ACCOUNTS

Members were asked to review and comment on the draft Statement of Accounts prior to the Chief Finance Officer's certification by the 30th June 2017.

The main features of the Statement of Accounts were that it reflects a very short accounting period and the impact of the Combined Authority not yet having a Section 33 VAT Order in place to recover input VAT on its purchases.

The 2016/17 Statement of Accounts reflected the set up costs incurred by the Shadow Combined Authority before the Combined Authority came into existence on 3rd March 2017 and for the period ended 31 March 2017.

One Member queried when the Section 33 Order would be in place and would the Combined Authority be able to claim backdated VAT?

The Chief Finance Officer confirmed that he had been lobbying on behalf of the Combined Authority to get the Order made and that a meeting with the HM Revenue and Customs' Customer Relationship Manager for Combined Authorities along with Grant Thornton, who were providing the Combined Authority with specialist VAT advice on this matter, was scheduled for 29th June.

The Statement of Accounts reflected a prudent position on being able to reclaim VAT on purchases made by the Combined Authority.

The Committee thanked Ian Pantling and Paul Cook for the hard work they have put into producing the first Statement of Accounts for the Combined Authority.

It was resolved to note the draft Statement of Accounts for 2016/17.

7. EXTERNAL AUDIT PLAN 2016/17

Members were asked to agree the Audit Plan for the external audit of the Statement of Accounts for the period ended 31 March 2017, as presented by Ernst & Young, the external auditors.

The agreed audit fee for the 2016/17 Statement of Accounts was £15,000.

The overall materiality for the financial statements of the Authority was £10,000, based on 2% of the forecast gross expenditure of c£500,000. The 'gross' figure was misleading as much of the expenditure occurred before the period 3 March to 31 March 2017 covered by the accounts. The Committee encouraged the Combined Authority to have a statement ready in the event of queries about the rate of initial spend.

It was noted that it was up to the Authorities concerned to form the bases of any recharges to the Combined Authority from Constituent Councils and for the auditors to audit them.

It was resolved:

- (a) that the Audit Plan be agreed, and
- (b) that a briefing note on 2016/17 expenditure be circulated to Members for information.

8. DATE OF NEXT MEETING

It was resolved to note the date of the next meeting – Thursday, 21 September 2017 at 10.00am at Cambridge City Council offices, Cambridge
The meeting would start with with a 45 minute briefing on risk management, so three hours should be allowed overall.



AUDIT AND GOVERNANCE COMMITTEE	AGENDA ITEM No: 4
21 SEPTEMBER 2017	PUBLIC REPORT

EXTERNAL AUDIT – AUDIT RESULTS REPORT (ISA 260)

1.0 PURPOSE

- 1.1 This report summarises our findings from the audit and details our audit opinion. The statutory deadline for the audit opinion 2016/17 is 30 September 2017. The Authority is aiming to approve the financial statements on 21 September 2017.
- 1.2 This report is intended solely for the use of the Audit & Governance Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

<u>DECISION REQUIRED</u>	
Lead Officer:	Alex Colyer – Interim S151 Officer and Chief Finance Officer
<p>The Audit and Governance Committee is recommended to:</p> <p>(a) Consider and note the report</p> <p>(b) Consider and sign a letter of representation (the template is included at Appendix D of our report and has been provided to officers)</p>	

2.0 BACKGROUND

- 2.1. The External auditors have a statutory requirement to report to members under the Audit Commission's Code of Audit Practice and International Standard of Auditing (UK and Ireland) (ISA(UK&I) 260 – "Communication of audit matters with those charged with governance". The report is known as the ISA260

3.0 FINANCIAL IMPLICATIONS

3.1. None.

4.0 LEGAL IMPLICATIONS

4.1. None.

5.0 SIGNIFICANT IMPLICATIONS

5.1. None.

6.0 APPENDICES

- 6.1. Appendix A – required communications with the audit committee
- 6.2. Appendix B – Independence
- 6.3. Appendix C - Accounting and regulatory update
- 6.4. Appendix D – Request for a Management representation letter

<u>Source Documents</u>	<u>Location</u>
EXTERNAL AUDIT PLAN 2016/17	Presented to the committee on 26 June 2017
CPCA – Statement of Accounts 3 March 2017-31 March 2017	Presented to this committee by s151 officer

Cambridgeshire and Peterborough Combined Authority Audit results report

For the period ending 31 March 2017

Private and Confidential

8 September 2017



Dear Audit and Governance Committee Members

We have completed our audit of Cambridgeshire and Peterborough Combined Authority (the Authority) for the period 3 March 2017 to 31 March 2017, the Authority's first accounting period.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3.

The statutory deadline for 2016/17 is 30 September 2017. The Authority is aiming to approve the financial statements on 21 September 2017. We confirm that we also expect to issue our audit opinion on or shortly after this date. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the Audit and Governance Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We look forward to discussing with you any aspects of this report or any other issues arising from our work.

Yours faithfully

Suresh Patel
Executive Director

For and on behalf of Ernst & Young LLP
United Kingdom

Contents

01 Executive Summary

02 Areas of Audit Focus

03 Audit Report



In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk).

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

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

This report is made solely to the Audit and Governance Committee, other members of the Authority and management of Cambridgeshire and Peterborough Combined Authority in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Governance Committee, other members of the Authority and management of Cambridgeshire and Peterborough Combined Authority those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Governance Committee, other members of the Authority and management of Cambridgeshire and Peterborough Combined Authority for this report or for the opinions we have formed. It should not be provided to any third-party without obtaining our written consent.



01

Executive Summary



Executive Summary

Overview of the audit

Scope and materiality

In our Audit Plan presented to the Audit and Governance Committee at the 26 June 2017 meeting, we gave you an overview of how we intended to carry out our responsibilities as your auditor. We carried out our audit in accordance with this plan. There have been no changes in our planned audit strategy.

We planned our procedures using a materiality of £10,000. The threshold for reporting audit differences is £500. The basis of our assessment of materiality was 2% of gross expenditure.

We also identified areas where misstatement at a lower level than materiality might influence the reader and developed a specific audit strategy for them. They include:

- Remuneration disclosures- as these disclosures are considered to be of interest to users of the accounts we have adopted judgement in ensuring that we have tested the disclosures in sufficient detail to ensure they are correctly disclosed.
- Related party transactions -the accounting standard requires us to consider the disclosure from the point of materiality to either side of the transaction. We have therefore considered the nature of the relationship in applying materiality.

Status of the audit

We have completed our audit of Cambridgeshire and Peterborough Combined Authority's financial statements for the period 3 March 2017 to 31 March 2017 and have performed the procedures outlined in our Audit plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise:

- Completion of Final Review Procedures; and
- Receipt of the signed management representation letter.

The Authority is below the audit threshold for audit of the Whole of Government Accounts (WGA) return which means we are required by the NAO only to perform a minimal review with no testing of counterparty information. We plan to issue our assurance statement to the NAO on the same date we issue our audit opinion.

The period for electors to ask questions about the accounts ended on 10 August. We received no questions and therefore will be able to certify completion of the audit when we issue our audit opinion.

Audit differences

Management have adjusted for all audit differences we identified.

During the audit the Authority revised its split of cash and investments to show the investments as cash, resulting in amendment to the Balance sheet, Cash flow statement, the Financial instruments notes and Cash flow notes. This has not affected the totals of the primary statements.

We have also identified a very small number of minor disclosure adjustments which have been corrected by management in the revised financial statements subject to approval.



Executive Summary

Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of Cambridgeshire and Peterborough Combined Authority's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues;
- You agree with the resolution of the issue; and
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit and Governance Committee.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We requested minor amendments to the statement which have been made by management.

We have no other matters to report.

Control observations

During the completion of our audit we have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

Value for money

We considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Plan we identified no significant VFM risks.

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



02

Areas of Audit Focus



Areas of Audit Focus

Audit issues and approach: Risk of Fraud in Revenue and Expenditure Recognition

Revenue Recognition

What are our conclusions?

Our testing has not identified any material misstatements from revenue and expenditure recognition.


Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Authority's financial position.

What is the risk?

Risk of fraud in revenue recognition

Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In this public sector this requirement is modified by Practice Note 10, issued by the Financial Reporting council, which states that auditors should also consider the risk that material misstatements may occur by manipulating expenditure recognition.

These areas have also been considered as being linked to the risk of fraud in management override of controls (see below).

 Significant Risk

What did we do?

In order to address this risk we carried out a range of procedures including:

- Reviewing the appropriateness of revenue and expenditure recognition accounting policies and testing that they had been applied correctly during our detailed testing;
- Reviewing accounting estimates for evidence of management bias);
- Testing a sample of liabilities based on our established testing threshold for reasonableness;
- Performing cut-off testing of transactions both before and after year-end to ensure that they were accounted for in the correct year based on our established testing threshold;
- Considering the completeness of liabilities included in the financial statements; and
- Evaluating the business rationale for any significant unusual transactions.



Audit issues and approach: Management Override of Controls

Management override

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

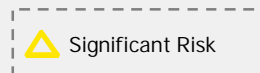
We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business.

What is the risk?

Risk of management override

As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and to prepare fraudulent financial statements by overriding controls that otherwise seem to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

We have considered the completeness of liabilities and valuation of estimated liabilities for any management bias.



What did we do?

In order to address this risk we carried out a range of procedures including:

- Gaining an understanding of the oversight given by those charged with governance of management's processes and controls in respect of fraud;
- Reviewing accounting estimates for evidence of management;
- Considering the results of our work on revenue and expenditure recognition as set out above, specifically considering any instances of management bias; and
- Evaluating the business rationale for any significant unusual transactions.



Areas of Audit Focus

Other audit issues arising



Financial statements presentation

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

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

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

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

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

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

During the audit the Authority revised its split of cash and investments to show all the investments as cash, resulting in amendment to the Balance sheet, Cash flow statement, the Financial instruments notes and Cash flow notes. This has not affected the totals of the primary statements.

We have also identified a very small number of minor disclosure adjustments which have been corrected by management in the revised financial statements subject to approval. In particular we highlighted that the Expenditure Funding Analysis (EFA), is not a Primary Statement (consistent with the Code Guidance notes). Management have updated the narrative to the EFA to reflect this.



03 Audit Report



Audit Report

Our opinion on the financial statements

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

Opinion on the Authority's financial statements

We have audited the financial statements of Cambridgeshire and Peterborough Combined Authority for the period ending 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Comprehensive Income and Expenditure Statement,
- Movement in Reserves Statement,
- Balance Sheet,
- Cash Flow Statement, and
- the related notes 1 to 16, and the Expenditure and Funding Analysis

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

Respective responsibilities of the Interim Chief Finance Officer and auditor

As explained more fully in the Statement of the Interim Chief Finance Officer's Responsibilities set out on page 10, the Interim Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Interim Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Audit Report

Our opinion on the financial statements

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Cambridgeshire and Peterborough Combined Authority as at 31 March 2017 and of its expenditure and income for the period ending 31 March 2017; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts for the period ending 31 March 2017 is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on Cambridgeshire and Peterborough Combined Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources Authority's responsibilities

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

Auditor's responsibilities

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

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



Audit Report

Our opinion on the financial statements

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2016, as to whether the Cambridgeshire and Peterborough Combined Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Cambridgeshire and Peterborough Combined Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the period ending 31 March 2017.

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

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, Cambridgeshire and Peterborough Combined Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the period ending 31 March 2017.

Certificate

We certify that we have completed the audit of the accounts of Cambridgeshire and Peterborough Combined Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Suresh Patel
for and on behalf of Ernst & Young LLP, Appointed Auditor
Cambridge office
x September 2017

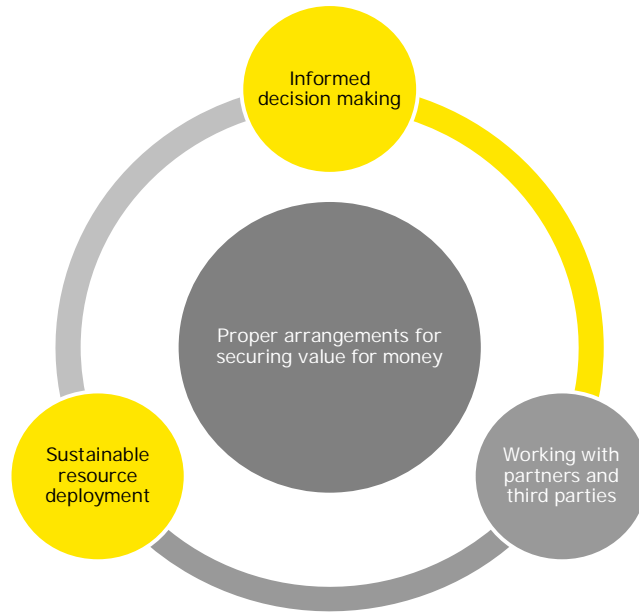


04 Value for Money



Value for Money

Value for Money



Economy, efficiency and effectiveness

We must consider whether you have 'proper arrangements' to secure economy, efficiency and effectiveness in your use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- take informed decisions;
- deploy resources in a sustainable manner; and
- work with partners and other third parties.

In considering your proper arrangements, we use the CIPFA/SOLACE framework for local government to ensure that our assessment is made against an already existing mandatory framework which you use in documents such as your Annual Governance Statement.

Overall conclusion

We identified no significant risks around these arrangements.

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



05 Other reporting issues



Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Cambridgeshire and Peterborough Combined Authority Statement of Accounts 2016/17 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Our findings are:

- Financial information within the Annual Report and published with the financial statements was consistent with the Annual Accounts.
- The remuneration and staff report was prepared correctly.

We have reviewed the Annual Governance Statement and, subject to the Authority's inclusion of the Head of Internal Audit Opinion, can confirm it is consistent with other information that we are aware of from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

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

The Authority is below the audit threshold for audit of the Whole of Government Accounts (WGA) return which means we are required by the NAO only to perform a minimal review with no testing of counterparty information. We plan to issue our assurance statement to the NAO on the same date we issue our audit opinion.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest").

We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.



Other reporting issues

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations;

We have no matters to report.



06

Assessment of Control Environment



Assessment of control environment

Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.



07 Appendices



Appendix A

Required communications with the Audit and Governance Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have done this by:

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, including any limitations.	June 2017 Audit Plan
Significant findings from the audit	<ul style="list-style-type: none"> • Our view of the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Any significant difficulties encountered during the audit • Any significant matters arising from the audit that were discussed with management • Written representations we have requested • Expected modifications to the audit report • Any other matters significant to overseeing the financial reporting process 	September 2017 Audit Results Report
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or together to raise any doubt about Cambridgeshire and Peterborough Combined Authority's ability to continue for the 12 months from the date of our report.
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Significant corrected misstatements, in writing 	September 2017 Audit Results Report



Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Fraud	<ul style="list-style-type: none"> ▶ Asking the Audit Committee whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Unless all those charged with governance are involved in managing the entity, any fraud identified or information obtained indicating that a fraud may exist involving: <ul style="list-style-type: none"> (a) management; (b) employees with significant roles in internal control; or (c) others where the fraud results in a material misstatement in the financial statements. ▶ A discussion of any other matters related to fraud, relevant to Audit Committee responsibility. 	We have asked management and those charged with governance about arrangements to prevent or detect fraud. We have not become aware of any fraud or illegal acts during our audit.
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, where applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and/or regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	We have no matters to report.
Subsequent events	<ul style="list-style-type: none"> ▶ Where appropriate, asking the Audit Committee whether any subsequent events have occurred that might affect the financial statements. 	We have asked management and those charged with governance. We have no matters to report.
Other information	<ul style="list-style-type: none"> ▶ Where material inconsistencies are identified in other information included in the document containing the financial statements, but management refuses to make the revision. 	September 2017 Audit Results Report
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ We were unable to obtain relevant and reliable audit evidence from other procedures. 	We have no matters to report.
Consideration of laws and/or regulations	<ul style="list-style-type: none"> ▶ Audit findings of non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on "tipping off" ▶ Asking the Audit Committee about possible instances of non-compliance with laws and/or regulations that may have a material effect on the financial statements, and known to the Audit Committee. 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.



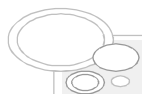
Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> Significant deficiencies in internal controls identified during the audit. 	September 2017 Audit Results Report
Independence	<p>Communication of all significant facts and matters that have a bearing on EY's objectivity and independence.</p> <p>Communicating key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> The principal threats Safeguards adopted and their effectiveness An overall assessment of threats and safeguards Information on the firm's general policies and processes for maintaining objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity or independence and the appropriateness of safeguards.</p>	<p>June 2017 Audit Plan</p> <p>September 2017 Audit Results Report</p>
Fee Reporting	<p>Breakdown of fee information when the audit plan is agreed</p> <p>Breakdown of fee information at the completion of the audit</p> <p>Any non-audit work</p>	<p>June 2017 Audit Plan</p> <p>September 2017 Audit Results Report</p>



Appendix B

Independence



We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report presented to the Audit and Governance Committee in June 2017.

We complied with the APB Ethical Standards and the requirements of the Public Sector Audit Appointment's (PSAA) Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit and Governance Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit and Governance Committee on 21 September 2017.

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

As part of our reporting on our independence, we set out below a summary of the fees paid for the period 3 March 2017 to 31 March 2017.

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

	Planned Fee 2016/17 £'s	Scale Fee 2016/17 £'s	Final Fee 2015/16 £'s
Total Audit Fee – Code work	15,000	15,000	N/A





Appendix C

Accounting and regulatory update



Accounting update

Since the date of our last report to the Audit and Governance Committee, new accounting standards and interpretations have been issued. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures 	Impact on Cambridgeshire and Peterborough Combined Authority 
<i>IFRS 9 Financial Instruments</i>	<p>Applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> • How financial assets are classified and measured • How the impairment of financial assets are calculated • Financial hedge accounting • The disclosure requirements for financial assets. <p>Transitional arrangements are included within the accounting standard, however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be and whether any accounting statutory overrides will be introduced to mitigate any impact.</p>	<p>Although some initial thoughts on the approach to adopting IFRS 9 have been issued by CIPFA, until the Code is issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Authority will have to:</p> <ul style="list-style-type: none"> • Reclassify existing financial instrument assets • Re-measure and recalculate potential impairments of those assets; and • Prepare additional disclosure notes for material items
<i>IFRS 15 Revenue from Contracts with Customers</i>	<p>Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except:</p> <ul style="list-style-type: none"> • Leases; • Financial instruments; • Insurance contracts; and • for local authorities; Council Tax and NDR income. <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <p>There are transitional arrangements within the standard; however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be.</p>	<p>As with IFRS 9, some initial thoughts on the approach to adopting IFRS 15 have been issued by CIPFA. However, until the Code is issued there remains some uncertainty. However, what is clear is that for all material income sources from customers the Authority will have to:</p> <ul style="list-style-type: none"> • Disaggregate revenue into appropriate categories • Identify relevant performance obligations and allocate income to each • Summarise significant judgements



Appendix C

Name	Summary of key measures 	Impact on Cambridgeshire and Peterborough Combined Authority 
<i>IFRS 16 Leases</i>	<p>IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease in a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard, although as the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be or whether any statutory overrides will be introduced.</p>	<p>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Authority will need to undertake a detailed exercise to classify all of its leases and therefore must ensure that all lease arrangements are fully documented.</p>
<i>Earlier deadline for production and audit of the financial statements from 2017/18</i>	<p>The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.</p>	<p>Through working together, and reflecting on this year, there are a number of areas where the closedown and audit processes can be further improved going forward. We do not expect the formal earlier deadline to pose a significant issue for the Authority.</p>



Appendix D

Request for a Management representation letter

[To be prepared on the entity's letterhead]

X September 2017

Suresh Patel, Executive Director

Ernst & Young LLP
1 More London Place
London
SE1 2AF
Dear Suresh

This letter of representations is provided in connection with your audit of the financial statements of Cambridgeshire and Peterborough Combined Authority ("the Authority") for the year ended 31 March 2017. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Authority financial position of Cambridgeshire and Peterborough Combined Authority as of 31 March 2017 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with [the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We acknowledge, as members of management of the Authority, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.



Appendix D

4. As members of management of the Authority, we believe that the Authority has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, that are free from material misstatement, whether due to fraud or error.
5. *[When there are unadjusted audit differences in the current year or we determine that the current year effects of correcting prior year differences are significant.]* We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because [specify reasons for not correcting misstatement].

[When there are no unadjusted audit differences in either the current year or in the prior year or there are no unadjusted audit differences in the current year and we determine that the current year effects of correcting prior year differences are not significant to the current year.] There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

[The following representation is included when management believes that certain of the identified items, even though immaterial, are not differences.] We do not agree that items [specify items in question] constitute differences because [specify reasons for disagreement].

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. *[When management is aware of the occurrence of fraud or suspected fraud, or has received allegations of fraud.]* We have disclosed to you all significant facts relating to any frauds, suspected frauds or allegations of fraud known to us that may have affected the Authority (regardless of the source or form and including, without limitation, allegations by “whistle-blowers”), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the financial statements. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the financial statements.

[When management is not aware of the occurrence of a fraud or suspected fraud and has not received any allegations of fraud.] We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Authority's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by “whistleblowers”) which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Authority.

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.



Appendix D

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Authority and Audit and Governance Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date: *21 September 2017*.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties. (amend it not relevant)

F. Subsequent Events

1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information



Appendix D

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report.
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Expenditure Funding Analysis

1. We have reviewed the new requirements (as set out in the CIPFA LASAAC Code of practice on Local Authority Accounting in the United Kingdom 2016/17), in relation to the preparation of the Expenditure Funding Analysis to replace the previous requirement for a segmental reporting analysis, and confirm that all required amendments to the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement, as well as the requirements to prepare the Expenditure Funding Analysis and related notes have been correctly reflected in the financial statements.
2. The financial statements reflect the operating segments reported internally to the Authority.

I. Going Concern

1. Note [X] to the financial statements discloses all of the matters of which we are aware that are relevant to the Authority's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

Yours sincerely,

Interim Chief Financial Officer

Chair of the Audit and Governance Committee

EY | Assurance | Tax | Transactions | Advisory

About EY

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ED None

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AUDIT AND GOVERNANCE COMMITTEE	AGENDA ITEM No: 5
21 SEPTEMBER 2017	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 approve the audited Statement of Accounts 2016/17
 - (b) Receive and approve the Annual Governance Statement 2016/17

<u>DECISION REQUIRED</u>	
Lead Officer:	Alex Colyer – Interim S151 Officer and Chief Finance Officer
<p>The Audit and Governance Committee is recommended to:</p> <ul style="list-style-type: none">(a) Receive and approve the audited Statement of Accounts 2016/17(b) Receive and approve the Annual Governance Statement 2016/17 as included within the Statement of Accounts.(c) Note the proposal for the appointment of EY as the Combined Authority's external auditors from 1st April 2018.	

2.0 BACKGROUND

Appointment of the Interim Chief Finance Officer and S151 Officer

- 2.1. Chapter 4 paragraph 1.5 of the Constitution states that the appointment of statutory officers is reserved to the Board. The Chief Finance Officer is a statutory officer of the Combined Authority and a 'proper officer' for this purpose.

- 2.2. The Board was advised at its last meeting that Mr Harrison, the former interim Chief Finance Officer of the Combined Authority, had resigned from Peterborough City Council to pursue other opportunities. As a result a new appointment to the post of interim Chief Finance Officer for the Combined Authority was required immediately.
- 2.3. As there was insufficient time to consult Constituent Councils on whether their Chief Finance Officers could take on this role until a permanent appointment was made, the Board agreed that the Chief Executive should appoint an interim Chief Finance Officer from one of the constituent Councils as soon as possible and that the name of the Chief Finance Officer should be reported to the September meeting of the Board.
- 2.4. Alex Colyer, Executive Director, South Cambs District Council, was appointed as the interim S151 Officer and Chief Finance Officer from 31 August for 3 days a week until 30 September, and from 1 October for 4 days a week (subject to review) until 31 March 2018.
- 2.5. Alex is South Cambs District Council's Chief Financial Officer with responsibility for ensuring the Council meets the highest standards in financial management and reporting while ensuring the Council maintains excellence in its Corporate Governance arrangements.

Approval of the Statement of Accounts 2016/17

- 2.6. According to their Terms of Reference, the Audit and Governance Committee shall:
 - No. 3.2 - Approve the annual statement of accounts.*
 - No. 3.4 - Review the Annual Governance Statement prior to approval to ensure it properly reflects the risk environment and supporting assurances.*
 - No. 3.12 – Review the annual accounts.*
 - No. 3.13 - Consider the annual external audit of the Combined Authority's accounts, including the Annual Audit Letter and assessing the implications and monitoring managers' responses to concerns.*
 - No. 3.14 – Consider whether accounting policies were appropriately followed and any need to report concerns to the Combined Authority Board.*
 - No. 3.15 - Consider any issues arising from the External Auditor's audit of the accounts.*
- 2.7. At the meeting held on 26th June 2017, the Audit and Governance resolved to note the draft Statement of Accounts for 2016/17 and agreed the external Audit Plan as presented by Ernst and Young (EY).
- 2.8. Next steps carried forward from the 26th June 2017 Audit and Governance Committee meeting were set out as follows:

- a) the responsible financial officer must certify the presentation of the accounts no later than the 30 June 2017;
 - b) the annual accounts must be published with the audit opinion and certificate, and before that must have been approved by members no later than 30 September 2017; and
 - c) the responsible financial officer must re-certify the presentation of the annual accounts before member approval is given.
- 2.9. The Accounts and Audit Regulations 2015 also require all Councils to have a common 30 day public inspection period which includes the first 10 working days in July. The period of public inspection runs concurrently with the period whereby a local government elector may raise questions or objections to the External Auditor.
- 2.10. At the conclusion of the Audit, the Auditor will issue a report on the Financial Statements and will issue the Audit Certificate for 2016/17. This will be considered at the Audit and Governance Committee meeting on 21 September 2017.

2016/17 Report to Those Charged with Governance

- 2.11. The External auditors have a statutory requirement to report to members under the Audit Commission's Code of Audit Practice and International Standard of Auditing (UK and Ireland) (ISA(UK&I) 260 – "Communication of audit matters with those charged with governance". The report is known as the ISA260
- 2.12. The ISA260 report for 2016/17 from Ernst & Young (EY), the Combined Authority's external auditors is attached as an appendix to the 'External Audit – Audit Results Report (ISA 260)'.
- 2.13. There are a number of sections within the ISA260 report as follows:
- d) **Executive summary** – provides a summary of the Audit.
 - e) **Areas of Audit Focus** - Notes the risks identified in the Audit Plan, the audit procedures performed in relation to them and the results of the audit work performed. There are a number of types of risks identified including general risks such as fraud and management override of controls which any organisation would face and are not specific to the Combined Authority. No material issues were found during the course of the audit.
 - f) **Audit Report** – this is a draft copy of the Independent Auditors' Report to the Members of the Combined Authority which is included in the Statement of Accounts and will be signed following the completion of the audit.
 - g) **Value for money** - EY noted that no significant risks around these arrangements and have no matters to report.
 - h) **Other Reporting Issues** - includes information on the work performed on the Annual Governance Statement and Whole of Government Accounts

- i) **Assessment of Control Environment** - EY report that they have not identified any significant deficiencies in them.
- j) **Appendix A – Required communications with the Audit and Governance Committee** – Outlines the communications that the auditors must provide to Audit and Governance Committee and method of communication
- k) **Appendix B – Independence** – confirmation that there are no changes in EYs assessment of their independence as presented to the Committee in June 2017. Includes information on Audit fees
- l) **Appendix C - Accounting and regulatory update** - provides a summary of some upcoming changes to accounting standards which have the potential to impact on the Combined Authority.
- m) **Appendix D – Request for a Management representation letter** - a draft copy of the letter of representation for the Combined Authority's S151 officer and Chair of the Audit and Governance Committee to sign (Appendix 1).

Management Letter of Representation

2.14. The Chief Finance Officer (S151) is required to make representations on behalf of the Combined Authority in a number of areas in relation to the preparation of the Statement of Accounts. EY also require this letter to be signed by the Chair of the Audit and Governance Committee. The draft letter is attached in Appendix 2 for review by the Audit and Governance Committee.

Statement of Accounts 2016/17

- 2.15. The production of a timely Statement of Accounts, which is free from material error, is a key test of the robustness of financial processes and underpins the financial standing of an organisation. The Combined Authority has achieved this through the presentation of the Statement of Accounts in both June and September to the Audit and Governance Committee, and also through the completion of a successful external audit process.
- 2.16. The draft Statement of Accounts was considered by The Audit and Governance Committee on 26 June 2017 and has subsequently been the subject of external audit by EY.
- 2.17. Following the external audit, some minor amendments have been made to the draft Statement of Accounts (presented to Committee in June).
- 2.18. The updated Statement of Accounts for 2016/17 is attached in Appendix 3 for formal approval by the Audit and Governance Committee.
- 2.19. At the time of reports publication to the Audit and Governance Committee, EY are finalising the audit of the Statement of Accounts with some review areas to be completed. If there are further updates required to the version distributed with this agenda, then the revised Statement of Accounts and a schedule of updates will be tabled at the meeting.

Consultation

- 2.20. Between 1 July 2017 and 11 August 2017, the Combined Authority's accounts have been subject to a statutory period for the exercise of public rights, where any person may inspect and take copies of the accounts and certain related documents. During this period the Cambridgeshire and Peterborough Combined Authority electors have been able to ask the external auditor questions on the accounts, and are able to object to the accounts. None of these rights were exercised.
- 2.21. A clearance meeting was held on 25 July 2017 where EY outlined the key findings of the audit to the Interim Corporate Director: Resources, as part of her role as the Combined Authority's S151 Officer. The draft ISA260 report was discussed with the Combined Authority's finance team during the period 21 July to 8 September 2017.

Appointment of external auditors

- 2.22. For audits of the accounts from 2018/19, Public Sector Audit Appointments limited (PSAA) is responsible for appointing an auditor to principal local government and police bodies that have chosen to opt into its national auditor appointment arrangements.
- 2.23. PSAA must, under regulation 13 of the Regulations, appoint an external auditor to each opted-in authority and consult the authority about the proposed appointment.
- 2.24. PSAA has now completed a procurement to let audit contracts from 2018/19. Ernst & Young LLP was successful in winning a contract in the procurement, and PSAA propose appointing this firm as the auditor of Cambridgeshire and Peterborough Combined Authority.
- 2.25. On 4th September 2017, PSAA sent a formal communication to the chief executive and chief finance officer of Cambridgeshire and Peterborough Combined Authority to consult on the proposed auditor appointment for five years from 2018/19. The appointment will start on 1 April 2018.
- 2.26. The consultation will close at 5pm on Friday 22 September 2017.
- 2.27. The Committee is asked to note that the Chief Executive and Chief Finance Officer of the Combined Authority are satisfied with the appointment and will confirm this to PSAA.

3.0 FINANCIAL IMPLICATIONS

- 3.1. None.

4.0 LEGAL IMPLICATIONS

- 4.1. None.

5.0 SIGNIFICANT IMPLICATIONS

5.1. None.

6.0 APPENDICES

- Appendix 1 – Management representation letter
- Appendix 2 – Statement of Accounts 2016/17 including the Annual Governance Statement.

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



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

Suresh Patel
Executive Director
Ernst & Young LLP
1 More London Place
London
SE1 1AF

Dear Suresh

Management Representation letter – audit of Cambridgeshire and Peterborough Combined Authority’s Statement of Accounts for the period ended 31 March 2017

This letter of representations is provided in connection with your audit of the financial statements of Cambridgeshire and Peterborough Combined Authority (“the Authority”) for the period ended 31 March 2017. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and council financial statements give a true and fair view of the financial position of Cambridgeshire and Peterborough Combined Authority as of 31 March 2017 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We acknowledge, as members of management of the Authority, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Authority, we believe that the Authority has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority

Accounting in the United Kingdom 2016/17, that are free from material misstatement, whether due to fraud or error.

5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Authority's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Authority.

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Authority and Audit Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 21 September 2017.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing

arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent. No other claims in connection with litigation have been or are expected to be received.

F. Subsequent Events

1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Expenditure and Funding Analysis

1. We have reviewed the new requirements (as set out in the CIPFA LASAAC Code of practice on Local Authority Accounting in the United Kingdom 2016/17), in relation to the preparation of the Expenditure and Funding Analysis to replace the previous requirement for a segmental reporting analysis, and confirm that all required amendments to the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement, as well as the requirements to prepare the Expenditure and Funding Analysis and related notes have been correctly reflected in the financial statements.
2. The financial statements reflect the operating segments reported internally to the Authority.

I. Going Concern

1. Note 15 to the financial statements discloses all of the matters of which we are aware that are relevant to the Authority's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

Yours faithfully,

.....

Interim Chief Finance Officer

Date

.....

Chair of the Audit and Governance Committee

Date



Statement of Accounts

For the period 3 March 2017 – 31 March 2017

For further copies of this document or questions about it please contact:

Interim Chief Finance Officer
Cambridgeshire & Peterborough Combined Authority
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PE1 1HG
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Cambridgeshire and Peterborough Combined Authority

Statement of Accounts for the period 3 March 2017 – 31 March 2017

Contents	Page
Narrative Report	2
Independent Auditors' Report to the Members of the Cambridgeshire and Peterborough Combined Authority	9
Statement of Responsibilities for the Statement of Accounts	10
Expenditure and Funding Analysis	11
Comprehensive Income and Expenditure Statement	12
Movement in Reserves Statement	13
Balance Sheet	14
Cash Flow Statement	15
Notes to the Accounts	16
Accounting Policies	23
Glossary	28
Index of Notes to the Core Financial Statements	30
Annex 1	
Annual Governance Statement	32

Narrative Report

1. Introduction

Following the signing of the Order by Communities Secretary, Sajid Javid, the Cambridgeshire and Peterborough Combined Authority (The Combined Authority) came into existence on 3rd March 2017.

Although the Combined Authority was only created on 3 March 2017 and received its first tranche of funding on 20 March 2017, it is still required to produce a statement of accounts for the four week period to 31 March 2017.

This is the Combined Authority's first statement of accounts.

Cambridgeshire and Peterborough has a high performing economy. It is a significant contributor to UK PLC, generating some £7bn per annum in taxes more than the cost of public services in the whole area.

The strategic ambition of the Combined Authority will see this position improve even further. Specifically, the investments that the Combined Authority will make over time in housing, transport, infrastructure and skills/employment will see the economy grow in the next 25 years from £22bn to over £42bn. Over the next ten years, the difference between income (taxes) and expenditure (public service costs) will widen even further,

with an additional £2bn per annum being added to the UK economy.

Furthermore, the Combined Authority is committed to delivering public sector reform. Working with all relevant central and local partners - statutory and non-statutory, it will explore innovative and integrated approaches to redesigning public services across Cambridgeshire and Peterborough. It will bring forward a programme of public service reform that will focus on delivering the best outcomes for residents, creating new models of delivery that cuts out bureaucracy, and achieves the most efficient and effective public services.

The Statement of Accounts reflects the activity of the Combined Authority for the period to 31 March 2017, and it has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

The purpose of this report is to provide a user-friendly narrative guide to the Combined Authority's accounts as well as setting out the Combined Authority's financial position.

2. Background to the Cambridgeshire and Peterborough Combined Authority

The Combined Authority is made up of eight founding members across Cambridgeshire and Peterborough. Each of the

following Constituent Authorities and the Local Enterprise Partnership 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
Greater Cambridge Greater Peterborough Enterprise Partnership (GCGP LEP)

The following bodies were given Observer status for 2016/17 and were given co-opted member status for the 2017/18 municipal year:

The Police and Crime Commissioner for Cambridgeshire
Cambridgeshire and Peterborough Fire Authority representative
Clinical Commissioning Group representative

Councillor James Palmer was elected as the first Mayor for the Combined Authority on Thursday 4 May 2017, took office on 8 May 2017 and signed the statutory declaration of acceptance on 31 May 2017.

Vision

The Cambridgeshire and Peterborough region is a world leader in science and technology, with unparalleled levels of cutting-edge research, growth businesses and highly skilled jobs. The area is already a significant net contributor to the UK economy.

Cambridgeshire and Peterborough local authorities, businesses and universities have developed a bold vision for the future, including:

- delivering significant economic growth, including a doubling of the size of our economy;
- creating an area internationally renowned for its low-carbon, knowledge-based economy, including life sciences, information and communication technology, creative and digital industries, clean tech, high-value engineering and agri-business;
- accelerating the delivery of the mix of new homes and sustainable communities that local people demand;
- transforming public service delivery utilising the strong local partnerships of councils, business and public services that have a successful track record of working together;
- achieving a skills base that matches business needs; and
- providing world-class connectivity and transport systems fit for the 21st century.

Ambitions

Key ambitions for the Combined Authority 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.

Mayor

The Combined Authority receives funding and powers from Central Government in a number of areas including:

- £170 million to deliver new homes over a five-year period in Peterborough and Cambridgeshire which includes affordable, rented and shared ownership housing
- £20million a year funding over 30 years to boost growth in the region

- responsibility for chairing a review of 16+ skills provision in the area

Of these, £40.5m was received during this accounting period. See note 5, page 17 for further details.

In addition the new Mayor of Cambridgeshire and Peterborough will exercise powers and functions devolved from Central Government including:

- responsibility for a multi-year devolved transport budget;
- responsibility for an identified key route network of local authority roads;
- powers over strategic planning, the responsibility to create a non-statutory spatial framework for Cambridgeshire and Peterborough and to develop with Government a Land Commission

3. The Accounts

This Statement of Accounts has been prepared in accordance with statutory requirements, detailed in the Local Government Act 2003, the Accounts and Audit Regulations 2015 and The Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code).

The Statement of Accounts brings together the major financial statements for the Combined Authority for the financial year 2016/17. 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.
- Expenditure and Funding Analysis Statement - This demonstrates how the funding available to the Combined Authority for the year has been used in providing services, 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 workstreams.
- 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 2017.
- Cash Flow Statement – summarises the inflows and outflows of cash, and cash equivalents, arising from transactions with third parties.

- Notes to the Financial Accounts - the various statements are supported by technical notes and by the Statement of Accounting Policies.
- Statement of Accounting Policies – outlines the accounting policies adopted by the Combined Authority.

4. Current and Planned Activities

The Devolution Deal was signed in March 2017 and provides for the following powers and budgets to be passed down from Central Government to become the responsibility of the Mayor and the Combined Authority:

OVERALL POWERS

General power of competence

The Mayor and Cambridgeshire and Peterborough Combined Authority have a 'general power of competence'. This means that the Mayor and the Combined Authority can legally do anything that individuals generally may do, unless the law specifically prohibits it.

IMPACT OF THE CURRENT ECONOMIC CLIMATE

The Combined Authority will establish an Independent Economic Commission to provide a robust and independent assessment of the Cambridgeshire and Peterborough economy and its potential for growth. This will provide the

evidence base on which Cambridgeshire and Peterborough partners, and partners at national level, can continue to build a collaborative approach to growth and devolution.

As part of its early work, the panel will carry out and publish a detailed review that will include:

- a full economic baseline study;
- economic forecasting to determine the potential impact of various scenarios over the next ten years and how the Cambridgeshire and Peterborough economy could respond to these;
- an assessment of whether the Cambridgeshire and Peterborough economy is fit for purpose and its future economic potential;
- analysis of how partners' investment in key drivers of growth (e.g. key towns, key sectors, key infrastructure) across Cambridgeshire and Peterborough could maximise long-term returns for all areas;
- an analysis of the impact that the devolution of key economic powers and levers could have on economic output and productivity.

5. Revenue Position

The Comprehensive Income and Expenditure Statement (CIES), page 12, shows the gross revenue expenditure and income together with net expenditure

The Combined Authority has applied to the Department for Communities and Local Government to arrange a S33 VAT Order that would enable the Combined Authority to recover VAT on its purchases. As at 31 March 2017, the necessary Order had not yet been arranged, so the statement of accounts has been drafted on the assumption that the VAT on purchases for the period to 31 March 2017 is not recoverable. This potential VAT cost totals £81k for the period, and has been shown as a first charge against the £500k Revenue Reserve.

The final outturn position shows a surplus of £40.003m. This position is primarily a result of a full year's funding being received for 2016/17 on 20 March 2017 and not having been spent or committed by the end of the accounting period

This surplus has been added to the Combined Authority's Reserves and is incorporated within the transfer to and from reserves in the Movement in Reserves Statement on page 13.

The Combined Authority did not enter into any borrowing arrangements during the period ended 31 March 2017.

Balances

As at 31 March 2017, the balance on the Combined Authority's Reserves was £40.003m.

The actual income and expenditure against budget for the period is summarised in the following table:

CPCA 2016/17 - Outturn Position

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
	<u>£k</u>	<u>£k</u>	<u>£k</u>
<u>Funding</u>			
Gain Share	20,000	20,000	0
Housing (General)	10,000	10,000	0
Housing (Cambridge)	10,500	10,500	0
Transport Levy	0	0	0
LTP Capital Grant	0	0	0
	<u>40,500</u>	<u>40,500</u>	<u>0</u>
<u>Budget Allocations</u>			
Revenue	466	416	-50
VAT charge	0	81	81
Investment in Transport	0	0	0
<u>Capital</u>			
- Gain Share	0	0	0
- Housing	0	0	0
- Local Transport Plan	0	0	0
	<u>466</u>	<u>497</u>	<u>31</u>
<u>Movement to Reserves</u>			
Earmarked Reserve	0	27	27
Revenue Reserve	500	419	-81
Gain Share Revenue	7,034	7,057	23
Gain Share Capital	12,000	12,000	0
Gain Share Housing	20,500	20,500	0
	<u>40,034</u>	<u>40,003</u>	<u>-31</u>

6. Capital and Treasury Position

The Combined Authority received its first tranche of funding from Department for Communities and Local Government (DCLG) on 20 March 2017. The £40.5m received was made up of £8m 2016/17 Revenue Gainshare, £12m Capital Gainshare, £10.5m Cambridge Housing Grant and £10m General Housing Grant.

The funds were put on short term deposit in accordance with the approved Treasury Management and Investment Strategy.

External Auditors

Public Sector Audit Appointments Ltd has confirmed the appointment of Ernst & Young LLP as the external auditor for the Cambridgeshire and Peterborough Combined Authority to 31 March 2018.

See Note 1, page 16, for further information on external audit fees.

7. 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 be controlled or influenced by the Combined Authority. These disclosures can be found in Note 6 on page 17.

8. Summary

I hope readers will find the following pages helpful and interesting in providing an insight into the finances and performance of the Combined Authority.

Marion Kelly
Interim Chief Finance Officer

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

This page will be updated with the External Audit report following the completion of the audit – Sept 2017

Signed:

Date:

Suresh Patel
For and on behalf of Ernst & Young LLP, Appointed Auditor
London

Statement of Responsibilities for the Statement of Accounts

The Combined Authority's Responsibilities

The Combined Authority is required to:

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

The Interim Chief Finance Officer's Responsibilities

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

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

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

The Interim Chief Finance 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.

Interim Chief Finance Officer's Certificate

I certify that the accounts set out on pages 11 to 27 present a true and fair view of the financial position of the Combined Authority at 31 March 2017 and its income and expenditure for the period ended 31 March 2017.

Interim Chief Finance
Officer:

Date:

Marion Kelly
September 2017

Approval of the Statement of Accounts

I confirm that these accounts were approved by the Audit and Governance Committee at the meeting held on 21 September 2017.

Chair of the Audit
Committee:

Date:

John Pye
September 2017

Expenditure and Funding Analysis

The Expenditure and Funding Analysis is a note to the accounts. It has been given due prominence by the Combined Authority and is important for accounts users. It shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) 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.

Expenditure and Funding Analysis (EFA)	Notes (From Page 16)	Net Expenditure Chargeable to the General Fund	2017	
			Adjustments between the Funding and Accounting Basis*	Net Expenditure in the Comprehensive Income and Expenditure Statement
		£000	£000	£000
Governance	2	293	-	293
Fiscal	1	118	-	118
New Homes		56	-	56
Skills		14	-	14
Communities & Communication		18	-	18
Cost of Services		499	-	499
Other Income & Expenditure	4,5	(8,002)	(32,500)	(40,502)
(Surplus) / Deficit on Provision of Services		(7,503)	(32,500)	(40,003)
Opening General Fund Balance at 3 March 2017		-		
Less/Plus (Surplus) or Deficit on General Fund Balance in Period		(7,503)		
Closing General Fund Balance at 31 March 2017		(7,503)		

**When accounting on a statutory basis, unspent capital grants without conditions are unapplied from the next Expenditure Chargeable to the General Fund, under generally accepted accounting practices these are credited to the CIES.*

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the period of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Combined Authorities can raise taxation to

cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Comprehensive Income & Expenditure Statement (CIES)	Notes (From Page 16)	Gross Expenditure £000	2017 Gross Income £000	Net Expenditure £000
Governance	2	293	-	293
Fiscal	1	118	-	118
New Homes		56	-	56
Skills		14	-	14
Communities & Communication		18	-	18
Cost of Services		499	-	499
Financing & Investment Income & Expenditure	4	-	(2)	(2)
Taxation & Non-Specific Grant Income & Expenditure	5	-	(40,500)	(40,500)
(Surplus) / Deficit on Provision of Services	7	499	(40,502)	(40,003)
Other Comprehensive Income & Expenditure		-	-	-
Total Comprehensive Income & Expenditure				(40,003)

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the period to the end on the different reserves held by the Combined Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in period of the Combined Authority's reserves are broken down

between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the period. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the period following those adjustments.

Movement in Reserves	General Fund Balance	Earmarked General Fund Reserves	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Combined Authority Reserves
	£000	£000	£000	£000	£000	£000
Balance at 3 March 2017	-	-	-	-	-	-
Total Comprehensive Income & Expenditure	(40,003)	-	-	(40,003)	-	(40,003)
Adjustments between accounting basis & funding basis under regulations	32,500	-	(32,500)	-	-	-
- Capital grants & contributions unapplied from the CIES						
Net Increase before Transfers to Earmarked Reserves	(7,503)	-	(32,500)	(40,003)	-	(40,003)
Transfers to / (from) Reserves	446	(446)	-	-	-	-
Increase / (Decrease) in 2017	(7,057)	(446)	(32,500)	(40,003)	-	(40,003)
Balance at 31 March 2017 Carried Forward	(7,057)	(446)	(32,500)	(40,003)	-	(40,003)

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 those that the Combined Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Balance Sheet	Notes	31 March 2017 £000
Long Term Assets		-
Short Term Debtors	10, 12	2
Cash & Cash Equivalents	10, 14	40,500
Current Assets		40,502
Short Term Creditors	13	(499)
Current Liabilities		(499)
Long Term Liabilities		-
Net (Liabilities) / Assets		40,003
Usable Reserves		(40,003)
Unusable Reserves		-
Total Reserves		(40,003)

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. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Combined Authority.

Cash Flow Statement		Notes	2017 £000
Net (Surplus) / Deficit on the Provision of Services			(40,003)
Adjustments to net surplus or deficit on the provision of services for Non Cash Movements			(497)
Adjustments for Items Included in the Net (Surplus) / Deficit on the Provision of Services that are Investing & Financing Activities			-
Net Cash Flows from Operating Activities			(40,500)
Investing Activities			-
Financing Activities			-
Net (Increase) / Decrease in Cash & Cash Equivalents			(40,500)
Cash & Cash Equivalents at the Beginning of the Reporting Period			-
Increase / (Decrease) in Cash and Cash Equivalents			40,500
Cash & Cash Equivalents at the end of the Reporting Period		14	40,500

Notes to the Accounts

1 External Audit Costs

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

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

2 Mayor's and Member's Allowances

No mayor's or member's allowances were paid during the period.

James Palmer was elected as the first Mayor for Cambridgeshire and Peterborough on Thursday 4 May 2017.

3 Officers' Remuneration

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

These requirements only apply to directly employed staff. During the period the Combined Authority did not have any directly employed staff.

The Combined Authority agreed to appoint three senior officers from constituent councils to fulfil Combined Authority statutory roles whilst continuing the duties of their substantive posts. This arrangement continued until May 2017, or until the earlier permanent appointment to those roles. In each case, the officer's employment contract remained with the constituent council. For all three posts a fixed contribution was due to the officer's employing Council. The associated costs are detailed below.

These reflect transactions between the relevant councils, including currently irrecoverable VAT. No remuneration was received by the officers from the Combined Authority.

Post	Employing Body	Cost £000
Interim Chief Executive (Head of Paid Service)	Fenland District Council	45
Interim Chief Finance Officer	Peterborough City Council	36
Interim Monitoring Officer	Peterborough City Council	56

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

Financing & Investment Income & Expenditure	2017
	£000
Interest Receivable & Similar Income (Note 9)	(2)
Total	(2)

5 Comprehensive Income & Expenditure Statement – Taxation and Non Specific Grant Income

Taxation & Non-Specific Grant Income	2017
	£000
Non-Specific Government Grants	
Gain Share - Revenue	(8,000)
Total Non-Specific Grants	(8,000)
Capital Grants & Contributions	
Gain Share - Capital	(12,000)
Housing Grant - General	(10,000)
Housing Grant _ Cambridge	(10,500)
Total Capital Grants & Contributions	(32,500)
Total Income	(40,500)

6 Related Parties

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

a) Central Government

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

The Department for Communities and Local Government (CLG) provides the majority of the Combined Authority's capital expenditure financing.

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

	2017
	£000
Income	
CLG – revenue grants	(8,000)
CLG – capital grants	(32,500)

b) Cambridgeshire and Peterborough Constituent Councils

The Leaders of the district councils, county council and unitary authority; and the Chair of the local enterprise partnership also serve as members of the Combined Authority.

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

	2017
	£000
Expenditure	
General expenditure with councils	469
Creditors	
General creditors with councils	469

c) Members

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

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

d) Officers

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

During the period no works or services were commissioned from companies in which the officers had an interest. However, as noted in Note 3 key management personnel and officers of Fenland District Council and Peterborough City Council are also the interim statutory officers of the Combined Authority.

The period's transactions, and period end balances with those councils are included in the transactions and balances set out in the table above.

7 Expenditure and Income Analysed by Nature

Expenditure and Income Analysed by Nature		2017
		£000
Expenditure		
Other Service Expenses		499
Total Expenditure		499
Income		
Interest & Investment Income		(2)
Government Grants & Contributions		(40,500)
Total Income		(40,502)
Deficit / (Surplus) on the Provision of Services		(40,003)

8 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	3 March 2017 £000	Transfers Out £000	Transfers In £000	Movement between Reserves £000	31 March 2017 £000	Purpose of the Earmarked Reserve
Revenue Reserve	-	81	500		419	This reserve provides a working balance to cover risks to the revenue budget. The transfer from reserves was made to fund currently irrecoverable VAT on expenditure during the period.
Departmental Reserves	-	-	27	-	27	These represent funding for items approved in the 2017 budget where due to timing differences expenditure will be incurred during 2017/18.
Total Reserves	-	81	527	-	446	

9 Financial Instruments

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

	2017
Financial Assets	£000
Interest income (Note 4)	(2)
Total for Financial Assets	(2)
Total for Financial Liabilities	-
Net expenditure for the period	(2)

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

	31 March 2017	
Financial Instruments Balances	Long Term	Current
	£000	£000
Short Term Investments classified as Cash & Cash Equivalents	-	27,000
Debtors – Loans & Receivables	-	2
Total	-	27,002

10 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:

- PWLB interest rates for new loans at 31 March 2017 have been used for loans from the PWLB;
- 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.

The Cambridgeshire and Peterborough Combined Authority is not carrying any Financial Liabilities as at 31st March 2017. All Financial Assets held by the Combined Authority are due to mature in less than 12 months so Fair Value is assumed to be the carrying amount. The input level in the fair value hierarchy is Level 1 for all Financial Assets held.

The Fair Values calculated are as follows:

	31 March 2017	
Financial Assets	Carrying Amount	Fair Value
	£000	£000
Short Term Investments classified as Cash & Cash Equivalents	27,000	27,000
Total Cash and bank	13,500	13,500
Debtors – Loans & Receivables	2	2
Total	40,502	40,502

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

11 Nature and Extent of Risks Arising from Financial Instruments

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Combined Authority.
- Liquidity risk – the possibility that the Combined Authority might not have funds available to meet its commitments to make payments.
- Market risk – the possibility that financial loss might arise for the Combined Authority as a result of changes in such measures as interest rates and money market movements.

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

Credit risk

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

The risk is minimised through the Annual Investment Policy set out in the approved Treasury Strategy, which requires that investments are not made with financial institutions unless they

meet minimum credit criteria in accordance with the Fitch Moody's and Standard & Poor's Credit Ratings Services. This Policy also imposes a maximum sum to be invested with a financial institution located within each category.

The 2016/17 Annual Investment Policy sets out the credit criteria below although the Combined Authority actually minimised the risk further by only investing with the Debt Management Office, its banking provider (Barclays), Bank of Scotland (part of the Lloyds Banking Group) 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 amount 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 £50m 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, Capita Asset Services.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Combined Authority.

The Combined Authority had a total of £15.0m deposited with the Debt Management Office (DMO), UK banks and CCLA at 31 March 2017. 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 2017.

Liquidity Risk

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

Market risk

Interest rate risk

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

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

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

Price Risk

The Combined Authority does not invest in equity shares and hence currently has no exposure to losses arising from movements in the prices of the 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.

12 Debtors

	31 March 2017
Debtors	£000
Other entities and individuals	2
Total Debtors	2

13 Creditors

	31 March 2017
Creditors	£000
Other local authorities	(469)
Other entities and individuals	(30)
Total Creditors	(499)

14 Cash Flow Statement – Cash and Cash Equivalents

Cash Flow Statement – Cash and Cash Equivalents	2017
	£000
Short Term Cash Investments	27,000
Bank Call Accounts	13,000
Bank Current Accounts	500
Total Cash & Cash Equivalents	40,500

15 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:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Combined Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Combined Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Combined Authority's VAT registration is not yet complete. Furthermore in order to reclaim non-business related VAT, a Section 33 order is required, and this has not yet been enacted by HM Treasury, but is expected to be in place later this year. Discussions are ongoing with HMRC and it is hoped that all VAT will be eventually be reclaimed. As this is not confirmed, the Combined Authority has determined that a prudent approach should be taken to the expenditure in the accounts and no recovery of VAT has been assumed. Once the necessary arrangements are in place, any VAT related to the period covered by these accounts will be recovered in the next accounting period.
- The Combined Authority has received a number of capital grants, see note 5. A judgement has been required for each one, and although some of the grants have been ring fenced for specific purposes, there are no conditions in place that satisfy the requirements of the Code to treat the unspent elements of the grants as Capital Grant Receipts in Advance. All unspent capital grant funding has been accounted for in the CIES and transferred to the Capital Grants Unapplied Reserve.

16 Authorisation of the Accounts

The Interim Chief Finance Officer authorises these accounts to be issued on 30 September 2017.

Accounting Policies

General Principles

The Statement of Accounts summarises the Combined Authority's ('the Combined Authority') transactions for the period 3 March 2017 to 31 March 2017 and its position at the period-end 31 March 2017. 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 2016/17, 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.

Underlying Assumptions

Going Concern

The accounts have been prepared on the assumption that the Combined Authority will continue in existence for the foreseeable future.

Primacy of Legislation Requirements

In accordance with the Code, where an accounting treatment is prescribed by law then it has been applied, even if it contradicts accounting standards. The following legislative accounting requirements have been applied when compiling these accounts:

- Capital receipts from the disposal of property, plant and equipment are treated in accordance with the provisions of the Local Government Act 2003;
- The Local Government Act 2003 requires the Combined Authority to set aside a minimum revenue provision.

Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Combined Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Combined Authority;
- Revenue from the provision of services is recognised when the Combined Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Combined Authority;
- 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.

Cash

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 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

Events after the Reporting Period

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

- If events provide new evidence of conditions that existed at the balance sheet date the Statement of Accounts is adjusted.
- Other events are only indicative of conditions that arose after the balance sheet date. The Statement of Accounts

is not adjusted. But where such a category of events would have a material effect, disclosure is made in the notes. The note sets out of the nature of the events and their estimated financial effect.

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

Financial 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.

Gains and losses on the repurchase or early settlement of borrowing are charged to the Financing and Investment Income and Expenditure line in the CIES.

Repurchase may be part of restructuring the Combined Authority's loans portfolio. Restructuring involves the modification or exchange of existing instruments.

Any premium or discount on redemption of loans is added to the amortised value of the replacement loan. Premiums and discounts are written down to the CIES. This is done by adjusting the effective interest rate. Regulations allow the impact on the General Fund Balance to be spread over future years. The Combined Authority has a policy of spreading the charge over the remaining term of the loan replaced.

The amount charged to the CIES may differ from the charge against the General Fund Balance. An appropriate transfer is made from the Financial Instruments Adjustment Account in the MIRS.

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables 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 credited 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.

Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

The carrying value for most loans made by the Combined Authority is outstanding principal repayable plus accrued interest. Interest credited to the CIES is the amount payable under the agreement.

When soft loans are made, a loss is recorded in the CIES. The loss is charged to the appropriate service line. The loss is the present value of the interest that will be foregone over the life of the instrument. The amortised value is therefore lower than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES. The effective rate of interest is higher than the actual rate, increasing 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 accounting period. The amount charged to the CIES may differ from the charge against the General Fund Balance. An appropriate transfer is made from the Financial Instruments Adjustment Account in the MIRS.

Assets are identified as impaired if there is a likelihood arising from a past event that payments due under the contract will not be made. The asset is written down and a charge made to the relevant service or the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows. The calculation is made by discounting at the asset's original effective interest rate.

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

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Combined Authority is contractually committed to a financial instrument. The assets are initially measured and carried at fair value.

Where the asset has fixed or determinable payments, annual credits are made to the Financing and Investment Income and Expenditure line in the CIES. Interest receivable is based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument.

Some assets do not have fixed or determinable payments. Income is credited to the CIES when it becomes receivable by the Combined Authority.

Assets are maintained in the Balance Sheet at fair value. Values 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
- equity shares with no quoted market prices – multiple valuation techniques (which include market approach, income approach and cost approach)

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 Combined Authority 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.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain / loss is recognised in the Surplus or Deficit on Revaluation of Available for Sale Financial Assets.

The exception is where impairment losses have been incurred. Impairment losses are debited to the Financing and Investment Income and Expenditure line in the CIES along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Assets are impaired if

- There is a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments). The impairment loss is the difference between the carrying amount and the present value of the revised future cash flows. The calculation uses the asset's original effective interest rate.
- Fair value falls below cost. The impairment loss is the shortfall of fair value against the acquisition cost of the instrument. The acquisition cost is net of any principal repayment and amortisation.

Any gains and / or losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Government Grants and Contributions

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and 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.

Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Combined Authority's arrangements for accountability and financial performance.

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 period. 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 so that there is no net charge against Council Tax for the expenditure.

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.

Value Added Tax (VAT)

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

Glossary

Accounting Period - 1st April to 31st March is the local authority accounting period. For 2017, the period is 3 March 2017 to 31 March 2017. It is also termed the financial year or financial period.

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 period-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 period 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 3 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 period on the different reserves held by the Combined Authority, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and unusable reserves.

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

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

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

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

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

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

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

Index of Notes to the Core Financial Statements

<i>Note</i>	<i>Description</i>	<i>Page</i>	<i>Note</i>	<i>Description</i>	<i>Page</i>
1	External Audit Costs.....	16	14	Cash Flow Statement – Cash and Cash Equivalents	22
2	Mayor's and Member's Allowances	16	15	Critical Judgement in Applying Accounting Policies	22
3	Officers' Remuneration.....	16	16	Authorisation of the Accounts.....	22
4	Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure	16			
5	Comprehensive Income & Expenditure Statement – Taxation and Non Specific Grant Income.....	17			
6	Related Parties.....	17			
7	Expenditure and Income Analysed by Nature	18			
8	Movement in Reserves Statement – Transfers to / (from) Earmarked Reserves.....	18			
9	Financial Instruments	19			
10	Fair Value of Financial Assets and Financial Liabilities..	19			
11	Nature and Extent of Risks Arising from Financial Instruments	20			
12	Debtors.....	22			
13	Creditors.....	22			

Annual Governance Statement

3 March 2017 to 31 March 2017

Annual Governance Statement

Scope of Responsibility

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

In discharging this overall responsibility, the 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.

As the Combined Authority was formally established on 3 March 2017, the organisation is in its infancy and this is its first statement. Prior to its establishment, a shadow board was set up in December 2016 to oversee the development of the Combined Authority’s corporate governance arrangements. The Combined Authority has made good progress which is described in this statement and further progress will be made throughout the year. A copy of the Combined Authority’s constitution is available on its website.

The governance arrangements being developed 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*

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

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

The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values, by which the Combined 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 Combined 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 Combined 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 in its infancy, the governance framework is 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.

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 new 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.

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

Prior to the making of the Order, the constituent councils agreed to set up a shadow board to begin the process of putting in place appropriate governance arrangements to establish the Combined Authority. Following the making of the order, the first meeting of the Combined Authority Board was held on 20 March 2017, and the Combined Authority's first directly elected Mayor was elected on 4 May 2017 for a four year term of office until May 2021.

Cambridgeshire and Peterborough Combined Authority Structure

The Combined Authority is made up of a directly elected Mayor and the following seven local authorities (referred to as the Constituent Councils) and the Greater Cambridge Greater Peterborough Enterprise Partnership "the LEP":

- 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 Combined Authority sets out the Combined 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 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 Combined 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 LEP will nominate one of its Members, normally the Chair and a substitute member. The Combined Authority Members comprise the Board. The Board's role and powers are set out in the constitution. Essentially, it provides strategic leadership for the Combined Authority area, approving strategies, policies and overseeing fiscal matters to ensure that the required outcomes are delivered. The Board meets monthly.

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

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

Mayor

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

The functions of the Combined Authority are grouped into portfolios. In accordance with the Combined Authority's Constitution, the Mayor and the Combined Authority Board agree portfolio responsibilities in respect of those functions. The Mayor allocates the agreed portfolio responsibilities to each Member of the seven constituent councils. Each portfolio holder leads on his/her allocated portfolio functions and is accountable for his/her portfolio area. The Mayor has appointed two deputies.

Investment Working Group and the Delivery Working Group

The Board is supported by two working groups: The Investment Working Group and the Delivery Working Group. Their terms of reference and membership are set out in the constitution. The operational governance arrangements are summarised in Appendix 1.

Investment Working Group

The Investment Group will oversee the development of investment opportunities from conception stage through to full, detailed business cases for approval by the Combined Authority Board. It is expected to meet monthly, or more frequently in the initial stages.

It will consider the area's future needs for infrastructure investment and help to maintain Cambridgeshire's competitiveness in the UK and across the world. It will take its lead from the Fiscal Strategy and work with the Single Investment Pot in addition to developing opportunities to lever private investment into the area.

The economic strategy will provide the basis for investment decisions made by the Combined Authority, although investments may take into account the objectives of the Cambridgeshire and Peterborough Devolution Deal. This will form the basis for business cases and show the linkages between single pot investments and growth in the economy of the area. The economic strategy will directly inform the development of the Cambridgeshire and Peterborough CA Infrastructure and Investment Plan. The plan will identify the strategic programmes and projects that will deliver sustainable

economic growth and support the social economy and health and well-being of the area.

Projects brought forward to the Investment Group may include schemes that enable housing, economic growth, skills, transport and digital connectivity. It will make recommendations to the Combined Authority Board as to the robustness of the business cases.

The Combined Authority has agreed with Government an assurance framework. The Investment Group will provide assurance to the Board and Government through the implementation of the framework arrangements. The expected inputs and outputs from the group are summarised in Appendix 1.

Delivery Working Group

The Delivery Group will oversee the implementation of the devolution programme and its component projects or schemes, which may be cross-cutting or have interdependencies. It is expected to meet monthly.

It is the group to whom those commissioned to deliver projects initially report and it is accountable to the Combined Authority Board for the successful implementation and the achievement of the desired targets and outcomes.

The Combined Authority has agreed a monitoring and evaluation framework with Government. The Delivery Group will provide assurance to the Combined Authority Board and to Central Government through robust monitoring and evaluation arrangements for each of the commissioned projects. The

expected inputs and outputs from the group are summarised in Appendix 1.

Overview and Scrutiny Committee

At its first annual meeting, the Board established an overview and scrutiny committee. The committee has been established 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, prior to or after they have been made. They will 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.

A shadow committee was set up earlier in the year and work began with the Centre for Public Scrutiny to explore other areas of scrutiny. Members are keen to 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. Now the committee is formally established it will be developing its role and its relationship with the board.

Audit and Governance Committee

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

The Greater Cambridge Greater Peterborough Enterprise Partnership

The Greater Cambridge Greater Peterborough Enterprise Partnership is a voluntary partnership between constituent councils and non-constituent local authorities and the business community, playing a key role in determining local economic priorities and growth. The Partnership is a key interface with Centre Government and the region, and offers policy advice and strategic direction aligned to the Combined Authority's objectives. The LEP is a key member of the Combined Authority. Three local authority leaders and the Mayor are members of the LEP recognising the importance of the LEP's role and the private sector in any growth strategies for delivery in the Combined Authority area.

Decision Making

All agendas and reports produced for meetings of the Combined Authority and its associated Committees are issued to members and published on the Combined Authority's website in accordance with access to information requirements

in the 2017 Order. All board and committee meetings are held in public.

A Forward Plan identifying strategic decisions that will be made by the Board over a four month period is updated and presented to the Board each month. It will also include all forthcoming key decisions which require at least 28 days' notice.

Notice of decisions are also published no more than two days after the meeting and are not implemented until four 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 in order for it to be able to fulfil strategic objective. The First budget was agreed at the first Board meeting in March 2017 and is regularly reviewed by the Board.

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

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

shall include Constituent Authorities, the Local Enterprise Partnership and the Overview and Scrutiny Committee.

Before 1st February, having taken into account 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.

Developing Capacity

The member structure is well defined, and following the appointment of the Chief Executive, a workforce plan will be developed to identify the resources required to ensure the organisation is best placed to deliver its objectives through a commissioning model.

Internal Audit

Peterborough City Council provides the internal audit function, and the Chief Internal Auditor will be submitting the first audit plan to the first meeting of the Audit and Governance Committee.

External Audit

Ernst & Young LLP has been appointed as the Combined Authority's external auditors and will be auditing these accounts.

Risk Management

The Combined Authority's Audit and Governance Committee is responsible for overseeing the Combined Authority's risk management strategy and corporate risk register.

Corporate and project risk will be identified, recorded and will be monitored by the Delivery Group and the Audit and Governance Committee, and escalated to the Board where needed.

Managing Performance

Given the level of investment the Combined Authority will generate, it is vital that robust programme management processes are developed for its programmes, across distinct themes and for collective consideration of outputs and outcomes. An evaluation and performance framework has been agreed by the Board and Government. A Performance Management Framework will be developed to monitor the impact of projects/programmes and to bring all the funding streams and programmes together to monitor cross cutting issues, and provide output and outcome information.

Review of Effectiveness

The Combined 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. The Combined Authority is in its infancy, just three months old. Therefore this review has

focused on where we are now and where we want to be in the year ahead against the Good Governance Principles.

Governance Issues

The following actions to develop the governance arrangements are planned over the next year:

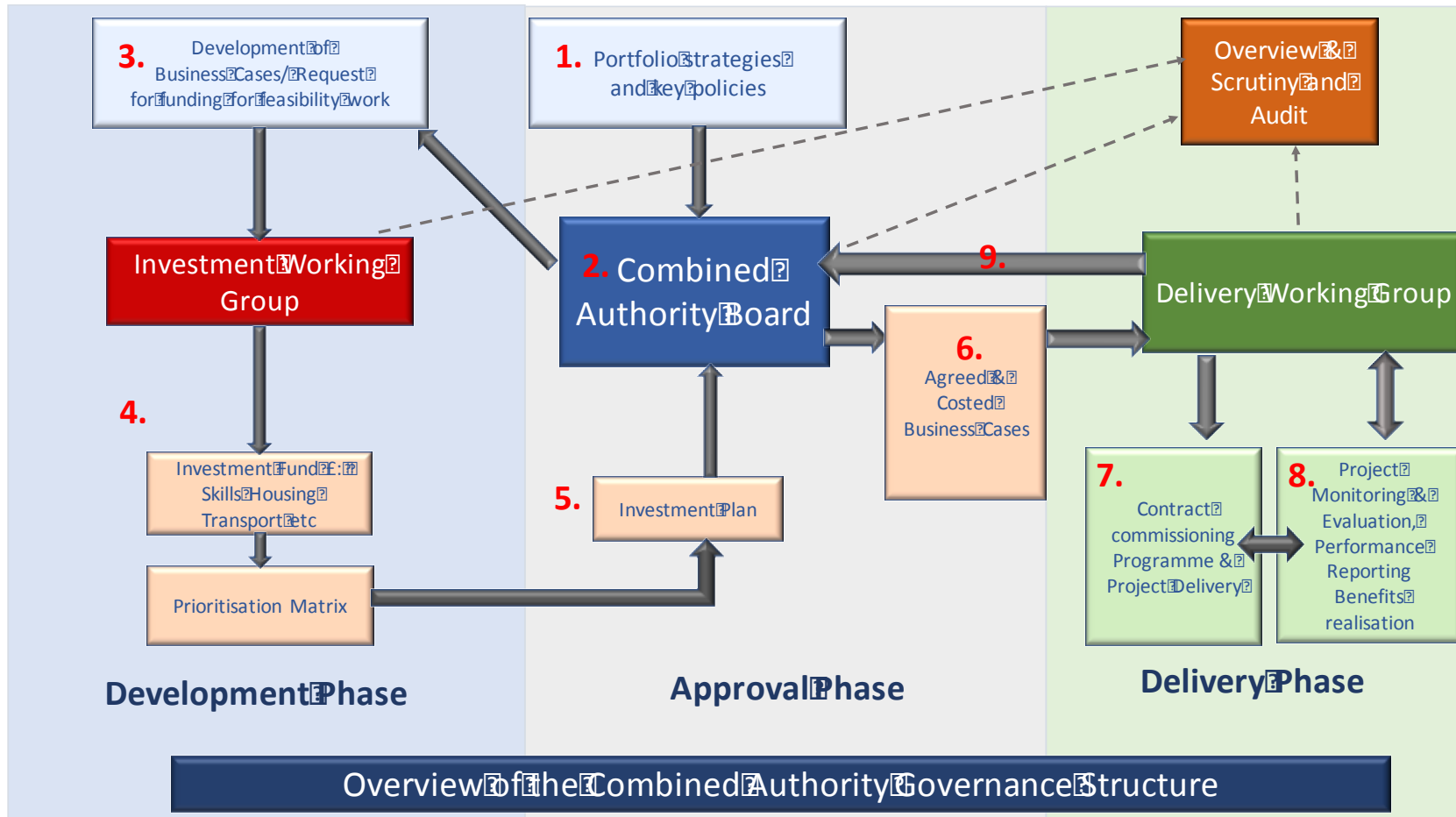


Issue	Action Required	Responsible Officer	Date of Completion
Code of Corporate Governance	Establish a Code of Corporate Governance in line with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE) Framework Delivering Good Governance in Local Government.	Kim Sawyer/Monitoring Officer & Finance Officer	
Whistleblowing,	These policies to be developed.	Kim Sawyer. Monitoring Officer	
Anti-fraud and corruptions Policies	These policies to be developed	Kim Sawyer, Monitoring Officer & Finance Officer	
Complaints procedure	Procedure to be developed once staff in place	Kim Sawyer. Monitoring Officer	
Risk Management	Establish risk management and reporting arrangements for corporate and individual projects.	Martin Whiteley, Interim Chief Executive/Chief Finance Officer	
Communications Strategy	A strategy to be developed to include partnership frameworks and community engagement	Kim Sawyer. Monitoring Officer	
Economic Strategy	Strategy to identify evidence base	Martin Whiteley, Interim Chief Executive	
Infrastructure and Investment Plan	Plan to identify strategic programmes and projects	Martin Whiteley, Interim Chief Executive	
Performance Management	Systems to be established	Martin Whiteley, Interim Chief Executive	



Governance

The Diagram below shows the high-level roles, relationships & reporting lines between the different structures in the Combined Authority.





Combined Authority Board

Role	To provide strategic leadership for the Combined Authority area, approving strategies, policies and overseeing fiscal matters to ensure that the required outcomes are delivered
Membership	The elected Mayor (Chair) One elected member from each Constituent council One member from the Local Enterprise Partnership
Meetings	Monthly

Items requiring Combined Authority Board Approval		
Strategies/ Policies/ Frameworks	Budget Matters	Governance
<ul style="list-style-type: none">• Economic Strategy• Investment Plan• Growth Strategy• Evidence Base• Housing Strategy• Local Transport Plan• Skills Strategy• Delivery Plan• Other strategies and plans as agreed• Assurance Framework• Programme Management Framework• Prioritisation Framework• Monitoring & Evaluation Framework• Equality Framework	<ul style="list-style-type: none">• CA budget• Fiscal Strategy• Plans for the allocation of transport-related funding• Treasury Management Strategy including borrowing limits• Capital Investment Strategy• Single Investment Fund Allocation	<ul style="list-style-type: none">• Constitution• Establishment & membership of committees & sub-committees• Establishment and membership of Joint committees and commissions• Mayoral Allowance• Appointments of Statutory Officers• Appointment of Independent Person for Audit & Governance Committee• Any other matters reserved to the Board



Inputs to Combined Authority Board	Outputs from Combined Authority Board
<p>For approval:</p> <ul style="list-style-type: none"> • Strategies, policies & frameworks • Projects selected for inclusion via the prioritisation framework • Business Cases • Budget matters (as per above list) • Financial decisions • Statutory Officer & Independent Person appointments • Governance arrangements (as per above list) <p>For guidance/ decision:</p> <ul style="list-style-type: none"> • Matters where a project or scheme has a major risk or issue that has been escalated to the Board • Other issues where guidance is required prior to CA board decision or escalation <p>For information:</p> <ul style="list-style-type: none"> • Reports including monitoring and evaluation of investment decisions • Delivery Working Group report including <ul style="list-style-type: none"> ➤ Progress reports on overall programme/ project delivery • Corporate risk register and issues log • Outcomes of consultations • Audit reports 	<ul style="list-style-type: none"> • Publicly available minutes • Record of decisions • Approved budget, strategies, frameworks, business cases etc • Clear direction & instructions to the Investment Group and Working Group • Commissions i.e. to establish a sub-committee or agree to commission a partner authority to deliver a workstream • Reports to DCLG as required

Investment Group

Role	<p>The Investment Group will oversee the development of investment opportunities from conception stage through to full, detailed business cases for approval by the Combined Authority Board.</p> <p>It will consider the area's future needs for infrastructure investment and help to maintain Cambridgeshire's competitiveness in the UK and across the world. It will take its lead from the Fiscal Strategy and work with the Single Investment Pot in addition to developing opportunities to lever private investment into the area.</p> <p>Projects brought forward to the Investment Group may include schemes that enable housing, economic growth, skills, transport and digital connectivity. It will make recommendations to the Combined Authority Board as to the robustness of the business cases.</p> <p>It will provide assurance to The Combined Authority Board and to Central Government through the implementation the Assurance Framework arrangements.</p>
Membership	<p>Deputy Mayor (Statutory) - Chair Fiscal Portfolio Holder (Vice-Chair) Strategic Planning Portfolio Holder Chair of the LEP</p>
Meetings	<p>Supported by senior financial and legal advisors as appropriate Monthly</p>



Items requiring Investment Group input or action			
Strategies/ Policies	Budget Matters	Delivery-related	Governance
<ul style="list-style-type: none"> • Fiscal Strategy • Investment Strategy • Strategic Infrastructure Delivery Plan • Local Transport Plan • Transport Strategy including Key Route Network (management & maintenance) • Bus Franchising (subject to the Bus Services Bill) • Investment Plan 	<ul style="list-style-type: none"> • CA budget (& MTFP) • Local Transport Budget • Single Investment Pot • 19+ Skills budget (from 19/20) • Apprenticeship Grant for Employers • Contracts (as per contract standing orders) • New Local Government Finance System 	<ul style="list-style-type: none"> • Prioritisation Framework • Project Appraisal process • Individual business cases for schemes/ projects • Individual project/ programme risks, issues, changes, exceptions, close down 	<ul style="list-style-type: none"> • Governance arrangements <ol style="list-style-type: none"> 1. Assurance Framework refresh 2. 5-yearly evaluation panels (Investment Fund Grant)
Inputs to Investment Group		Outputs from Investment Group	
For review and comment to the CA Board: <ul style="list-style-type: none"> • Strategies, policies & frameworks (will feed into the Investment Plan produced by the Investment Group) • Business Cases (linked to prioritisation framework) • Budgets • Financial decisions • Governance arrangements 		<ul style="list-style-type: none"> • Minutes of the meetings • Recommendations to the CA Board on budgets, strategies, frameworks, business cases etc • Investment programme/ project pipeline • Investment Plan • Reports on the Investment budget (Single Pot) • Reports that provide an assessment of the outcomes and impact of each project to the Combined Authority Board • Reports for Overview and Scrutiny 	



<p>For Investment Group action:</p> <ul style="list-style-type: none">• Draft Investment Strategy for detailed review and input• Draft Investment Budget (single pot) for detailed review, input and comments throughout its stages of preparation• Development of an Investment Plan• Business Cases for projects that are to be assessed via the prioritisation framework• Matters where a project or scheme has a financial risk or issue that has been escalated to the Investment Group• Other issues where guidance is required prior to CA Board decisions• Annual review of Local Assurance Framework• Outcome reports from the Delivery Group to be reviewed and inputted to, identifying the benefits, direct and indirect impacts in order to provide evidence of success of the investment• Project Closedown report for Investment Group recommendation to closedown <p>For information:</p> <ul style="list-style-type: none">• Economic and other local data/ Intelligence to inform strategy development and identification of needs• Modelling information and data to inform options• Delivery Group reports• Progress reports on overall programme/ project delivery• Corporate risk register and issues log• Outcomes of consultations• Audit reports	<ul style="list-style-type: none">• Commissions i.e. to produce an investment strategy, investment budget• Refreshed Local Assurance Framework
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Delivery Group

Role	<p>The Delivery Group will oversee the implementation of an approved Cambridgeshire and Peterborough devolution programme and its component projects or schemes, which may be cross-cutting or have interdependencies.</p> <p>It is the group to whom those commissioned to deliver projects initially report and is accountable to the Combined Authority Board for the successful implementation and the achievement of the desired targets and outcomes.</p> <p>It will provide assurance to The Combined Authority Board and to Central Government through robust monitoring and evaluation arrangements for each of the commissioned projects.</p> <p>Projects may include schemes that enable housing, economic growth, skills, transport and digital connectivity.</p>
Membership	<p>Deputy Mayor (Constitutional) - Chair Housing Portfolio Holder (Vice Chair) Employment & Skills Portfolio Holder Transport & Infrastructure Portfolio Holder</p> <p>It will invite to the Board non-voting independent advisors such as financial and legal professionals and those with specialist expertise in matters relating to the programmes to be delivered, as it considers appropriate.</p>
Meetings	Monthly



Items requiring Delivery Board Review, Input or Action			
Strategies/ Policies	Budget Matters	Delivery-related	Governance
<ul style="list-style-type: none"> Investment Plan for information Other strategies and plans for information only 	<ul style="list-style-type: none"> MTFP for information Contract approval (as per contract standing orders) Monitoring delivery of approved projects/ schemes against budget 	<ul style="list-style-type: none"> Strategic Programme Delivery Plan Individual business cases for schemes/ projects Individual project/ programme risks, issues, changes, exceptions Performance Management & Reporting Day to Day project Monitoring & Evaluation Benefits realisation & Outcome Measurement Agreements with providers/ partners 	<ul style="list-style-type: none"> Governance arrangements <ol style="list-style-type: none"> Assurance Framework refresh Monitoring & Evaluation Framework 5-yearly evaluation panels (Investment Fund Grant) Performance Management Framework



Inputs to Delivery Group	Outputs from Delivery Group
<p>For review and comment to the CA Group:</p> <ul style="list-style-type: none"> • Strategies, policies & frameworks as appropriate • Business Cases (since this Group will oversee their delivery) <p>For the Operation of the Delivery Group:</p> <p><i>Initial items:</i></p> <ul style="list-style-type: none"> • Programme management arrangements including Toolkit and reporting templates to be agreed and implemented across all projects • Standard Contract management arrangements to be developed • Performance Management arrangements and reporting to be developed <p><i>Ongoing items:</i></p> <ul style="list-style-type: none"> • Pipeline of projects from Investment Group and approved by CA Board to be built into Strategic Programme Delivery Plan • Project plans from leads for initial signoff before commencement • Detailed programme plans, project resourcing plan, corporate risk register and issues log for review and maintenance • Project Highlight reports for review, direction and comment • Exception reports where a project or scheme has a financial, technical, timescale or other risk/ issue 	<ul style="list-style-type: none"> • Minutes of the meetings • Record of decisions (made within the parameters allowed) • Recommendations to the CA Board as appropriate • Programme Management Framework • Strategic Programme Delivery Plan • Individual detailed project plans (with officer support) • Refreshed Evaluation and Monitoring Framework (annual) • Project update reports and overall programme update reports • Highlight and exception reporting • Corporate Risk Register and Issues Log • Lessons Learned Log • Reports that provide an assessment of the benefits, outcomes and impacts of each project to the Investment Board (for input) and the Combined Authority Board • Reports for Overview and Scrutiny • Project Closedown reports to Investment Group & CA Board



- Other issues where guidance is required prior to CA Board decisions or escalation
- Draft outcome reports identifying the benefits, direct and indirect impacts in order to provide evidence of success of the investment – production overseen by the Delivery Group for submission to the Investment Group and the CA Board
- Project Closedown report for Investment Group agreement
- Lessons Learned Log – review and learning shared
- Annual review of Evaluation and Monitoring Framework

For information:

- Economic and other local data/ Intelligence to inform strategy development and identification of needs
- Modelling information and data to inform options
- Delivery Group reports
- Progress reports on overall programme/ project delivery
- Corporate risk register and issues log
- Outcomes of consultations
- Audit reports

Certification

As Leader and Mayor, we have been advised on the implications of the results of the review of effectiveness of the Combined Authority's governance framework, by the Audit & 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:

Martin Whitely, Chief Executive

Date:

Signed:

James Palmer, Mayor of the Cambridgeshire and Peterborough Combined Authority

Date:



AUDIT AND GOVERNANCE COMMITTEE	AGENDA ITEM No: 6
21 SEPTEMBER 2017	PUBLIC REPORT

TREASURY MANAGEMENT MID YEAR UPDATE

1.0 PURPOSE

- 1.1. The purpose of the report is for the Audit and Governance Committee to review the current performance against the prudential indicators included within the Treasury Management Strategy.

<u>DECISION REQUIRED</u>	
Lead Officer:	Alex Colyer – Interim S151 Officer and Chief Finance Officer
The Audit and Governance Committee is recommended to review the current performance against the Treasury Management Strategy.	

2.0 BACKGROUND

- 2.1. The Cambridgeshire and Peterborough Combined Authority (CPCA) Treasury Management Strategy (TMS) 2016/17 to 2017/18 (Appendix 1) was approved by the CPCA Board on 20th March 2017.
- 2.2. The Board recognised that it has no plans to borrow in the short term, but in the meantime has registered with the Public Works Loan Board (PWLB) in anticipation of future need. The Board also acknowledged that the Treasury Management Strategy would be refreshed and re-approved once investment plans and borrowing plans are confirmed.
- 2.3. The CPCA Board approved the Audit and Governance Committee's Terms of Reference on 26th April 2017.

- 2.4. According to these Terms of Reference, the Audit and Governance Committee shall:

No. 3.16 – Ensure there is effective scrutiny of the treasury management strategy and policies in accordance with CIPFA's Code of Practice.

- 2.5. The Treasury Management in the Public Services: Code of Practice 2011 recommends that Members receive reports on its treasury management policies, practices and activities, including an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close.
- 2.6. This report provides the mid-year review.

Treasury Management Strategy Prudential Indicators

- 2.7. The Prudential Code underpins the system of capital finance. Prudential indicators are developed to ensure that:
- (a) Capital investment plans are affordable;
 - (b) All external borrowing and other long term liabilities are within prudent and sustainable levels; and
 - (c) Treasury management decisions are taken in accordance with professional good advice.
- 2.8. The Combined Authority operates a restrictive lending list due to the continued economic uncertainty. Surplus cash is only invested for short periods with Barclays. The Combined Authority also invests with other Local Authorities, the Debt Management Office (DMO) and with facilities set up with Money Market Funds (MMF).
- 2.9. The Bank of England Monetary Policy Committee reduced the Base Rate to 0.25% in August 2016. Bank Base Rates are forecast to remain unchanged at 0.25% until 2019/20 when the rate is forecast to increase to 0.63%.

Investment Activity

- 2.10. The Combined Authority has so far received £101m of grant funding from the Department for Communities and Local Government - £40.5m was received on 20th March 2017 and £60.5m was received on 21st April 2017.
- 2.11. As at 31 August 2017, the following investments were held with Approved Investments in accordance with the Treasury Management Strategy:

<u>Investment Type</u>	<u>Average interest rate on balances held</u>	<u>Balances as at 31 Aug 2017 (£m)</u>	<u>TMS Collective Limit (£m)</u>	<u>TMS Individual Limit (£m)</u>
Debt Management Agency Deposit Facility	0.100%	14.0	n/a	75.0
Term deposits with UK Government & Local Authorities	0.210%	61.0	100.0	20.0
Term deposits & Certificates of Deposit with Banks	0.100%	15.0	100.0	15.0
Money Market Funds	0.188%	10.0	50.0	10.0
Total		100.0		

Prudential Indicators – Forecast Outturn as at 31 August 2017

2.12. The Code requires the Combined Authority to set a range of Prudential Indicators. Due to the Combined Authority only being created with effect from 3rd March 2017, and of the lack of information on capital projects expenditure at that time, no prudential indicators have been set for 2017/18. The information provided below sets out the 2017/18 forecast against the Capital Prudential Indicators to be reported on in future according to those set out in the Treasury Management Strategy.

2.13. Indicator 1: Capital Expenditure

This indicator is the estimated capital expenditure for the year based on the Capital Programme for that period.

Capital Expenditure	2017/18 Indicator (£m)	2017/18 Actual as at 31/08/17 (£m)	2017/18 Forecast Outturn (£m)
Gainshare - Capital	0.000	0.000	7.490
Housing - General	0.000	0.610	2.716
Housing - Cambridge	0.000	0.000	0.000
Total	0.000	0.610	10.206
Comment:	Forecast - per 2017/18 budget		

2.14. Indicator 2: Capital Financing Requirement (CFR)

The CFR measures the Council's underlying need to borrow money in the long term for capital purposes.

Capital Financing Requirement (CFR)	2017/18 Indicator (£m)	2017/18 Actual as at 31/08/17 (£m)	2017/18 Forecast Outturn (£m)
Underlying need to borrow	0	0	0
Comment:	No intention to borrow in 2017/18		

2.15. Indicator 3: Actuals and estimates of the ratio of financing costs to net revenue budget

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of net financing costs to net revenue stream	2017/18 Indicator (£m)	2017/18 Actual as at 31/08/17 (£m)	2017/18 Forecast Outturn (£m)
Ratio (as %)	0%	0%	0%
Comment:	No intention to borrow in 2017/18		

3.0 FINANCIAL IMPLICATIONS

3.1. None.

4.0 LEGAL IMPLICATIONS

4.1. Treasury Management activities have to conform to the Local Government Act 2003, the Local Authorities (Capital; Finance and Accounting) (England) Regulations 2003 (SI 2003/3146), which specifies that the Council is required to have regard to the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice and also the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414), which clarifies the requirements of the Minimum Revenue Provision guidance.

5.0 SIGNIFICANT IMPLICATIONS

5.1. None.

6.0 APPENDICES

- Appendix 1 – Cambridgeshire and Peterborough Combined Authority (CPCA) Treasury Management Strategy 2016/17 to 2017/18.

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

Cambridgeshire and Peterborough Combined Authority (CPCA) Treasury Management Strategy 2016/17 to 2017/18

1. Introduction

1.1 Background

1.1.1 The Combined Authority is required to operate a balanced budget, which means that cash raised through the year will meet cash expenditure. The role of treasury management is to ensure cash flow is adequately planned so that cash is available when it is needed. Surplus monies are invested in low risk counterparties commensurate with the Combined Authority's low risk appetite ensuring that security and liquidity are achieved before considering investment return.

1.1.2 CIPFA defines treasury management as:

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

1.2 Reporting Requirements

1.2.1 The Combined Authority is required to receive and approve, as a minimum, three reports each year; included in the Medium Term Financial, a mid-year report and a year end report.

1.2.2 This Treasury Management Strategy report will include:

- An Investment Strategy

1.2.3 A normal Annual Treasury Report would also provide the following details:

- the capital programme (including prudential indicators)
- a Minimum Revenue Provision (MRP) Policy
- the Treasury Management Strategy including treasury indicators
- a Borrowing Strategy

but based on the current position of the Combined Authority they will be included in future strategies.

1.3 Treasury Management Strategy for 2016/17 and 2017/18

1.3.1 The strategy for 2016/17 and 2017/18 will cover

- | | |
|--------------------------------------|--|
| • Policy on use of external advisors | • Interest rates |
| • The Prudential Indicators | • Investment strategy |
| • Treasury indicators | • Treasury Management Scheme of Delegation |

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

1.4 Treasury Management Advisors

- 1.4.1 The Authority recognises that responsibility for treasury management decisions remain with the organisation at all times and will ensure that undue reliance is not placed upon external advisors.
- 1.4.2 The Authority also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Authority will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

2. Treasury Management Strategy

2.1 Treasury Management Policy

- 2.1.1 The treasury management function ensures that the Authority's cash is managed in accordance with the relevant professional codes, so that sufficient cash is available to meet the Authority's service requirements. This strategy covers the relevant treasury / prudential indicators, the current and projected debt positions, and the Annual Investment Strategy.
- 2.1.2 The Authority's primary treasury management objective is to invest available cash balances with a number of high quality investment counterparties over a spread of maturity dates in accordance with the Authority's lending list.

2.2 Borrowing Strategy

- 2.2.1 The Authority currently has no external loans and has no plans to borrow in the short term. Should this position change, an update to the treasury management strategy will be presented to a future board meeting.

2.3 Annual Investment Policy

- 2.3.1 The Authority's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code").
- 2.3.2 The Authority's investment priorities are the security of capital and the liquidity of investments. The Authority will aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.
- 2.3.3 Investment instruments identified for use in the financial year are listed in Appendix 1 under the 'Specified' Investment categories.

2.4 Investment Counterparty Selection Criteria and Investment Strategy

- 2.4.1 Where it is necessary for investments to be undertaken in order to manage the Authority's cash flows, the Authority's primary principle is for the liquidity of its investments and for this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed will not be longer than 364 days. After this main principle the Authority will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate liquidity security and monitoring their security.
- 2.4.2 The Chief Finance Officer will maintain a counterparty list in compliance with the following criteria.
- 2.4.3 The Authority's minimum criteria will apply to the lowest rating for any institution according to the type of investment account being used. This complies with a CIPFA Treasury Management Panel recommendation in March 2009 and the CIPFA Treasury Management Code of Practice.

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

- 2.4.4 If the Chief Finance Officer revises the criteria it will be submitted to the CPCA for approval as necessary.
- 2.4.5 In order to minimise the risk to investing, the Authority has clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list.
- 2.4.6 The criteria for providing a pool of high quality investment counterparties (both Specified and Non-Specified investments), and is shown in the order of use by the Authority, follows:
- UK Government (including gilts and the Debt Management Account Deposit Facility (DMADF)).
 - UK Local Authorities.
 - All of the above would be subject to continuous credit rating reviews.
 - Banks Group 1 - Part nationalised UK banks - These banks can be included if they continue to be part nationalised and / or they meet the ratings below.
 - Banks Group 2 – good credit quality - the Authority will only use banks which are UK banks and have the minimum credit ratings criteria relating to the type of investment being undertaken.
 - Building Societies – if they meet the ratings above
 - Money Market Funds - AAA rated by Fitch
- 2.4.7 The Authority's lending list will comprise of the institutions that meet the investment criteria above. Each counterparty on the list is assigned a counterparty limit as per the table in Appendix 1. Counterparties that no longer meet the investment criteria due to a credit rating downgrade will be removed from the list and any changes will be approved by the Chief Finance Officer. Approval will also be required if any new counterparties are added to the lending list.

- 2.4.8 The proposed criteria for Specified and Non-Specified investments are shown in Appendix 1 for approval. During this time of significant economic uncertainty due regard will be taken of the selection criteria outlined in 2.4.6, when using the options outlined in Appendix 1.
- 2.4.9 Investment returns expectations - Bank Base Rate is forecast to remain unchanged at 0.25% before starting to rise from 2019/20. Bank Rate forecasts for financial year ends are:

Financial Year	Bank Base Rate	Forecast
2016/17	0.25%	There is an upside risk to these forecasts (i.e. if increases in Bank Rate occurs sooner than forecast) if economic growth remains strong and unemployment falls faster than expected. However there is also a downside risk if the pace of growth falls back particularly if the Bank of England inflation forecasts for the rate of unemployment prove to be too optimistic.
2017/18	0.25%	
2018/19	0.25%	
2019/20	0.63%	

- 2.4.10 At the end of the year, the Authority will report on its investment activity as part of its Annual Treasury Report.
- 2.4.11 The Chief Finance Officer may appoint external fund managers to access markets not available to the in-house treasury team, diversify the investment portfolio and to optimise investment income returns. Fund Managers will only be used if the Chief Finance Officer is satisfied the risk of loss is minimised and they can provide material out-performance when compared against comparative cash benchmarks. Fund Managers must comply with the Annual Investment Strategy.

3. Future Treasury Management Changes

3.1 Capital Prudential Indicators

- 3.1.1 The Authority's capital programme is the key driver of the treasury management activity. The output of the capital programme is reflected in the prudential indicators which are designed to assist member's overview and confirm the capital programme.
- 3.1.2 **Indicator 1** – Capital Expenditure – this Prudential Indicator is a summary of the Authority's estimated capital expenditure for the forthcoming financial year and the following ten financial years.
- 3.1.3 **Indicator 2** – Capital Financing Requirement (CFR) – the CFR is a measure of the Authority's underlying need to borrow for a capital purpose.
- 3.1.4 **Indicator 3** – This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the

proportion of the revenue budget required to meet financing costs, net of investment income.

3.2 Annual Minimum Revenue Provision Statement

- 3.2.1 Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), CLG Regulations require full Council to approve a MRP statement in advance of each year.

4. Treasury Management Scheme of Delegation

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

CPCA Board

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

CPCA Board / S151 Officer (Chief Finance Officer)

- Approval of / amendments to the Council's adopted clauses, Treasury Management Policy Statement and Treasury Management Practices.
- Budget consideration and approval.
- Approval of the division of responsibilities.
- Receiving and reviewing regular monitoring reports and acting on recommendations.

Section 151 Officer (Chief Finance Officer) / Deputy 151 Officer

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

-Specified and Non-Specified Investments

APPENDIX 1

Specified Investment:

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

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

APPROVED "SPECIFIED" INVESTMENTS				
Investment Type	Maximum Maturity period	Minimum Credit Criteria	Collective Limit £m	Individual Limit £m
Commercial Paper (short term obligations issued by banks, corporations & other issuers).	6 months	Minimum short term rating - F1 (Fitch) (Held by custodian)	10	10
Gilt & Bond Funds (open ended mutual funds investing in Gov. & corporate bonds)	Highly liquid, may be sold at any time.	Minimum rating - AAA-(Fitch, S&P A-1 etc.)	10	10
Reverse Gilt Repos (Gilts bought with commitment to sell on a specified date or on call, at agreed price)	6 months	UK Government backed (Held by custodian)	10	10
Treasury Bills	Maturities of up to 6 months Issued through a bidding process at a discount to face value	UK Government backed (Held by custodian)	10	10
Bonds issued by a financial institution guaranteed by UK Government	6 months	UK Government backed (Held by custodian)	10	10
Bonds issued by multilateral development banks	6 months	Minimum rating – AAA (Fitch, S&P A-1etc)	10	10
Bonds issued by multilateral development banks	Maturities of 1 - 10 years but tradable	Minimum rating - AAA (Fitch, S&P A-1etc)	5	5



AUDIT AND GOVERNANCE COMMITTEE AGENDA ITEM No: 7

21 SEPTEMBER 2017

PUBLIC REPORT

**PROGRESS REPORT ON THE IMPLEMENTATION OF SYSTEMS PROCESSES
AND PROTOCOLS IN ACCORDANCE WITH THE ASSURANCE FRAMEWORK
AND THE MONITORING AND EVALUATION FRAMEWORK**

1.0 PURPOSE

- 1.1. The Assurance Framework is a set of systems, processes and protocols linked in a hierarchy of management and financial control procedures. It clearly defines the responsibilities of members and the duties of the Combined Authority's (CA) officers, consultants and partners with regard to the management and financial control of the single investment pot, including the prioritisation, management and financial control of all capital projects.
- 1.2. The measures designed to meet the requirements of the Assurance Framework and the related Monitoring and Evaluation Framework are in development. This report sets out progress to date together with key areas under review.

DECISION REQUIRED

Lead Officer: **Alex Colyer Interim S.151 Officer**

The Audit and Governance Committee is recommended to:

- (a) Note the progress on the implementation of measures in accordance with the Assurance and the Monitoring and Evaluation Frameworks;
- (b) Note the matters arising and the work underway to ensure the requirements of the Frameworks are fulfilled as projects move forward
- (c) Agree for the implementation plan to come back to a future meeting of the Audit Committee for approval

2.0 BACKGROUND

The Assurance Framework

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

2.2 The terms of reference of the Audit and Governance Committee approved at the meeting on the 26th of June confirmed that the Committee shall “Annually review the assurance framework to ensure that it adequately addresses risks and priorities including governance arrangements of significant partnerships.”

2.3 The Assurance Framework is a set of systems, processes and protocols, which along with standing orders, financial regulations, departmental procedures, and codes of practice is linked in a hierarchy of management and financial control procedures, which clearly define the responsibilities of members and the duties of the CA’s officers, consultants and partners with regard to capital projects.

2.3 The Framework is designed to provide an evidence-based and independent assessment of the governance, risk management, and control processes of the organisation. The independence inherent to an assurance framework is derived from the separation between the sponsorship of projects/programmes and their appraisal and evaluation. The awareness of this ‘client/contractor’ distinction is important to securing management and financial control of capital projects. Where difficulties with capital projects are experienced, the underlying causes are likely to originate in a number of factors including the lack of awareness of the client roles, insufficient resources at the outset of projects and unfamiliarity with the construction process.

2.4 The Assurance Framework facilitates the monitoring, measurement, scrutiny and evaluation of how well objectives are being met and risks managed. It also facilitates the implementation of processes to ensure an adequate response if risks or performance are perceived to be unacceptable. HM Treasury defines assurance frameworks as “an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organisation”.

2.5 The Framework provides additional assurance by outlining how funding that is granted or devolved to the CA is allocated and that there are robust local systems in place which ensure resources are spent with regularity, propriety, and value for money.

2.6 The Assurance Framework is also designed to provide assurance about the CA’s activities and spending to the constituent and non-constituent authorities and to the taxpayer. It sets out clear and transparent arrangements for all stakeholders in the area including local authorities, residents and businesses about how the authority will deliver the services designed to meet its objectives.

2.7 In order to develop and implement an effective monitoring and evaluation process it is necessary to ensure that the component parts of the Assurance Framework are in place. Accordingly a number of key elements are work-in-progress at present including the introduction of formal systems and procedures to establish:

- The administration of funding including transparency and recording of decisions;
- Review of management and financial control and reporting systems suitable for the provision of the monitoring and evaluation information required by the CA for possible use by scheme promoters and project managers;
- Business case development and appraisal including robust option appraisals,
- Value for money process and responsibility;
- Development of the Investment Board to oversee all proposals regarding public sector land assets and use of the Single Pot:

2.8 There is also a need to develop the Fiscal Strategy for the CA together with the introduction of key financial services, including:

- The establishment of an Investment strategy;
- The provision of an Income and taxation strategy;
- Expenditure and efficiency strategy (including the consideration of options for Public Service Reform);
- Determination of the Financial Regulations for the Combined Authority as part of the Constitution, to include VAT and Tax Accounting, in order to ensure legal compliance and good practice;
- Development and implementation of more permanent financial systems and processes including banking, payroll, and annual accounting; and;
- The commencement of discussions with Government on new Local Government Finance Systems in order to influence and shape its design around localisation of business rates.

2.9 The Assurance Framework is well produced containing detailed advice and guidance appropriate to securing management and financial control over the extensive range of capital projects in the CA's programme. The organisation structure and systems applied to delivering projects in accordance with the Framework will evolve over time. All of the CA's capital projects are at an early stage and the immediate focus is to ensure that organisation structures are formed to oversee key issues including: the procurement of specialist financial and other professional services; the provision of key information gathering systems and recording procedures. Several important tasks are nearing completion, in progress and/or being commissioned.

2.10 It is proposed that Audit and Governance Committee shall carry out an annual refresh of the Assurance Framework to ensure that it remains fit for purpose and up to date together with a mechanism to ensure that where significant changes are made i.e. through additional powers being devolved that adjustments are made to the framework and agreed with DCLG. The overall objective is to establish an outcome-focused, proportionate project monitoring and evaluation process underpinned by an appropriate organisation and systems on the basis outlined in the following sections of this report.

3.0 MONITORING AND EVALUATION OF POLICIES AND PROJECTS

The Approach to Monitoring and Evaluation

3.1 The delivery of the Assurance Framework will be achieved through a systematic approach to the monitoring and evaluation of the Authority's policies and projects. The Monitoring and Evaluation Framework complements the Assurance Framework by setting out the approach that will be taken to monitor and evaluate the outputs and outcomes of the Combined Authority's interventions to provide accountability for spending decisions to assist understanding of the impact of decentralised arrangements and assess the impact of the devolution deal.

In summary, the approach to be adopted is to combine nationally collected data and statistics with detailed local information to ascertain the extent to which each policy area and individual projects have achieved the objectives set by the CA. The challenge will be to maintain the appropriate level of investigative rigour in order to demonstrate effectiveness.

The Objectives of Evaluation and Monitoring

3.2 The objectives for the introduction of monitoring and evaluation systems are:

- To provide accountability for the investment decisions;
- Justify future spending allocations / investment decisions;
- Assess the value of private sector investment that is part of any growth interventions;
- Enhance the operational effectiveness of existing schemes or future scheme extensions;
- Improve future initiatives (as well as future Value for Money appraisal) based on learning; and
- Contribute to the national evidence base for the effectiveness of devolution as a policy.

3.3 The Combined Authority is currently building a work programme to ensure that it delivers upon each of the commitments made in the devolution deal. This plan will include the timing and proposed approach for monitoring and evaluation of each policy, which will take into account the latest developments in economic evaluation methodology and help support future learning. It is proposed that this implementation plan is brought back to a future meeting of the Audit Committee for its approval.

3.4 There is a need to ensure that there is a well-structured approach to the commissioning of schemes under the devolution deal. In particular the project investment criteria outlined in the Assurance Framework will need to be in place to enable specific monitoring and subsequent evaluation of individual projects to be effective. In applying these criteria attention will need to be given to how they relate to the best practice models for developing the business case for investment. Thereafter the CA will need to ensure that there is appropriate output and outcome monitoring and subsequent evaluation for each of the schemes that are taken forward. The impact of investment fund spending and particularly its additional

contribution to economic growth will be evaluated by an independent evaluation panel.

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

3.6 A number of different constituent authorities are participating as clients/scheme promoters in the determination of the capital programme. It is important for the effective delivery of policies that different client interests are balanced by efficient corporate management of the total capital programme and that contributions from all parties are fully co-ordinated.

3.7 Evaluation objectives will relate back to the business case and build on the assumptions used in the appraisal process. The specific outcomes that will be monitored and measured will differ depending on the type of project and the nature and extent of public and private sector funding required in realising the scheme. Monitoring and evaluation will therefore focus on those outcomes that are most relevant to the impact of the schemes objectives.

3.8 The prioritisation, appraisal and approval processes underpinning the single investment pot will also be reviewed on an ongoing basis to ensure that they remain proportionate, in line with up-to-date guidance and best practice, and provide sufficient assurances regarding value for money and the best use of public sector resources.

3.9 Individual scheme delivery and monitoring will be conducted by scheme promoters while the CA will oversee the evaluation of the programme as a whole. The CA will need to ensure that promoters and their managing agents have the necessary management financial control and reporting arrangements in place as a condition of releasing investment resources.

3.10 The two most important measures of performance in respect of capital projects are completion within time and cost limits. Whereas the importance of cost and progress monitoring during the construction phase is widely acknowledged, it is equally vital that these aspects are controlled in the pre-contract phase when many of the more significant often irreversible decisions affecting the timing and ultimate cost are taken. It is important to emphasize that officers and consultants of scheme promoters will have a duty to provide the necessary information to enable the measurement of performance of individual projects at appropriate stages as well as to facilitate the overall programming of schemes for capital budgeting purposes.

3.11 All major scheme budgets will include a proportionate fund for evaluation, with a nominal rate of up to 0.5% of total capital costs considered for the largest and most important schemes. The budget will be provided through capitalisation, subject to approval by the CA's S.151 Officer.

3.12 Baseline values for all key indicators for each scheme will be established before construction starts. Data collection will take place at intervals depending on the type

of outcome/impact expected for each scheme and the time for stabilisation of behaviours or benefits lag associated with each outcome or impact..

4.0 Conclusion

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

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

4.0 FINANCIAL IMPLICATIONS

4.1 There are no financial implications .

5.0 LEGAL IMPLICATIONS

5.1 There are no legal implications.

6.0 SIGNIFICANT IMPLICATIONS

6.1 None.

7.0 APPENDICES

Source Documents

Location

Appendix 1:The PCCA Assurance Framework

Attached

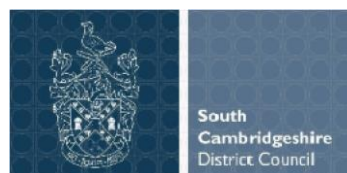
Appendix 2:The Monitoring and Evaluation Framework

Attached

Cambridgeshire and Peterborough Devolution Assurance Framework February 2017



Cambridgeshire
County Council



Cambridgeshire and Peterborough Devolution

Assurance Framework

1. Overview

- 1.1 Cambridgeshire and Peterborough agreed a Devolution Deal¹ with HM Government on 4th July 2016. This included the transfer of significant powers to the local level, awarded new funding and committed to the creation of an elected Mayor over the region to provide strong, accountable leadership.
- 1.2 The Cambridgeshire and Peterborough Devolution Deal sets out details of the powers and functions from central government devolved to the new Cambridgeshire and Peterborough Combined Authority and the new directly elected Mayor. The powers, funding lines and functions of the Combined Authority (CA) and the Mayor will be confirmed in Orders under the Cities and Local Government Devolution Act (2016).
- 1.3 A significant element of the devolution deal was the award of a single pot of investment. This single pot for Cambridgeshire and Peterborough CA will initially comprise of a devolved, multi-year transport settlement and an additional long-term investment fund grant, worth up to £600 million over 30 years.² Other funding streams may be incorporated into the single pot over time, at which point this assurance framework would be updated, with agreement from HM Government.
- 1.4 HM Government has asked devolution areas in receipt of single pot funding to write an assurance framework that explains how this flexible funding will be spent with regularity, propriety and value for money.
- 1.5 An assurance framework is a set of systems, processes and protocols. It is designed to provide an evidence-based and independent assessment of the governance, risk management, and control processes of an organisation. The independence inherent to an assurance framework is derived from the separation between the sponsorship of projects/programmes and their appraisal and evaluation.
- 1.6 An assurance framework enables an organisation to monitor, measure and scrutinise how well objectives are being met and risks managed. It also implements processes to ensure an adequate response if risks or performance are perceived to be unacceptable. HM Treasury defines assurance frameworks as “an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organisation”.
- 1.7 The Cambridgeshire and Peterborough CA will operate according to the Local Government Financial Framework, as set out in the Department for Communities and Local Government’s (DCLG’s) Local Government System Statement. This document does not replace any of the checks and balances prescribed by the existing accountability systems and local authorities’ statutory responsibilities. In performing its role, the Combined Authority will ensure that it acts in a manner that is lawful, transparent, evidence based, consistent and proportionate.

¹ http://www.cambridgeshire.gov.uk/download/downloads/id/4600/cambridgeshire_and_peterborough_devolution_proposal_17_june_2016_final.docx ² This investment fund grant has been awarded to the Combined Authority, working with the Mayor. As such, the CA cannot commit to funding beyond the first five-year tranche without the consent of the Mayor, and the Mayor will have the ability to review all investment decisions made before they were in office, once elected.

2. The Cambridgeshire and Peterborough Assurance Framework

2.1 An assurance framework will help the Cambridgeshire and Peterborough CA allocate public resources in accordance with the law and proper standards and in an efficient and effective way that delivers both the outcomes required and value for money.

2.2 The Cambridgeshire and Peterborough CA will establish an investment fund through which it will administer the single pot allocation of funding from DCLG alongside other local and national funding sources. Although the City Deal and Local Growth Funding streams are not components of the investment fund, an assessment of the totality of funding available to the area will be made to ensure there is an integrated approach across Cambridgeshire and Peterborough.

This assurance framework will apply to all funding the CA receives and is the accountable body for, which includes:

- £20 million per annum (pa) gain share funding (part of the devolved single pot allocation), which in line with the devolution deal is in the control of the Cambridgeshire and Peterborough CA, working with the Cambridgeshire and Peterborough Mayor²;
- £100m Housing capital grant over five years to meet the housing needs of Cambridgeshire and Peterborough;
- £70m Housing capital grant over five years to meet the housing needs of Cambridge;
- Single Transport Pot funds (part of the devolved single pot allocation). The process for allocating the consolidated transport funding from 2017/18 will be subject to review by the Mayor in line with their responsibilities outlined in the devolution deal;
- Recycled Business Rates, Council Tax and New Homes Bonus associated with specific fund investment projects (recycled to the Fund where appropriate on a pro-rata basis reflecting public sector investment);

The investment fund will provide the opportunity to combine funding, from the range of sources highlighted above, to maximise economic impacts. All projects funded through the investment fund will be subject to a single prioritisation, appraisal, and monitoring and evaluation procedure, with value for money assessments carried out as part of the appraisal process tailored to the nature, scale and source of funding for the proposed investment project. Investment decisions will be made for all funding with reference to statutory requirements, conditions of the funding, local transport objectives and the Strategic Economic Plan through formal LEP involvement.

The following sources may also form part of the investment fund, dependent upon the future funding bids, changes in legislation, the specific nature of projects and future Cambridgeshire and Peterborough CA/Mayor decisions:

- the value of local authority land assets identified for projects and as part of the project funding package;

² No spending commitments beyond the initial five-year allocation will be made until the Cambridgeshire & Peterborough Mayor is in office and has agreed to the CPCA investment strategy. The Cambridgeshire & Peterborough Mayor will also have the authority to review all investment decisions related to this funding, taken before their appointment.

- capital receipts and income from investment assets at a CA level; any additional supplement on business rates to fund infrastructure;
- other funding sources, including project specific match funding;
- prudential borrowing at a CA level (currently only for transport projects). The investment fund will have access to local prudential borrowing where this is relevant to the scheme(s) that are funded through the investment fund, but the fund will not be making local prudential borrowing decisions on behalf of districts; and
- Adult Education Budget from 2018/19- subject to readiness conditions.

Other funding sources will be aligned with the investment fund to ensure that an integrated, comprehensive and strategic approach is adopted to promoting growth within the area. However, this funding will not be governed by this assurance framework.

Where any other funds from central government and their arm's length bodies is used alongside CA funds they will be subject to this assurance framework. They will also be used in line with the guidance, expectations and requirements of that funding body (for example, where Recycled Capital Grant Funding is used alongside investments, it will need to meet all HCA requirements). This is to ensure appropriate management of public funding: to limit the risk of double subsidy, for example. Any enhancement of investments with any other funding from central government and their arm's length bodies will also clearly set out the additional impact this delivers.

Notwithstanding these considerations, the CA is empowered to use its funding in flexible and innovative ways to maximise the numbers and speed of delivery of new affordable housing.

- 2.3 This assurance framework has been designed to align with the Single Pot Assurance Framework Guidance developed by the Department for Communities and Local Government (DCLG) and the Cities and Local Growth Unit.
- 2.4 It is also designed to align with existing assurance frameworks including the Cambridge City Growth Deal Assurance Framework and the Greater Cambridge Greater Peterborough Local Enterprise Partnership (GCGP LEP) Assurance Framework. There will be a distinction between the operation of these frameworks, though it is fully intended that their decision-making will operate with the same features and principles. Paragraph 3.14 below outlines the CA's approach to dealing with overlapping assurance frameworks.
- 2.5 The Cambridgeshire and Peterborough Combined Authority Assurance Framework provides additional assurance to the DCLG accounting officer by explaining how funding that is granted or devolved to the CA is allocated, and that there are robust local systems in place which ensure resources are spent with regularity, propriety, and value for money.
- 2.6 The assurance framework is also designed to provide assurance about the CA's activities and spending to the constituent and non-constituent authorities and to the taxpayer. It sets out clear and transparent arrangements for all stakeholders in the CA area including local authorities, residents and businesses about how the CA will conduct itself.

- 2.7 This assurance framework will be subject to an annual review (at a minimum) to ensure that it remains fit for purpose and up to date. There are a number of new structures, procedures and strategies being introduced as a result of the devolution deal that will take time to establish and become fully operational. Similarly, as the devolution process continues, new funding streams will be brought into the single pot and control of the CA and with them a requirement to provide assurance that this funding is being spent appropriately. Where significant changes are made, for example as a result of additional powers or funding, adjustments made to the assurance framework will be agreed with DCLG.
- 2.8 The prioritisation, appraisal and approval processes underpinning the single investment pot will also be reviewed on an ongoing basis to ensure that they remain proportionate, in line with up-to-date guidance and best practice (such as the most recent HMT Green Book and DCLG appraisal guide), and provide sufficient assurances regarding Value for Money (VfM) and the best use of public sector resources.
- 2.9 The structure of this document

This document is split into three further sections.

- Section 3 covers the governance and decision-making systems that underpin the CA's assurance framework.
- Section 4 outlines the apparatus and safeguards in place to ensure that the CA's decision-making is transparent and that decision makers are held accountable.
- Section 5 outlines the processes that will be followed in order to ensure a rigorous and robust appraisal of projects and programmes.

This assurance framework document should be read alongside the CA's constitution and is accompanied by a suite of further documents that are included in the appendices.³

3.0 Governance

- 3.1 This section describes the governance systems and mechanisms for the Cambridgeshire and Peterborough CA governance in relation to the use of the single pot funding.
- 3.2 This is the assurance framework for the Cambridgeshire and Peterborough CA. Geographically the area covering the boundaries of the following local authorities defines it:
- Cambridge City Council
 - Cambridgeshire County Council
 - East Cambridgeshire District Council
 - Fenland District Council
 - Huntingdonshire District Council

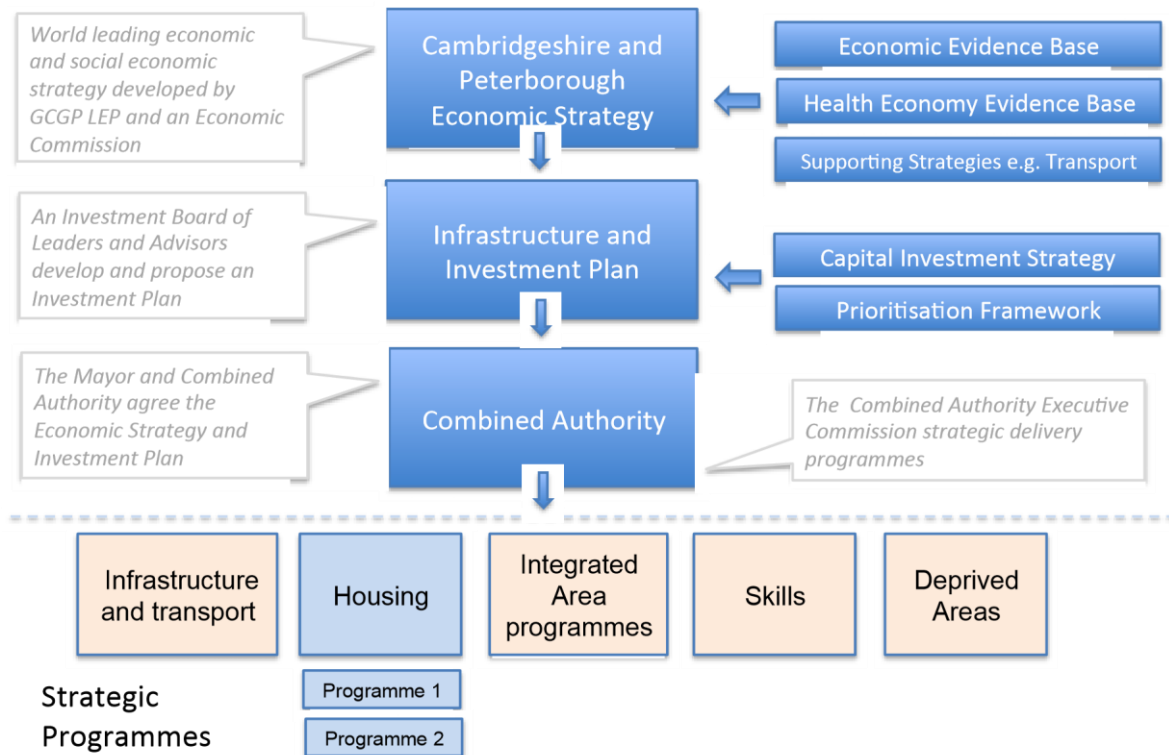
³ Link to constitution

- Peterborough City Council
- South Cambridgeshire District Council

3.3 The CA also covers the geography encompassing a large part of the GCGP Enterprise Partnership area.

3.4 An overview of the process and governance system for managing the single pot is described below.

Single Pot Investment Process



Each of the main features of the process is considered in turn below.

3.5 Cambridgeshire and Peterborough Economic Strategy – single pot investments will be based on hard independent economic and / or health economic evidence. The Cambridgeshire and Peterborough CA will have an evidence base that is recognised by all stakeholders as the singular source of information and evidence. The GCGP Enterprise Partnership is responsible and accountable for the production of the economic strategy, which will be approved by the CA. To support their role in this respect, they will establish an independent Economic Commission. The Economic Commission will be made up of leading economists, predominately from within the Cambridgeshire and Peterborough area – it will draw on the leading experts in this field. The terms of reference of the Economic Commission are set out in Appendix A.

3.6 The Enterprise Partnership will also draw on relevant supporting existing strategies including transport, skills and employment to develop the economic strategy.

3.7 The economic strategy will provide the basis for investment decisions made by the CA, although investments may take into account the objectives of the Cambridgeshire and Peterborough Devolution Deal. This will form the basis for business cases and

show the linkages between single pot investments and growth in the economy of the area.

- 3.8 Infrastructure and Investment Plan – the economic strategy will directly inform the development of the Cambridgeshire and Peterborough CA Infrastructure and Investment Plan. The infrastructure and investment plan will identify the strategic programmes and projects that will deliver sustainable economic growth and support the social economy and health and well-being of the area, taking into account statutory requirements for the CA's responsibilities e.g. in transport. Responsibility for the development of the infrastructure and investment plan will be with the Cambridgeshire and Peterborough Investment Board. The Cambridgeshire and Peterborough Combined Authority Fiscal Cabinet Portfolio holder will chair the Board, supported by the Infrastructure Cabinet Portfolio holder and the Chair of the Enterprise Partnership. Senior financial and legal advisors will also sit on the board. The terms of reference of the Investment Board are set out in Appendix B.
- 3.9 The infrastructure and investment plan will be developed in conjunction with the CA's capital investment strategy and the application of the prioritisation framework to programmes and projects that have been identified.
- 3.10 The infrastructure and investment plan will be reviewed and updated annually.
- 3.11 The Investment Board will also engage with the private sector to establish a clear understanding about the potential level, scope and nature of private sector investment that might be available to the CA. It will consider the merits of different forms of investment partnerships that might be available to the CA and how these align and compare with existing forms of borrowing that are available to local authorities. It will include these considerations in the development of its overall approach to capital investment and in its recommendations to the CA.
- 3.12 The CA is responsible for agreeing the economic strategy and the infrastructure and investment plan. An allocation of funding from the single pot will not be made to any programme or project unless it is agreed as part of the economic strategy and infrastructure and investment plan, unless it determines to apply the wider devolution deal objectives criteria. The CA will monitor and evaluate the investment decisions it makes. This will be done through continual monitoring of the investment programme concluding in the agreement of the annual budget for the CA. The finalisation of this budget will involve prioritisation of the programme which could see elements of the programme accelerated or given lower priority. The Mayor as part of the CA and as its Chair, will play a key role in influencing and confirming investment decisions together with the budget setting of the CA.
- 3.13 The CA will take overall responsibility for ensuring that risk is identified, reported, monitored and managed at both the corporate CA level and at a project and programme level for any specific investment, supported by the Chief Executive and the Section 151 Officer as named risk officer. Each specific project will have an identified owner of risks for that project who will be required to log risks and issues, report on identified risks, estimate their probability and impact with a Red, Amber, Green ("RAG") rating, and set out an approach to how the risks will be mitigated. Project risks will then be aggregated and reviewed at the level of the CA as part of a Corporate Risk Register to assess overall levels of risk, controls, and mitigation, appropriate risk management processes throughout the organisation.

- 3.14 Strategic Programmes and Projects – a Delivery Board of the CA will be established and will commission strategic programmes and projects. All programmes and projects will operate within the terms set out in the programme management framework described in detail in Section 5. The Delivery Board will incorporate New Homes and Communities as a major strategic theme and will provide appropriate governance and monitoring arrangements for Housing investment and the capital sums included in the agreement with Government. The Board will comprise representatives of the constituent members of the CA and GCGP LEP and the HCA will act in an advisory capacity to the Board on Housing related matters.
- 3.15 Commissioning and Calls– Investment funding will be allocated through commissioning and periodic open calls for projects. The Portfolio leads and their boards and teams will be responsible for identifying projects which can meet the CA's strategic objectives as set out in the Economic Strategy (or devolution deal) and commissioning these projects appropriately. All project applications, from whatever source, will be required to follow the same appraisal process as outlined in Section 5, and be reviewed by an Investment Team.
- 3.16 Interacting with existing assurance frameworks – there are other bodies and organisations that make up the Cambridgeshire and Peterborough Combined Authority that have their own assurance frameworks. This raises a question of how the Combined Authority assurance framework will interact with these other assurance frameworks. There are two cases where overlap may occur:
1. Local Growth Funding (LGF): LGF is currently administered through the LEP. The government has made clear that it is for local authorities and the Local Enterprise Partnership to decide whether the LGF allocation is incorporated into the CA single pot and maximise the impact of investments through their alignment. Partners within the Cambridgeshire and Peterborough CA and GCGP LEP intend that all funds should be viewed strategically by the Investment Board as part of the total investment fund available to the area. The LEP Assurance Framework will continue to apply to LGF funding operating with similar features and principles as the CA single pot in future.
 2. Cambridge City Deal Funding: The City Deal Assurance Framework will continue to apply to this funding for now and will be aligned with the CA framework. Partners within the Cambridgeshire and Peterborough CA and the City Deal Board will explore how best all funds should be viewed strategically by the Investment Board as part of the total investment fund available to the area.

4. **Accountable and Transparent Decision Making**

This section describes how the Cambridgeshire and Peterborough CA will ensure accountable and transparent decision-making in relation to the use of the single pot funding.

4.1 Accountable Body Arrangements

The Cambridgeshire and Peterborough CA is a local authority for the purposes of the Local Government Act 1972 and will take on responsibility for the devolved investment fund and transport budgets.

The CA will appoint officers to undertake the statutory Head of Paid Service

(Chief Executive), Chief Finance Officer and Monitoring Officer roles. The Chief Finance Officer role will ensure that resources are used legally and appropriately, that they will be subject to the usual checks and balances and by making sure there is a sound system in place for financial management. The Monitoring Officer role will ensure that all legal responsibilities are adhered to. The Constitution of the CA provides for further detail about these roles.

4.2 Transparent Decision Making

It is important that all decisions taken regarding the single pot are accountable, open and transparent. Transparency will be maintained through all aspects of the operation of the Cambridgeshire and Peterborough CA and by adhering to the Local Government Transparency Code (2015).

A diary of all CA board meetings will be agreed during the year as soon as possible after the Annual Meeting of the CA. The CA board meetings will take place in public, with agendas published on the CA website 5 clear working days before the meeting and minutes published as soon as practicable following the meeting.

4.3 Publication of Decisions

The CA will publish a record of the decisions made at its board meetings through the publication of the minutes on the website. A record of the outcome of the due diligence process for projects will also be published on the CA website. Updates on projects in delivery will also be provided to meetings of the CA board and these will be recorded through the board minutes. The CA will also ensure compliance with Government guidelines on publication, where appropriate. For example, the requirement to seek external views on transport business cases through the publication on the CA website.

4.4 Engagement with Local Partners and the Public

The Cambridgeshire and Peterborough CA will ensure effective engagement with local partners through existing practices and processes, which have been in existence for a number of years. Wide ranging local partner and public consultation is undertaken during the development of strategy documents. A number of thematic task and finish groups will also be used for work stream development, where appropriate, and these will include local partner representation. Following development, key strategy documents will be placed on the Cambridgeshire and Peterborough CA website for public consultation for a period of time, with responses considered and feedback published where appropriate.

4.5 Audit

The CA will establish an Audit and Governance Committee. This committee is a key component of Cambridgeshire and Peterborough's corporate governance arrangements and an important source of assurance about the organisation's arrangements for managing risk, maintaining an effective control environment, reporting on financial and other performance, and for the promotion and maintenance of high standards of conduct by its members. The annual external audit of the CA's accounts will be undertaken by an external accountancy firm appointed by Public Sector Audit Appointments Limited, and will be included within the statutory statement of accounts. As part of the Chief Finance Officer statutory responsibilities all internal audit requirements will be undertaken by whichever authority provides the finance officer as part of the delegation of administrative functions.

4.6 Freedom of Information Act 2000 and Protection of Freedoms Act 2012

As a public body the Cambridgeshire and Peterborough CA will be responsible for holding the official record of single pot proceedings and all single pot documents and will ensure compliance with the Freedom of information Act 2000 and Protection of Freedoms Act 2012. Full details of the CA's Freedom of Information requests will be found on its website.

4.7 Publication of Annual Accounts

The Annual Statement of Accounts of the Cambridgeshire and Peterborough CA and spends over £500 will be published on the CA website.

4.8 Conflicts of Interest

The Cambridgeshire and Peterborough CA will have a clear set of procedures for dealing with conflicts of interest, which may occur during business, whether at the CA board, or any development groups. The full procedure is at Appendix C (to be drafted).

4.9 Complaints Procedures

The Cambridgeshire and Peterborough CA will have a dedicated complaints procedure that is followed up on receipt of a complaint. This will be available on the CA website.

4.10 Equality and Diversity

An Equality Framework has been established that covers the work and outputs of all the Cambridgeshire and Peterborough CA boards and committees. It will be updated and published annually on the CA website.

4.11 Gifts / Hospitality

Any gift or hospitality over the value of £100 will be declared and documented internally by the Cambridgeshire and Peterborough CA.

5. Programme Management Framework and Ensuring Value for Money

5.1 This section describes the programme management framework approach that the Cambridgeshire and Peterborough CA will apply to all single pot investments. It also sets out how the CA will ensure value for money and effective delivery of investments made through the single pot and how risk will be managed.

5.2 **Programme Management Framework** – The CA will use a programme management framework for all investments through the single pot. It will provide all stakeholders – including government, local partners and local communities the assurance that there is a robust framework in place to manage projects in an appropriate way from project planning and development, through to selection, delivery and closure ensuring at all times maximum impact and value for money for the local area and that funds are spent lawfully with risks assessed and managed appropriately. The CA will use appropriate programme management approaches to manage funds between projects, themes and financial years. In summary the framework includes the following stages:

5.3 **Strategy and Development** – The Cambridgeshire and Peterborough economic strategy will inform an Infrastructure and Investment Plan. This will contain potential projects of strategic importance to ensure that there is a robust pipeline of projects in place.

The infrastructure delivery plan will be updated on an annual basis. It will also be shaped by the Cambridgeshire and Peterborough capital investment strategy, which will provide the basis for the funding streams available in the short, medium and long term.

5.4 Prioritisation and Selection of Projects – An assessment framework will be used to appraise and prioritise projects. The CA board will approve projects for selection into programmes, or approve bids to government where appropriate.

5.5 Due Diligence and Project Approval – Every programme and project will complete and submit business cases, which will follow Green Book principles, for independent due diligence. The outcomes of the due diligence will be considered by an Investment Board, with final approval of projects made and a legal funding agreement signed between the project and the CA.

5.6 Delivery, Monitoring and Evaluation – The project is monitored throughout delivery, with any required project changes following the required process.

5.7 This is covered in detail in the separate document: Monitoring and Evaluation Framework. Monitoring and evaluation will be agreed with each scheme promoter as part of the business case appraisal process.

5.8 The Investment Fund Grant is also subject to five-yearly Gateway Reviews to assess whether investments have impacted upon economic growth. At this stage, the government has suggested that the gateway review will focus on evaluating the performance of the investment fund with economic growth becoming the primary measure for assessing impact.

5.9 An independent panel, as agreed with HM Government, is to be commissioned to undertake the review – including the creation of a specific monitoring & evaluation framework from the outset and ongoing support throughout the five year period – and this external assessment provides a further incentive to encourage appropriate project appraisal, assurance and VfM processes.

5.10 Project Closure – Financial and practical matters will be overseen by the Investment Board.

5.11. Options Appraisal and Prioritisation

5.12 A key objective of the assurance framework is to support the Cambridgeshire and Peterborough CA in assessing whether potential investments offer good VfM and have the capacity to generate and deliver the growth objectives set out in the economic strategy. The appraisal process for the investment fund will be consistent with HM Treasury's Green Book and Business Case Appraisal process, including supplementary and departmental guidance, such as the Department for Transport's (DfT) WebTAG appraisal guidance and DCLG's Appraisal Guide.

This will be based on the five cases model:

- the strategic case – which provides a compelling case for change and explains how the project provides fit with the objectives of the organisation and wider public sector agendas;
- the economic case – which describes how the project/preferred option represents best public value;

- the commercial case – which demonstrates that the deal is attractive to the market, can be procured and is commercially viable;
- the financial case – which confirms that the proposed spend is affordable; and
- the management case – which confirms that what is required from all parties is achievable.

5.13 Appraisal criteria

A single appraisal approach will be applied to all projects, which will be transparent and equitable. The project appraisal criteria will include:

- fit with the growth strategy, investment fund objectives and other relevant strategies – including strategic linkages with other thematic projects;
- clear evidence of the rationale and need (or demand) for the project and application of best practice;
- the additional GVA and employment impacts, as well as the wider benefits, at the CA area level;
- clearly defined inputs, activities, outputs, and anticipated outcomes and an assessment of additionality, deadweight and displacement;
- clear detail of the financial costs of the proposal and evidence of the need for investment fund support and availability of match funding;
- confirmation that the investment represents VfM (the degree to which benefits exceed costs assessed using Benefit Cost Ratios and Net Present Public Value) and is the preferred option;
- that the project has robust risk management, delivery, and monitoring and evaluation arrangements; and
- that the project complies with necessary regulations and requirements, including legal due diligence requirements and state aid.

Preference will be given to support in the form of loans or investments that generate a return, along with additional business rates and/or council tax generated being recycled to the fund on a pro-rata basis reflecting public sector investment.

In addition, private and other public sector leverage will be maximised. Projects will be appraised against these criteria and should also meet minimum thresholds and requirements (for example, a benefit cost ratio that is at least acceptable and meets the established guidance for that project type).

- 5.14 For transport projects, the expectation is that all schemes must achieve a highvalue for money at all stages of the approval process, and independently verified on behalf of the CA as part of the assessment process. Such projects must also have been subject to earlier rigour to de-scope the scheme, or else to explore higher VfM alternatives.

Notwithstanding the above principles on VfM, the CA will be able to approve transport schemes having lower VfM, having regard to specific circumstances including:-

- convincing wider economic, social and environmental benefits,
- the ability of the scheme to address multiple policy objectives,
- circumstances where significant levels of match funding are being provided by the scheme promoter, or
- where there are other urgent considerations, such as specific local economic impacts set out in the strategic case. The Investment Board will seek appropriate advice on the relative weight that should be afforded to such considerations.

Recommendations to the CA will clearly set out the VfM explain the rationale for approving a lower VfM scheme and the implications of the recommendation. It will be for the CA to take the decisions as to what transport schemes they wish to fund based on the full business case.

6. Value for Money and Business Case Development

6.1 Good VfM, as defined by the National Audit Office (NAO) is the optimal use of resources to achieve the intended outcomes; 'optimal' being 'the most desirable possible given expressed or implied restrictions or constraints'. VfM is not just about achieving the lowest initial price, it is defined as the optimum combination of whole life costs and quality, with due regard to propriety and regularity.

6.2 The NAO uses three criteria to assess the VfM of government spending, ie the optimal use of resources to achieve the intended outcomes:

- economy - minimising the cost of resources used or required (inputs) – spending less;
- efficiency - the relationship between the output from goods or services and the resources to produce them – spending well; and
- effectiveness - the relationship between the intended and actual results of public spending (outcomes) – spending wisely.

With regard to the investment fund, as projects may include a package of funding drawn from the single pot and other local funding, the focus of the appraisal will be on projects that deliver growth, provide VfM and meet the wider strategic objectives set out in the economic strategy.

6.3 As set out in the national guidance, in addition to following the Green Book business case guidance, the methodology used to assess VfM for the single pot funding will also need to be in line with the established guidance prescribed by the relevant government department, described below:

6.4 **Transport** – the standard against which the CA will assess the robustness of the economic case of transport projects with a capital cost in excess of £5m will be the established WebTAG methodology. Schemes will also be subject to the minimum requirements on VfM assessment, assurance and evaluation of transport projects set out in Appendix B of the Single Pot Assurance Framework National Guidance. They are based on the requirements for local transport bodies and the local growth fund. The modelling and appraisal of transport schemes, defined as any scheme that significantly changes the transport network infrastructure, will be developed in accordance with the guidance published in WebTAG.

6.5 The central case used in scheme appraisals will also need to be based on forecasts which are consistent with the latest version of the National Trip End Model (NTEM). Appraisal results from this central case will be clearly reported to decision makers. At every stage of the approval process, the economic case will be reviewed and updated to reflect changes in the scheme's scope and cost, and extant WebTAG / NTEM guidance.

6.6 A VfM statement and a monitoring and evaluation plan will be required for all transport projects of £5 million and above, in line with DfT advice on assessing VfM and monitoring and evaluation. This VfM statement will be produced by scheme promoters and independently scrutinised by the CA, drawing on independent technical support as required. The statement will be signed off by an officer of suitable seniority, such as the Section 151 Officer, and this will be formally recorded. Safeguards will prevent

the VfM statement from being validated by an officer with a potential conflict of interest (eg by virtue of also being a beneficiary or scheme promoter). In such circumstances, the VfM statement would need to be signed off by an alternate of suitable seniority and experience. The VfM statement will be presented to the CA as part of the decision-making process at appropriate stages in the approval process.

- 6.7 Paragraph 5.14 above sets out the range of circumstances that the CA may use to approve transport schemes.

Housing – Homes and Communities Agency good practice, advice and guidance will be adhered to, alongside DCLG's appraisal guide for residential and non-residential development.

Skills Capital – Skills Funding Agency good practice, advice and guidance will provide a reference for skills capital projects; and

Enterprise, innovation and business support – these projects will need to demonstrate ability to deliver VfM through evidence-based business cases aligned with HM Treasury Green Book guidance, with a commitment to publishing results to add to the evidence base on what works and contribution to local and national policy goals on productivity and growth.

- 6.8 The assessments will be proportionate to the relative size of the schemes being promoted, but will, as a minimum, provide independent validation of the assumptions made by scheme promoters. A call-off list of independent parties with the necessary expertise in appraisal processes will be established, procured and funded centrally by the CA and their work will be overseen by a programme manager.

- 6.9 Further safeguards will exist to guard against any conflict of interest that may arise between consultants acting on behalf of scheme promoters and those that are being asked to provide independent assessments on behalf of the Investment Board. This will be overseen by a programme manager.

- 6.10 The CA will appoint an independent organisation, through appropriate procurement, to undertake due diligence on behalf of the CA. The independent organisation works directly with the project applicant to undertake a detailed appraisal. The organisation then makes recommendations to the CA and these are then presented to the Investment Board for decision.

- 6.11 Business Case Development

The application and appraisal process will apply the principle of proportionality – with more detailed information being required for large, complex or contentious projects. The application and appraisal process for the investment fund will involve three stages, as follows:

- (i) Initial proposal (Strategic Outline Case) – will provide the underlying justification for the project, which will be appraised against the investment fund Prospectus and published criteria. Successful applicants will be asked to complete an Outline Business Case (OBC);
- (ii) OBC – this will identify the preferred option for delivery from a shortlist of options, and will include a detailed Business Case for the project which is developed to a level where it is capable of being given approval in principle. If the OBC is endorsed the applicant will be requested to submit a Full Business Case (FBC); and

- (iii) FBC – adds details of contractual and delivery arrangements, along with confirmation of costs and benefits to the OBC.

6.12 Each business case submission will build upon and augment the previous stage. This will avoid duplication and unnecessary effort. It will also enable each stage to be informed by the recommendations from the previous stage. The final recommendations on the FBC will be included in the contractual agreements for funding. For smaller projects (less than £3m) the OBC and FBC stages may be combined depending on the level and quality of information provided and in keeping with the principle of proportionality. Where assumptions have been made, these should be clearly set out in the business case, with sufficient sensitivity testing carried out on these assumptions to demonstrate the robustness of the economic assessment.

6.13 Initial proposal – Strategic Outline Case (SOC)

The initial proposal will be particularly important, as this will focus on establishing the case for the proposal. Before a project can progress to OBC, the application will need to demonstrate that it meets a set of core and hurdle criteria:

Core selection criteria:

- Fit with Investment Strategy/Economic Strategy (effectiveness)
- The proposed intervention contributes to the objectives set out in the Economic Strategy/Investment Strategy and other relevant strategies
- The proposed intervention demonstrates strategic linkages with other thematic projects.

Economic and wider benefits:

- Clear case that the investment will deliver relevant activities and outputs that lead to GVA and jobs and other outcomes – additionality of the project – clear case that the intervention would not otherwise take place, would be smaller, happen later or be of a lower quality.

VfM in relation to:

- Efficiency – estimating the BCR using relevant economic tools specific to a scheme appraisal as well as factoring in wider benefits to inform overall value for money and Net Present Public Value for the economy at the national and local level.

Hurdle selection criteria:

- need/demand for project – strong rationale for the intervention and the market failure that the project is seeking to address;
- need for support – clear evidence that the project requires support from the investment fund, for example due to a funding gap;
- availability of match funding - appropriate arrangements are in place to secure the required level of match funding;
- management and delivery arrangements - appropriate expertise, capacity, capability and systems to deliver the intervention successfully;
- capability to meet the financial requirements and liabilities that flow from receipt of investment fund support;
- the intervention is deliverable, detailing, logging and assessing project risks, impacts and mitigations of those risks and associated dependencies;

- compliance with necessary regulations and requirements, including - state aid, procurement, planning, and other consents such as legal due diligence requirements.

The Investment Board will be responsible for assessing the initial proposals. If successful at this stage, the project applicant will be invited to submit an outline business case for consideration.

6.14 Outline Business Case and Full Business Case

The next two stages of the appraisal process will require applicants to submit:

- an OBC – this will be the first substantive business case document and will in particular need to demonstrate the case for the project, through a thorough options appraisal to justify the preferred option. The assessment of VfM will, in particular, underpin the economic case and the decision to move forward to the next stage of the appraisal process. As outlined earlier, this will in particular need to follow Green Book Business Case Guidance and take account of project specific appraisal guidance published by the relevant government department; and
- a FBC – this stage of the investment proposal will build on the information provided in the OBC and confirm that the project has the necessary contractual/procurement and delivery arrangements in place for the project to proceed. As described earlier, each business case submission will build upon and augment the previous stage. For smaller projects (e.g. up to £3m), the OBC and FBC stages may be combined depending on the level and quality of information provided and the complexity of the scheme.

6.15 **Monitoring and Evaluation** – this Assurance Framework should be considered alongside the Combined Authority’s Monitoring and Evaluation Framework. In particular, with regard to monitoring and evaluation of all transport schemes over £5m, it should be noted that they will have to follow Monitoring and Evaluation Guidance for Local Authority Major Schemes. This includes ensuring:

- A mechanism is in place for identifying level of monitoring and evaluation for the scheme in accordance with DfT guidance.
- Resources are in place to deliver proposed monitoring and evaluation.
- An Initial report based on data collected at least one year post scheme opening will be published and a final report based on both ‘one year after’ data and further data collected approximately five years after scheme opening published.

All transport schemes (over £5m) seeking funding will also follow the Monitoring and Evaluation Guidance for Local Authority Major Schemes in regard to publishing monitoring and evaluation plan and reports⁵. This includes:

- Publishing evaluation plans on the promoter’s website prior to data collection; and
- Publishing Interim and Final Monitoring and Evaluation Reports on the promoter’s website.

6.16 **State Aid** - At all stages of project development, project applicants will be required to confirm that their project complies with state aid regulations and does not contravene state aid legislation. Project applicants will be expected to outline what advice (eg legal advice) they have had in relation to state aid and will be required

to provide a state aid statement, prior to any funding being provided. Any award of funding will be subject to a condition requiring the repayment of any CA funding in the event that the European Commission determines that the funding constitutes unlawful state aid. The CA will also conduct legal due diligence to obtain further confidence that state aid requirements have been met.

6.17 Public Sector Equalities Duty – The CA will take into consideration Section 149 of the Equality Act 2010 and consider the impact upon people/groups with protected characteristics. Projects will be expected to provide evidence to this end during the development of programmes. This will be assessed through the due diligence process.

6.18 Sharing of Information– The following information will be shared on the CA website:

- The summary of the appraisal undertaken for each project. This document will be shared once a project has been through independent due diligence and has been approved. Private sector partners will reserve the right to redact any commercially sensitive information contained within the document, prior to publication on the CA website; and
- The business cases for transport projects only. These will be published on the CA website for external comments, prior to approval. Private sector partners will reserve the right to redact any commercially sensitive information contained within the document, prior to publication on the CA website.

⁵⁵ <https://www.gov.uk/government/publications/monitoring-and-evaluation-framework-for-local-authority-major-schemes>

Cambridgeshire and Peterborough Combined Authority

Economic Commission: Draft Terms of Reference

The Cambridgeshire and Peterborough Independent Economic Commission (IEC) will:

- develop an authoritative evidence base on the economic performance and potential of Cambridgeshire and Peterborough and its component parts that commands attention at the highest levels of Government;
- reframe thinking about devolution within the UK policy debate – exploring the potential for devolution to unlock growth and improve social outcomes in multicentred economies as well as in England's core and key cities;
- provide impartial advice and guidance, on an ongoing basis, on the performance and growth of the Cambridgeshire and Peterborough economy;

- inform choices on policy priorities and strategic investment that are made locally, at the Cambridgeshire and Peterborough level, at national level and at European level; and
- foster a common understanding of the future development of Cambridgeshire and Peterborough's economy and the long term drivers for change across local partners, and Whitehall and Ministers.

The IEC will provide a robust and independent assessment of the Cambridgeshire and Peterborough economy and its potential for growth. This will provide the evidence base on which Cambridgeshire and Peterborough partners, and partners at national level, can continue to build a collaborative approach to growth and devolution. As part of its early work, the panel will carry out and publish a detailed review that will include:

- a full economic baseline study;
- economic forecasting to determine the potential impact of various scenarios over the next ten years and how the Cambridgeshire and Peterborough economy could respond to these;
- an assessment of whether the Cambridgeshire and Peterborough economy is fit for purpose and its future economic potential;
- analysis of how partners' investment in key drivers of growth (e.g. key towns, key sectors, key infrastructure) across Cambridgeshire and Peterborough could maximise long-term returns for all areas; and
- an analysis of the impact that the devolution of key economic powers and levers could have on economic output and productivity.

The Commissioners will:

- undertake (and commission as required) high quality research into the performance and opportunities of the Cambridgeshire and Peterborough economy, acquiring and developing data as necessary to build on existing national and local sources;
- engage with local public and private sector stakeholders to build a thorough understanding of the local economic environment and to learn from previous work carried out by partners;
- be an independent body, which will provide ongoing advice to the Combined Authority and issue specific reports at times to be agreed; and
- receive the support of an independent secretariat.

Appendix B

Cambridgeshire and Peterborough Combined Authority

Investment Board: Draft Terms of Reference

The Investment Board will enable long term strategic decision making to build effective and efficient infrastructure for Cambridgeshire and Peterborough.

It will look at the area's future needs for infrastructure investment, and help to maintain Cambridgeshire and Peterborough's competitiveness in the UK and across the world. It will provide greater certainty for investors (both government and private) by taking a medium and long term approach to the potential major investment decisions facing the area.

Infrastructure investment can include schemes that enable housing, skills, transport and digital connectivity.

The membership of the Investment Board will include the CA Cabinet Portfolio Member for Fiscal and the Cabinet Portfolio Member for Infrastructure. It will also include the Chair of the Greater Cambridge and Greater Peterborough Enterprise Partnership. It will co-opt to the board independent financial advisors with specialist expertise in managing large scale financial portfolios as it considers appropriate.

The Investment Board will not be responsible for any investment decisions. It will form a series of recommendations for consideration by the CABoard. Its work and recommendations will be open to scrutiny.

The Cambridgeshire and Peterborough Investment Board will:

- develop a portfolio of infrastructure investment proposals that best support and deliver the strategic economic plan – this will include investments in infrastructure that deliver as outcomes new jobs, increased skills, improved productivity, acceleration of new homes, and economic growth across the area;
- commission and oversee the development a capital investment strategy, that will take into account the potential for bringing together funding streams available to the area as a whole;
- engage with private investors to assess the type and nature of private sector investment available to Cambridgeshire and Peterborough and how this might be used to further strengthen and accelerate infrastructure programmes;
- develop a prioritisation framework to assess the strengths of respective infrastructure programmes, their join up and interdependencies;
- assess the robustness of the outline business cases that have been developed and the deliverability of the proposed schemes. Where appropriate it will seek further analysis and evidence before reaching a conclusion about the strengths and viability of any programme, project or scheme;
- present its findings and recommendations to the CA for decision.

Draft Cambridgeshire and Peterborough Devolution Monitoring and Evaluation Framework

February 2017



Contents

Introduction	Page 3
Evaluation and Monitoring	Page 4
Infrastructure	Page 7
Housing	Page 10
Transport	Page 13
Employment and Skills	Page 17

Introduction

Cambridgeshire and Peterborough local authorities and Local Enterprise Partnership have agreed a Cambridgeshire and Peterborough Devolution Deal with central government, alongside the creation of a new Cambridgeshire and Peterborough Combined Authority (CA) with a directly-elected Mayor to receive the package of devolved powers and funding set out in the deal.

The devolution deal begins a process of the transfer of resources, powers and accountability from central government to Cambridgeshire and Peterborough. The aim of the agreement is to drive forward greater increases in the net contribution of the area to the UK economy and enable further transformation of local public service delivery to deliver better outcomes for local residents.

The devolution deal includes a range of tools to enable Cambridgeshire and Peterborough CA to deliver on its ambitious vision for the area, including:

- **Infrastructure** – a £20m per annum fund for 30 years, to form and capitalise a single funding pot to unlock investment in infrastructure and deliver economic growth.
- **Housing** – In recognition of the high levels of growth and exceptional market conditions in Greater Cambridge, a £100m housing and infrastructure fund to deliver the right tenure mix of affordable housing to meet the needs of Cambridgeshire and Peterborough (including affordable rental homes as well as affordable home ownership) delivering at least 2,000 affordable homes, and an additional £70m capital over five years ring-fenced for Cambridge to meet housing needs. This will include a non-statutory spatial framework, the ability to create Mayoral development corporations, a Joint Investment and Assets Board with a Land Commission, partnership with the HCA, and work on new housing settlements.
- **Transport** - Measures to better connect the whole of Cambridgeshire and Peterborough, including an agreed multi-year transport budget, bus franchising/enhanced partnership powers and smart and integrated ticketing.
- **Skills** – measures to help address the mismatch between the supply of skills and the business needs to ensure people have the skills to fulfil business needs now and in the future, including local commissioning of 19+ Adult Education budgets, taking forward the outcome of the post-16 education and training Area Review and responsibility for the Apprenticeship Grant for Employers.
- **Employment** – work with Department for Work and Pensions to co-design the new National Work and Health Programme, establish an integrated job service, support JobCentre Plus in the delivery of the Youth Obligation, support life chances, offer careers advice, and develop an innovative pilot to support career and pay progression for those claiming Universal Credit.

1. Evaluation and Monitoring

Background

- 1.1 The limited evidence base on the macro relationship between growth and devolution is currently mixed, with some evaluations showing positive impacts and some negative, but generally so far, no evidence that devolved arrangements generate better impacts than national arrangements, but equally nothing to demonstrate they are any worse. This is largely due to an inadequate nature of the evidence base. Given these weaknesses, the CA wishes to use its evaluation and monitoring process to assist understanding of the impact of decentralised arrangements as well as assess the impact of its own deal.
- 1.2 At present different studies have used different scales when seeking to measure subnational growth, and across all studies conclusions are inconclusive and direct causation seldom proved. Given these identified weaknesses, for the Cambridgeshire and Peterborough devolution deal, there is a commitment to **‘an extensive programme of evaluation’**, and a commitment that every project which involves new funding from devolution will be evaluated.

Broad Approach

- 1.3 In summary, the broad approach will be to combine nationally collected data and statistics with local records, to reasonably cover the monitoring and evaluation aspects of each policy area. The challenge will be to maintain the appropriate level of investigative rigor in order to demonstrate effectiveness.
- 1.4 Decision-makers will need to ensure that there is a well-structured approach to the commissioning of schemes under the Cambridgeshire and Peterborough devolution deal. In particular the project investment criteria will need to be in place to enable specific monitoring and subsequent evaluation of individual projects to be effective. In developing these criteria attention will need to be given to how they relate to the best practice models for developing the business case for investment such as the EAST tool¹ (Early Assessment and Sifting Tool, as a precursor for developing a more detailed business case) and webTAG² (Transport Analysis Guidance tool, detailed assessment tool). The use of these methodologies is referenced within the ‘Value for Money and Business Case Development’ section of the Assurance Framework that accompanies this document.
- 1.5 Decision-making authorities will need to ensure that there is then appropriate output and outcome monitoring and subsequent evaluation for each of the schemes that are taken forward. Noting that pre-existing monitoring and evaluation arrangements will continue for specific elements of the single pot (in addition to requirements of the core Local Government Financial Framework). These may include Local Growth Fund

¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/4475/east-guidance.pdf

² <https://www.gov.uk/government/publications/webtag-tag-overview>

monitoring and evaluation and the Department for Transport's Monitoring and Evaluation Framework for Local Authority Major Schemes.

1.6 The impact of investment fund spending and particularly its additional contribution to economic growth will be evaluated by an independent evaluation panel. The requirements for the evaluation panel will be outlined in a specification document that will be shared with stakeholders in the development of the monitoring and evaluation process.

1.7 The objectives for the monitoring and evaluation will be:

- To provide accountability for the investment decisions;
- Justify future spending allocations / investment decisions;
- Assess the value of private sector investment that is part of any growth interventions;
- Enhance the operational effectiveness of existing schemes or future scheme extensions;
- Improve future initiatives (as well as future Value for Money appraisal) based on learning; and
- Contribute to the national evidence base for the effectiveness of devolution as a policy.

1.8 Evaluation objectives will relate back to the business case and build on the assumptions used in the appraisal process. The specific outcomes that will be monitored and measured will differ depending on the type of intervention. Monitoring and evaluation should therefore focus on those outcomes that are most relevant to the impact of the schemes objectives. These issues are dealt with in more detail throughout the remainder of this document.

Collecting and Defining Metrics

1.9 At present the partners within the CA have a well-defined vehicle for defining, collecting and presenting metrics that relate to the area's economy in the Cambridgeshire Insight³ website (hosted by the County Council). Examples include the robust local economic assessments, hosting of the regional economic forecasting model as well as more specific economic studies for places of interest such as Wisbech. The site also encompasses a comprehensive approach to 'Open Data' providing a platform for defining the metrics to monitor, along with sourcing and update frequency. Partners will explore how the site and the work associated with it can be used to effectively underpin the requirements for this monitoring and evaluation framework.

The specific commitment

1.10 The CA is accountable to local people for the successful implementation of the devolution deal; consequently, government expects the CA to monitor and evaluate its deal in order to demonstrate and report on progress. The Cities and Local Growth Unit will work with the shadow / proposed CA to agree a locally resourced monitoring and

³ www.cambridgeshireinsight.org.uk

evaluation framework that meets local needs and helps to support future learning. This framework must be approved by the DCLG accounting officer prior to delivery.

1.11 The CA will be required to evaluate the additional £20 million per annum of funding for 30 years, which will form part of and capitalise the CA single pot. The £20 million per annum fund will be subject to:

A. Gateway assessments for the £20 million per annum scheme, including the supplementary £70m in the first five year period, ring fenced for Cambridge.

The CA and government will jointly commission an independent assessment of the economic benefits and economic impact of the investments made under the scheme, including whether the projects have been delivered on time and to budget. This assessment will be funded by the CA, but agreed at the outset with central government, and will take place every five years. Subsequent five year tranches of funding will be unlocked if government is satisfied that the independent assessment demonstrates that the investments have met the objectives and contributed to growth;

B. The gateway assessment should be consistent with the HM Treasury Green Book, which sets out the framework for evaluation of all policies and programmes and, where relevant, with the more detailed transport cost-benefit analysis guidance issued by the Department for Transport (DfT). The assessment should also take into account the latest developments in economic evaluation methodology;

C. The government would expect the assessment to show that the activity funded through the scheme represents better value for money than comparable projects, defined in terms of a Benefit to Cost ratio.

1.12 The CA will write a single local assurance framework for the single pot, based on guidance produced by DCLG, to outline decision-making processes to allocate funding, and project appraisal. The local assurance framework will be signed off by the government.

1.13 The constituent local authorities of the proposed CA, and the CA when formed, will work with the government to develop a full implementation plan, covering each policy agreed in this deal, to be completed ahead of implementation. This plan will include the timing and proposed approach for monitoring and evaluation of each policy, which will take into account the latest developments in economic evaluation methodology and help support future learning. This implementation plan must be approved by the DCLG accounting officer prior to delivery.

1.14 The CA will identify as early as possible which specific schemes are candidates for the most robust evaluation, and propose analytical methods to conduct this. This could include methods to identify the counterfactual – the outcome had there been no additional intervention – such as randomised control trials and/or the use of control variables in regression analysis.

- 1.15 The CA and the government will agree a process to manage local financial risk relevant to these proposals and will jointly develop written agreements on every devolved power or fund to agree accountability between local and national bodies on the basis of the principles set out in this document.
- 1.16 The CA will continue to set out their proposals to government for how local resources and funding will be pooled across the region.
- 1.17 The CA will agree overall borrowing and capitalisation limits with the government and have formal agreement to engage on forecasting. The CA will also provide information, explanation and assistance to the Office for Budget Responsibility where such information would assist in meeting its duty to produce economic and fiscal forecasts for the UK economy.
- 1.18 The CA will continue to progress programmes of transformation amongst authorities to streamline back office functions and share more services and data, including on assets and property.
- 1.19 The CA will continue to adhere to its duties under section 149 Equality Act 2010 for both existing and newly devolved responsibilities.
- 1.20 Government will support the constituent members of the proposed CA by leveraging existing monitoring and evaluation frameworks and, where applicable, by providing assistance to ensure consistency and coordination of metrics and methodologies with other areas receiving a devolution agreement. As part of this commitment, the government will work with the constituent members of the proposed CA to explore options for the coordinated application of high quality impact evaluation methods in relation to certain policies, which may include i) local commissioning of 19+ skills; and ii) employment support.

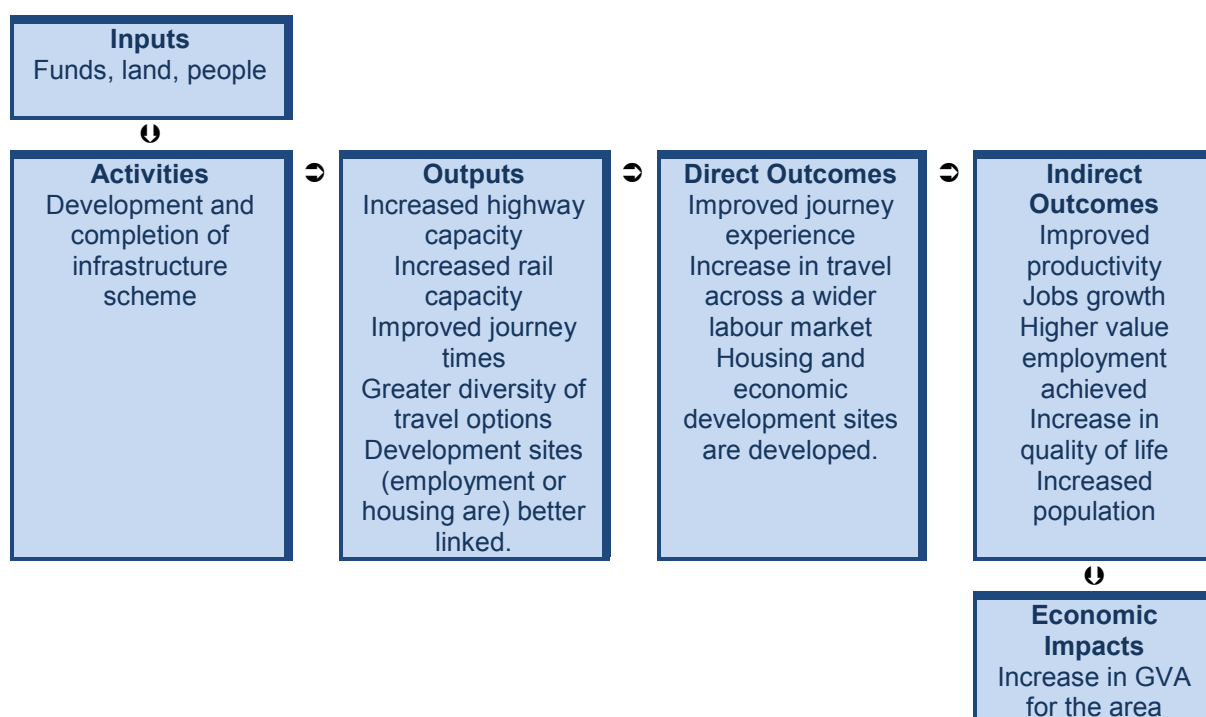
2. Infrastructure

- 2.1 A £20m per annum fund for 30 years, will be used to form and capitalise a single funding pot to unlock investment in infrastructure that in turn will deliver economic growth.
- 2.2 The key strategic aim will be to vastly improve connectivity within Cambridgeshire and Peterborough linking people and places; connecting areas with the potential for housing growth with employment hubs. Individual schemes will be assessed on their merits as they come forward, and could include non-transport infrastructure (such as digital connectivity or utilities) however it is expected that the following type of scheme / work will come forward.
- 2.3 Physical improvements along the A47 corridor have the potential to improve East / West connectivity, particularly within Fenland and the Ely Bypass, and together with upgrades to the A10 have the potential to unlock housing and employment growth in

East Cambridgeshire. The CA also recognises the importance of providing sustainable transport links for the development at Wyton Airfield as well as unlocking further economic growth potential for St Neots by developing plans for infrastructure and transport solutions. The CA will also work with central government to bring about significant rail improvements such as a parkway station at Whittlesey to serve Peterborough.

2.4 Infrastructure proposals of this type would lead to the CA having the following high level logic⁴ model to evaluate that desirable outcomes are achieved (this would be suitably adapted for non-transport infrastructure investments).

Infrastructure: High level logic model



2.5 Individual scheme delivery and monitoring will be conducted by scheme promoters while the CA will oversee the evaluation of the programme as a whole.

2.6 All major scheme budgets will include a proportionate fund for evaluation, with a nominal rate of up to 0.5% of total capital costs considered for the largest and most important schemes. The budget will be provided through capitalisation, subject to acceptance of this approach by CA finance staff.

2.7 A baseline value for all key indicators for each scheme will be established before construction starts. Data collection will take place at intervals depending on the type of outcome/impact expected for each scheme and the time for stabilisation of behaviours or benefits lag associated with each outcome or impact. Interim findings about such

⁴ A logic model (also known as a logical framework or theory of change) is a tool used by funders, managers, and evaluators of programs to evaluate the effectiveness of a program. They can also be used during planning and implementation in order to manage the achievement of desired outcomes.

things as improved traffic flows, journey times and customer satisfaction should be available 12-18 months after completion, depending on whether seasonality needs to be allowed for.

2.8 Economic impacts should be reportable three to five years after completion.

The Analytical Approach

Methods	Data Requirements
We anticipate that the a combination of the following evaluation methods / activities will be used for each scheme	We anticipate that there will be a combination of the following data required to evaluate and monitor each scheme
<ul style="list-style-type: none"> • Development of baseline data used to monitor and evaluate each scheme • Standard reporting on the <u>delivery</u> of each scheme: budget, timescales, milestones • <u>Monitoring</u> of scheme outputs: length of road built / replaced, increased public transport capacity etc. • Monitoring of traffic flows, journey times, system capacity, travel choices, house building, development of employment land • Commission of independent <u>evaluation</u> (where appropriate) • Co-assessment (with evaluators) of the logic mapping / narrative of how each major scheme impacts on their local economy • Building of logic maps / hypotheses to test • Econometric analysis of the impact on transport infrastructure investment on economic growth • At an individual business level measurement relationships with transport infrastructure and improved business performance • Use of monitoring and evaluation results to <u>feedback</u> into the process and • To develop <u>lessons learnt</u> analyses for sharing beyond Cambridgeshire and Peterborough 	<ul style="list-style-type: none"> • Traffic modelling and flow data • Active traffic monitoring • Journey times • Passenger satisfaction • Patronage and footfall • Business and residents surveys • Evidence of Modal shift • Employment and commercial activity around transport hubs • House building • Employment land development • Business data • Income data • Employment / labour market statistics • Measurement of local GVA

Challenges to Evaluation

2.9 Any evaluation for an improvement of connectivity and reliability (outputs) will need to objectively pose questions such as the following:

- Have journeys got shorter, quicker and/or cheaper?

In some cases, options may have opposite impacts on time and cost and evaluators will need to weigh up the individual impacts to form an overall judgement.

- Are journeys more reliable?

Has the developed option had an impact on the day to day variability in journey times or the average minutes of lateness? Has there been any impact on the number of incidents?

- Have housing or employment sites been developed?

This includes reference to development trajectories and economic / population forecasts as well as to discerning that sites have come forward at a faster rate.

2.10 In order to answer these questions a robust monitoring / data framework will need to be in place. Any problems at this stage of the logic model will make it difficult to move further along the chain to consider the achievement of outcomes. Therefore the CA recognises its role alongside other local agencies in commissioning this work.

2.11 Similarly, when considering the wider economic impacts (achievement of outcomes), there will need to be an initial screening as to whether there may be an impact that would need to be evaluated in more detail. For example:

- If direct user benefits have been achieved, has this led to any impact in agglomeration?
Agglomeration impacts arise because firms derive productivity benefits from being close to one another and from being located in large labour markets. If transport investment brings firms closer together and closer to their workforce this may generate an increase in labour productivity beyond that which would be expected from the direct user benefits alone.
- Have firms exploited their access to larger product, input and labour markets to increase productivity?
- Have tax revenues been impacted by different labour market choices, moves to more or less productive jobs.

2.12 As with the monitoring of the achievement of the scheme outputs there needs to be a robust local evidence base to complement national data; this would include targeted local business surveys / employment monitoring, regular assessment of local labour clusters of employment for specific areas of economic activity. Again the CA recognises its role alongside other local agencies in commissioning this work.

3. Housing

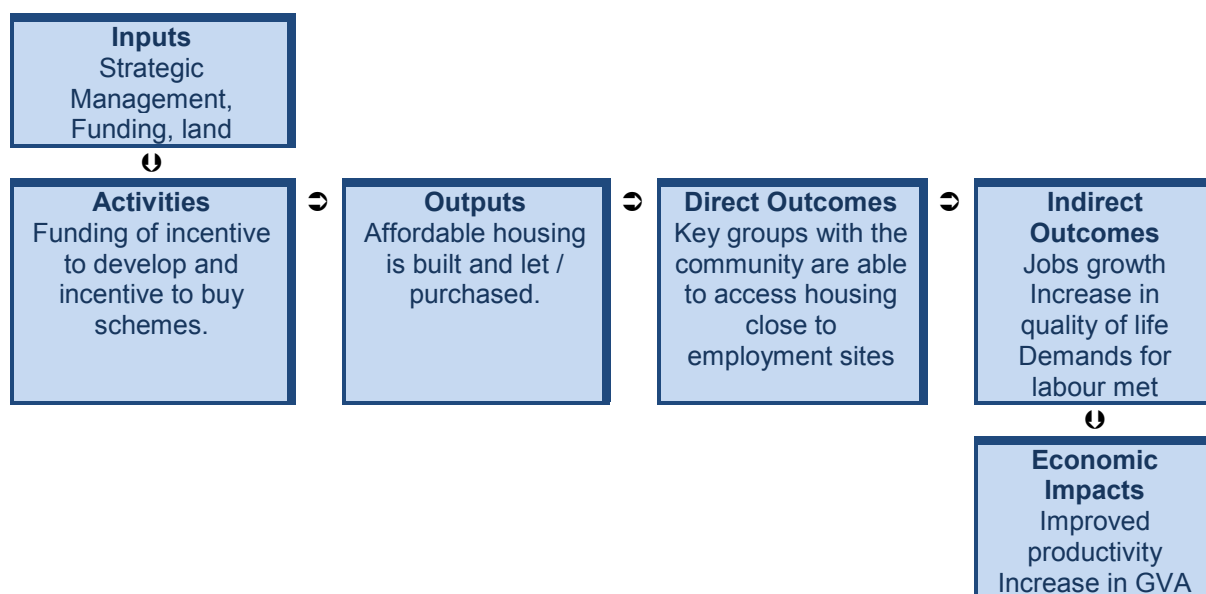
3.1 A total minimum investment of £170m will be used to stimulate the delivery of affordable homes in Cambridgeshire and Peterborough.

3.2 In recognition of the high levels of growth and exceptional market conditions in Greater Cambridge, there is a £100m housing and infrastructure fund to deliver the right tenure mix of affordable housing to meet the needs of Cambridgeshire and Peterborough (including affordable rental homes as well as affordable home ownership) delivering at

least 2,000 affordable homes, and an additional £70m capital over five years ring-fenced for Cambridge to meet housing needs. This will include a non-statutory spatial framework, the ability to create Mayoral development corporations, a Joint Investment and Assets Board with a Land Commission, partnership with the HCA, and work on new housing settlements.

3.3 The funding can be expected to support both a ‘bricks and mortar’ approach where sites for affordable homes come forward for development at a greater pace than present and a ‘people centred’ approach where mechanisms are developed that allow people with key skills for the local economy to access affordable housing.

Housing: High level logic model



The Analytical Approach

Methods	Data Requirements
We anticipate that a combination of the following evaluation methods / activities will be used for each scheme	We anticipate that there will be a combination of the following data required to evaluate and monitor each scheme
<ul style="list-style-type: none"> • Development of baseline data used to monitor and evaluate schemes • Standard reporting on the <u>delivery</u> of each scheme: budget, timescales, milestones • <u>Monitoring</u> of scheme outputs: Number of affordable homes built • Monitoring of local affordability, rental market and need registers for housing • Commission of independent <u>evaluation</u> (where appropriate) • Co-assessment (with evaluators) of the logic mapping / narrative of how each scheme impacts on their local economy • Building of logic maps / hypotheses to test • Econometric analysis of the impact on increased affordable housing on the local economy • At an individual business level measurement of ease of recruitment for key staff groups • Use of monitoring and evaluation results to <u>feedback</u> into the process • To develop <u>lessons learnt</u> analyses for sharing beyond Cambridgeshire and Peterborough 	<ul style="list-style-type: none"> • Count of planned affordable homes • Allocations of parcels of land, • Monitoring of permissions and build rates for housing • Housing starts • Changes in land value • Monitoring of housing needs registers • New development surveys • Local labour market monitoring • Employment and commercial activity • Income / affordability ratios • Employment / labour market statistics • Measurement of local GVA

Challenges to Evaluation

3.4 Any evaluation for an improvement in the availability of affordable housing and the extent to which key skill groups within the labour market can access housing will be challenging due to the complexity of the housing market and the extent to which cause and effect can be demonstrated. In addition, other parts of the devolution deal (improving the local economy) could increase the disparity between income and average house price; hence this part of the deal investment could be seen as a much needed 'balancing' measure.

- Has affordable housing come forward quicker?

3.5 This issue can best be discussed within the local context. One of the reasons why developments such as the extension of Winteringham Park on the edge of St Neots have stalled is the lack of agreement between planners and developers regarding the proportion of affordable homes on the site. The creation of the housing fund has the potential to 'unlock' negotiations such as this. However, there are other considerations that also need to be considered such as the ability of local infrastructure to cope when a development is completed.

3.6 In many cases, the cause and effect of different factors will need to be considered.

- Are key workers able to access housing?

3.7 Feedback from businesses based in Cambridge and South Cambridgeshire has indicated issues with the recruitment and retention of staff in key technical roles such as laboratory staff. These may not be the highest wage jobs but ones that require a certain level of skill and education, with some target workers earning around the median wage. These are the people that will struggle at the moment to find affordable satisfactory housing within the Cambridge sub-region due to the high ratio between median house price and median wage.

3.8 Any evaluation would need to provide a sufficiently robust baseline to ensure that this qualitatively assessed situation is backed up with quantitative data so that change can be measured over time.

- Have housing needs been addressed?

3.9 This issue very much depends on the type of housing need being targeted and the ability to meet this need through an increase in the volume of affordable housing overall versus investment in more specialist schemes.

3.10 The key challenge in evaluation would be to match changes with demand against changes in supply. For example the funding may improve supply but changes in demand would also have an impact on the situation. Changes in policy outside of the control of the CA may also have an impact such as alteration to housing related benefits.

4. Transport

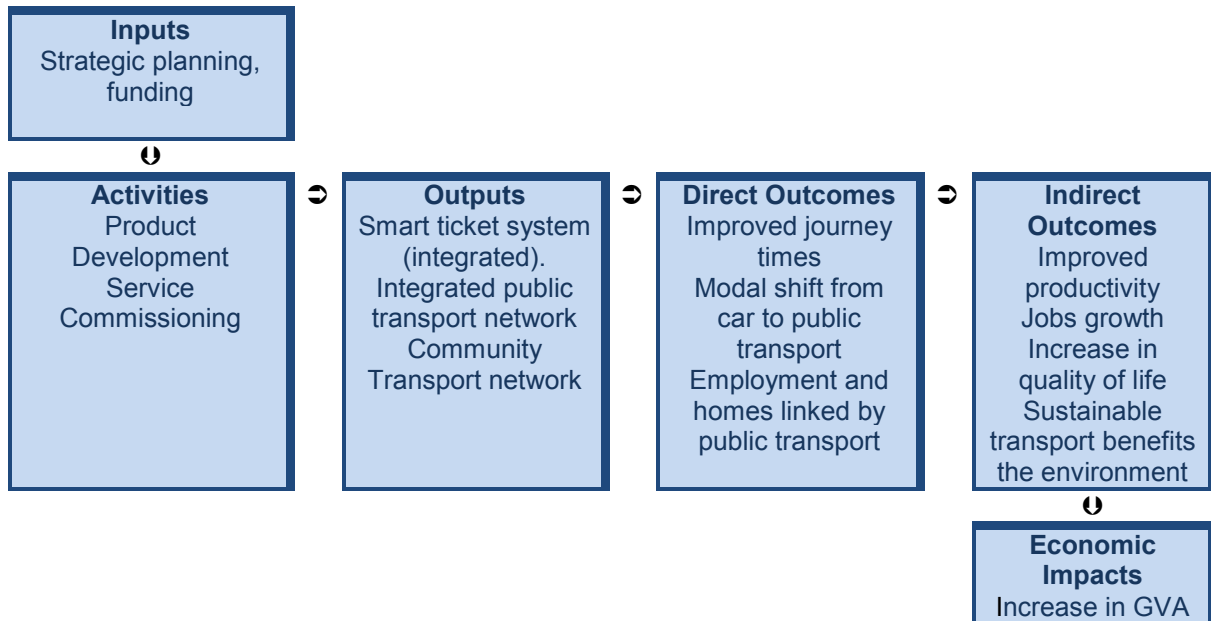
4.1 Connectivity will be enhanced through the CA adopting an integrated approach to managing the local transport infrastructure and services creating a single policy and delivery body.

4.2 Potential improvements include smart integrated ticketing across the region, a high quality bus network (achieved through commissioning) and an integrated approach to community transport.

4.3 The funding can be expected to support the extent to which connectivity between different places in Cambridgeshire and Peterborough is strategically planned and managed. In the future journeys between market towns, cities and major employment centres will be easier and interconnected making it easier to pay for and move between different modes of transport. By improving connectivity we can support the process to 'spatially decentre' away from growth being entirely focused on either being entirely focused on either a Cambridge or Peterborough context.

Detailed Methodology

Transport: High level logic model



The Analytical Approach

Methods	Data Requirements
We anticipate that the a combination of the following evaluation methods / activities will be used for each scheme	We anticipate that there will be a combination of the following data required to evaluate and monitor each scheme
<ul style="list-style-type: none"> • Development of baseline data used to monitor and evaluate each scheme • Standard reporting on the <u>delivery</u> of each scheme: budget, timescales, milestones • <u>Monitoring</u> of scheme outputs: passenger numbers, increased public transport capacity etc. • Monitoring of flows, journey times, system capacity, travel choices, house building, development of employment land • Commission of independent <u>evaluation</u> (where appropriate) • Co-assessment (with evaluators) of the logic mapping / narrative of how each major scheme impacts on their local economy and wider connectivity • Building of logic maps / hypotheses to test • Econometric analysis of the impact on transport infrastructure investment on economic growth • At an individual business level measurement relationships with transport infrastructure and improved business performance • Use of monitoring and evaluation results to <u>feedback</u> into the process and • To develop <u>lessons learnt</u> analyses for sharing beyond Cambridgeshire and Peterborough 	<ul style="list-style-type: none"> • Passenger modelling and flow data • Active passenger monitoring • Journey times • Passenger satisfaction • Patronage and footfall • Business and residents surveys • Evidence of Modal shift • Employment and commercial activity around transport hubs • House building • Employment land development • Business data • Income data • Employment / labour market statistics • Measurement of local GVA

4.4 In implementing this approach the CA will need to indicate at an early stage the transport schemes that will be subject to the more robust ‘fuller evaluation’ standard as defined in the DfT evaluation framework for local major schemes. At this point the following commitments will need to be made:

- Commitment to developing the detail of specific monitoring and evaluation plans for individual schemes once the detail/context of schemes are more clearly scoped.
- Commitment to base monitoring and evaluation on the DfT’s framework for local major schemes (where schemes qualify as such).
- Within the analytical approach a clear identification of what type of impact is being measured and over what spatial areas to ensure monitoring activity is correctly aligned.

- Commitment to an approach that allows, as much as possible, for outcomes to be attributed to individual schemes, ie what data will be collected in comparison areas unaffected by schemes to understand whether any changes have occurred directly because of the intervention.

4.5 These commitments will be challenging to meet methodologically therefore the CA has undertaken to work with the 'What Works Centre for Local Growth' in terms of developing monitoring and evaluation proposals and particularly in sharing best practice with other devolved authorities.

Challenges to Evaluation

4.6 Overall the challenge to evaluation in this area will be to demonstrate the wider impact of improved connectivity alongside the direct benefit yielded by individual schemes. Methods for measuring the value of individual schemes are fairly straight forward⁵ eg a recent DfT Assessment identified *'that the 33 major bus-related schemes that qualified for funding in the last 5 years have a combined Benefit-Cost Ratio of 4.2. Every £1 invested in these schemes will yield roughly £4 in benefits'*. However, proven benefits were concentrated around time and money savings (reduced journey times and lower fuel costs) for business and consumer users (commuting and leisure/other) resulting from more efficient bus services. The challenge once this particular box is ticked will be to demonstrate that the wider benefits for the local economy have been achieved.

- Has true integration been achieved?

4.7 Previous evaluation work on the impact of the French TGV network⁶ has emphasised the importance for there to be regional connectivity beyond the main transport node and the level of integration with local transport networks.

- Has the fragmentation of transport in the area been addressed?

4.8 One of the fundamental criticisms of transport planning⁷ has been the extent to which the planning of services has been fragmented across a number of providers and commissioning bodies. The extent to which this planning has been demonstrably brought together for the benefit of passengers will need to be proved within the evaluation.

- Have transport improvements brought about economic benefit?

4.9 The evaluation methodology will need to demonstrate that the improvements in journeys around the Cambridge and Peterborough region and further afield have provided true economic benefit; that is, improved reliability, quicker journey times and increased capacity has unlocked hitherto unrealised economic growth.

⁵ Value for Money Assessments for Major Bus-Related Schemes, Dept for Transport, Feb 2016.
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/503824/Value_for_Money_Assessment_for_Major_Bus_Related_Schemes.pdf

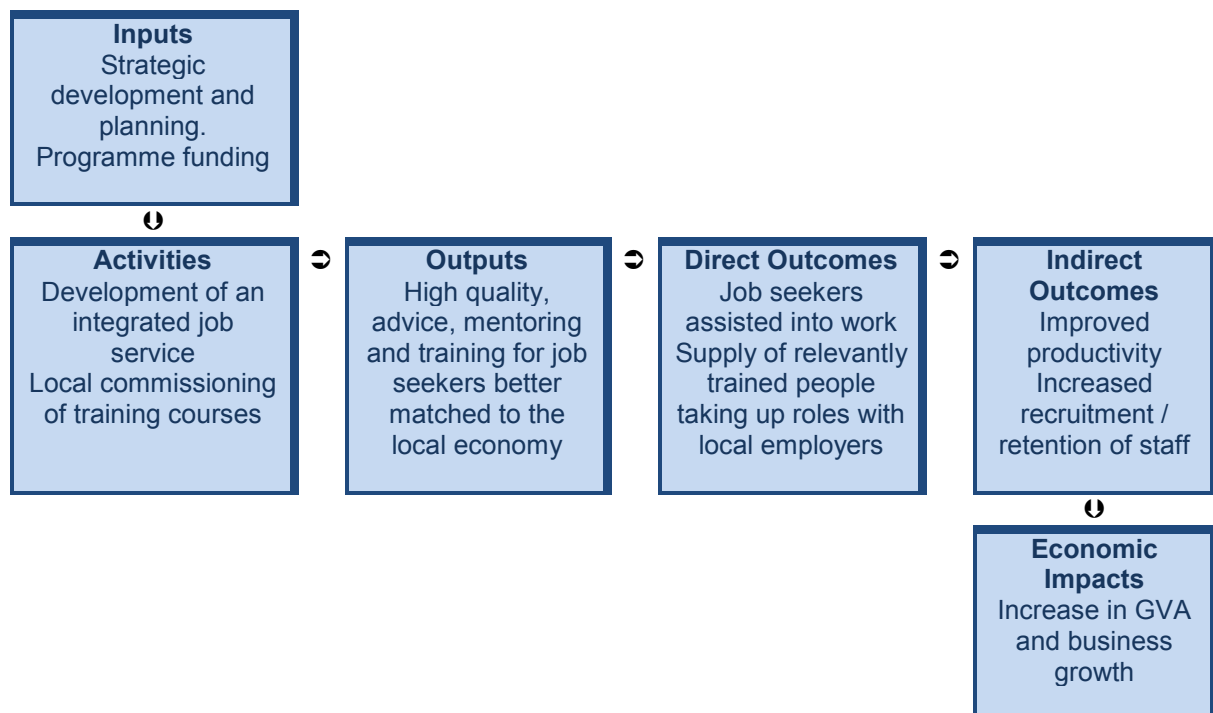
⁶ Chen and Hall, The wider spatial-economic impacts of high speed trains, 2011

⁷ RTPI, Transport Infrastructure Investment, Capturing the Wider Benefits, 2014

5. Employment and Skills

- 5.1 Benefits for the employment and skills area will be realised through the devolution and local management of a number of responsibilities.
- 5.2 For employment, work will be carried out with the Department for Work and Pensions to co-design the new National Work and Health Programme, establishing an integrated job service, supporting JobCentre Plus in the delivery of the Youth Obligation, support life chances, offer careers advice, and develop an innovative pilot to support career and pay progression for those claiming Universal Credit.
- 5.3 For skills, measures will be taken to help address the mismatch between the supply of skills and the business needs of the area to ensure people have the skills to fulfil business needs now and in the future. This will include local commissioning of 19+ Adult Education Budgets, taking forward the outcome of the post-16 education and training Area Review and responsibility for the Apprenticeship Grant for Employers.

Skills: High level logic model



The Analytical Approach

Methods We anticipate that the a combination of the following evaluation methods / activities will be used for each scheme	Data Requirements We anticipate that there will be a combination of the following data required to evaluate and monitor each scheme
<ul style="list-style-type: none"> • Development of baseline data used to monitor and evaluate each scheme • Standard reporting on the delivery of each scheme: budget, timescales, milestones • Monitoring of scheme outputs: numbers trained, supported into work etc. • Monitoring of retention within employment three months, six months and so on. • Commission of independent evaluation (where appropriate) • Co-assessment (with evaluators) of the logic mapping / narrative of how each programme impacts on their local economy • Building of logic maps / hypotheses to test • Econometric analysis of the impact on skills programme investment on economic growth • At an individual business level measurement relationships with transport infrastructure and improved business performance • Use of monitoring and evaluation results to feedback into the process and • To develop lessons learnt analyses for sharing beyond Cambridgeshire and Peterborough 	<ul style="list-style-type: none"> • DfE data, for example, data from the Individualised Learner Record (ILR). • Local Employment / labour market statistics • Employer / employee surveys • Tracking data for programme participants • Business data • Income data • Measurement of local GVA

5.4 Post devolution, the Secretary of State remains responsible for reporting on the delivery of all further education to Parliament and DfE will retain a national data collection.

5.5 Devolved areas have the opportunity to utilise information from DfE's national surveys such as the Learner Satisfaction Survey and Employer Satisfaction Survey, which collect performance indicator data that measure aspects of performance such as success rates, learner and employer satisfaction and learner destinations. The DfE has made a commitment to disseminate further education data into the public domain for transparency purposes (Further Education Statistical First Release (SFR) and its supplementary products).

5.6 The CA will need to explore the options for using DfE data, eg tracking individuals over time, utilising ILRs may be feasible in some circumstances.

Challenges to Evaluation

5.7 Part of the challenge within this area will be the ability to track individuals over time in order to measure progress against a defined set of outcomes. Due to this challenge evaluation will need to be designed into the fabric of the individual programmes.

5.8 Another significant challenge will be to build into each programme a measure of 'cost per participant' in terms of the intervention to enable benchmarking against other

schemes and against predicted savings, in terms of avoidance of future benefit payments.

- 5.9 Evaluators will also need to take into account any 'legacy' impacts such as a legacy that includes encouraging more inclusive approaches to recruitment and selection by employers; increased personal confidence and so on.

<https://www.ons.gov.uk/economy/economicoutputandproductivity/output/articles/cityregionsarticle/2015-07-24>



AUDIT AND GOVERNANCE COMMITTEE	AGENDA ITEM No: 8
21 SEPTEMBER 2017	PUBLIC REPORT

INTERNAL AUDIT: CORPORATE GOVERNANCE REVIEW

1.0 PURPOSE

- 1.1. Internal Audit look to provide assurance to the Audit and Governance Committee that activities undertaken across the Combined Authority are appropriately managed, monitored and delivered in accordance with set governance, controls and risk management frameworks. This report sets out how Internal Audit will look to support the Committee.

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

2.0 BACKGROUND

- 2.1. At the previous Committee meeting in June 2017, it was agreed that Internal Audit would provide Members with their proposed work plan. With the Authority being in its infancy, initial Internal Audit coverage is to focus on the various management controls and processes which have been introduced to oversee the delivery of its objectives.
- 2.2. Attached at **Appendix 1** is the scoping document for information.

3.0 FINANCIAL IMPLICATIONS

- 3.1. The cost of undertaking the review is contained within the charges set at the outset of the Authority.

4.0 LEGAL IMPLICATIONS

- 4.1. There are no legal implications.

5.0 SIGNIFICANT IMPLICATIONS

- 5.1. None.

6.0 APPENDICES

- 6.1. Appendix 1 – Corporate Governance Review: Scoping Document

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



INTERNAL AUDIT: SCOPING DOCUMENT

CORPORATE GOVERNANCE REVIEW

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

Objectives of the Audit	<p>The overall objective of the review is to provide assurance that the systems of control in respect of Corporate Governance are adequate and being consistently applied. The audit will evaluate and test controls in the following areas:</p> <p>Financial Governance: To confirm that the Authority's financial procedures and regulations are accurate, up to date and support the Constitution and aims and priorities.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Risk Management and Project Management: To confirm that the Authority has in place an agreed strategy and clearly defined processes for the strategic review of its corporate risks. To confirm that these processes are adopted and consistently applied across all constituent Councils leading on each project</p>
Risks	<ul style="list-style-type: none"> • Ill-defined corporate governance, strategic planning and performance monitoring frameworks • Non-compliance with legislation and recognised best practice • Ill-defined objectives and outcomes • Lack of understanding / definition of new areas of business • Lack of clarity on roles, responsibilities and accountabilities • Lack of transparency with inaccurate information available to members / staff • Inconsistency in application of standards • Ineffective reporting and communication arrangements
Work to be undertaken	<p>The following procedures were adopted to identify and assess risks and controls and thus enable audit to recommend control improvements</p> <ul style="list-style-type: none"> • Discussions with key members of staff to ascertain the nature of the systems in operation • Evaluation of the current systems of internal control through walk-through and other non-statistical sample testing • Identification of control weaknesses and potential process improvement opportunities



AUDIT AND GOVERNANCE COMMITTEE	AGENDA ITEM No: 9
	PUBLIC REPORT

WORK PROGRAMME

1.0 PURPOSE

- 1.1 To provide the Committee with the draft work programme for Audit and Governance Committee for the remainder of the 2017/18 municipal year and ask them for comments and suggestions.

<u>DECISION REQUIRED</u>	
FROM:	21ST September
Lead Officer:	Alex Colyer
That the Committee notes the work programme for the Audit and Governance Committee for the 2017/18 municipal year attached at Appendix 1 and agree to regularly review the work programme at each meeting.	

2.0 BACKGROUND

- 2.1 In accordance with the Constitution, the Audit and Governance Committee must perform certain statutory duties including the approval of accounts, governance arrangements, financial reporting and code of conduct.
- 2.2 A draft work programme which outlines when these decisions are taken is attached at Appendix 1.

3.0 FINANCIAL IMPLICATIONS

3.1 None

4.0 LEGAL IMPLICATION

4.1 None

5.0 EQUALITIES IMPLICATION

5.1 None

6.0 APPENDICES

6.1 Draft Work Programme

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



Appendix 1

AUDIT & GOVERNANCE COMMITTEE – DRAFT WORK PROGRAMME

	Report Description	Relevant Officer/ Report Author
21st Sept 2017	Risk management	Steve Crabtree
	Statement of Accounts	CFO
	Treasury Management	CFO
	External Audit	Suresh Patel (Ernst & Young)
	Assurance Framework	Brian Madden/Dan Thorp
	Internal Audit: Corporate Governance Scoping Document	Steve Crabtree
18 th Dec 2017	Internal Audit	Steve Crabtree
	Risk Register	Alex Colyer
	Budget Framework	Alex Colyer
	Code of Corporate Governance	Kim Sawyer
	Ant-Fraud & Corruption	TBC
	Whistle blowing and complaint processes	TBC
31 st March 2017	Internal Audit	Steve Crabtree

	External Audit	Suresh Patel (Ernst & Young)
	Terms of Reference	Kim Sawyer
	Annual review of Constitution	Kim Sawyer
	The Committee's Annual Report to the Combined Authority	TBC