



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

AUDIT & GOVERNANCE COMMITTEE

Date: Friday, 19 July 2019

10:00 AM

Democratic Services
Dermot Pearson
Interim Monitoring Officer

The Incubator
Alconbury Weald
Cambridgeshire
PE28 4WX

Fenland District Council
Council Chamber, Fenland Hall, County Road, March, PE15
8NQ

AGENDA

Open to Public and Press

1 Apologies for Absence

2 Declarations of Interest

At this point Members must declare whether they have a disclosable pecuniary interest, or other interest, in any of the items on the agenda, unless it is already entered in the register of members' interests.

3 Minutes of the Previous Meeting

To approve the minutes of the meeting held on 31st May 2019

4 Draft A G Minutes- 31st May 2019- jp

4 - 11

Chairs Announcement

5	CPCA A&GC Value for Money 19 July 2019	12 - 17
6	Annual Audit Internal Opinion - Report	18 - 33
7	CPCA final Statement of Accounts 19 July 2019	34 - 109
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9	EY Audit of Accounts 2019 19 July	128 - 166
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11	CPCA A&GC Treasury Management 19 July 2019	171 - 178
12	Work Programme Cover Report	179 - 186
13	Date of next meeting:	

27th September 2019 at 10:00am, in Kreis Viersen, Shire Hall, Castle Street, Cambridge, CB3 0AP

The Audit & Governance Committee comprises the following members:

John Pye

Councillor Ian Benney

Councillor David Brown

Councillor Mike Davey

Councillor Mark Goldsack

Councillor James Lillis

Councillor Tony Mason

Councillor Mac McGuire

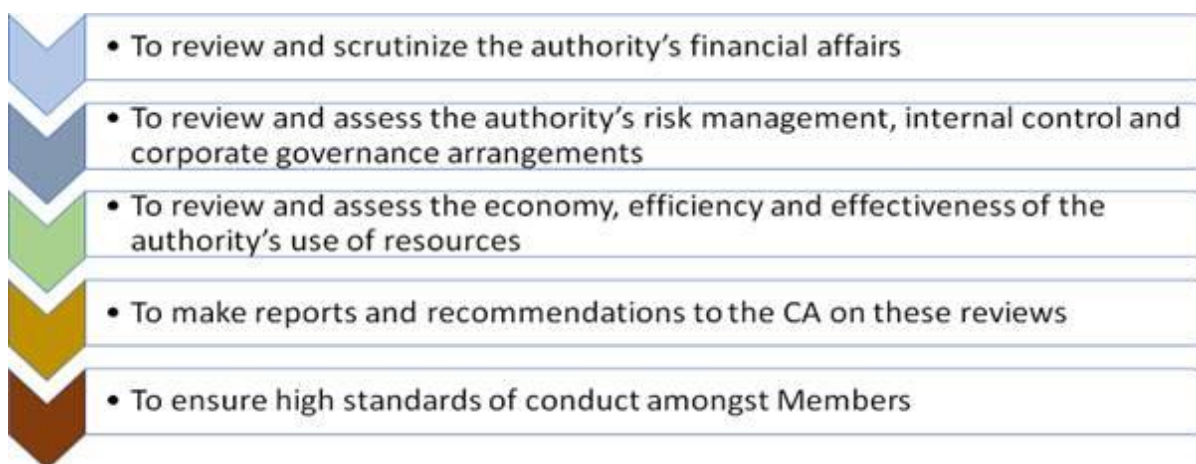
For more information about this meeting, including access arrangements and facilities for people with disabilities, please contact

Clerk Name: Emma Powley

Clerk Telephone:

Clerk Email: Emma.Powley@cambridgeshirepeterborough-ca.gov.uk

The Audit and Governance Committee Role.



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



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY – DRAFT MINUTES

AUDIT AND GOVERNANCE COMMITTEE: MINUTES

Date: 31st May 2019

Time: 10am

Location: East Cambridgeshire District Council

Present:

Mr J Pye
Cllr Mac McGuire
Cllr Ian Benney
Cllr David Wells
Cllr David Brown
Cllr Kevin Price

Chairman
Huntingdonshire District Council
Fenland District Council
Cambridgeshire County Council
Easts Cambs District Council
Cambridge City Council

Officers:

Kim Sawyer
Howard Norris
Emma Powley
Jon Alsop
Noel O'Neil
Steve Crabtree

Chief Executive
Interim Monitoring Officer
Interim Scrutiny Officer
Head of Finance
Interim S73 Officer
Group Auditor (Peterborough City Council)

1. APOLOGIES AND DECLARATIONS OF INTERESTS

- 1.1 Apologies were received from Councillor Goldsack - substituted by Councillor Wells, Councillor Davey who was substituted by Councillor Price and Councillor Mason

2. CHAIRS ANNOUNCEMENTS

- 2.1 The Chair congratulated Jon Alsop into his new role as Chief Finance Officer/S73 Officer at the Authority and thanked the Interim S73 officer for his work.
- 2.2 The Chair also thanked the Councillor who had served on the previous year's Audit and Governance Committee- Councillors Harrison, Morris, Hay, Seaton and Robertson.
- 2.3 Due to the number of newly appointed members to the Audit and Governance Committee, the Chair asked that a 'Skills set' be circulated to all members of the Audit and Governance Committee to identify areas of training that members may benefit from.

3. APPOINTMENT OF THE VICE-CHAIR

- 3.1 The Chair explained that at the Annual General meeting in May 2017, the Board appointed him as Chairman of the Committee and delegated the decision of a Vice-Chair to the Committee to decide at its first meeting of each year.
- 3.2 Councillor Benney proposed and Councillor Wells seconded that Councillor McGuire be appointed as Vice- Chair.

RESOLVED:

- 3.3 Upon a vote, it was agreed that Councillor McGuire be appointed as Vice - Chair of the Audit and Governance Committee for the ensuing year.

4. CO-OPTES TO THE AUDIT AND GOVERNANCE COMMITTEE

- 4.1 The Interim Monitoring Officer submitted a report and elaborated thereon. It was noted that the Board had recognised that a lot of independents had been elected in some constituent Councils and had delegated authority to the Audit and Governance Committee to co-opt an independent member.
- 4.2 Councillor Price proposed the co-option of an independent person.
- 4.3 Councillors McGuire proposed, and Councillor Wells seconded that the Committee do not co-opt an independent councillor.

RESOLVED:

- 4.4 Upon a vote, it was agreed that the Audit and Governance Committee would not co-opt an independent councillor.

5. MINUTES OF THE MEETING HELD ON THE 29TH MARCH 2019.

- 5.1 The minutes of the meeting held on the 29th March 2019 were agreed and signed by the Chair.

7. DECLARATIONS OF INTEREST

- 7.1 There were none.

8. CORPORATE RISK REGISTER

- 8.1 The interim S73 officer elaborated on the report and explained that it was an updated report, (from March) which had been requested by Members. It was noted that the register was reviewed monthly by the Directors.
- 8.2 It was noted that there was a risk register in place for all projects undertaken by the Authority. Following the implementation of the mitigation measures, the top risks had been identified and outlined within the report. It was explained that there were several reasons some risks would remain, which included the lack of funding approval from Government and financial commitment secured from the Authority's private partners.
- 8.3 The Interim S73 Officer reported that the Risk Register was reported and reviewed on a monthly basis by directors; it was a fluid document that was updated regularly to reflect any changes to the status of the risks and to record any new risks identified.

RESOLVED:

- 8.4 That the Committee reviewed the Combined Authority Risk Register and requested that it be a standing item on the agenda. It also asked that for each meeting new risks included on the register be highlighted, that symbols be used on the chart to show changes in the risk level (up or down), and that the covering paper show changes to the top risks (ie, up, down, new or removed).

9. DRAFT ACCOUNTS 2018/19

- 9.1 The interim S73 officer explained that it was a legal requirement for the draft Statement of Accounts to be published on the Combined Authority's website for public inspection.
- 9.2 It was noted that draft Statement of Accounts were unaudited and as such, had not been audited by Ernst and Young; the final audited version of the Statement of Accounts would need to be signed and published on the Authority's website by 31st July 2019.
- 9.3 In response to questions asked by the Committee, it was noted that in previous years there had been a simpler structure and therefore due to an increase in employment at the Authority, the figures had been consolidated. Furthermore, it was necessary for the figures to be reported in a different way which was due to the transfer of the LEP; there was only a need to highlight the figures for the LEP for the first year and not the subsequent years.
- 9.4 In relation to senior officer staffing costs, the figures had been included in the Audit Plan. The external auditors had confirmed the process followed and figures contained within the accounts were correct.
- 9.5 It was confirmed that the Authority had no debt and that all funding came from grants and was not borrowed money.

RESOLVED:

- 9.6 That the Committee received and reviewed the draft statement of accounts 2018/19

- 9.7 That the Committee received and reviewed the Annual Governance Statement 2018/19

10. ASSURANCE FRAMEWORK

- 10.1 The Chief Executive submitted a report which asked the Committee to note the report and the revised single Assurance Framework for both the Business Board and the Combined Authority.
- 10.2 It was explained that a Local Assurance Framework for the LEP had been created to document practices and standards to provide Government and local partners with assurance that decisions over funding were robust, transparent and able to deliver value for money (VFM).
- 10.3 The single Assurance Framework for both the Business Board and the Combined Authority was developed in line with the revised Government guidance, ensuring clarity, transparency and openness to the decision-making process of both Boards.
- 10.4 A number of suggested additions were offered in discussion, including a request for a section outlining how the joint Chief Executive arrangements would operate with particular regard to the handling of any potential conflicts of interest.

RESOLVED:

- 10.4 That the single Assurance Framework for both the Business Board and the Cambridgeshire and Peterborough Combined Authority be noted.

11. INTERNAL AUDIT; GOVERNANCE

- 11.1 The Internal Auditor elaborated on his report and explained that the report provided an independent and objective opinion on the Combined Authority's effectiveness in managing risk management, governance and control environment. It was noted that with the amalgamation of the LEP into the Authority, the Audit Plan would review the LEPs governance arrangements as it was expected that this would closely mirror those of the Combined Authority.
- 11.2 It was noted improvements had been made to the governance arrangements and a reasonable assurance or better had been given for all areas, except Human Resources (HR) which had 'no assurance'. Plans had been put in place to address the HR weaknesses a new HR Manager was now in post.
- 11.3 The Chief Executive explained that 6 months in to the inception of the Combined Authority, they had asked the Internal Auditors to inspect their practices and identify any areas of concern. At the time, 19 issues had been highlighted, 8 of which had now been completed and the remaining ones being either worked on or were not currently possible to resolve.
- 11.4 28 key policy documents around Human Resources had been identified and in the past 6 months, there had been no significant issues raised; having undertaken a restructure it was reported that staff employed at the Authority were happy and contented.

RESOLVED:

- 11.5 That the outcomes from the reviews of corporate governance together with the proposed actions for management to address weaknesses identified was considered. It was agreed that the HR Manager would attend a future meeting to brief the Committee on the work undertaken to address the concerns identified by Internal Audit. It was also noted that the Annual Internal Audit Report would be considered at the next meeting.

12. COMBINED AUTHORITY BOARD UPDATE

- 12.1 The Committee received a report which provided an update on the activities of the Cambridgeshire and Peterborough Combined Authority Board meetings of the previous 6 months.

RESOLVED:

- 12.2 That the Committee note the updated contained within the report and appendices.

13. BUSINESS BOARD GOVERNANCE UPDATE

- 13.1 At a previous meeting of the Audit and Governance Committee, members requested an update on the governance arrangements for the Business Board.
- 13.2 It was explained that the Business Board would be subject to both internal and external reviews despite its legal status being that of an informal partnership. The Business Board did not have the ability to enter into contracts and would act through the Combined Authority as its Accountable Body.
- 13.3 The Audit and Governance Committee asked for additional information on the Business Board Governance Arrangements on the Committee's role in reviewing the Board.

RESOLVED:

- 13.4 That the Committee noted the update.
- 13.5 That the interim Monitoring Officer to present a briefing to Members of the Committee on the Business Board Governance Arrangements in the development session immediately before the next Committee meeting.

14. STAFFING STRUCTURE UPDATE

- 14.1 The Chief Executive explained that following her and John Hill's appointment as joint Interim Chief Executives of the Combined Authority, they were tasked to undertake a review of the staffing structure of the organisation. Subsequently, in February 2019, the Employment Committee considered the Chief Executives consultation paper for the restructuring of departments.

- 14.2 It was noted that as part of the process, the staffing structures of other local authorities had been examined and considered. Comparably, Tees Valley Combined Authority had 94 staff members, meaning the CAPA had one of the leanest staffing structures of all the Combined Authorities.
- 14.3 It was further explained that the CAPA had also amalgamated the LEP, Energy Hub, Adult Education Budget and Agri-tech. It was noted that there were 73 posts, 30 of which were vacant, but adverts were currently out to recruit to them.

RESOLVED:

- 14.4 That the Committee noted the staffing structure approved by the Employment Committee for consultation on the 13th February 2019.

15. WORK PROGRAMME

- 15.1 The Committee received the report which provided the draft work programme for Audit and Governance Committee for the remainder of the 2019/20 municipal year.
- 15.2 The Committee agreed to add the following to the work programme:
- a) Chief Finance Officer to prepare a briefing note on the combined Authority's policy documents relating to the rules and regulations adhered to in the national policies, followed also by CIPFA.
 - b) Transport Team be invited to a future meeting of the Committee to deliver a presentation on the accelerated delivery process including information on risk management.
 - c) Statement report on Value for Money (VfM) to be considered, including 'benefit-cost-ratio')
 - d) Assurance Framework – to be a regular item
 - e) Business Board Governance Arrangements – brief presentation from the MO (at the immediately before the next Committee meeting) to elaborate on the Committee's role in reviewing the Business Board

16 Date of next meeting

- 16.1 That the next meeting be held on the 19th July 2019 at Council Chamber, Fenland District Council at 10am.

The meeting concluded at: 12.32pm

Audit and Governance Committee Action Sheet – 31st May 2019

Date	Action	Officer	Delegated officer	Completed
19 th July 2019				
	Chief Finance Officer to prepare a briefing note on the combined Authority's policy documents relating to the rules and regulations adhered to in the national policies, followed also by CIPFA.	Jon Alsop		
	Transport Team be invited to a future meeting of the Committee to deliver a presentation on the accelerated delivery process including information on risk management.	Chris Twigg		
	Annual Internal Audit Report would be considered at the next meeting	Emma Powley		
	Statement report on Value for Money (VfM) to be considered, including 'benefit-cost-ratio'	Jon Alsop		
	It was agreed that the HR Manager would attend a future meeting to brief the Committee on the work undertaken to address the concerns identified by Internal Audit.	Martin Jeynes		
	Business Board Governance Arrangements – brief presentation from the MO (at the next Committee pre-meet) to elaborate on the Committee's role in reviewing the Business Board	Dermot Pearson		

	Assurance Framework – to be a reported every 6 months. To be presented at Committee - 13 th Dec 2019.	Emma Powley		
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AUDIT AND GOVERNANCE COMMITTEE	AGENDA ITEM No: 8
19 JULY 2019	PUBLIC REPORT

VALUE FOR MONEY

1.0 PURPOSE

- 1.1. The purpose of the report is to inform the Audit and Governance Committee on the Combined Authority approach to delivering Value for Money.

<u>DECISION REQUIRED</u>	
Lead Officer:	Jon Alsop – Head of Finance (S73)
<p>The Audit and Governance Committee is recommended to:</p> <ul style="list-style-type: none"> • Note the Combined Authority’s approach to delivering Value for Money. 	

2.0 BACKGROUND

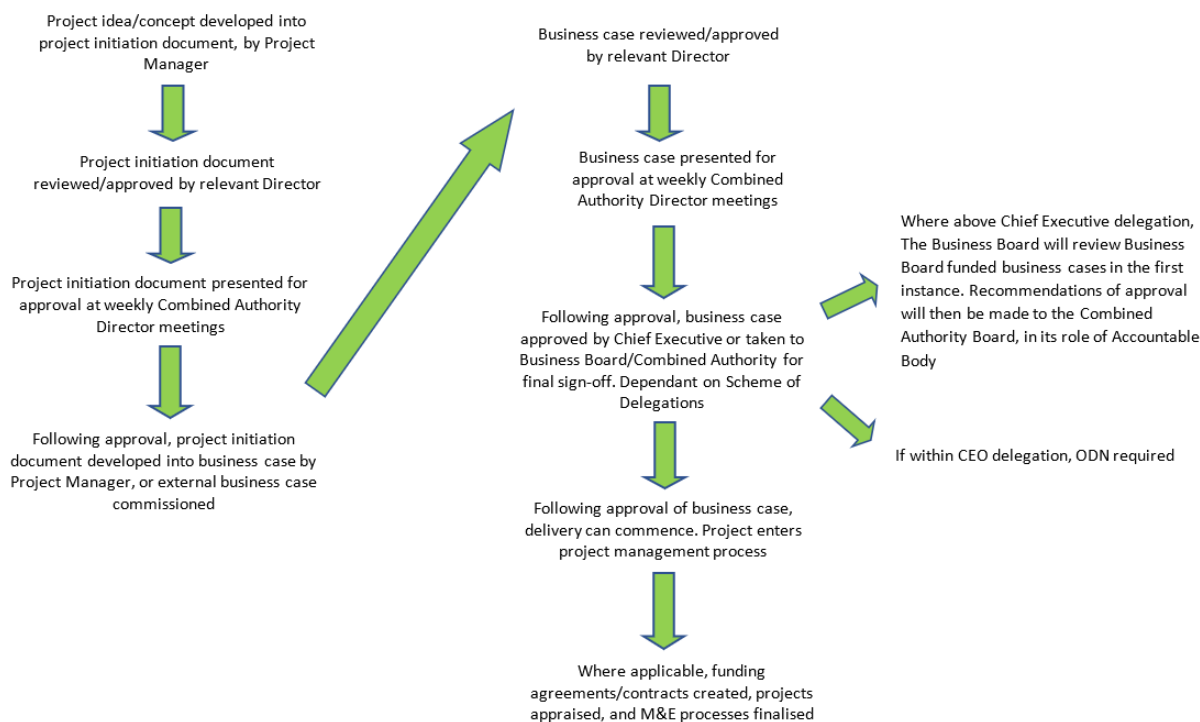
- 2.1. According to its Terms of Reference, a function of the Audit and Governance Committee is to “review and assess the economy, efficiency and effectiveness with which resources have been used in discharging the authority’s functions”.
- 2.2. In their 2018/19 audit plan, Ernst & Young LLP (EY) stated their requirement to consider whether the Combined Authority has put in place ‘proper arrangements’ to secure economy, efficiency and effectiveness on its use of resources. This is known as the auditor’s ‘value for money conclusion’.
- 2.3. The value for money conclusion is based on the evaluation of whether the audited body has proper arrangements to ensure it takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.
- 2.4. The two documents that set out the Combined Authority’s approach to ensuring that value for money is achieved in the development of projects and programmes, and in their delivery and outcomes are the Assurance Framework and the Monitoring and Evaluation Framework .

THE ASSURANCE FRAMEWORK

- 2.5. The Combined Authority Assurance Framework sets out the key processes for ensuring accountability, including public engagement, probity, transparency, legal compliance and value for money
- 2.6. As an investor of public funds, the Combined Authority has a responsibility to ensure that its decisions deliver best value for the tax payer, and therefore all investment opportunities and business cases must include an assessment of their Value for Money. The Assurance Framework has been developed in line with HM Treasury Green and Magenta Book Guidelines, which require project managers to build in Value for Money processes throughout the approval stages. The Combined Authority also requires all business cases be developed in line with HM Treasury's Five Case Model.
- 2.7. The delivery, and costs, of outputs must be quantified within all applications for funding. Where there are clear guidelines set out by Government for assessing Value for Money these will be taken into account. For all Transport and Infrastructure schemes, benefit cost ratio (BRC) indicators are used in line with DfT guidance.
- 2.8. The Combined Authority Board sets out the investment priorities for Cambridgeshire and Peterborough through the Medium-Term Financial Plan and the Business Plan. These include named prioritised projects which are allocated against either revenue or capital funds.
- 2.9. For new programmes/projects, the detailed consideration of whether the programme/project represents value for money, is initially undertaken through the development of a Project Initiation Document (PID) and Business Case.
- 2.10. The PID is used to identify the expected expenditure, timescales for delivery and proposed outcomes, and to enable more informed financial and output profiling.
- 2.11. The PID provides a first view of how, what and when the project will deliver against the Mayor's Growth Ambition Statement, the Local Industrial Strategy and the Business Plan. The PID will include details such as:
 - Project description including objectives and overview.
 - Timescales (high level).
 - Project outputs and outcomes
 - Cost of project (high level), and initial funding required.

- 2.12. The decision-making process and governance arrangements of how a project idea/concept develops through the PID and Business Case stages into delivery are set out in the diagram below:

Decision making process



- 2.13. The Business Plan and Medium-Term Financial Plan will be reviewed every six months, to include the prioritisation of new projects/programmes that are put forward as a result of new opportunities, priorities or challenges arising.
- 2.14. New projects that are accepted into the Business Plan would then proceed to follow the Project Initiation Document through to Business Case development and be taken to the Combined Authority Board for decision.

THE MONITORING AND EVALUATION FRAMEWORK

2.15. Monitoring and evaluation (M&E) is a critical component of an effective performance management regime. Monitoring supports the effective tracking of a scheme or series of policy interventions ensuring that intended outputs are being achieved. Evaluation quantifies and assesses outcomes, including how schemes were delivered and whether the investment generated had the intended impact and ultimately delivered value for money. M&E forms a significant part of the policy feedback loop to inform future policy development, priorities and budgets.

2.16. The CPCA's approach to Monitoring and Evaluation uses the Magenta Book definition of monitoring and impact evaluation as follows:

- Monitoring: Seeks to check progress against planned targets, formal reporting and evidencing that spend and outputs are successfully delivered and milestones met.
- Evaluation: The assessment of effectiveness and efficiency during and after policy/intervention implementation. It seeks to measure outcomes and impacts to assess whether anticipated benefits are realised.

2.17. HM Treasury Business Case Guidance also provides the framework for preparing business cases for spending proposals. Business cases are prepared according to a model which views proposals from 5 interdependent dimensions – known as the Five Case Model outlined below. The CPCA has committed to following this model which in this context provides the thinking upon which the Monitoring and Evaluation work will be based, for example by providing the strategic and economic case against which to assess if predicted benefits have been achieved.

Five Cases	Detail
Strategic Case	The strategic case sets out the rationale for the proposal, it makes the case for change at a strategic level. It should set out the background to the proposal and explain the objective that is to be achieved.
Economic Case	The economic case is the essential core of the business case and should be prepared according to Treasury's Green Book guidance. This section of the business case assesses the economic costs and benefits of the proposal to society as a whole, and spans the entire period covered by the proposal.
Commercial Case	The commercial case is concerned with issues of commercial feasibility and sets out to answer the question "can the proposed solution be effectively delivered through a workable commercial deal or deals?" The first question, therefore, is what procurement does the proposal require, is it crucial to delivery and what is the procurement strategy?
Financial Case	The financial case is concerned with issues of affordability, and sources of budget funding. It covers the lifespan of the scheme and all attributable costs. The case needs to demonstrate that funding has been secured and that it falls within appropriate spending and settlement limits.
Management Case	The management case is concerned with the deliverability of the proposal and is sometimes referred to as programme management or project management case. The management case must clearly set out management responsibilities, governance and reporting arrangements, if it does not then the business case is not yet complete. The Senior Responsible Owner should be identified.

2.18. CPCA will develop a comprehensive performance management system and evaluation framework that will operate at both a strategic level and at the individual programme/project level. This will enable CPCA to:

- Monitor impacts and progress towards organisational goals, and to understand whether projects are on track to deliver projected outputs and outcomes.
- Assess the additionality of activities (and impacts) and to assess whether a project or programme has achieved Value for Money.
- Identify the sustainability of impacts, and the equality implications of activities.
- Maintain scrutiny and accountability.
- Inform future investment prioritisation and resource allocation.
- Identify what works (and what does not), and in what circumstances, to inform future activities and delivery and the sharing of best practice.

2.19. The Combined Authority's performance will be assessed against a 'base-line' economic forecast for the area. This will be carried out as part of the commissioned independent evaluation of the authority being carried out by SQW Ltd (in partnership with government departments, BEIS and MHCLG). This base-line will be compared with the area's actual economic growth rate, with the difference providing an indication of the added value to the UK economy to set alongside the total sum of investment in growth initiative. SQW will provide a commentary of attribution and wider economic influences.

2.20. A number of specific economic studies were reviewed as part of the CPIER (Independent Economic Review). One such example is the Wisbech Economic Study which outlines the scenarios for economic growth for key sectors of the town's economy. A baseline is provided indicating the expected (low level) of

growth for the Agriculture and Food Manufacturing sectors together with alternative scenarios for growth if the right type / level of investment is made into the area. The difference in these shows part of the potential 'value' that could be derived from CPCA investments into the town. The CPCA, via the County Council's Research Team, will monitor the achievement of these benefits.

2.21. An example of how monitoring works at an individual scheme level is the Ely Bypass, which has recently opened and was funded in part by LEP (Growth Deal) funding. A scheme of monitoring is in place, with regular returns being made to BEIS. Measurement is being made against the stated objectives of the scheme in terms of jobs created (development on local employment sites), housing built etc. Economic impact studies can then be programmed in over time, noting that infrastructure can yield significant benefits into the future .e.g. the Guided Busway has been vital to unlocking the Northstowe new development.

2.22. As the Combined Authority's programme of works develops, we will provide updates to the Committee on Value for Money monitoring and evaluation.

3.0 FINANCIAL IMPLICATIONS

3.1. None other than those highlighted in the main body of the report.

4.0 LEGAL IMPLICATIONS

4.1. There are no significant legal implications

5.0 SIGNIFICANT IMPLICATIONS

5.1. None.

6.0 APPENDICES

- None

<u>Source Documents</u>	<u>Location</u>
The Assurance Framework The Monitoring and Evaluation Framework	CPCA Assurance Framework



AUDIT AND GOVERNANCE COMMITTEE	AGENDA ITEM No:
19 JULY 2019	PUBLIC REPORT

INTERNAL AUDIT: ANNUAL AUDIT REPORT AND OPINION 2018 / 2019

1.0 PURPOSE

- 1.1. This report is submitted to the Audit and Governance Committee and provides details of the performance of Internal Audit during 2018 / 2019 and the areas of work undertaken, together with an opinion on the soundness of the control environment in place to minimise risk to the Combined Authority.

<u>DECISION REQUIRED</u>	
Lead Officer:	Steve Crabtree, Peterborough City Council
The Audit and Governance Committee is asked to consider and endorse the attached Annual Report and Opinion from Internal Audit for the year ended 31 March 2019.	

2.0 BACKGROUND

- 2.1. Public Sector Internal Audit Standard, PSIAS 2450, requires the Chief Audit Executive (CAE), the lead auditor providing the service, to provide an annual report to the Audit and Governance Committee timed to support the Annual Governance Statement. This report must include:
- An annual audit opinion on the overall adequacy and effectiveness of governance, risk and control framework (the control environment); and
 - A summary of audit work performed from which the opinion is derived including any reliance placed on work by other assurance bodies.

2.2. In addition, the PSIAS require the CAE to confirm to the Audit and Governance Committee at least annually, the organisational independence of the internal audit activity. In the context of PSIAS, “opinion” means that Internal Audit will have done sufficient, evidenced work to form a supportable conclusion about the activity it has examined.

2.3. In preparing the opinion, the CAE has reviewed all audit activities carried out relating to 2018 / 2019. Each individual audit undertaken contains an assurance opinion on the adequacy and effectiveness of controls in place to mitigate the risks identified. Where systems have fallen below expected standards, details of these have been identified within the report. Furthermore, ongoing internal performance indicators are monitored and their level of achievement, or otherwise, are included for information purposes.

2.4. The overall conclusion based on our work for CPCA is that:

- *I am satisfied that sufficient quantity and coverage of Internal Audit work and other independent assurance work has been undertaken to allow me to draw a reasonable conclusion on the adequacy and effectiveness of the Authority’s risk management, control and governance processes. In my opinion the CPCA has adequate systems of internal control in place to manage the achievement of its objectives. In giving this opinion, it should be noted that assurance can never be absolute and, therefore, only reasonable assurance can be provided that there are no major weaknesses in these processes. Notwithstanding my overall opinion, Internal Audit’s work identified a number of opportunities for improving control procedures which management has accepted and are documented in each individual audit report.*

3.0 FINANCIAL IMPLICATIONS

3.1. The cost of undertaking Internal Audit activities is contained within the charges contained within the CPCA’s budget and set out in the Service Level Agreement.

4.0 LEGAL IMPLICATIONS

4.1. The Accounts and Audit Regulations 2015, Regulation 5, requires a relevant Authority to undertake an effective internal audit to evaluate the effectiveness of

its risk, control and governance processes, taking into account public sector internal auditing standards or guidance.

5.0 SIGNIFICANT IMPLICATIONS

5.1. None.

6.0 APPENDICES

6.1. Appendix 1: Annual Audit Opinion

<u>Source Documents</u>	<u>Location</u>
List background papers:	

APPENDIX 1

ANNUAL INTERNAL AUDIT OPINION 2018 / 2019

ANNUAL REPORT

1. Introduction
2. Arriving at an Opinion
3. Opinion 2018 / 2019
4. Delivery of Audit Plan

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

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

1. **INTRODUCTION**

- 1.1 Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. On behalf of the Audit and Governance Committee, Internal Audit acts as an assurance function providing an independent and objective opinion to the organisation on the entire control environment by evaluating the effectiveness in achieving the organisation's objectives. This report is the culmination of the work during the course of the year and seeks to provide an opinion on the adequacy of the control environment and report the incidence of any significant control failings or weaknesses.
- 1.2 Internal Audit services are provided by Peterborough City Council (PCC) to the CPCA via a Service Level Agreement. The UK Public Sector Internal Audit Standards (PSIAS) states that the Chief Audit Executive¹ (CAE) must produce an annual report that can be used to inform the Annual Governance Statement, which forms part of the Council's accounts. It must include an opinion on the overall adequacy of the governance, risk and control framework; a summary of the work from which the opinion is derived and a statement on conformance with the PSIAS. This report, the Annual Audit Opinion, fulfils these requirements.

2. **ARRIVING AT AN OPINION**

2.1 **Background**

- 2.1.1 The opinion is derived from work carried out during the year, as part of the agreed Internal Audit Plan for 2018 / 2019. The Plan was developed primarily to provide management with independent assurance on the adequacy and effectiveness of the system of internal control. We have conducted our work both in accordance with the mandatory standards and good practice within the Code of Practice and additionally from our own internal quality assurance systems. Our opinion is limited to the work carried out by Internal Audit but, where possible, we have considered the work of other assurance providers, such as External Audit; quality accreditation or other pieces of consultancy or third-party works designed to alert the CPCA to areas of improvement.

2.2 **Risk Based Planning**

- 2.2.1 A risk based approach is used to develop the Annual Plan, allowing us to direct resources at areas key to the organisation's success and to provide an opinion on the control environment as a whole. Examples include:
- Governance reviews, including a review of key assurance frameworks and the Annual Governance Statement;
 - Contract, procurement, performance and project and service delivery audits; and
 - Fraud risks

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

2.3 The Audit Review

2.3.1 For each Internal Audit review:

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

2.4 Reporting

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

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

Opinion / Assurance	Description
SUBSTANTIAL	The internal control system is well designed to meet objectives and address relevant risks, and key controls are consistently applied. There is some scope to improve the design of, or compliance with, the control framework in order to increase efficiency and effectiveness.
REASONABLE	The internal control system is generally sound but there are some weaknesses in the design of controls and / or the inconsistent application of controls. Opportunities exist to strengthen the control framework and mitigate further against potential risks.
LIMITED	The internal control system is poorly designed and / or there is significant non-compliance with controls, which can put the system objectives at risk. Therefore, there is a need to introduce additional controls and improve compliance with existing ones to reduce the risk exposure for the Authority.
NO	There are significant weaknesses in the design of the internal control system, and there is consistent non-compliance with those controls that exist. Failure to improve controls will expose the Authority to significant risk, which could lead to major financial loss, embarrassment or failure to achieve key service objectives.

2.4.3 Based on the works undertaken, recommendations may be identified to improve the control environment.

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

2.4.4 The Internal Audit team follows a prescribed format which is set out within its adopted Audit Charter which is reviewed annually by PCC's Audit Committee and was last reviewed in March 2019. This can be provided for Member information if required and is available on the Councils website.

3. **OPINION 2018 / 2019**

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

- Assessed the quantity and coverage of internal audit work against the 2018 / 2019 internal audit plan to allow a reasonable conclusion as to the adequacy and effectiveness of the CPCA's risk management control and governance processes;
- Reviewed the reports from the reviews undertaken during the year by Internal Audit and other assurance providers where appropriate;
- Any follow up action taken in respect of audits from previous periods;
- Considered any significant actions not accepted by management and the consequent risks;
- The extent to which any resource constraints may impinge on the ability to meet the full audit needs of the CPCA;
- Considered the effects of significant changes in the CPCAs objectives or systems and the requirement for Internal Audit involvement;
- Reviewed and considered matters arising from reports to CPCA committees and the Board; and
- Considered whether there were any limitations which may have been placed on the scope of Internal Audit.

3.2 Following consideration of the above I am able to provide the following opinion for 2018 / 2019:

I am satisfied that sufficient quantity and coverage of Internal Audit work and other independent assurance work has been undertaken to allow me to draw a reasonable conclusion on the adequacy and effectiveness of the Authority's risk management, control and governance processes. In my opinion the CPCA has adequate systems of internal control in place to manage the achievement of its objectives. In giving this opinion, it should be noted that assurance can never be absolute and, therefore, only reasonable assurance can be provided that there are no major weaknesses in these processes.

Notwithstanding my overall opinion, Internal Audit's work identified a number of opportunities for improving control procedures which management has accepted and are documented in each individual audit report.

*Chief Internal Auditor
June 2019*

4. **DELIVERY OF THE ANNUAL PLAN**

4.1 **Scope**

- 4.1.1 The audit work that was completed for the year to 31 March 2019 is detailed below. As part of the audit work there could be areas of scope limitation or impairment.
- 4.1.2 PSIAS states that the CAE should disclose any impairments or restrictions to the scope of Internal Audit work. The Internal Audit Charter sets out our remit and authority to have full, free and unrestricted access to any of the records, assets and people. This includes access to organisations where data is processed as part of a contractual arrangement. It is also demonstrated in the Service Level Agreement with the CPCA.
- 4.1.3 In line with the PSIAS, we have a process for team members to declare any interests that may impact on the impartiality of our work. I can confirm that all declarations have been made as necessary, and no conflicts have occurred during 2018 / 2019 that have impaired the work carried out at CPCA.
- 4.1.4 Where the CAE has roles or responsibilities that fall outside of internal auditing, safeguards must be in place to limit impairments to independence or objectivity. The CAE manages the Insurance and Investigations teams at Peterborough and acts as a reserve approver for payments from the CPCA and PCC's bank accounts. The Audit Charter states that, should we carry out an audit of these areas, the work will be quality assured independently from the CAE. The audit of Treasury Management for the CPCA fell into this category. I can confirm that the work was managed and reviewed by the Group Auditor.

4.2 **Service Provision**

- 4.2.1 Internal Audit has to comply with the UK Public Sector Internal Audit Standards and Local Government Application Note. An external assessment of the service was carried out in March 2018 and a final report was received in November 2018 setting out that the service was fully compliant.
- 4.2.2 Resources utilised during the year have included the Chief Internal Auditor, Group Auditors and the use of an agency auditor. The service is currently recruiting to a vacant Senior Auditor post so as to be able to factor in more resilience within the team to cover the plans.

4.3 **Audit Coverage**

- 4.3.1 The original plan approved in March 2018 highlighted coverage based upon 75 days. Following additional requests through Audit and Governance Committee at the meeting on 28 September 2018, this was increased to 105 days as reported on 30 November 2018.

4.3.2 In delivering the plan, the following issues are a breakdown of the works:

- As highlighted above, there was an increase in coverage following changes to the organisation in September 2018. This included the senior officer departures; additional areas in relation to corporate governance activities and a focus on recruitment;
- A series of grant claims have been completed for the CPCA which related to monies payable through to and expended by PCC, Cambridgeshire County Council (CCC) and the Business Board (following the closure of the Local Enterprise Partnership);
- An assessment of the governance arrangements in place for the LEP and its compliance with prescribed best practice;
- Increased devolution saw the CPCA take on the future responsibility for the coordination and payment of Adult Education Budgets and we provided a critical friend to the development of that project;
- A separate report was undertaken regarding the delivery of Treasury Management; and
- Follow up of previously agreed actions to establish compliance / non-compliance with timescales.

4.4 Corporate Governance

4.4.1 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. Since its creation in 2017, the CPCA has developed and changed as new areas have been devolved or amalgamated within its remit. This has resulted in changes being introduced such as the Business Board (picking up on the activities previously within the LEP) and the introduction of a new committee structure to pick up on the various portfolio business areas.

4.4.2 Furthermore, the previous audit review in 2017 identified a number of areas which were in the process of being developed and requiring embedding and these were to be followed up. However, in light of the new activities and the creation of a series of committees, it was considered appropriate to have a full audit review of the governance activities to ensure that the new arrangements are fit for purpose. As a separate exercise, following discussion and debate at Audit and Governance Committee the audit also was to review the Human Resources processes adopted by the CPCA in relation to recruitment and selection.

4.4.3 The review in 2017 / 2018 identified 16 agreed actions for implementation. Analysis highlighted that the CPCA had developed an Action Tracker to oversee the monitoring of progress throughout the year. Verification of this during the review identified no material weaknesses. Additional areas were reviewed as part of the audit to provide further scrutiny of the governance dynamics. Analysis highlighted:

Activity Area	Assurance	Critical	High	Medium	Low	Total
Budget Setting	Reasonable	-	-	-	1	1
Budget Management	Reasonable	-	-	4	2	6
Financial Resilience	Reasonable	-	-	5	3	8

Governance	Reasonable	-	-	1	-	1
Roles and Responsibilities	Reasonable	-	-	-	1	1
Code of Conduct	Substantial	-	-	-	-	0
Complaints	Substantial	-	-	-	-	0
Risk Management	Reasonable	-	-	1	1	2
Performance Management Framework	Reasonable	-	-	1	-	1
Project Management	Reasonable	-	-	-	1	1
Declarations of Interest	Reasonable	-	-	-	1	1
Gifts and Hospitality	Reasonable	-	-	-	1	1
Freedom of Information	Reasonable	-	-	1	-	1
Local Code of Governance	Reasonable	-	-	-	1	1
Human Resources: Recruitment and Selection	No	1	1	-	-	2

- 4.4.4 Following extending the review to other areas of governance the part of the business requiring most attention is that of Human Resources. While the audit focus was primarily to look at the recruitment process – which we were unable to place any reliance on – the audit also touched upon the performance management framework and similarly there was nothing in place in relation to employees. A detailed action plan has been put in place to take this forward and this was tabled at the Audit and Governance Committee meeting in May 2019. Work is scheduled for 2019 / 2020 to follow up this in detail.
- 4.4.5 A separate review was undertaken by the Interim Chief Executives in relation to the staffing structure and this has been reported on separately through Employment Committee, Overview and Scrutiny Committee and Audit and Governance Committee.
- 4.5 **Financial Governance**
- 4.5.1 As part of the audit plan we undertook a review of Treasury Management and the results are identified under Financial Resilience in the above table.
- 4.5.2 In addition, CPCA commissioned an independent assurance review relating to the production of their 2019 / 2020 budget which was provided by CIPFA. The review was presented to the Audit and Governance Committee at the March 2019 meeting and the conclusions were recorded in the minutes below:

Extract from Audit and Governance Committee Minutes

It was explained that the reporting process for the budget showed marked improvements between the draft and the final. Having reviewed the relevant documents and discussions with key officers, it was confirmed that CIPFA were satisfied that:

- The Authority had prepared and was in the process of signing off its 2019/20 Budget and Medium-Term Financial Plan (MTFP) in accordance with the policies and procedures outlined in the Constitution
- That the 2019/20 Budget's content including assumption and revenue/capital split were clear and appropriate
- That the Authority has in place robust and comprehensive budget monitoring and reporting process and procedures that will now include regular reporting to the Combined Authority Board

4.5.3 While we have not reviewed the works of the external review we have taken assurance from the independent assessment and subsequent challenge by officers and Members.

4.6 Local Enterprise Partnership Governance

4.6.1 The Local Enterprise Partnership (LEP) is a partnership between business and the public sector, predominantly in the Cambridgeshire and Peterborough area, but also covers a number of adjoining authorities and has been created to oversee expenditure on infrastructure and associated investments to deliver growth. The LEP was incorporated into the CPCA in April 2018. A separate Business Board has been created to fulfil this function and a shadow Board was in operation until September 2018 to allow for recruitment.

4.6.2 The CPCA is the Accountable Body for the Business Board (for both the financial arrangements and governance matters). As the LEP is a recipient of public funds – primarily the Local Growth Fund – the Government requires the LEP to fulfil various governance requirements. Following a national review of LEPs, Central Government has produced a paper which sets out requirements on governance and performance monitoring together with details of a revised National Local Growth Assurance Framework. This replaces the previous LEP National Assurance Framework; the Single Pot Assurance Framework under the Cambridgeshire and Peterborough Devolution Deal and funds added to the Single Pot since then, for example, Adult Education Budgets. The overarching document seeks to provide a common framework of understanding of the assurance required for local growth funding.

4.6.3 The framework should be completed by CPCA and submitted to MHCLG annually. There is a dedicated compliance team in the CLGU who undertake a series of in-depth checks to ensure that the frameworks meets requirements.

4.6.4 With the amalgamation of the LEP into the CPCA, we sought to review the LEPs compliance, or otherwise, with the requirements set out in the National Assurance Framework. This included that the LEP has a local assurance framework in place, as required by the Government's National Assurance Framework and that it was operating under a clear governance framework

4.6.5 Analysis highlighted:

Activity Area	Assurance	Critical	High	Medium	Low	Total
LEP Governance	Reasonable	-	1	7	-	8

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

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

4.7 Adult Education Budget

4.7.1 Due to the further devolution of central government services to combined authorities, the responsibility for the Adult Education Funding Budget (AEB) is due to devolved to the CPCA from the Education and Skills Funding Agency (ESFA) in August 2019 in readiness for the new academic year. Audit activities undertaken have included the review of the project to:

- Undertake consultancy work - acting as a critical friend with regards to audit and assurance arrangements with the ESFA post Adult Education Budget devolution on proposed joint working processes;
- A review of the AEB Project 'pre devolution' to evaluate and test the self-assessment criteria detailed within the 'Readiness Agreement' framework is fit for purpose, deliverable and monitored to identify and mitigate risks.

4.7.2 Analysis highlighted:

Activity Area	Assurance	Critical	High	Medium	Low	Total
Adult Education: Devolution Programme	Substantial	-	-	-	3	3

4.7.3 Detailed quality monitoring information was found to provide transparency and clear indications of the risks exposed to the organisation and required mitigating actions. At the time of the audit review aspects of the programme were still to be concluded (e.g. finalisation of service provider contracts and Agresso go live) in line with the programme plan. Audit activities have been undertaken during the course of the year both in terms of consultancy, collaboration and programme compliance monitoring. Time has been allocated for Internal Audit to undertake

shadowing arrangements with the ESFA as appropriate and further activities are included in the first year of operation around service provider processes and payments.

4.8 Projects – ECDC Trading Company Loan

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

- monies have been awarded in line with the aims of the Affordable Homes Programme, Housing Strategy and any central funding requirements
- the governance outlined in the Assurance Framework has been applied (in terms of awarding, monitoring and evaluating the outcomes of the funding)
- Appropriate financial / legal due diligence, risk assessment and business case appraisal has been undertaken, including compliance with state-aid regulations
- Appropriate legal agreements are in place
- Draw-downs are verified and payments are accurate and valid
- the project is monitored effectively throughout delivery

4.8.2 At this point in time, no drawdowns have occurred and the audit has focussed on the appraisals and due diligence carried out. This work has taken place over an extended period of time and is still underway for the MOD project. Once all documentation has been received, this review will be concluded.

4.9 Grant Claims

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

Grant	Assurance Level
BEIS LEP Project Grants	Certified
Local Transport Capital Funding 2017 / 2018: <ul style="list-style-type: none"> • Capital Block Funding • Pothole Action Fund 	Certified

<ul style="list-style-type: none"> • National Productivity Investment Fund • Flood Resilience Fund • Challenge Fund 	
Local Transport Capital (Flood Resilience Fund)	Not certified

- 4.9.2 The Greater Cambridge and Greater Peterborough Local Enterprise Partnership (GCGP LEP) was a recipient of a grant from the Department for Business, Energy and Industry Strategy in relation to Growth Hub funding. When it ceased to operate as of 1 April 2018, its functions were transferred to the CPCA and was replaced by the Business Board. Internal Audit were commissioned to review the adequacy, or otherwise, of the financial records maintained and ensure that the grant sums claimed were in line with its conditions – this was an additional unplanned request from the original Audit Plan. The deadline for approval and return to BEIS was 25 June 2018. Following review of the financial records maintained, supporting documentation and the grant conditions imposed, we were able to confirm that the monies claimed were appropriate, and issued an Independent Accountant's Report in line with the timetable:

Growth Hub Funding to LEP in 2017 / 2018: GCGP LEP

We have examined the claim submitted by Cambridgeshire County Council (the Accountable Body) on behalf of the GCGP LEP. We have examined the records of the Accountable Body as necessary and obtained such explanations and carried out such tests as we consider necessary.

We note the following reservations which we draw attention to:

- The Accountable Body has transferred grant monies to the LEP in order for it to perform activities necessary to manage the Regional Growth Hub. As such, it is the LEP that has expended monies to cover eligible costs, and the LEP that has been subject to our independent examination.
- The LEP has stated that the European Regional Development Fund scheme referred to frequently in supporting documentation provided by the LEP relates to a separate scheme and no ERDF funding was directly received in the period April 2017 to March 2018 in respect of this claim.
- Maternity pay costs and credits have been included within the "Other Labour" figure. The LEP understands that maternity costs paid by the LEP was fully claimed against Statutory Maternity Pay making the net payment to the scheme zero.

We report that in our opinion, subject to any reservations set out in the preceding paragraph:

- The claim and previously submitted claims for payment are in accordance with the BEIS offer letter dated 13 March 2017 including the schedules thereto;
- The LEP has expended (as defined in Schedule 1 and claim form to the Grant Offer Letter) monies to cover those eligible costs incurred and defrayed during the period from 1 April 2017 and 31 March 2018 related to the project described in the offer letter amounting to £246,000;
- None of the costs were incurred before 1 April 2017;
- Overheads included in the expenditure are in respect of the LEP's own labour, not calculated to include any profit, appropriate to the project and not in excess of overhead rate applicable to similar work carried out by the LEP;
- The totals exclude Output Value Added Tax and interest and service charges arising from hire purchase, leasing and credit arrangements;

- The totals exclude any addition for profit by the LEP and profit earned by any company in the LEP group as a result of work relevant to the project undertaken by the Accountable Body or sub-contracted to such company by the LEP

- 4.9.3 Transport grants coordinated through the CPCA require a declaration to be sent to the Department for Transport. Based on the determination letters, monies are spent separately by PCC and CCC. Where monies are spent directly by County they undertake a review of the appropriateness of spending and provided statement returns to that effect and we were able to take assurance from their works. Similar arrangements were undertaken by PCC. Following review of claims and completed statements we confirmed to DfT that monies had been spent in line with the determination letters.
- 4.9.4 In relation to the Flood Resilience Fund grant, monies were not received until late in the financial year which prevented the Council the ability to spend the monies in that year. The grant was not certified and the Department of Transport informed that the monies had not been spent.
- 4.10 **Allegations of Fraud / Irregularity and Breaches of Code of Conduct**
- 4.10.1 Internal Audit is a key contact point for any issues of fraud and irregularity across the CPCA. No matters were brought to Internal Audit attention during the year.
- 4.11 **Significant Issues**
- 4.11.1 The PSIAS state that the Chief Audit Executive should report any issues considered particularly relevant to the preparation of the Annual Governance Statement which include consideration of any significant risk or governance issues and control failures which arise. While it is noted that agreed audit actions are included in the Annual Governance Statement, the following areas are noteworthy.
- **Human Resources** (Recruitment and Selection). As part of the governance review we were unable to provide any assurance on this activity. This has been included as part of this year's Audit Plan as a key area to follow up.



AUDIT AND GOVERNANCE COMMITTEE	AGENDA ITEM No: 6
19 JULY 2018	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 final Statement of Accounts 2018/19
 - (b) Receive and approve the Annual Governance Statement 2018/19

<u>DECISION REQUIRED</u>	
Lead Officer:	Jon Alsop – Head of Finance (S73)
<p>The Audit and Governance Committee is recommended to:</p> <ul style="list-style-type: none">(a) Receive and approve the final Statement of Accounts 2018/19(b) Receive and approve the Annual Governance Statement 2018/19 as included within the Statement of Accounts.	

2.0 BACKGROUND

Approval of the Statement of Accounts 2018/19

- 2.1. 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, 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.

- 2.2. At its meeting held on 29 March 2019, the Audit and Governance Committee agreed the Audit plan as presented to it by Ernst and Young LLP (EY). The plan outlined the proposed audit approach and scope for the 2018/19 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities (PSAA) Ltd, auditing standards and other professional requirements.
- 2.3. The draft Statement of Accounts for the year ended 31 March 2019 were then presented to the Audit and Governance Committee on 31 May 2019.
- 2.4. The draft Statement of Accounts, together with the draft Narrative Report and draft Annual Governance Statement were then signed by Noel O'Neill, the Interim Chief Finance Officer on 31 May, and published in draft form on the Combined Authority's website together with the notice of the exercise of public rights by the due date.
- 2.5. The notice of the exercise of public rights states that the documents are unaudited and subject to change, and sets out the rights of members of the public and local government electors in the audit process.
- 2.6. Ernst & Young LLP have been auditing the draft Statement of Accounts, and will present their findings to the Audit and Governance Committee.
- 2.7. The final version of the Statement of Accounts needs to be signed and published on the Combined Authority's website by 31 July 2018.

Management Letter of Representation

- 2.8. The Chief Finance Officer (S73) 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 at Appendix A for review by the Audit and Governance Committee.

Statement of Accounts 2018/19

- 2.9. The draft Statement of Accounts were presented to the Audit and Governance Committee for discussion and comment prior to the draft Accounts being published by the due date of 31 May 2019. The accounts have since been the subject of external audit.

- 2.10. As a result of additional reviews being undertaken by officers, some amendments have been made to the draft Statement of Accounts. The most significant of these changes is the re-analysis of 'work in progress' provisions between reserves. An updated version is attached at Appendix B for formal approval by the Audit and Governance Committee.

Consultation

- 2.11. Between 31 May 2019 and 11 July 2019, 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.
- 2.12. According to its Terms of Reference, the Audit and Governance Committee shall consider the annual external audit of the Combined Authority's accounts, including the Annual Audit Letter, assessing the implications and monitoring managers' response to concerns.
- 2.13. The Audit and Governance Committee are now recommended to receive and approve the Annual Governance Statement and the Statement of Accounts.

3.0 FINANCIAL IMPLICATIONS

- 3.1. The fee for the planned code work is £26,950. Additional fees of £3,500 are expected for EY's 'value for money' code work and £1,000 for EY's work on the severance of the Chief Executive.

4.0 LEGAL IMPLICATIONS

- 4.1. As set out in the body of the report.

5.0 SIGNIFICANT IMPLICATIONS

- 5.1. None.

6.0 APPENDICES

- 6.1. Appendix A – Management representation letter
- 6.2. Appendix B – Final Statement of Accounts 2018/19 including the Annual Governance Statement.

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



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

19 July 2019

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

Dear Suresh

This letter of representations is provided in connection with your audit of the financial statements of Cambridgeshire & Peterborough Combined Authority ("the Authority") for the year ended 31 March 2019. 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 & Peterborough Combined Authority as of 31 March 2019 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 2018/19.

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 2018/19.
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 2018/19, and are free of material misstatements, including omissions. 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 2018/19, that are free from material misstatement, whether due to fraud or error.

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

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Authority's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. 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.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Authority (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - involving financial statements;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Authority's financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Authority's activities, its ability to continue to operate, or to avoid material penalties;
 - involving management, or employees who have significant roles in internal controls, or others; or
 - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. 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 Board and Audit & Governance and Overview & Scrutiny committees (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: 19 July 2019.
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.

D. 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 confirm there are no liabilities relating to litigation and claims, both actual and contingent, which require disclosure in the financial statements.

E. Subsequent Events

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

F. 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.

G. Transfer of Greater Cambridgeshire Greater Peterborough Local Enterprise Partnership

1. We confirm that all balances have been transferred over from the Greater Cambridgeshire Greater Peterborough Local Enterprise Partnership (LEP) correctly and represent the true position of the LEP at the time of transfer.

H. Accelerate Management Deliver Processes

1. We confirm that we have not accelerated risk management processes for any projects during 2018/19.

Yours faithfully,

Chief Financial Officer

Date

Chair of the Audit & Governance Committee

Date



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

Statement of Accounts

2018/19

Cambridgeshire and Peterborough Combined Authority

Statement of Accounts 2018/19

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Narrative Report

Introduction

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

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

1. Organisational Overview and External Environment

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

Cambridge City Council
Cambridgeshire County Council
East Cambridgeshire District Council
Fenland District Council

Huntingdonshire District Council

Peterborough City Council
South Cambridgeshire District Council

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

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

In September 2018, the Business Board was constituted as a non-statutory body to be the Local Enterprise Partnership (LEP) for the region. It operates as a private-public sector partnership, focusing on the key business sectors to provide strategic leadership and drive growth in the Cambridgeshire and Peterborough and wider Local Enterprise area.

The staff and business of the LEP were transferred to the Combined Authority with effect from 1 April 2018. Subsequently all staff have been consolidated on a single set of conditions and pay structure as part of an organisational review

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

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

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

2. Governance

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

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

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

3. Operational Model

The Devolution Deal for Cambridgeshire and Peterborough sets out key ambitions for the Combined Authority to make our

area a leading place in the world to live, learn and work. These include:

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

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

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

The CPCA assurance framework is a set of systems, processes and protocols designed to provide an evidence-

based and independent assessment of the governance, risk management, and control processes of the organisation.

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

4. Risks and Opportunities

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

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

Key elements of that analysis include:

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

5. Our Growth Ambition

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

The CPIER endorsed the Devolution Deal ambition of doubling GVA over 25 years and said that growth is of strategic importance for the future global competitiveness of Britain. It emphasised the diversity of our economy and the difference

between the challenges the strongly-growing large cities and other parts of the area face.

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

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

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

In striking a balance between the different possible patterns for future settlements through the Spatial Framework, the Combined Authority will encourage development, where good

transport can be provided, including along transport corridors and within new garden villages. By linking the Spatial Framework and Local Transport Plan, this approach will be based on ensuring that transport and other infrastructure investment precedes housing development.

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

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

Responding to the growth challenge means public sector interventions to help firms raise their productivity, especially outside the Greater Cambridge area. Our Local Industrial Strategy (LIS) will reflect the CPIER's recommendations about key sectors and the drivers of productivity. Our LIS will recognise the different economic roles that different towns play

and will be about targeting support to businesses in areas that need it. It will focus on improving productivity and encouraging exporting. As part of this, the Combined Authority is already supporting digital connectivity for businesses.

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

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

Growth, educational attainment, health and social mobility are linked. More skilled, more productive, higher-earning residents will also be healthier. That requires consideration of how public services can best be organised to focus on improving the wider determinants of health and encouraging education

aspiration. The Combined Authority has launched an Independent Commission on public service reform and commissioned work on achieving a stronger health and care system.

Four Key Strategies will underpin Combined Authority Work

Local Industrial Strategy

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

Strategic Spatial Framework

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

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

Skills Strategy

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

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

Local Transport Plan

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

6. Performance

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

CPIER report

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

Cambridge Autonomous Metro (CAM)

The Combined Authority and Greater Cambridge Partnership (GCP) have developed a strategic outline business case for the

CAM proposal in 2018/19. Further funding has been committed in 2019/20 to develop a strong Outline Business Case as a driver to release funding.

Wisbech Road Improvements and Wisbech Rail Study

Following recommendation from the Business Board £10.5 million was allocated for a package of improvements to the road system around Wisbech.

The highway improvements will stimulate housing, economic and jobs growth in the town.

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

This work was commenced in 2018/19.

Peterborough City Centre Improvements: Bourges Boulevard

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

St Neots Master Plan

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

Affordable Housing

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

Ely Southern Bypass

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

Saving the X3 Bus Service

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

Kings Dyke

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

Agri-tech grant programme

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

Training for apprentices at iMET

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

Delivering Digital Connectivity Strategy

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

Greater South East Energy Hub

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

M11 Junction 8

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

7. Outlook

The Combined Authority restates its commitment to double GVA over 25 years. We recognise that this will require action

and investment by both the public and private sectors. It is the role of the Combined Authority to lead and to convene partners in order to make that happen.

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

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

8. Basis of Preparation and Presentation

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

The Statement of Accounts brings together the major financial statements for the Authority for the financial year 2018/19. The financial statements, along with the notes that accompany them, aim to give a full and clear picture of the financial position

of Cambridgeshire and Peterborough Combined Authority, including all aspects of the Business Board (LEP). The key contents of the various sections are as follows:

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

Jon Alsop
Head of Finance and S73 Officer

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

Accounting in the United Kingdom 2018/19.

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

Opinion

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

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

In our opinion the financial statements:

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to

determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

Matters on which we report by exception

We report to you if:

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

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

We have nothing to report in these respects.

Responsibility of the Chief Financial Officer

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

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

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper

stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

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

the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Use of our report

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

Suresh Patel (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

Cambridge

XXXX 2019

Statement of Responsibilities for the Statement of Accounts

The Combined Authority's Responsibilities

The Combined Authority is required to:

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

The Section 73 Officer's Responsibilities

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

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

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

The Section 73 Officer has also:

- kept proper accounting records which were up to date

- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Section 73 Officer's Certificate

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

Section 73 Officer:

Date: _____

Approval of the Statement of Accounts

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

Chair of the Audit
Committee:

Date: _____

Comprehensive Income and Expenditure Statement

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

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

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

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

Movement in Reserves Statement

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

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

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

Balance Sheet

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

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

Section 73 Officer:

Date:

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Combined Authority during the reporting period. The statement shows how the Combined Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Combined Authority are funded by way

of taxation and grant income or from the recipients of services provided by the Combined Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Combined Authority's future service delivery.

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

Notes to the Accounts

1 External Audit Costs

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

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

2 Mayor's and Member's Allowances

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

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

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

Role	Year	Allowance	Expenses	Total
Mayor	17-18 (part year)	£70,919	£5,309	£76,228
	18-19	£75,000	£5,835	£80,835

Chair of the Business Board ¹	18-19	£24,000	-	£24,000
Chair of Audit and Governance Committee ²	17-18	-	-	-
	18-19	1,656	-	1,656

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

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

3 Officers' Remuneration

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

These requirements only apply to directly employed staff.

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

Senior Employees

Senior employees whose salary is £50,000 or more, but less than £150,000, are required to be listed individually by way of job title. Employees whose salary is £150,000 or more must also

be identified by name. In this context, a senior employee is identified as follows:

- the designated head of paid service, a statutory chief officer or a non-statutory chief officer of a relevant body, as defined under the Local Government and Housing Act 1989;
- any person having responsibility for the management of the relevant body, to the extent that the person has power to direct or control the major activities of the body, in particular activities involving the expenditure of money, whether solely or collectively with others.

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

	Name(s) of post holders in 2018-19	Total Remuneration including Employer Pension Contributions £000	
		2017-18	2018-19
Chief Executive¹	M Whiteley K Sawyer J Hill	230	350
Monitoring Officer²	K Sawyer P Arran H Norris	127	166
Chief Finance Officer³	R Musson K Fenlon N O'Neill	95	201
Director of Business and Skills⁴		-	161

Director of Strategy and Policy⁵		-	77
Director of Housing⁵		-	109
Director of Transport^{5,6}		-	171
Total		452	1,235

1.The permanent Chief Executive Officer (Martin Whiteley) left the Combined Authority in September and two interim joint CEOs (Kim Sawyer and John Hill) have been in post since 26th September 2018. The total remuneration figures include any agreed exit packages.

2.The permanent Monitoring Officer, Kim Sawyer, was acting up to interim joint CEO from 26th September 2018. From October the Monitoring Officer role was covered by two successive interims.

3.The role of Interim Chief Finance Officer was held successively by Rachel Musson, Karl Fenlon and Noel O'Neill during 2018/19.

4.The Director of Business and Skills post was held by two successive appointments throughout the year, neither received more than £150,000.

5.These Director posts were appointed within the reporting period, their actual costs to the Combined Authority are recorded here.

6.The role of Director of Transport was covered by Inner Circle Consulting Ltd.

Employee remuneration above £50,000

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

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

£180,000-£194,999	-	-	-	-
£195,000-£199,999	-	1	-	1
Total	2	11	7	18

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

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

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

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

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

Pay Multiple

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

pay, bonuses, allowances and the cash value of any benefits-in-kind) and the median earnings figure of the whole of the authority's workforce.

For 2018-19 the Combined Authority's pay ratio takes into account those members of staff employed by both the CA and those employed via PCC and was 5.09.

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

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

5 Comprehensive Income & Expenditure Statement –Non Specific Grant Income

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

6 Related Parties

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

a) Central Government

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

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

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

b) Cambridgeshire and Peterborough Constituent Councils

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

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

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

c) Members

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

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

d) Officers

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

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

7 Expenditure and Income Analysed by Nature

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

8 Expenditure and Funding Analysis

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

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

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

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

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

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

yet to be applied to meet expenditure. The balance is not restricted by grant terms as to the capital expenditure against which it can be applied and / or the financial year in which this can take place.

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

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

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

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

- **Summary of Usable and Unusable Reserves**

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

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

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

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

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

11 Capital Grants Unapplied Reserve

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

12 Capital Adjustment Account

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

13 Financial Instruments Adjustment Account

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

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

14 Financial Instruments Revaluation Reserve

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

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

15 Property Plant and Equipment

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

16 Capital Expenditure and Capital Financing

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

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

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

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

17 Combined Authority Leasing Arrangements

Combined Authority as Lessee - Operating Leases

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

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

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

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

18 Financial Instruments

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

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

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

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

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

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

19 Fair Value of Financial Assets and Financial Liabilities

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

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

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

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

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

The Fair Values calculated are as follows:

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

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

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

20 Nature and Extent of Risks Arising from Financial Instruments

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

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

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

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

Credit risk

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

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

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

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

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

The Combined Authority had a total of £49.3m deposited with the Debt Management Office (DMO), UK banks and CCLA at 31 March 2019. As the DMO is within the scope of HM Treasury this reduces the overall credit risk. There is a specific risk attached to amounts deposited with the individual institutions based on their ability to make interest payments and repay the principal

outstanding, it is however more difficult to assess the risk in general terms. Recent experience has shown that it is rare for such entities to not meet their commitments. Whilst there is a risk of recoverability with regard to these deposits, there was no evidence that this was likely at 31 March 2019.

Liquidity Risk

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

Market risk

Interest rate risk

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

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

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

Price Risk

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

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

21 Debtors

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

22 Creditors

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

23 Cash Flow Statement – Investing Activities

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

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

24 Cash Flow Statement – Cash and Cash Equivalents

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

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

25 Transfer of LEP accountable body status from Cambridgeshire County Council

As part of the changes around the creation of the new Business Board, the accountable body status for the LEP also

transferred to the Combined Authority, from Cambridgeshire County Council, on 1 April 2018.

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

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

26 Critical Judgement in Applying Accounting Policies

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

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

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

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

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

28 Authorisation of the Accounts

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

Accounting Policies

General Principles

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

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

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

Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Acquired Operations

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

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

Cash and Cash Equivalents

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

convertible to known amounts of cash with insignificant risk of change in value.

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

Charges to Revenue for Non-current Assets

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

depreciation attributable to the assets used by the relevant service

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

amortisation of intangible assets attributable to the service.

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

Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg cars) for current employees and are

recognised as an expense for services in the year in which employees render service to the authority. An accrual is made for the cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

Events after the Reporting Period

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

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

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

Financial Instruments

Financial Liabilities

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

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

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

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

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

Financial Assets

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

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

Financial Asset Measured at Amortised Cost

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

credited to the CIES is the amount receivable for the year in the loan agreement.

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

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

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

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

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

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual

provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

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

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

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

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

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

Expected Credit Loss Model

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

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

Government Grants and Contributions

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

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

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

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

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

Leases

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

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

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

The Authority as Lessee

Operating Leases

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

Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

- the purchase price

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

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

Impairment

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

Depreciation

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

Depreciation is calculated on the following bases:

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

Programme Management of Delegated Funds

Some funds are delegated to CPCA that HM Government require it to distribute and manage to achieve the desired outcomes.

Government subsequently require officers of CPCA to monitor activity and report thereon regularly. Such funds require specific project management and this sets out the methodology for funds under management in 2018/19.

Local Growth Fund

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

Housing Investment Fund

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

Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Reserves

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

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

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

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

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out

the amounts charged so that there is no impact on the General Fund Balance.

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

Value Added Tax (VAT)

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Movement in Reserves Statement or MIRS – This statement shows the movement in the year on the different reserves held by the Combined Authority, analysed into 'usable reserves' (i.e. those

that can be applied to fund expenditure or reduce local taxation) and unusable reserves.

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

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

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

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

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

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

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

Index of Notes to the Core Financial Statements

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Annual Governance Statement

For the year ended 31 March 2019

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

Scope of Responsibility

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

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

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

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

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

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

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

The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values, by which the Authority is directed and controlled and how it engages with and leads the community in those activities for which it is accountable. It enables the authority to monitor the

achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

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

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

The Governance Framework

Context

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

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

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

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

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

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

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

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

Cambridgeshire and Peterborough Combined Authority Structure

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

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

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

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

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

Board

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

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

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

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

Mayor

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

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

Executive Committees

In September 2018, the Board set up three executive committees; the Transport and Infrastructure Committees, the Skills Committee and the Housing and Communities Committee. By placing responsibility for three of the largest portfolios into a committee system, it enabled the Combined Authority to meet challenges of resilience and volume. The Chair of each committee leads the portfolio responsibilities of that committee and can distribute responsibility for delivering discreet areas of the portfolio amongst the members of the committee. By creating a division of the portfolio workload across the committee

members, the Combined Authority ensures a measure of continuity in the delivery of its key projects. A committee system also allows member oversight of the delivery of its programme of works against the Combined Authority's Assurance Framework and Monitoring and Evaluation Framework.

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

Overview and Scrutiny Committee

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

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

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

Audit and Governance Committee

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

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

- (a) member complaints procedure
- (b) corporate complaints procedure
- (c) whistleblowing and confidential reporting of complaint by third parties procedure
- (d) Data Protection policy

- (e) Freedom of Information policy and publication scheme
- (f) A Code of Corporate Governance in line with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE) Framework Delivering Good Governance in Local Government
- (g) Anti-fraud and corruptions policies and
- (h) risk management strategy

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

- (a) Review of the Constitution
- (b) Review of Business Board Governance Arrangements
- (c) Review of the Joint Business Board and Combined Authority Assurance Framework

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

Business Board (Local Enterprise Partnership)

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

The current membership (September 2018) comprises nine members, which includes two public sector members and up to seven business representatives from amongst the key sectors across the Cambridgeshire and Peterborough area. The majority members on the Board are from the private sector. Prior to the formal establishment of the Business Board a recruitment campaign was undertaken to appoint representatives from the business community. This recognised two key concepts:

- (1) that the Business Board should be predominantly private sector led to provide the best possible platform for businesses within the area and that
- (2) the Board ought to be comprised of representatives of those key sectors which are driving economic growth in the area. There are seven private sector members of the board representing the key industrial sectors to ensure the prosperity of the area.

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

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

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

Strategic Direction

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

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



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

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

- People
- Ideas
- Business Environment
- Infrastructure
- Place

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

- Greater Cambridge
- Greater Peterborough
- The Fens

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

4. In May 2018, the Combined Authority agreed its **2030 prospectus** to articulate its longer-term ambition and aspirations for Cambridgeshire and Peterborough. It also agreed its **Four-Year Plan** which set out how the Combined Authority planned to deliver its strategic growth ambitions and priority programmes in the period 2018/19 – 2021/22. It brings together the plans to support delivery of the 2030 ambitions for the benefit of all our communities. The Four-Year Plan has been developed through working closely with Leaders, Chief Officers and partners.
5. The **Cambridgeshire and Peterborough Combined Authority Business Plan** was agreed in January 2018 and set out the investment priorities for the period to 2020. The Combined Authority has been developing its detailed strategies for key areas of activity including:
 - Housing Strategy
 - Local Industrial Strategy
 - Local Transport Plan
 - Non-statutory spatial plan
6. The Combined Authority has 12 priority programmes based upon the CPIER objectives

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

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

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

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

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

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

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

Assurance Framework

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

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

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

- (c) The key processes for ensuring accountability, including public engagement, probity, transparency, legal compliance and value for money.
- (d) How potential investments to be funded through the Cambridgeshire and Peterborough Medium Term Financial Plan incorporating the Single Pot, will be appraised, prioritised, approved, signed off and delivered.
- (e) The processes for oversight of projects, programmes and portfolios and how the progress and impacts of these investments will be monitored and evaluated.

Project Delivery

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

Decision Making

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

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

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

Financial Management

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

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

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

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

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

Developing Capacity

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

Internal Audit

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

External Audit

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

Risk Management

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

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

Managing Performance

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

Review of Effectiveness

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

There were a number of reviews during the year:

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

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

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

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

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

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

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

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

Medium	Governance G1 The CPCA should consider establishing an overarching Project Outcomes Plan which sets out the timelines for the delivery of critical projects.	Six-month review of the Business Plan and MTFP to commence September 2019
Medium	Risk Management RM1 The Risk Register should be reviewed to ensure that it remains relevant and fit for purpose.	The risk register is subject to continual review
Medium	Performance management Framework PMF1 The CPCA should consider establishing appropriate performance measures for other committees / portfolios in order to provide effective scrutiny and challenge.	CPCA will continuing to provide Board members with a quarterly Performance Report, which provides an update on the 6 key indicators and an exception report with projects of a red and amber status. The exception report is created from the monthly highlight reports, and the template for this is be reviewed over the next few months.
Medium	Freedom of Information CPCA, in line with good practice should consider recording FOI requests / responses on the website	FOI responses published on line from 5 March 2019
Critical	Human Resources HR1: A fundamental review is required of HR processes and a clear action plan developed to ensure that the key back office function can be delivered. Internal Audit will undertake a full review of this area in 2019 / 2020.	A number of corrective actions have already been put in place including the transfer of staff from PCC into a single structure, commencement of a review of all contractual arrangements, appointment of a payroll provider, the writing and evaluation of job descriptions for all roles, the writing of 18 Key procedures and a gap analysis is under way to determine any further key policies and processes. It is agreed that at the point of review the situation could be considered critical and we put in place corrective actions as outlined

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

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

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

Medium	7. The Head of Finance, CPCA should ensure that all discussions and decisions taken at the monthly meeting are minuted to ensure accountability and transparency. Both the CPCA and PCC should keep copies of the minutes for audit trail purposes.	This recommendation has now been implemented.
Medium	8. The Head of Finance, CPCA should be satisfied that PCC Treasury Management processes are suitable for CPCA purposes. This should include: <ul style="list-style-type: none"> • up-to-date process and policy documentation • up-to-date authorisation's matrix to reflect limits and authority levels • suitable segregation of duties 	Agreed. This recommendation has also been discussed and agreed with PCC.

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

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

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

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

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



AUDIT AND GOVERNANCE COMMITTEE	AGENDA ITEM No: 7
19 July 2019	PUBLIC REPORT

DRAFT ANNUAL REPORT OF THE CHAIR OF AUDIT AND GOVERNANCE COMMITTEE FOR 2018/19 & SELF-ASSESSMENT

1.0 PURPOSE

- 1.1 The Audit and Governance Committee has been in operation since the Combined Authority Board approved the membership and appointment of the Independent Person in May 2017. The committee held its first meeting in June 2017 and has met five times during the 2018/19 municipal year
- 1.2 The Committee has a wide-ranging remit that underpins the Combined Authority's governance processes by providing independent challenge and assurance of the adequacy of risk management, internal control including internal audit, anti-fraud and the financial reporting framework. These are detailed in its terms of reference.
- 1.3 It is important for the Audit and Governance Committee to review annually the work undertaken by the committee to ensure best practice and effectiveness for the Combined Authority is being achieved.
- 1.4 The attached Draft Annual Report of the Chair of Audit and Governance Committee has been produced (Appendix 1) to show the work carried out by the committee over the municipal year 2017/18 and is for the committee to approve to the Combined Authority Board.
- 1.5 In the interests of good governance, the committee have chosen to conduct a self-assessment exercise to ensure that it is performing in line with its terms of reference, gain feedback from relevant sources and to ensure that the committee will continue to progress and develop in the future. (Appendix 2)

<u>RECOMMENDATIONS</u>
Lead Officer: Dermot Pearson, Interim Legal Counsel and Monitoring Officer

The Audit and Governance Committee are recommended to:

- a) Comment on the draft Annual Report of the Chair of Audit and Governance Committee for 2018/19 (Appendix 1)
- b) Comment on the self assessment form (Appendix 2)
- c) Approve the draft Annual Report of the Chair of Audit and Governance Committee for submission to the Combined Authority Board as shown in Appendix 1.

2.0 BACKGROUND

- 2.1 It is recommended by relevant professional bodies that audit and governance committees should produce an annual report which details the work of the Committee for the Municipal Year. A draft annual report has been prepared for 2018/19. (Appendix 1)
- 2.2 The draft annual report shows:
 - Background to the Committee, its roles, responsibilities and membership;
 - An overview and coverage of its remit including Internal Audit, Accounts and Financial Management, External Audit, Risk Management, Control Assurance, Corporate Governance, and Fraud and Irregularities;
 - Training provided to ensure that suitable challenge and scrutiny is adopted.
 - Records of complaints, Freedom of Information requests and attendance levels for the committee to consider.
- 2.3 The Committee are asked to comment on and agree the report. The report will then be submitted to the Combined Authority Board in September.
- 2.4 The Chairman, in agreement with committee members requested that in addition to the annual report, that a self-assessment exercise be carried out to help provide feedback for the committee after its first year in operation to ensure it was performing in line with its terms of reference and that it was providing an effective challenge to the governance arrangements put in place for the Combined Authority.
- 2.5 The self-assessment form will be discussed by the committee to provide a well-rounded review and gain valuable feedback to be included in the annual report and help the committee develop its work in the future.

3.0 RECOMMENDATION

- 3.1 Subject to approval by Audit and Governance Committee, it is intended to present the report to the Combined Authority Board for noting as part of the Committee's annual update in order to demonstrate the work carried out to improve the governance arrangements across the Combined Authority.

4.0 FINANCIAL IMPLICATIONS

- 4.1 There are no financial implications arising from this report.

5.0 LEGAL IMPLICATION

- 5.1 There are no legal implications arising from this report.

6.0 APPENDICES

- 6.1 Appendix 1 – Draft Annual Report of the Chair of Audit and Governance Committee for 2018/19
- 6.2 Appendix 2 – Audit and Governance Committee - Self Assessment Form

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



ANNUAL REPORT FROM THE CHAIRMAN OF AUDIT & GOVERNANCE COMMITTEE FOR THE COMBINED AUTHORITY OF CAMBRIDGESHIRE AND PETERBOROUGH 2018/2019

**To review and scrutinize the authority's
financial affairs**

**To make reports and recommendations
to the CA on these reviews**

**To review and assess the economy,
efficiency and effectiveness of the
authority's use of resources**

**To review and assess the authority's risk
management, internal control and
corporate governance arrangements**

**To ensure high standards of conduct
amongst Members**

AUDIT AND GOVERNANCE COMMITTEE: ANNUAL REPORT 2018/2019

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FOREWORD FROM THE CHAIRMAN OF THE AUDIT & GOVERNANCE COMMITTEE

I am pleased to provide the Audit and Governance Committee's (A&G) Committee Annual Report for the municipal year 2018/2019. The Board is requested to:

- Note the work carried out by the Audit and Governance Committee in scrutinizing the governance arrangements across the Combined Authority.
- Provide any feedback to the Committee.

The report describes the A&G Committee's contribution to the development of the Combined Authority's governance and control framework in this second year. Establishing the elements of good governance in a new organisation is a challenge and takes time to mature.

The A&G Committee keeps this in mind in its work.

Members have supported and challenged officers to help in the development of effective and transparent risk, internal control and governance processes.

I would like to thank Committee Members and Officers for their support of the A&G Committee work during the year.

Audit and Governance Chair
John Pye

INTRODUCTION

This is the A&G Committee's second annual report. It is produced in accordance with latest best practice¹.

The A&G Committee was established by the Combined Authority at its meeting in May 2017. The membership comprises 7 elected members representing each of the Combined Authority's constituent councils, together with an Independent Person. The Combined Authority Board agreed at its annual general meeting in May 2017 that the Independent Person should act as the A&G Committee's Chair for the

The purpose of the A&G Committee is to provide: independent assurance of the adequacy of the risk management framework and the associated control environment; independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risks and weaknesses; and to oversee the financial reporting process.

The key benefits of an Audit and Governance Committee can be seen as:

- Raising greater awareness of the need for internal control and the implementation of both internal and external audit recommendations;
- Increasing public confidence in the objectivity and fairness of financial and other reporting;
- Reinforcing the importance and independence of internal and external audit and similar review processes; and
- Providing additional assurance through a process of independent and objective review.

The A&G Committee's Terms of Reference are at **Annex A** of this report.

This report sets out the work undertaken by the A & G Committee for 2018/19. The A&G Committee has seen good progress in all areas under its remit and have ensured that a high degree of scrutiny around the Treasury Management Strategy has taken place since the start of the year.

The A&G Committee have also begun to make recommendations into the Combined Authority Board which have been taken on and actioned.

¹ Best practice as contained in the Chartered Institute of Public Finance and Accountancy (CIPFA) document "A Toolkit for Local Authority Audit Committees"

MEMBERSHIP AND MEETINGS

During 2018/2019, the Audit and Governance Committee met on the following dates:

- 20th July 2018
- 28th September 2018
- 30th November 2018
- 29th March 2019
- 31st May 2019

There is a cross representation of all parties in accordance with the make-up of the constituent councils across the Combined Authority area. The members for 2018/2019 were:

Table 1: Councillor Audit Committee Membership 2018/2019 as at 29 March 2019:

Conservative	Independent	Liberal Democrats	Labour
Cllr Chris Morris Cllr Anne Hay Cllr Mac McGuire Cllr David Seaton		Cllr Nichola Harrison Cllr Tony Mason	Cllr Richard Robertson

Senior officers from the Combined Authority are also present at the A&G Committee meetings, including the Interim Chief Finance Officer, Legal Counsel and Monitoring Officer, Interim Chief Executive Officer and Chief Internal Auditor.

The Mayor for the Combined Authority attended one meeting to provide an update on Combined Authority activities.

Dependent on the agenda, other officers attend as do the External Auditors, Ernst & Young.

The A&G Committee was well supported by the Combined Authority's senior officers throughout the year.

KEY ACTIVITIES DURING THE MUNICIPAL YEAR

Background

The Audit and Governance Committee's terms of reference cover 6 main areas:

- Annual Accounts
- Review Corporate Governance
- Internal Audit
- External Audit
- Financial Reporting
- Code of Conduct

The work of the AG&C to fulfil its terms of reference is summarised below.

Annual Accounts

3. Terms of Reference

3.2 Approve the annual statement of accounts.

Audit & Governance Committee Actions:

20th July 2018

- *Statement of Accounts:* The Combined Authority is required to prepare a Statement of Accounts each financial year, and it must be prepared in accordance with statutory timelines and accounting practices. The purpose of the report was for members to receive and approve the audited Statement of Accounts 2017/18 and approve the Annual Governance Statement 2017/18

31st May 2018

- *Draft Statement of Accounts:* The A&G Committee considered and commented on the draft accounts for the Combined Authority 2018/19.

31st May 2019

- *Draft Statement of Accounts:* The A&G Committee considered and commented on the draft accounts for the Combined Authority 2018/19.

Governance

Terms of Reference

- 3.3 Review corporate governance arrangements against the Code of Corporate Governance and the good governance framework;
- 3.4 Review the Annual Governance Statement prior to approval to ensure it properly reflects the risk environment and supporting assurances;
- 3.5 Annually review the assurance framework to ensure it adequately addresses risks and priorities including governance arrangements of significant partnerships;
- 3.6 Monitor the Authority's risk and performance management arrangements including reviewing the risk register, progress with mitigating actions and assurances;

- 3.7 Monitor the anti-fraud and whistle blowing policies and the complaint process;

Audit & Governance Committee Actions:

20th July 2018

- *Constitution Review:*
The Committee reviewed its terms of reference within the Combined Authority constitution and suggested any changes put forward as a recommendation to the Board.

28th September 2018

- *Corporate Risk Register Review:*
The Committee reviewed the Combined Authority Corporate Risk Register and suggested any changes they would like to put forward as a recommendation to the Board.
- *Interim Governance Review of Business Board:*
The Committee received the paper which set out the governance arrangements for the new Business Board.
- *Recruitment processes:*
The Committee received the report which informed them of the director recruitment process for the Director of Strategy and Planning and to provide assurance that the process was robust and carried out appropriately.

30th November 2018

- *Chief Executive Resignation:*
Members requested that a review be carried out in relation to the employment and dismissal procedure following the exit of the chief Executive and the Chief finance officer. The Committee received the report which provided them with the factual background relating to the circumstances of the resignation of the former Chief Executive and Finance Officer.
- *Corporate Risk Register:*
The Committee received the report which asked the committee to review the Combined Authority Corporate Risk Register and suggest any changes they would like to put forward as a recommendation to the Board.
- *Staffing Structure:*
The Committee received the report which explained the situation and timelines regarding a permanent senior staffing structure and to provide assurance about how good governance is being maintained in the interim.
- *Audit Committee Self - Assessment Actions and Review:*
The Committee received the report which asked them to review the proposed actions from the Committee's first annual self-assessment exercise.

Internal Audit

Terms of Reference

- 3.8 Provide assurances over the effectiveness of internal audit functions and assuring the internal control environments of key partners;
- 3.9 Review internal audit requirements undertaken by the Combined Authority;
- 3.10 Approve the internal audit plan;
- 3.11 Consider reports and assurances from the Chief Finance Officer in relation to:
 - (a) Internal Audit performance;
 - (b) Annual Assurance Opinion on the adequacy and effectiveness of the framework of governance, risk management and control;
 - (c) Risk management and assurance mapping arrangement;
 - (d) Progress to implement recommendations including concerns or where managers have accepted risks that the Authority may find unacceptable

Audit & Governance Committee Actions:

20th July 2018

- *Internal Audit Annual Report:*
The Committee received the report which provided notice of the Annual Audit Report and Opinion.
- *Internal Audit – Progress Report:*
The Committee received the report which provided details of the progress made in delivering the approved Audit Plan for 2018 / 2019.

28th September 2018

- *Internal Audit – Progress Report:*
The Committee received the report which provided details of the progress made in delivering the approved Audit Plan for 2018 / 2019.

30th November 2018

- *Internal Audit – Progress Report:*
The Committee received the report which provided details of the progress made in delivering the approved Audit Plan for 2018 / 2019.

29th March 2019

- *Internal Audit Plan and Progress Report:*
The Committee received the report which provided details of the progress made in delivering the Audit Plan.

31st May 2019

- *Internal Audit Report:* Members considered the results from the Internal Auditors investigation.

External Audit

Terms of Reference

- 3.12 Review the annual accounts;
- 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' response to concerns;

Audit & Governance Committee Actions:

20th July 2018

- *External Audit - Audit Results Report:*
The Committee received the report which presented the audit results report and summarised EYs preliminary audit conclusion in relation to the audit of the Combined Authority for 2017/18.

28th September 2018

- *External Audit - Annual Audit Letter:*
The Committee received the report which presented the Annual Audit Letter, as prepared by Ernst and Young following the completion of their 2017/18 audit.

30th November 2018

- *External Audit – Audit Plan:*
The Committee received the report which set out the 2018/19 Outline Audit Plan as prepared by Ernst & Young LLP (EY) for approval.

29th March 2019

- *External Audit Progress Report:*
The Committee received the report which provided an update on the Audit Plan as prepared by Ernst and Young LLP (EY).

Financial Reporting

Terms of Reference

- 3.14 Consider whether accounting policies were appropriately followed and any need to report concerns to the Combined Authority Board;
- 3.15 Consider any issues arising from External Auditor's audit of the account;
- 3.16 Ensure there is effective scrutiny of the treasury management strategy and policies in accordance with CIPFA's Code of Practice;
- 3.17 Maintain an overview of the Council's Constitution in respect of contract procedure rules, financial regulations and standards of conduct and make recommendations to the Chief Finance Officer and Monitoring Officer where necessary;

Audit & Governance Committee Actions:-

20th July 2018

- *Review of Investment Strategy & Risk Appetite:*
The Committee received an oral update from the Interim Chief Finance Officer which provided information on the status of the investment strategy and the risk appetite for the Combined Authority.

28th September 2018

- *Treasury Management Mid-Year Update:*
The Committee received the report which asked the committee to review the current performance against the prudential indicators included within the Treasury Management Strategy.
- *Adult Education Budget:*
The Committee received the report which provided them with information regarding the Adult Education Devolution Programme. The Committee noted the inclusion of the Adult Education Budget Programme Audit on the CPCA Internal Audit plan

30th November 2018

- *Treasury Management Update:*
The Committee received the report which provided the Audit and Governance Committee with an update on the Combined Authority (CPCA)'s Treasury Management.

29th March 2019

- *Independent Financial Review:*
The Combined Authority carried out a review of the budget process undertaken in 2018; the results of this report were presented to the committee.
- *Treasury Management:*
The Committee received the report which provided members with an update on the Treasury Management Strategy for the Combined Authority.

Code of Conduct

Terms of Reference

- | | |
|------|--|
| 3.18 | Ensure the Combined Authority has effective policies and processes in place to ensure high standards of conduct by its Members and Co-opted Members; |
| 3.19 | Assisting the Members and Co-opted Members to observe the Code of Conduct; |
| 3.20 | Advising the Combined Authority on the adoption or revision of the Code of Conduct and monitor its operation; |
| 3.21 | Advising on training and overseeing the effectiveness of any training for Members and Co-opted Members on matters relating to the Code of Conduct; |

MEMBER DEVELOPMENT AND ATTENDANCE

Throughout the year, the provision of ongoing Members' development has been the cornerstone of collective skills of the Committee. During the year, officers provided presentations on:

- Business Board and its Governance Arrangements
- Combined Authority Budget

A self-assessment of the A&G Committee's performance was also undertaken and can be found at Appendix A.

The Audit and Governance Committee members were given the opportunity to attend a Governance Workshop on 18th March 2019 along with members from the Combined Authority Overview and Scrutiny Committee; the workshop was run by an external facilitator and covered discussions on the roles of the two committees and discussed the governance reviews that were ongoing at the Combined Authority.

The A&G Committee were also given the opportunity to discuss the progress of the Combined Authority with the External and Internal Auditors at a private meeting prior to their March meeting.


Attendance

Date of Meeting	Number of members attended	Substitutes sent	Meeting Quorate
July 20 th 2018	7	1	Yes
September 28 th 2018	7	1	Yes
November 30 th 2018	7	0	Yes
March 29 th 2019	6	0	Yes from 10:15 – 12pm

Attendance at training sessions had been of previous concern to the Chair but attendance at these sessions usually held prior to the main A&G meeting had increased over the year.

Following the meeting on the 29th March 2019, the Chair circulated a letter to Council Leaders, Monitoring Officers and Chief Executives of constituent Councils reminding them of the high number of Councillor attendance needed for quoracy to allow the Committee to carry out their functions. They were informed that the requirement was for two-thirds of members to be present for the meeting to be quorate and emphasised the importance of sending nominated substitutes if members were unable to attend.

On the 18th March 2019, a training session was held for members of the Audit and Governance Committee and Overview and Scrutiny Committee. A public Sector Governance Training workshop by Bethan Evans was held and the Audit and Governance committee agreed that the agenda should include a summary of their responsibilities as below:

- 
- To review and scrutinize the authority's financial affairs
 - To review and assess the authority's risk management, internal control and corporate governance arrangements
 - To review and assess the economy, efficiency and effectiveness of the authority's use of resources
 - To make reports and recommendations to the CA on these reviews
 - To ensure high standards of conduct amongst Members

GOVERNANCE MONITORING

FREEDOM OF INFORMATION REQUESTS

The Combined Authority for Cambridgeshire and Peterborough is a public body for the purpose of the Freedom of Information Act 2000. (Schedule 1 Part 2 S19B; and as such must respond to requests for information held by the authority.

There have been 54 requests from 1 March 2018 to 28 February 2019.

All responses are now published on the website.

A member of the public has the right to ask for an internal review if they are dissatisfied with the handling of a Freedom of Information request. Over the last year the Combined Authority received 10 requests for internal reviews the results of these were that 7 of the review requests were denied and the original response was upheld; on receipt of further clarification by the requester 3 requesters were sent the information requested.

The table below shows how many Freedom of Information request were received this year and details whether they were responded to within the statutory deadline required of 20 working days.

Freedom of Information Requests Received March 2018 – March 2019

Number of FOI received between 1 st March 2018 – 28 th Feb 2019	Responded within deadline	Late responses	Internal review under taken	Outcome of internal review
54	48	6	10	7 - upheld 3 - information provided.

COMPLAINTS

The Combined Authority has a two stage complaints process which is published on the website.

- Stage One follows an informal complaints process where the relevant officer will do their best to settle the complaint without further action being taken.
- Stage Two follows a more formal process which allows for a complainant to make a formal complaint in writing to the Monitoring Officer, which will then be thoroughly investigated.

The Combined Authority has received no informal or formal complaints this year and no referrals to the local ombudsman.

WHISTLEBLOWING

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

The concerns can include something they believe goes against the core values of Standards in Public Life (the Nolan Principles) and the Code of Conduct for Cambridgeshire and Peterborough Combined Authority Members and staff. The Standards in Public Life include the principles of; integrity, honesty, objectivity, accountability, openness, honesty, leadership and impartiality.

The procedure that must be followed was approved by the Audit and Governance Committee last year and is published on the Combined Authority website.

There have been no instances of whistleblowing received by the Combined Authority this year.

FUTURE DEVELOPMENTS AND PLANS FOR 2019 / 2020

Overall, the Audit and Governance Committee want to continue to develop and build on our current achievements. For 2019 / 2020 this will involve:

- Continuing to monitor and drive up standards of corporate governance;
- Continuing to equip existing and any new Members with the skills needed to fulfil the A&G Committee's responsibilities by providing or facilitating development sessions on all aspects of the Committee's remit;
- Assisting and supporting officers to promote the work of the A&G Committee and the roles of internal audit, external audit and risk management;
- Supporting the continued production of high quality and compliant statutory accounts;
- Helping to further increase awareness within the Combined Authority of its governance arrangements, with particular emphasis on information and tackling fraud and corruption; and
- Providing effective challenge to officers, raising awareness for sound internal control arrangements and giving assurance to the Authority that its control arrangements are sound.

John Pye

Chair

Audit and Governance Committee

CPCA Audit and Governance Committee Self-Assessment Action log

<u>Action</u>	<u>Date set</u>	<u>Next action with:</u>	<u>Progress /Comments</u>	<u>Deadline</u>	<u>Open/Closed /Ongoing</u>
Improve attendance at Development sessions	20 July '18	All Members/ Anne G	All Members to attend Development sessions. Register to be kept to monitor improvement.	N/A	Ongoing
Repeat of skills audit following change in membership to re-assess strengths and weaknesses.	20 July '18	Anne G	Skills Audit undertaken.	30 Nov '18	Closed
To provide access to member training and development sessions materials	20 July '18	Anne G/ Jon A	To discuss with IT most appropriate means of providing access to materials e.g. separate group set up within Sharepoint.	30 Nov '18	Completed.
Induction pack to be developed along lines of Overview and Scrutiny Committee version.	20 July '18	Anne G/Emma P	Induction to be provided to new members at their first meeting after the May elections 2019.	May 2019	Open
Chair will hold annual 1:1s with Members to capture concerns, ensure engagement and build understanding.	20 July '18	Chair	Dates of annual 1:1s to be scheduled	30 Nov '18	Open
Terms of reference to be reviewed annually	20 July '18	Anne G	To be included within Forward Plan	30 Nov '18	Ongoing
Separate Dedicated workshop held to consider the draft financial statements	20 July '18	Anne G	Date of workshop to be agreed and scheduled – meeting arranged for the 14 th June 2019.	30 Nov '18	Completed
In 2 nd year, Committee to hold informal private discussions with	20 July '18	Anne G	Dates of informal discussions to be scheduled	30 Nov '18	Completed.

internal/external auditors – without Officers			Informal meeting arranged before the A&G meeting on the 29 th March 2019.		
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AUDIT AND GOVERNANCE COMMITTEE	AGENDA ITEM No: 5
29 JULY 2019	PUBLIC REPORT

EXTERNAL AUDIT – AUDIT RESULTS REPORT

1.0 PURPOSE

- 1.1 This report introduces the preliminary audit results report prepared for the Audit and Governance Committee by Ernst & Young LLP (EY). The audit results report summarises EYs preliminary audit conclusion in relation to the audit of the Combined Authority for 2018/19. A final report will be issued following the Audit and Governance Committee meeting.

<u>DECISION REQUIRED</u>	
Lead Officer:	Jon Alsop – Head of Finance (S73)
<p>The Audit and Governance Committee is recommended to:</p> <p>(a) Consider and note the preliminary audit results report for the year ended 31 March 2019</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 and is attached at appendix 1.

Status of the audit

- 2.2. The EY preliminary audit report shown at appendix A states the following: "Our audit of the Authority's financial statements for the year ended 31 March 2019 remains in progress. We are performing the procedures outlined in our Audit

Plan. At the date of this report we have commenced the majority of our audit procedures and are working to complete them over the next few weeks. However, owing to resourcing issues there is a possibility that we will not complete the audit by the 31 July. We will provide a verbal update to the Committee.”

3.0 FINANCIAL IMPLICATIONS

- 3.1. The planned fee for the audit is £31,450. The fee is made up of £26,950 for planned code work, £3,500 for additional work on Value for Money risks, and £1,000 for work carried out on the CEO severance payment.

4.0 LEGAL IMPLICATIONS

- 4.1. The Local Audit and Accountability Act 2014 requires the Combined Authority to appoint a local auditor. The local auditor, in auditing the accounts, by examination of the accounts and otherwise, must be satisfied—

(a) that the accounts comply with the requirements of the enactments that apply to them,

(b) that proper practices have been observed in the preparation of the statement of accounts, and that the statement presents a true and fair view, and

(c) that the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

5.0 SIGNIFICANT IMPLICATIONS

- 5.1. None.

6.0 APPENDICES

- 6.1. Appendix A – The audit results report for the year ended 31 March 2019.

<u>Source Documents</u>	<u>Location</u>
CPCA Statement of Accounts 2018/19	Appendix B to agenda item 6

Cambridgeshire and Peterborough Combined Authority Audit results report

Year ended 31 March 2019

9 July 2019



9 July 2019

Dear Audit & Governance Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Audit & Governance Committee. This report summarises our preliminary audit conclusion in relation to the audit of Cambridgeshire and Peterborough Combined Authority (the Authority) for 2018/19. Our audit remains in progress. Owing to resourcing issues there is a possibility that we will not have completed our audit by the 31 July. We will provide a verbal update to the Committee.

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 4 of this report. 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 welcome the opportunity to discuss the contents of this report with you at the Audit and Governance Committee meeting on 19 July 2019.

Yours faithfully

Suresh Patel

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk). This 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 April 2018)' issued by 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 statute, and covers matters of practice and procedure which are of a recurring nature.

This report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



01

Executive Summary

Executive Summary

Scope update

In our Final Audit Plan presented to the March 2019 Audit and Governance Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- Changes in materiality - We updated our planning materiality assessment using the draft statement of accounts and have also reconsidered our risk assessment. Based on our materiality measure of 2% of gross expenditure on provision of services, we have updated our overall materiality assessment to £1.423 million (audit plan – £1.99 million). This results in updated performance materiality, at 75% of overall materiality, of £1.069 million, and an updated threshold for reporting misstatements of £0.071 million.

Status of the audit

Our audit of the Authority's financial statements for the year ended 31 March 2019 remains in progress. We are performing the procedures outlined in our Audit Plan. At the date of this report we have commenced the majority of our audit procedures and are working to complete them over the next few weeks. However, owing to resourcing issues there is a possibility that we will not complete the audit by the 31 July. We will provide a verbal update to the Committee. Subject to their satisfactory completion we anticipate issuing an unqualified opinion in the form which appears at Section 3. However until work is complete, further amendments may arise. We are currently completing audit procedures on:

• Capital grant expenditure	• Cash	• Debtors and creditors
• Investments	• Other expenditure	• Cash
• Disclosures	• Provisions	• MiRS
• Financing & investment income	• Senior officer remuneration	• Related party transactions

Once we have completed the above procedures we will need to:

- Review of the final version of the financial statements
- Complete a subsequent events review
- Review the signed management letter of representation
- Issue a final version of this Audit Results Report.

Audit differences

At the date of this report there are no unadjusted audit differences and one adjustment which was identified by management after the preparation of the draft accounts. This relates to an adjustment of £0.881 million between REFCUS and Other expenditure (i.e. recoding some other expenditure that qualified as REFCUS back to REFCUS). We provide details in Section 5 and will update the Committee on any further audit differences.

Executive Summary

Areas of audit focus

Our audit plan identified key areas of focus for our audit of the Authority's financial statements. In total we have identified two significant risks and three areas of audit focus. We summarise below our latest findings.

Significant risk	Findings & conclusions
Misstatements due to fraud or error - management override	We have completed our testing of journals, sought evidence of bias in material estimates and remained alert to unusual transactions. We have found no indications that management have overridden controls to deliver a desired financial outturn.
Misstatements due to fraud or error - incorrect treatment of capital expenditure as revenue	We are currently completing our testing of a sample of capital expenditure, including Revenue Expenditure Funded from Capital Under Statute (REFCUS) to verify that revenue costs have not been inappropriately treated as capital. We are also verifying that adjustments between the accounting basis and funding basis have been correctly made in accordance with the Code, and reflected appropriately in the Authority's Movement in Reserves Statement (the MiRS). We have yet to complete this work to form a conclusion.

Area of audit focus	Findings & conclusions
New accounting standards	We have considered management's impact assessment and are satisfied that the Authority has implemented the new standards appropriately.
Severance payment to outgoing Chief Executive	We completed our review of the severance payment and reported our findings to the March 2019 Audit and Governance Committee. We were satisfied that proper processes had been followed.
Governance and Financial arrangements for the Business Board	We are satisfied with the way the Authority has accounted for the Business Board in the statement of accounts.

This report sets out our observations and conclusions on the above matters, and any others identified, in the "Areas of Audit Focus" 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; and
- ▶ You agree with the resolution of the issues; 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 your attention.

Executive Summary

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls. From our audit we have not identified any significant deficiencies in the in Authority's internal controls.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Final Audit Plan we identified four significant risks. We have included in Section 6 the detailed work we carried out in response to these risks. We include a summary below.

VFM risk	Outcome	VFM risk	Outcome
1. Proper arrangements - In the 2017/18 VFM conclusion we reported that some expected arrangements needed to be operating throughout the year	We have revisited the proper arrangements put in place during 2017/18 and obtained evidence that the Authority has embedded expected arrangements during 2018/19.	3. Risk of accelerated delivery of projects	We have not identified any projects where during 2018/19 delivery processes have been accelerated. We have no matters to report.
2. Governance & Financial Arrangements for The Business Board	We have reviewed the documented arrangements put in place by the Authority to ensure effective governance of the Business Board. We have no matters to report.	4. Robustness of the budget and MTFS	We have reviewed the findings of the independent external review and found them to be consistent with our own review of the budget and MTFS.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We are not required to carry out any procedures on the Authority's Whole of Governance Accounts (WGA) submission as the Authority falls below the National Audit Office (NAO) threshold.

Independence

We have no matters relating to our Independence to bring to your attention. Section 08 includes our update.



02

Areas of Audit Focus



Areas of Audit Focus

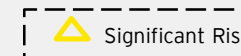
Significant risk

Risk of misstatements due to fraud or error – management override of controls

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

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



What did we do and what judgements did we focus on?

We:.

- ▶ Identified fraud risks during the planning stages.
- ▶ Enquired of management about risks of fraud and the controls put in place to address those risks.
- ▶ Understood the oversight given by those charged with governance of management's processes over fraud.
- ▶ Considered the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Tested journals at year-end to ensure that there were no unexpected or unusual postings.
- ▶ Reviewed accounting estimates for evidence of management bias.
- ▶ Looked for and investigated any unusual transactions.

We used our data analytics capabilities to assist with our work, including journal entry testing. We assessed journal entries for evidence of management bias and evaluated for business rationale. We specifically reviewed any elements where judgement could influence the financial position or performance of the Authority in a more positive or more favourable way.

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



Areas of Audit Focus

Significant risk

Misstatements due to fraud or error – the incorrect capitalisation of revenue expenditure and REFCUS

What is the risk?

The Authority has a revenue budget it needs to operate within. Manipulating expenditure is a key way to achieve this objective.

We consider the risk applies to capitalisation of revenue expenditure and revenue expenditure funded from capital under statute (REFCUS). Management could manipulate revenue expenditure by incorrectly capitalising expenditure which is revenue in nature and should be charged to the comprehensive income and expenditure account.

What judgements are we focused on?

We have identified a risk of expenditure misstatement due to fraud or error that could affect the income and expenditure accounts.

We have focused on the Authority's judgement that an item is capital expenditure in nature and the judgement that expenditure treated as REFCUS is associated to an asset not owned by the Authority.

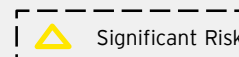
What did we do?

Our approach focused on:

- Testing a sample of capital expenditure, including Revenue Expenditure Funded from Capital Under Statute (REFCUS) to verify that revenue costs have not been inappropriately treated as capital.
- Verifying adjustments between the accounting basis and funding basis have been correctly made in accordance with the Code, and reflected appropriately in the Authority's Movement in Reserves Statement (the MiRS).

What are our conclusions?

We carried out testing against this risk as part of the interim audit and found no issues. We are currently completing our year end testing and will report our findings and conclusions when complete.





Areas of Audit Focus

New accounting standards

The Code requires the Authority to comply with the requirements of two new accounting standards for 2018/19 and make preparations for another new standard for 2020/21. These standards are:

► IFRS 9 - Financial instruments ► IFRS 15 - Revenue from contracts ► IFRS 16 - Leases

There is an inherent risk in relation to implementing new accounting standards and carrying out a sufficient assessment and evaluation.

Standard	Audit Findings
IFRS 9 - Financial Instruments	Our audit procedures for financial instruments did not identify any audit issues.
IFRS 15 - Revenue from Contracts	Our audit procedures for revenue from contracts did not identify any audit issues.
IFRS 16 - Leases	The Authority will need to consider the operating leases it currently holds.

In addition, changes have been made to the CIPFA/LAASAC Code for 2019/20, as noted below:

- The revised IASB Conceptual Framework for Financial Reporting (Conceptual Framework), the main elements being (2019/20 Code Cpt 2.1 refers);
 - new definitions of assets, liabilities, income and expenses
 - updates for the inclusion of the recognition process and criteria and new provisions on de-recognition
 - enhanced guidance on measurement bases
- Guidance in the treatment of the Apprenticeship Levy (2019/20 Code Cpt 2.11 refers)
- Updated guidance on IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation & LOBOs (2019/20 Code Cpt 2.11 refers)
- Clarifications for the disclosure requirements with respect to interests in entities within the scope of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (2019/20 Code Cpt 9 refers).

Severance payment to the outgoing Chief Executive

In March 2019 we reviewed the relevant information from the Authority's Monitoring Officer including legal advice and the rationale for the calculation and composition of the severance payment. We reported to the Committee that we had no issues to report.

We have carried an initial review of the related disclosure in the 2018/19 statement of accounts and have no further matters to report.

Governance and accountability arrangements for The Business Board

We have confirmed that the financial transactions of The Business Board are included in the statement of accounts of the Authority. We have no matters to report.



03 Audit Report



Audit Report

Our draft opinion on the financial statements

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

Opinion

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

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

In our opinion the financial statements:

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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



Audit Report

Our draft opinion on the financial statements

Other information

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

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

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

We have nothing to report in this regard.

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

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

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.



Audit Report

Our draft opinion on the financial statements

Responsibility of the Chief Financial Officer

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether Cambridgeshire & Peterborough Combined Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Cambridgeshire & Peterborough Combined Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.



Audit Report

Our draft opinion on the financial statements

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

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

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

Use of our report

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

Suresh Patel (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Cambridge
XXXX 2019



04

Audit Differences



Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

To date there is one adjusted difference, identified by management after they prepared the draft accounts. It relates to an adjustment of £0.881 million between REFCUS and Other expenditure (i.e. recoding some other expenditure that qualified as REFCUS back to REFCUS).



05

Value for Money Risks



Value for Money

Background

We are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

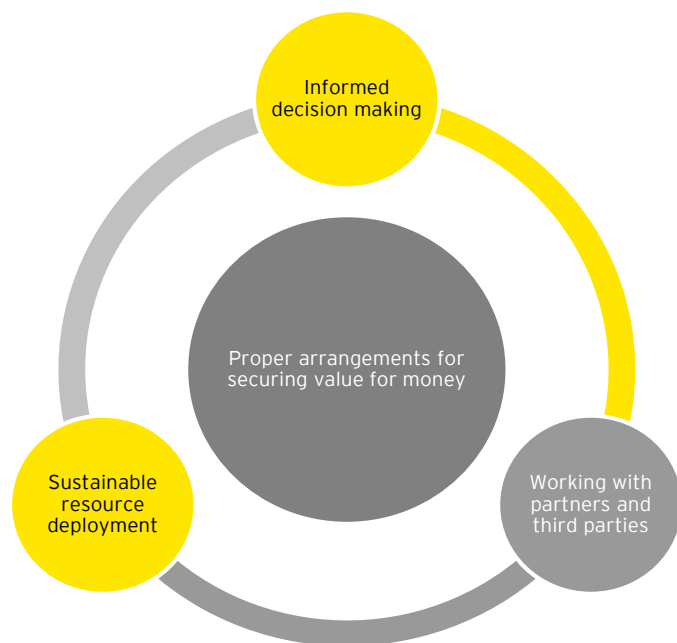
For 2018/19 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

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 will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.



Overall conclusion

In our Final Audit Plan of March 2019 we identified four significant risks around these arrangements. The tables below present our findings in response to those risks.

Overall we have no matters to include in the auditor's report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.



Value for Money Risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:
"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

We present below the findings of our work in response to the risks areas in our audit plan as well as the additional risk identified since then.

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
<p>1. Proper arrangements</p> <p>In 2017/18 we concluded that the Authority had the relevant proper arrangements in place to secure effective use of its resources. However, we reported that in light of the relatively short time since the Authority was established, there were aspects of the Authority's arrangements that had only been put into place at the end of the financial year. For 2018/19 we will revisit those arrangements to seek assurance from the Authority that they are not only in place but also demonstrating the outcomes that they have been designed to deliver.</p>	<ul style="list-style-type: none"> • Informed decision making • Deploying resources in a sustainable manner • Working with partners and other third parties 	<p>We have reviewed minutes of board and committee meetings, obtained a significant volume of policy documents, held discussions with management and considered the work of internal audit. We have obtained sufficient evidence from the Authority to demonstrate that the proper arrangements put in place during 2017/18 are now operating as designed.</p>
<p>2. Governance & Financial arrangements for The Business Board (TBB)</p> <p>The Authority established TBB on 1 April 2018. It needs to ensure that the arrangements enable it to secure effective use of its resources.</p>	<ul style="list-style-type: none"> • Informed decision making • Deploying resources in a sustainable manner • Working with partners and other third parties 	<p>We have reviewed the minutes of the TBB meetings throughout the year and considered accompanying policy documents. We have also held discussions with management in respect of the governance and financial activity of TBB.</p> <p>We have obtained evidence that the Authority has put in place adequate arrangements in respect of the use of resources in relation to TBB.</p>



Value for Money Risks

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
<p><u>3. Accelerated delivery processes</u></p> <p>At the time of drafting the March 2019 Final Audit Plan there was a risk that the Authority was seeking to accelerate delivery processes to increase the speed of project activity.</p>	<ul style="list-style-type: none">• Informed decision making• Deploying resources in a sustainable manner• Working with partners and other third parties	<p>We made enquiries to management about the acceleration of delivery processes for projects. Management stated that no projects during 2018/19 had been accelerated through the relevant governance and approval processes.</p> <p>We also reviewed board and committee papers for any evidence that delivery processes were being accelerated. We found no such evidence.</p> <p>As a result, we have not carried out any specific procedures in relation to this risk.</p>
<p><u>4. Robustness of the budget and the Medium Term Financial Strategy (MTFS)</u></p> <p>In late 2018 Members raised concerns over the robustness of the budget and the MTFS. As a result, the joint Chief Executives commissioned an independent external review of these items.</p>	<ul style="list-style-type: none">• Informed decision making• Deploying resources in a sustainable manner	<p>We have reviewed the findings of the independent external review and compared it to our own understanding of the Authority's 2018/19 budget and MTFS.</p> <p>We have not identified any matters which we deem necessary to report to the Audit and Governance Committee or management.</p>



06 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 Statement of Accounts 2018/19 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.

Financial information in the Statement of Accounts 2018/19 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the latest version of the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

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.



07

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. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

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.



08

Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our audit plan dated 11 March 2019.

We complied with the FRC Ethical Standards and the requirements of the PSAA's 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 Committee on 19 July 2019.

We confirm we have not undertaken any non-audit work outside the NAO Code requirements in relation to our work.

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats. There are no relationships from 1 April 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The table overleaf includes a summary of the fees that you have paid to us in the year ended 31 March 2019 in line with the disclosures set out in FRC Ethical Standard and in statute.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2019.

We confirm that we have not undertaken non-audit work outside the NAO Code requirements. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO.

	Final fee 2018/19	Planned fee 2018/19	Scale fee 2018/19	Final Fee 2017/18
		£	£	£
Planned Code work	26,950	26,950	26,950	35,000
Additional Code work:				
- Capital accounting issues	-	-	-	1,700
- VFM risks*	3,500*	3,500	-	2,000
- CEO severance*	1,000	1,000	-	-
Total Code work*	31,450	31,450	26,950	38,700

All fees exclude VAT

* We have performed additional work as a result of the risks identified in this audit results report. We reported planned fees in March 2019 and will confirm the final fee with the Chief Financial Officer on completion of the audit. Any additional fee is subject to agreement with PSAA. We will then report to the Audit & Governance Committee at a later date.






09

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 detailed these here together with a reference of when and where they were covered:

Our Reporting to you		
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Audit & Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Final Audit Plan - March 2019
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Final Audit Plan - March 2019
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report - July 2019

Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <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 the 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 ▶ Material misstatements corrected by management 	Audit Results Report - July 2019
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the Audit & Governance Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial 	
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit & Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ul style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Audit & Governance Committee responsibility. 	Audit Results Report - July 2019

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when 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 regulations ▶ Difficulty in identifying the party that ultimately controls the Authority 	Audit Results Report - July 2019
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of 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 about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2016:</p> <ul style="list-style-type: none"> ▶ Relationships between EY, the company and senior management, its affiliates and its connected parties ▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence ▶ Related safeguards ▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit 	Final Audit Plan - March 2019 and Audit Results Report - July 2019

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
	<ul style="list-style-type: none"> ▶ Details of any inconsistencies between the Ethical Standard and Authority's policy for the provision of non-audit services, and any apparent breach of that policy ▶ Details of any contingent fee arrangements for non-audit services ▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence 	
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	We have received all requested confirmations
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit & Governance committee may be aware of 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	Audit Results Report - July 2019

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Written representations	<ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance 	Audit Results Report - July 2019
Material inconsistencies or misstatements	<ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit Results Report - July 2019
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report - July 2019
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit plan is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Final Audit Plan - March 2019 and Audit Results Report - July 2019



Appendix C

Management representation letter

Management Rep Letter

About EY

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

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ED None

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AUDIT AND GOVERNANCE COMMITTEE	AGENDA ITEM No:
19th July 2019	PUBLIC REPORT

HR Update Report

1.0 PURPOSE

- 1.1 To provide the Committee with an update on HR issues following risks identified by the Internal Auditors report

<u>DECISION REQUIRED</u>	
FROM:	19th July 2019
Lead Officer:	Martin Jeynes (HR Manager)
That the Committee notes the update provided by the HR Manager.	

2.0 BACKGROUND

- 2.1 At a previous meeting of the Audit and Governance Committee meeting the Combined Authority's Internal Auditors submitted a report which provided assurance to the Committee that activities undertaken across the Combined Authority were appropriately managed, monitored and delivered in accordance with set governance, controls and risk management frameworks.

3.0 HR Action Plan Update

- 3.1 The consultation on the recent restructuring proposals for the CPCA has now ended though the process for the review of Job Evaluation is still ongoing therefore Job Evaluations will continue to be reviewed.
- 3.2 The comments and observations from the recent Corporate Governance Review (Report March 19) have been accepted and a corrective action plan was put in place with immediate effect.
- 3.3 An HR Manager has been appointed reporting directly to John Hill (Chief Executive) demonstrating the level of commitment to this function. In March 2019, a Governance review was undertaken the results of which were submitted to the Audit and Governance Committee on the 31st May 2019. ([Governance Review](#))

- 3.4 Responses to the concerns from the Corporate Governance review have been outlined below:
- 3.4.1 A full review of central personnel files has taken place to identify if any documents needed for audit and legal compliance are missing. We are now in the process of contacting all employees to ensure we have up to date records.
 - 3.4.2 The transfer of all staff from Peterborough City Council was concluded in April 2019 and a request for the transfer of all historic personnel records has been made to the PCC to allow for centralised control at the Combined Authority
 - 3.4.3 Job descriptions and person specifications have been written in line with the recent organisation restructure and subsequent recruitment program.
 - 3.4.4 With the current focus on recruitment we have prioritised the updating of all documentation covering authorisation to recruit, advertisements, interviews, selection, appointments and induction.
 - 3.4.5 28 policy and procedure documents have now been completed and a further gap analysis will take place later in the year.

4. Key objectives agreed with Chief Executive:

- 4.1 To complete the delivery of the restructure with focus on the recruitment program: the total number of roles to fill is 30.
- 4.2 To identify and form a team to act as the Job Evaluation Appeals Panel to manage any potential appeals and future developments in the business structure.
- 4.3 To introduce a Performance Appraisal Process to focus on delivery of objectives and to support the changes around the incremental pay policy. This also addresses recommendation HR2 in the Corporate Governance Report March 19.
- 4.4 To review, standardise, update and reissue CPCA contracts for all employees.
- 4.5 Introduce a staff representative body (Forum) to focus on employee engagement and satisfaction.

The target completion date is October 2019

5. Update - July 2019

- 5.1 The key HR focus since the previous update has been on recruitment. The Human Resources Adviser has now been appointed and has been part of the team (for the last month) focussing primarily on supporting the teams on the recruitment programme whilst updating or creating the necessary documentation for this process. The personnel files have continued to be reviewed in readiness for audit.

6. Response to the concerns from the Corporate Governance review (audit)

- 6.1 Personnel Files - completion planned for end of August 2019. Primarily the collection of personal details forms and re-issue of CPCA logoed Contracts still to complete.
- 6.2 All information held by PCC has been transferred to CPCA
- 6.3 Job Descriptions for all roles at the Combined Authority have now been completed.
- 6.4 Recruitment and onboarding process now in place. Flow chart and policy to be written.
- 6.5 Key HR policies – these have been completed (and are to be reviewed in January 2020)

7 Key objectives agreed with CEX

- 7.1. Recruitment:
 - 7.1.1 Complete - 15 roles
 - 7.1.2 Interview planned - 5 roles
 - 7.1.3 Pre- Interview search - 12 roles (transport and Legal teams)
- 7.2 Job Evaluation panel formed (team of 3) to allow for future review of existing or new roles. Will need to expand on this team to provide a impartiality and wider expertise.
- 7.3 Appraisal Performance Process – Next key priority with recruitment programme now more than 50% complete
- 7.4 Recruitment and onboarding process 90% complete as updated in real time with actual recruitment taking place
- 7.5 Staff Forum. Next key activity along with Performance Appraisal

Completion date still on target for October 2019

8.0 FINANCIAL IMPLICATIONS

- 8.1 There are no financial implications

9.0 LEGAL IMPLICATION

- 9.1 There are no legal implications

10.0 EQUALITIES IMPLICATION

- 10.1 None

11.0 APPENDICES

11.1 None

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



AUDIT AND GOVERNANCE COMMITTEE	AGENDA ITEM No: 10
19 JULY 2019	PUBLIC REPORT

ANNUAL TREASURY REPORT

1.0 PURPOSE

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

<u>DECISION REQUIRED</u>	
Lead Officer:	Jon Alsop – Head of Finance (S73)
<p>The Audit and Governance Committee is recommended to:</p> <ul style="list-style-type: none">• Review the actual performance for the year to 31 March 2019, against the adopted prudential and treasury indicators.	

2.0 BACKGROUND

- 2.1. According to its Terms of Reference, the Audit and Governance Committee shall “ensure there is effective scrutiny of the treasury management strategy and policies in accordance with CIPFA’s Code of Practice”.
- 2.2. The Treasury Management in the Public Services: Code of Practice 2011 recommends that Members receive regular reports on the authority’s treasury management policies, practices and activities, including an Annual Treasury

Report, which is a review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Treasury Management Strategy Prudential Indicators

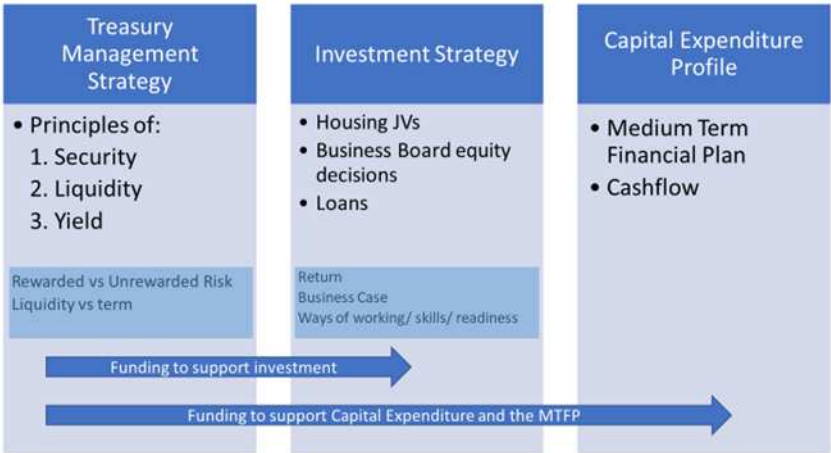
- 2.3. The Prudential Code underpins the system of capital finance. Prudential indicators are developed to ensure that:
- (a) Capital investment plans are affordable;

(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.
- 2.4. The Annual performance against the adopted Prudential Indicators is shown at appendix 1.

Investment Activity

- 2.5. categories of investment as set out in the table below



- 2.6. Surplus cash balances are held in accordance with the principles set out in the Treasury Management Strategy in order to support strategic investment decisions and the Capital Programme and the Medium Term Financial Plan (MTFP).
- 2.7. As at 31 March 2019, the following investments were held with Approved Investments in accordance with the Treasury Management Strategy:

Start / Purchase Date	Maturity Date	Counterparty	Profile	Rate	Principal O/S (£)
23/04/18	18/04/19	Lancashire County Council	Maturity	1.0000%	-5,000,000.00
23/04/18	18/04/19	Dundee City Council	Maturity	1.0000%	-5,000,000.00
01/08/18	08/04/19	Suffolk County Council	Maturity	0.6200%	-10,000,000.00
19/06/18	28/05/19	Stockport Metropolitan Borough Council	Maturity	0.6000%	-5,000,000.00
25/06/18	28/05/19	Stockport Metropolitan Borough Council	Maturity	0.6000%	-10,000,000.00
09/07/18	08/07/19	Doncaster Metropolitan Borough Council	Maturity	0.7700%	-5,500,000.00
31/08/18	30/08/19	London Borough of Croydon	Maturity	1.0500%	-10,000,000.00
10/09/18	12/08/19	Highland Council	Maturity	0.9500%	-5,000,000.00
10/09/18	10/06/19	Cambridgeshire County Council	Maturity	0.9500%	-5,000,000.00
05/10/18	07/05/19	London Borough of Haringey	Maturity	0.9000%	-5,000,000.00
23/10/18	23/07/19	Lancashire County Council	Maturity	1.1000%	-5,000,000.00
27/09/18	26/09/19	Birmingham City Council	Maturity	1.0500%	-5,000,000.00
05/10/18	05/09/19	Plymouth City Council	Maturity	1.0000%	-5,000,000.00
13/12/18	15/07/19	Rotherham Metropolitan Borough Council	Maturity	0.9500%	-6,000,000.00
13/12/18	13/08/19	Fife Council	Maturity	0.8800%	-6,000,000.00
21/01/19	21/06/19	West Dunbartonshire Council	Maturity	0.8800%	-5,000,000.00
21/01/19	21/10/19	Highland Council	Maturity	0.9500%	-5,000,000.00
21/01/19	21/10/19	Leeds City Council	Maturity	0.9500%	-5,000,000.00
21/01/19	30/04/19	London Borough of Barking and Dagenham	Maturity	0.8800%	-5,000,000.00
01/02/19	01/05/19	Birmingham City Council	Maturity	0.8700%	-5,000,000.00
22/03/19	01/04/19	DMO	Maturity	0.5100%	-8,500,000.00
27/03/19	01/04/19	DMO	Maturity	0.5100%	-14,800,000.00
29/03/19	04/04/19	DMO	Maturity	0.5200%	-3,800,000.00
				0.8103%	-144,600,000.00
20/03/17		Barclays Bank plc	Maturity	0.5500%	-12,200,000.00
				0.5500%	-12,200,000.00
20/03/17		CCLA The Public Sector Deposit 4	Maturity	0.7908%	-10,000,000.00
				0.7908%	-10,000,000.00
				0.7901%	-166,800,000.00

Appointment of Specialist Treasury Management advisors

- 2.8. The Combined Authority currently receives Treasury Management support through a Finance Service Level Agreement with Peterborough City Council. The Combined Authority recognises the responsibility for treasury management decisions remains with the Combined Authority, and also recognises the value of employing external providers in order to access specialist skills and advice.
- 2.9. The Combined Authority has been through a procurement exercise to employ its own specialist Treasury Management advisors. A preferred Supplier has been identified, and once formally engaged, will
- Develop a Treasury Management Strategy that is tailored to the specific requirements, constraints and ambitions of the Combined Authority in its fundamental roles to:
 - Manage External Investments - Security, Liquidity and Yield
 - Ensure Debt is Prudent and Economic
 - Produce and Monitor the Prudential Indicators
 - To ensure that decisions comply with regulations.

- Prepare a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long-term and provides value for money;
- Ensure that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority;
- Ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing;
- Ensure the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources.

2.10. A revised version of the 2019/20 Treasury Management Strategy, and a Capital Strategy for 2019/20 will be presented to the Audit and Governance Committee when this exercise has been completed.

3.0 FINANCIAL IMPLICATIONS

3.1. None other than those highlighted in the main body of the report.

4.0 LEGAL IMPLICATIONS

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

5.0 SIGNIFICANT IMPLICATIONS

5.1. None.

6.0 APPENDICES

- Appendix 1 – Prudential Indicators
- Appendix 2 – Cambridgeshire and Peterborough Combined Authority (CPCA) Treasury Management Strategy 2018/19 to 2020/21.

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

Appendix 1: Treasury Management Report 2018/19

Prudential Indicators

1. The Code requires the Combined Authority to set a range of Prudential Indicators. The information provided below sets out the outturn performance against the Indicators adopted by the Combined Authority as set out in the Treasury Management Strategy.
2. **Indicator 1 - Capital Expenditure.** A summary of the Combined Authority's capital expenditure for 2018/19 and the following two financial years including how it will be funded. Estimates for future years are taken from the Medium Term Financial Plan, which is currently under review.

Capital Expenditure	16/17 Actual £m	17/18 Actual £m	18/19 Actual £m	19/20 Est £m	20/21 Est £m
Transport & Infrastructure	0.00	0.95	14.58	tbc	tbc
Housing & Communities	0.00	2.98	43.96	tbc	tbc
Employment & Skills	0.00	0.00	4.71	tbc	tbc
Strategy & Planning	0.00	0.00	0.44	tbc	tbc
Corporate	0.00	0.00	0.26	tbc	tbc
Total	0.00	3.93	63.95	tbc	tbc
Financed by:					
Gainshare Capital Funds	0.00	0.95	5.41	tbc	tbc
Housing Capital Funds	0.00	2.98	43.96	tbc	tbc
Transforming Cities/Growth Funds	0.00	0.00	14.58	tbc	tbc
Total	0.00	3.93	63.95	tbc	tbc

3. **Indicator 2 – Capital Financing Requirement (CFR)** – the CFR is the total historical capital expenditure which has not yet been paid for from either revenue or capital resources. It is a measure of the Combined Authority's underlying borrowing requirement. Any capital expenditure which has not immediately been paid for will increase the CFR. The Combined Authority currently has no borrowing requirement, hence CFR is zero.

Capital Financing Requirement	16/17 Actual £m	17/18 Actual £m	18/19 Est £m	19/20 Est £m	20/21 Est £m
CFR brought forward	0	0	0	tbc	tbc
Borrowing	0	0	0	tbc	tbc
Repayment	0	0	0	tbc	tbc
CFR carried forward	0	0	0	tbc	tbc
Movement in CFR	0	0	0	tbc	tbc
Net financing requirement	0	0	0	tbc	tbc
Less MRP & other financing	0	0	0	tbc	tbc
Movement in CFR	0	0	0	tbc	tbc

4. **Indicator 3 – Actual and estimates of the ratio of financing costs to net revenue budget.** This indicator identifies the proportion of the revenue budget which is taken up in Financing capital expenditure i.e. the net interest cost and the provision to repay debt.

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

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

Gross debt & capital financing requirement	16/17 Actual £m	17/18 Actual £m	18/19 Actual £m	19/20 Est £m	20/21 Est £m
External Borrowing					
Market Borrowing	0	0	0	tbc	tbc
Repayment of borrowing	0	0	0	tbc	tbc
Expected change in borrowing	0	0	0	tbc	tbc
Other long-term liabilities	0	0	0	tbc	tbc
Gross Debt at 31 March	0	0	0	tbc	tbc
CFR	0	0	0	tbc	tbc
% of Gross Debt to CFR	n/a	n/a	n/a	tbc	tbc

6. **Indicator 5 - The Operational Boundary** - external borrowing is not normally expected to exceed this limit. If the operational boundary was exceeded this would be reported immediately to the members of the Audit and Governance Committee with a full report taken to the next committee meeting. The Operational Boundary is set out below:

Operational Boundary	16/17 Actual £m	17/18 Actual £m	18/19 Actual £m	19/20 Est £m	20/21 Est £m
Borrowing	0	0	0	74.61	74.61
Other long term liabilities	0	0	0	0	0
Total	0	0	0	74.61	74.61

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

Authorised Limit	16/17 Actual £m	17/18 Actual £m	18/19 Actual £m	19/20 Est £m	20/21 Est £m
Borrowing	0	0	0	84.61	84.61
Other long term liabilities	0	0	0	0	0
Total	0	0	0	84.61	84.61

8. **Indicator 7 – Upper limit on fixed interest rate exposure.** This identifies a maximum limit for fixed interest rates based upon the debt position net of investments. This has been set at 100% of the borrowing requirement.
9. **Indicator 8 - Upper limit on variable rate exposure.** This identifies a maximum limit for variable interest rates based upon the debt position net of investments. This has been set at 25% of the borrowing requirement.

Interest Rate Exposure (Upper Limits)	16/17 Actual £m	17/18 Actual £m	18/19 Actual £m	19/20 Est £m	20/21 Est £m
(7) Limits on fixed interest rate net debt	0	0	0	74.61	74.61
% of fixed interest rate exposure	100%	100%	100%	100%	100%
(8) Limits on variable interest rate on net debt	0	0	0	18.65	18.65
% of variable interest rate exposure	25%	25%	25%	25%	25%

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

Maturity Structure of borrowing	Upper Limit	16/17 Actual £m	17/18 Actual £m	18/19 Actual £m	19/20 Est £m	20/21 Est £m
Under 12 months	40%	0	0	0	0	0
12 months to 2 years	40%	0	0	0	0	0
2 years to 5 years	80%	0	0	0	0	0
5 years to 10 years	80%	0	0	0	0	0
10 years and above	100%	0	0	0	0	0

11. **Indicator 10 - Upper limit for total principal sums invested for over 365 days excluding loans.** This limit is set with regard to the Combined Authority's liquidity requirements and to reduce the need for an early sale of an investment.

Overall limit for sums invested over 365 days	16/17 Actual £m	17/18 Actual £m	18/19 Actual £m	19/20 Est £m	20/21 Est £m
Principal sums invested over 365 days	0	0	0	10	10



AUDIT AND GOVERNANCE COMMITTEE	AGENDA ITEM
19th July 2019	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 2019/20 municipal year.

<u>DECISION REQUIRED</u>	
From:	19th July 2019
That the Committee: a) Notes the work programme for the Audit and Governance Committee for the 2019/20 municipal year attached at Appendix 1 and agree to regularly review the work programme at each meeting. b) Notes the Audit and Governance Work Programme Items for the year.	

2.0 BACKGROUND

- 2.1 In accordance with the Constitution, the Audit and Governance Committee must perform certain statutory duties including the approval of accounts, governance arrangements, financial reporting and code of conduct.
- 2.2 A draft work programme which outlines when these decisions are taken for the current municipal year is attached at Appendix 1.
- 2.3 At the November 2018 Audit and Governance Committee meeting members requested that they be provided with a calendar of items that must be considered annually by the committee be added to the work programme for them to monitor. This document is attached at Appendix 2.

3.0 FINANCIAL IMPLICATIONS

- 3.1 There are no financial implications

4.0 LEGAL IMPLICATION

4.1 There are no legal implications

5.0 EQUALITIES IMPLICATION

5.1 None

6.0 APPENDICES

6.1 Draft Work Programme

6.2 Calendar of Work Programme Items for the Year.

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



AUDIT & GOVERNANCE COMMITTEE – WORK PROGRAMME

LEAD OFFICER(S): John Hill (CEO) & Jon Alsop (S73)

DEMOCRATIC SERVICES OFFICER (DSO): Emma Powley

Date	Report Description	Relevant Officer/ Report Author
Deadlines:	Final Reports to DSO: 4pm Friday 5th July 2019	Agenda Publication/Despatch: Thursday 11th July 2019
19 th July 2019	Interim Monitoring Officer to update Committee – Business Board	
19 th July 2019	Internal Audit – Annual Report	Steve Crabtree
	External Audit Final Results	Ernst and Young
	Annual Governance Statement	
	Annual Financial Report	Jon Alsop
	Chairman's Annual Audit report	Chair
	Value for Money report	Jon Alsop
	Treasury Management Strategy Review	Jon Alsop
	Human Resources – Risk reduction	HR Manager
Deadlines:		Agenda Publication/Despatch: 19th September 2019
27 th September 2019 – Public Meeting 10am	Review of the Constitution	Kim Sawyer
	External Audit – Annual Audit Letter	Ernst & Young
	Internal Audit – Progress Report	Steve Crabtree

	Treasury Management Strategy Review	Jon Alsop
	Corporate Risk Register	Kim Sawyer

Audit and Governance Work Programme Items

The Audit and Governance Committee meet four times a year, roughly following the financial timetable set by legislation.

Currently the Audit and Governance Committee are scheduled to meet in the following months:

July, September, December, March (The Committee have also requested that they meet in public in June to consider the draft accounts for the Combined Authority.)

Below is a table of items that the committee must consider throughout the year.

Item	Description	Proposed Meeting
Combined Authority Board Update	Standing item on the agenda when a chief officer or by agreement once a year the Mayor for the Combined Authority provides an update on the activities for the authority.	Every meeting
Minutes	Standing item on the agenda for the committee to agree the minutes from the last meeting	Every meeting
Corporate Risk Register	Standing item by request of the committee to be considered at each meeting.	Every meeting
Work Programme	Standing item for the committee to consider their upcoming work programme.	Every meeting
Internal Audit – Progress Report	Report from the Internal Auditors to provide an update on the progress of the current internal audits.	Every meeting

External Audit – Audit Plan	The Committee receive and approve the final audit plan prepared by the external auditors	March
Internal Audit Plan:	Details of audit activity for the following year.	March
Treasury Management Strategy Summary	The Committee receive the report asks for comments comment on the draft Treasury Management Strategy.	March
Code of Corporate Governance	Code of Corporate Governance is based upon the CIPFA / SOLACE publication entitled “Delivering Good Governance in Local Government: Framework 2016 Edition.” An annual review is undertaken each year.	March
Complaints Policy	Describes how we will deal with complaints and the role of the Local Government and Social Care Ombudsman – reviewed annually.	March
Assurance Framework	The Assurance Framework is a set of systems, processes and protocols, which along with standing orders, financial regulations, departmental procedures, and codes of practice is linked in a hierarchy of management and financial control procedures, which clearly define the responsibilities of members and the duties of the CPCA’s officers, consultants and partners. – Approved annually.	March

Internal Audit – Annual Report	A report provided by the Internal Auditors on the effectiveness of the Authority's systems of governance; risk management and internal control.	July
External Audit Final Results	The Committee receive the audit results report from the external auditors.	July
Review of Constitution	The Committee to review the constitution including the Members Code of Conduct	July
Annual Governance Statement	Explains how the Combined Authority has complied with the Local Code of Governance and meets the requirements of the Accounts and Audit (England) Regulations 2015 Regulation 6.1(b) – usually received along with the Annual Financial Report.	The Annual Governance Statement is reviewed by the A&G Committee every year as part of the Statements of Accounts (usually in July)
Annual Financial Report	The Committee receives the report which asks them to: a) approve the audited Statement of Accounts 2017/18 b) Receive and approve the Annual Governance Statement 2017/18	July
Annual Audit report	The Audit and Governance Committee review annually the work undertaken by the committee to ensure best practice and effectiveness for the Combined Authority is being achieved.	July
External Audit – Annual Audit Letter	The Committee receive the annual audit letter which communicates the key issues arising from external auditors work in carrying out the audit of the statement of	September

	accounts for the Cambridgeshire and Peterborough Combined Authority.	
Treasury Management Strategy Review	The Committee receive the report which review the current performance against the prudential indicators included within the Treasury Management Strategy.	September
External Audit – Draft Audit Plan	The Committee receive the draft Audit Plan and comment whether the planned audit is aligned with the Committee's expectations.	November
Treasury Management Strategy Update	The Committee receive the report which provides the Audit and Governance Committee with an update on the Combined Authority (CPCA)'s Treasury Management Strategy.	November