



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

Statement of Accounts

2017/18

Cambridgeshire and Peterborough Combined Authority

Statement of Accounts 2017/18

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Narrative Report

1. Introduction

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

This report is 'to' the Cambridgeshire and Peterborough financial statements for the year ended 31 March 2018.

2. Organisational Overview and External Environment

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

Cambridge City Council
Cambridgeshire County Council

East Cambridgeshire District Council
Fenland District Council
Huntingdonshire District Council
Peterborough City Council
South Cambridgeshire District Council
Greater Cambridge Greater Peterborough Local Enterprise Partnership (GCGP LEP)

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

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

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

Vision

Through the devolution deal the Combined Authority committed to:

- Double the size of the local economy
- Accelerate house building rates to meet local and UK need

- Deliver outstanding and much needed connectivity in terms of transport and digital
- Provide the UK's most technically skilled workforce
- Transform public service delivery to be much more seamless and responsive to local need
- Grow international recognition for the area's knowledge-based economy
- Improve the quality of life by tackling areas suffering from deprivation.

Following his election in May 2017, the Mayor published a 100-day plan outlining the actions to deliver on this agenda. The 100-day plan kick-started the work to progress the devolution deal commitments. It included initiating work to develop the area's core strategies (e.g. local industrial strategy, housing strategy, skills strategy, local transport plan, strategic spatial framework etc) alongside projects to advance key transport and infrastructure, housing, skills and economic development projects (e.g. Cambridge Automated Metro options appraisal, Wisbech Garden Town Feasibility Study, Dualling A47 Business Case, University of Peterborough Business Case).

The vision of the Combined Authority is now being developed into a four year plan and an ambition for the year 2030.

Ambitions

The overarching ambition of the Combined Authority is to establish Cambridgeshire and Peterborough as **a leading place in the world to live, learn and work**. This is

underpinned by five core ambitions for the area's future development:

- Access to a good job within easy reach of home,
- Healthy, thriving and prosperous communities,
- A workforce for the modern world founded on investment in skills and education,
- A high quality sustainable environment, and
- UK's capital of innovation and productivity

Cambridgeshire & Peterborough 2030 Ambition

**A leading place in the world to live,
learn and work**



In developing the Four Year Plan, the Mayor and Chief Executive were mindful that the economic success that has been achieved to date has been facilitated by a long tradition

of collaborative working and a strong track record of delivery. The Four Year Plan has been developed through working closely with Leaders, Chief Officers and partners. A number of forums have also contributed including the Cambridgeshire and Peterborough Public Service Board (CPSB), the Cambridgeshire and Peterborough STP Board, Public Health England and wider stakeholders and partners.

3. Governance

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

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

The 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) in relation to the publication of an Annual Governance Statement.

4. Operational Model

The Combined Authority receives funding from Central Government as part of the Devolution Deal including £170m to deliver new homes over a five year period in Peterborough and Cambridgeshire to include affordable, rented and shared ownership housing. £70m of this is specific to Cambridge. It also receives £20m a year, for 30 years to boost growth in the region.

The Combined Authority also received funds during the year for the Local Transport Plan, for pothole and drought damaged roads and towards the implementation of the devolution of Adult Education Budgets.

Funds have been used to develop core strategies including the local industrial strategy, housing strategy, skills strategy, local transport plan, strategic spatial planning framework and market towns masterplans.

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

These include:

- The establishment of the Economic Commission which will bring forward independent advice and evidence on the local economy which will enable political and business leaders to agree on economic priorities and to come together more effectively in pursuing them;
- Investment in core transport and infrastructure work such as the Cambridge Automated Metro, A10, M11, A47;
- Investment in specific local interventions across the Combined Authority geography;
- Securing additional government funding for a Skills and Innovation Pay and Progression Pilot to up-skill 2000 people on universal credit into higher skilled health and care jobs;
- Attracting additional government investment into the region, for example the Chancellor’s Autumn budget saw an additional £81m invested in the future prosperity of the region and the area has been successful in bidding for National Productivity Improvement Funds, Housing Infrastructure Funds and Local Full Fibre Network funds.

5. Risks and Opportunities

The Combined Authority Board, with the support of Government, agreed to form a new model of strategic leadership through the business transfer of the Greater Cambridgeshire Greater Peterborough Local Enterprise Partnership to the Combined Authority, and the creation of a

new Business Board. This new Business Board would be more closely aligned to the Combined Authority through a unified strategic framework and a single staffing structure.

The core purpose of the Business Board will be to ensure that the Combined Authority, and all those with an interest in our region, are working within a single strategic framework and plan for the future economic growth of the area. In line with Government policy this means that the Business Board will be the custodians of the Local Industrial Strategy, along with the key strategies and plans which directly support it.

By taking lead responsibility for place-based growth plans within the context of our Local Industrial Strategy, the Business Board will have a clear and effective role in working alongside and bringing proposals forward to the Combined Authority to shape programmes that achieve the ambitions for the area.

The Business Board will build 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

The Business Board will lead the development of these areas and will provide strategic advice and recommendations to the Combined Authority Board for decision-making and investment.

6. Strategy and Resource Allocation

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

In November 2017 the Government released the ‘Industrial Strategy’. It has direct relevance to the Business Board and the Combined Authority as its key message is that we will work with Government to support the development and growth of new industries and address the challenges the UK faces in the 21st Century.

The Combined Authority has commissioned an independent Economic Commission who will play an important role in developing our local Industrial strategy. The Commission consists of experts in the field who will bring forward independent advice and evidence on the local economy which will enable political and business leaders to agree on economic priorities and to come together more effectively in pursuing them

7. Performance

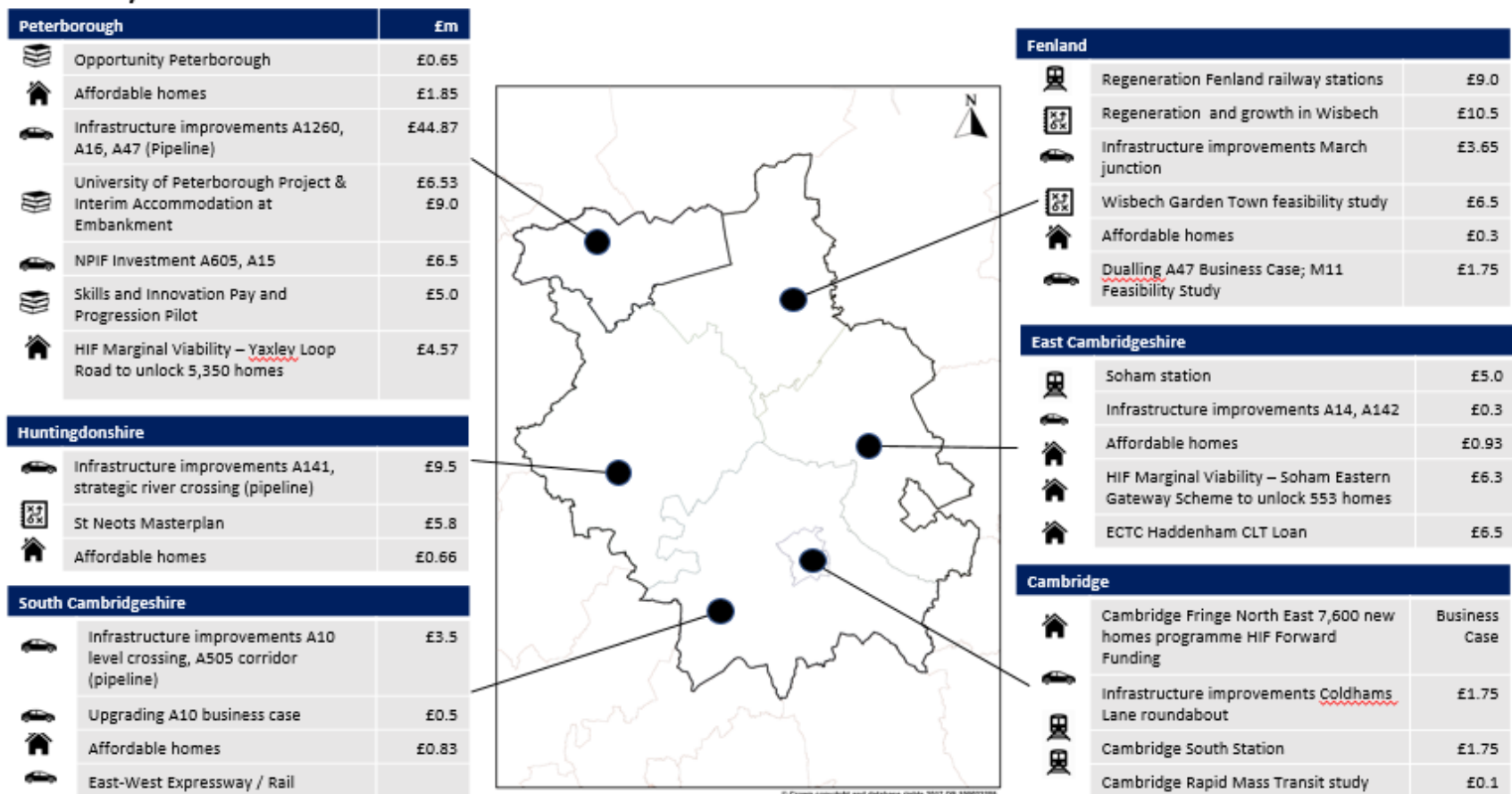
The Comprehensive Income and Expenditure Statement (CIES), shows the gross revenue expenditure and income together with net expenditure.

Balances

As at 31 March 2018, the balance on the Authority’s Reserves was £91.4m.

Key achievements of the Combined Authority for the year to 31 March 2018 are shown in the table below.

Key Achievements 2017-18



8. Outlook

Looking forward to 2030, the overarching ambition is to establish Cambridgeshire and Peterborough as **a leading place in the world to live, learn and work.**

The Combined Authority has been working to articulate its longer term ambition and aspirations for Cambridgeshire and Peterborough. These are described in the 2030 prospectus supported by a short digital version showcasing the imagined life and experience of five residents in 2030.

The prospectus describes some of the characteristics and outcomes for the people and places of Cambridgeshire and Peterborough in the future. It sets out what the region will be like, how it wants to be known and how it will be experienced by residents, communities, business people and visitors. The prospectus is also illustrated by examples of the projects and initiatives that will bring the ambition into fruition.

It is proposed that a programme of engagement with stakeholders across the area, including member local authorities and partners, communities, businesses, schools and universities and others alongside a media strategy will launch and promote the 2030 ambition. This will include a conversation with a representative sample of residents across the region to translate the 2030 ambitions into the four year plan and understand the different priorities between areas.

The Combined Authority is working with each partner Local Authority on the launch and engagement plans.

9. The Accounts

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

The Statement of Accounts brings together the major financial statements for the Authority for the financial year 2017/18. The financial statements, along with the notes that accompany them, aim to give a full and clear picture of the financial position of Cambridgeshire and Peterborough Combined Authority. The key contents of the various sections are as follows:

- Statement of Responsibilities – sets out the responsibilities of the Authority and the Chief Finance Officer in respect of the Statement of Accounts.
- Comprehensive Income and Expenditure Statement – shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

- Movement in Reserves Statement – this statement shows the movement in the year on the reserves held by the Authority.
- Balance Sheet – shows the value of the assets and liabilities recognised by the Authority as at 31 March 2018.
- 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.

10. Summary

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

Rachel Musson
Interim CFO and S151 Officer

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

To be added following conclusion of audit July 2018

To be added following conclusion of audit July 2018

To be added following conclusion of audit July 2018

Statement of Responsibilities for the Statement of Accounts

The Combined Authority's Responsibilities

The Combined Authority is required to:

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

The Interim Chief Finance Officer's Responsibilities

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

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

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

The Interim Chief Finance Officer has also:

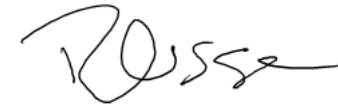
- kept proper accounting records which were up to date

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

Interim Chief Finance Officer's Certificate

I certify that the accounts set out on pages 14 to 33 present a true and fair view of the financial position of the Combined Authority at 31 March 2018 and its income and expenditure for the year ended 31 March 2018.

Interim Chief Finance Officer:



Rachel Musson

Date:

29th May 2018

Approval of the Statement of Accounts

I confirm that these accounts were approved by the Audit and Governance Committee at the meeting held on 20 July 2018.

Chair of the Audit Committee:

NOT TO BE SIGNED UNTIL 20 JULY 2018

John Pye

Date:

20 July 2018

Expenditure and Funding Analysis

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

generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Combined Authority's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES).

<i>Expenditure Chargeable to the General Fund</i>	<i>Restated 2017* Adjustments between the Funding and Accounting Basis*</i>	<i>Net Expenditure in the CIES</i>	Expenditure and Funding Analysis (EFA)	<i>Notes (From Page 19)</i>	Net Expenditure Chargeable to the General Fund	2017/18 Adjustments between the Funding and Accounting Basis¹	Net Expenditure in the CIES
<i>£000</i>	<i>£000</i>	<i>£000</i>			<i>£000</i>	<i>£000</i>	<i>£000</i>
-	-	-	Governance		1,038	-	1,038
429	-	429	Operational Costs		1,762	-	1,762
-	-	-	Economic Strategy		231	-	231
-	-	-	Fiscal		878	-	878
-	-	-	Mayor's Office		159	-	159
56	-	56	New Homes & Communities		-	-	0
-	-	-	Transport & Infrastructure		145	-	145
-	-	-	Strategic Planning		21	-	21
14	-	14	Employment & Skills		1,200	-	1,200
499	-	499	Cost of Services		5,434	-	5,434
(8,002)	(32,500)	(40,502)	Other Income & Expenditure	4, 5	(8,287)	(48,569)	(56,856)
(7,503)	(32,500)	(40,003)	Surplus on Provision of Services		(2,853)	(48,569)	(51,422)
-	-	-	Opening General Fund Balance		(7,503)	-	(7,503)
(7,503)	-	-	Surplus on General Fund Balance in Year		(2,853)	-	(10,356)
(7,503)	-	-	Closing General Fund Balance		(10,356)	-	(10,356)

* Restated to take account of changes in organisation structure during 2017/18 in order to present figures on like for like basis.

¹When accounting on a statutory basis, unspent capital grants without conditions are unapplied from the net Expenditure Chargeable to the General Fund, under generally accepted accounting practices these are credited to the CIES. Also REFCUS and its associated capital grants, which net to nil are, are removed from the Costs of Services, see Note 9.

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.

Gross Expenditure £000	Restated 2017*		Comprehensive Income & Expenditure Statement (CIES)	Notes (From Page 19)	Gross Expenditure £000	2017/18	
	Gross Income £000	Net Expenditure £000				Gross Income £000	Net Expenditure £000
-	-	-	Governance		1,038	-	1,038
429	-	429	Operational Costs		1,762	-	1,762
-	-	-	Economic Strategy		231	-	231
-	-	-	Fiscal		878	-	878
-	-	-	Mayor's Office		163	(4)	159
56	-	56	New Homes & Communities		2,985	(2,985)	0
-	-	-	Transport & Infrastructure		31,468	(31,323)	145
-	-	-	Strategic Planning		21	-	21
14	-	14	Employment & Skills		2,546	(1,346)	1,200
499	-	499	Cost of Services		41,092	(35,658)	5,434
	(2)	(2)	Financing & Investment Income & Expenditure	4	-	(287)	(287)
	(40,500)	(40,500)	Non-Specific Grant Income & Expenditure	5	-	(56,569)	(56,569)
499	(40,502)	(40,003)	Surplus on Provision of Services		41,092	(92,514)	(51,422)
	-	-	Other Comprehensive Income & Expenditure				-
	(40,003)		Total Comprehensive Income & Expenditure				(51,422)

* Restated to take account of changes in organisation structure during 2017/18 in order to present figures on 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 £000	Earmarked General Fund Reserves £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves* £000	Total Combined Authority Reserves £000
<i>Balance at 3 March 2017</i>		-	-	-	-	-	-
<i>Total Comprehensive Income & Expenditure</i>		(40,003)	-	-	(32,500)	-	(32,500)
<i>Adjustments between accounting basis & funding basis under regulations- Capital grants & contributions unapplied from the CIES*</i>		32,500	-	(32,500)	-	-	-
<i>Net Increase / Decrease before Transfers to Earmarked Reserves</i>		(7,503)	-	(32,500)	(40,003)	-	(40,003)
<i>Transfers to / (from) Earmarked Reserves</i>		446	(446)	-	-	-	-
<i>Increase / (Decrease) in 2017</i>		(7,057)	(446)	(32,500)	(40,003)	-	(40,003)
<i>Restated Balance at 31 March 2017 Carried Forward</i>		(7,057)	(446)	(32,500)	(40,003)	-	(40,003)
Balance at 1 April 2017		(7,057)	(446)	(32,500)	(40,003)	-	(40,003)
Total Comprehensive Income & Expenditure		(51,422)	-	-	(51,422)	-	(51,422)
<i>Adjustments between accounting basis & funding basis under regulations- Capital grants & contributions unapplied from the CIES</i>		48,569	-	(48,569)	-	-	-
<i>Net Increase before Transfers to Earmarked Reserves</i>		(2,853)	-	(48,569)	(51,422)	-	(51,422)
<i>Transfers to / (from) Reserves</i>		54	(54)	-	-	-	-
Increase / (Decrease) in 2017/18		(2,799)	(54)	(48,569)	(51,422)	-	(51,422)
Balance at 31 March 2018 Carried Forward		(9,856)	(500)	(81,069)	(91,425)	-	(91,425)

*Unusable Reserves represents the Capital Adjustment Account (CAA), there are movements between the General Fund Balance and CAA for REFCUS and associated grant funding which net to nil, see Note 9.

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 (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2017	Balance Sheet	Notes	31 March 2018
			£000
	- Long Term Assets		-
2	Short Term Debtors	12, 14	855
-	Short Term Investments	16	25,049
40,500	Cash & Cash Equivalents	12, 17	73,994
40,502	Current Assets		99,898
(499)	Short Term Creditors	15	(6,252)
-	Provisions	18	(777)
(499)	Current Liabilities		(7,029)
-	Capital Grants Receipts in Advance (DfT Local Transport Grant)		(1,444)
-	Long Term Liabilities		(1,444)
40,003	Net (Liabilities) / Assets		91,425
(40,003)	Usable Reserves		(91,425)
-	Unusable Reserves		-
(40,003)	Total Reserves		(91,425)

Cash Flow Statement

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

provided by the Combined Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Combined Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Combined Authority.

2017 £000	Cash Flow Statement	Notes	2017/18 £000
(40,003)	Net (Surplus) / Deficit on the Provision of Services		(51,422)
(497)	Adjust net (Surplus) / Deficit on the Provision of Services for Non Cash Movements		(7,122)
-	Adjust for Items Included in the Net (Surplus) / Deficit on the Provision of Services that are Investing & Financing Activities		-
<u>(40,500)</u>	Net Cash Flows from Operating Activities		(58,544)
-	Investing Activities	16	25,049
-	Financing Activities		-
<u>(40,500)</u>	Net (Increase) / Decrease in Cash & Cash Equivalents		(33,495)
-	Cash & Cash Equivalents at the Beginning of the Reporting Period		40,500
40,500	Increase / (Decrease) in Cash and Cash Equivalents		33,494
<u>40,500</u>	Cash & Cash Equivalents at the end of the Reporting Period	17	73,994

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

2 Mayor's and Member's Allowances

James Palmer was elected as the first Mayor for Cambridgeshire and Peterborough on Thursday 4 May 2017 and was paid a mayor's allowance of £76k (2017 – nil).

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 2017/18 Combined Authority staff were contractually employed by Peterborough City Council so the Authority itself did not have any directly employed staff. Martin Whiteley was Interim Chief Executive until he was appointed to the permanent role by the Board on 27th June 2017. Kim Sawyer was part time interim Monitoring Officer until June, then became full time

interim from July 2017 and was appointed to the permanent position by the Board on 29th November 2017. There were four Interim Chief Finance Officers in post during the course of the year. These were John Harrison, Marion Kelly, Alex Colyer working 2 or 3 days per week for the Combined Authority, and Rachel Musson. Rachel Musson was appointed Interim Statutory Finance Officer and S151 Officer by the Board on 31st January 2018.

Costs of the three Chief Officers posts for the year to 31 March 2018 are as set out below. These are the full costs to the Combined Authority including salary oncosts.

Post	Employing Body	2017/18 £000
Chief Executive (Head of Paid Service)	Peterborough City Council	230
Interim Chief Finance Officer	Peterborough City Council	95
Monitoring Officer and Legal Counsel	Peterborough City Council	127

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

2017	Financing & Investment Income & Expenditure	2017/18
£000		£000
(2)	Interest Receivable & Similar Income (Note 11)	(287)
(2)	Total	(287)

5 Comprehensive Income & Expenditure Statement –Non Specific Grant Income

2017 £000	Non-Specific Grant Income	2017/18 £000
	Non-Specific Government Grants	
(8,000)	Gain Share - Revenue	(8,000)
(8,000)	Total Non-Specific Grants	(8,000)
	Capital Grants & Contributions	
(12,000)	Gain Share - Capital	(11,055)
(10,000)	Housing Grant - General	(27,608)
(10,500)	Housing Grant - Cambridge	(9,906)
(32,500)	Total Capital Grants & Contributions	(48,569)
(40,500)	Total Income	(56,569)

6 Related Parties

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

a) Central Government

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

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

	2017/18 £000
Income	
CLG – revenue grants	(8,000)
CLG – capital grants	(52,500)
DfT – capital grants	(31,823)
DWP – career and pay progression	(1,300)
DfE – adult education budget	(46)
BEIS – local energy	(1,321)
	(94,990)

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;

	2017/18 £000
Expenditure	
Expenditure with councils	35,259
Creditors	
General creditors with councils	2,573

c) Members

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

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

d) Officers

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

During the period no works or services were commissioned from companies in which the officers had an interest. However, key management personnel and officers of Peterborough City Council and South Cambs District Council also served as interim statutory officers of the Combined Authority during the year.

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

7 Expenditure and Income Analysed by Nature

2017	Expenditure and Income Analysed by Nature	2017/18
£000		£000
	Expenditure	
-	Capital Grants made treated as REFCUS	34,309
499	Other Service Expenses	6,783
499	Total Expenditure	41,092
	Income	
(2)	Interest & Investment Income	(287)
(40,500)	Government Grants & Contributions	(92,223)
-	Other Income	(4)
(40,502)	Total Income	(92,514)
(40,003)	Deficit / (Surplus) on the Provision of Services	(51,422)

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

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

General Fund Earmarked Reserves	3 March 2017	Transfers Out	Transfers In	Movement between Reserves	31 March 2017	Purpose of the Earmarked Reserve
	£000	£000	£000	£000	£000	
Revenue Reserve	419	-	81		500	This reserve provides a working balance to cover risks to the revenue budget. The transfer in was to return the reserve to the planned level following a drawdown in 2017 to fund VAT on expenditure which was irrecoverable at that point.
Departmental Reserves	27	27		-	-	These represent funding for items approved in the 2017 budget where due to timing differences expenditure was incurred during 2017/18.
Total Reserves	446	27	81	-	500	

9 Capital Adjustment Account

2016/17 £000	Capital Adjustment Account:	2017/18 £000
-	Balance at start of year	-
-	Capital Grants & Contributions that have been applied to Capital Financing	(34,309)
-	Revenue Expenditure Funded from Capital under Statute (REFCUS)	34,309
-	Balance at end of the year	-

10 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 £000		2017/18 £000
-	Opening Capital Financing Requirement	-
-	Revenue Expenditure Funded from Capital under Statute (REFCUS)	34,309
	Sources of Finance	
-	Capital Grants & Contributions	(34,309)
-	Closing Capital Financing Requirement	-

Revenue Expenditure Funded from Capital under Statute (REFCUS) is expenditure incurred during the year that may be classified as capital for funding purposes. As this expenditure does not form an asset to be carried on the Combined Authority's balance sheet it is charged to the relevant service line in the Comprehensive Income and Expenditure Statement.

2017 £000	Reconciliation of Grant Funding Applied to Capital Financing	2017/18 £000
-	Grants used to Fund Revenue Expenditure Funded from Capital under Statute:	
-	In Year	34,309
-	Total Grants & Contributions applied	34,309

2017 £000	Body of Grant Funding Applied	2017/18 £000
-	Department for Transport – Local Transport Grant	28,628
-	Department for Transport – Highways Challenge Fund	1,750
-	C&P Housing Capital Grant	2,392
-	Cambridge Housing Grant	594
-	Gainshare Funding - Capital	945
-	Total Grants Applied	34,309

11 Financial Instruments

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

2017 £000		2017/18 £000
(2)	Interest income	(287)
(2)	Total for Financial Assets	(287)
-	Total for Financial Liabilities	-
(2)	Net expenditure for the year	(287)

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

2017 Long Term £000	2017 Current £000	Financial Instruments Balances	2018 Long Term £000	2018 Current £000
-	-	Investments - Loans and receivables	-	25,049
-	27,000	Investments – Short term classified as Cash & Cash Equivalents	-	73,994
-	2	Debtors – Loans & Receivables	-	-
-	-	Debtors – Other	-	854
-	-	Creditors	-	(6,252)

12 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 due to mature in less than 12 months so Fair Value is assumed to be the carrying amount. The input level in the fair value hierarchy is Level 1 for all Financial Assets held.

The Fair Values calculated are as follows:

2017		Financial Liabilities	2017/18	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
(-)	(-)	Short term creditors	(6,252)	(6,252)
0	0	Total	(6,252)	(6,252)

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

2017		Financial Assets	2017/18	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
-	-	Temporary Investments Short Term	25,049	25,049
27,000	27,000	Investments classified as Cash & Cash Equivalents	73,781	73,781
13,500	13,500	Total Cash & Bank	213	213
2	2	Debtors	854	854
40,502	40,502	Total	99,897	99,897

13 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 2017/18 Annual Investment Policy sets out the credit criteria below although the Combined Authority actually minimised the risk further by only investing with the Debt Management Office, its banking provider (Barclays), Bank of Scotland (part of the Lloyds Banking Group) and the CCLA money market fund.

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

- Deposits could be made with banks and other financial institutions that have been rated by recognised independent credit rating agencies with a minimum score of "A", with £100m of the total amount deposited in the highest rated category. The credit element of the methodology focuses solely on the Short and Long Term investment ratings,

therefore no longer including the viability and financial strength of the institution.

- Deposits can be made with other institutions that have not found it necessary to maintain a credit rating e.g. local authorities, and these are subject to an assessment of risk that is carried out internally. Deposits to these bodies are limited to £100m in total.
- No more than £15m is held with any one banking institution, except for the Debt Management Office (DMO), regardless of standing or duration, and a range of counterparties that operate in different sectors in the UK is used to reduce risk exposure.
- All the counterparties used are licensed to accept deposits in the United Kingdom and are regulated by the Financial Conduct Authority.
- Creditworthiness advice and market intelligence is received from treasury advisors, Capita Asset Services.

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

The Combined Authority had a total of £21.7m deposited with the Debt Management Office (DMO), UK banks and CCLA at 31 March 2018. 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 2018.

Liquidity Risk

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

Market risk

Interest rate risk

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

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

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

Price Risk

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

Foreign Exchange Risk

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

14 Debtors

31 March 2017	Debtors	31 March 2018
£000		£000
-	Central government bodies	451
2	Other entities and individuals	404
2	Total Debtors	855

15 Creditors

31 March 2017	Creditors	31 March 2018
£000		£000
-	Central government bodies	(1,321)
(469)	Other local authorities	(2,631)
-	Public corporations and trading funds	(12)
(30)	Other entities and individuals	(2,288)
(499)	Total Creditors	(6,252)

16 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 17. The cash flows for investing activities include the following items:

2017 £000	Cash Flow Statement – Investing Activities	2017/18 £000
-	Purchase of Short Term Investments	25,049
-	Net cash flows from investing activities	25,049

17 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.

2017 £000	Cash Flow Statement – Cash and Cash Equivalents	2017/18 £000
27,000	Short Term Cash Investments	73,781
13,500	Bank Accounts	213
40,500	Total Cash & Cash Equivalents	73,994

18 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.

- The Chief Executive of the Combined Authority was also the Chief Executive of the Greater Cambridgeshire Greater Peterborough LEP and was appointed to the Board of the LEP on 19th Dec 2017. From 23rd March 2017 he was one of only two LEP Directors until the end of the financial year. Whilst there was a degree of Combined Authority control over the LEP during this time, it has been decided not to consolidate Combined Authority and LEP balances as this would not enhance the reader's understanding of the accounts. The LEP business was transferred to the Combined Authority from 1 April 2018. Full provision of £776,912 has been made in these accounts to reflect the estimated net liabilities of the transfer.

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

The standards which have been introduced by the 2018/19 Code and will be effective from 1 April 2018 are as follows:

- IFSR 9 Financial Instruments introduces a new model for financial assets including new classifications and a new expected credit loss impairment model. It will impact on the

classifications used in the Financial Assets disclosure, but due to the high credit quality adopted by the Combined Authority for its investment counterparties is not expected to result in any material impairment charges.

- IFRS 15 Revenue from Contracts with Customers brings in new rules for the timing of the recognition of income from contracts with service recipients. This is not expected to have a material impact on the Combined Authority's financial statements
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This will not have a material impact on the Combined Authority's financial statements.
- The amendments to IAS 12 Income Taxes (Recognition of Deferred Tax Assets for Unrealised Losses) clarify how to account for deferred tax assets related to debt instruments measured at fair value. 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 relevant debt instruments.

20 Authorisation of the Accounts

The Interim Chief Finance Officer authorises these accounts to be issued by 31 May 2018.

Accounting Policies

General Principles

The Statement of Accounts summarises the Combined Authority's transactions for the 2017/18 financial year and its position at the year-end 31 March 2018. The Combined Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015.

The Statement of Accounts must be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, supported by International Financial Reporting Standards (IFRS).

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

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

associated with the transaction will flow to the Combined Authority;

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

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

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

Events after the Reporting Period

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

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

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

Financial Liabilities

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

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

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

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

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

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

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

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

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

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market

- available-for-sale assets – assets that have a quoted market price and do not have fixed or determinable payments.

Loans and Receivables

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

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

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

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

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

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES. The effective rate of interest is higher than the actual rate, increasing the amortised cost of the loan in the Balance Sheet.

Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the accounting period. The amount charged to the CIES may differ from the charge against the General Fund Balance. An appropriate transfer is made from the Financial Instruments Adjustment Account in the MIRS.

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

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

Available-for-Sale Assets

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

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

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

Assets are maintained in the Balance Sheet at fair value. Values are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – multiple valuation techniques (which include market approach, income approach and cost approach)

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

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

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

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

Assets are impaired if

- There is a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments). The impairment loss is the difference between the

carrying amount and the present value of the revised future cash flows. The calculation uses the asset's original effective interest rate.

- Fair value falls below cost. The impairment loss is the shortfall of fair value against the acquisition cost of the instrument. The acquisition cost is net of any principal repayment and amortisation.

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

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

Government Grants and Contributions

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

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

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

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

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

Overheads and Support Services

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

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.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Combined Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Combined Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

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.

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 3 months. There is no significant risk to the value on redemption.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Annual Governance Statement

For the year ended 31 March 2018

Annual Governance Statement

The Annual Governance Statement will be discussed and approved by Audit and Governance Committee on 20 July 2018. The draft version is included here.



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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 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.

As the Authority was formally established on 3 March 2017, the organisation is at the start of its second year of operation and this is its second 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 is available on its website.

The governance arrangements being developed will comply with the principles of the Local Code of Governance, which is consistent with the principles of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government 2016*

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

The 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 its recently approved Code of Corporate Governance.

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 second year, the governance framework is in its development stage.

The Governance Framework

Context

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

The Cities and Local Government Devolution Act 2016 came into force on 28 March 2016, making Cambridgeshire and Peterborough local authorities amongst the first to establish a combined authority for its area under these new provisions. 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:



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- 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 coming into force over the next year will increase its powers. This includes

- devolved powers for the Adult Education Budget and associated powers to deliver an adult education service that supports wider economic and social priorities;
- Mayoral powers to levy a business rate supplement to raise money for projects that will promote economic development
- 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 an overview and scrutiny committee, and an audit and governance committee function.



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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) will nominate one of its Members, normally the Chair and a substitute member.

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

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

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

Mayor

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

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



Overview and Scrutiny Committee

At its first annual meeting, the Board established an overview and scrutiny committee. The committee has been established to comply with the requirements of the Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017.

It comprises 14 elected councillors, two from each of the seven constituent councils, and reflects the political balance across the combined authority area. Its primary role is to review and scrutinise decisions of the combined authority, prior to or after they have been made. They 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. There has been one call in in the last year.

A committee began work with the Centre for Public Scrutiny to explore areas for scrutiny. Members are keen to undertake other roles including pre-decision scrutiny where they can act as a “critical friend” to highlight key issues, and challenge policies at the developmental stage. The committee has set up a task and finish group to review the mass rapid transport project. The review will begin 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 who will also chair the meetings.

The committee has recommended a number of governance policies and procedures to the Combined Authority Board 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

This statement has been reviewed against the Code of Corporate Governance.

Business Board (Local Enterprise Partnership)

On 1 April 2018, the GCGP LEP was dissolved and a new Local Enterprise Partnership was created 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 Business Board will be 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 now the accountable body for the Business Board.

It is a key member of the Combined Authority. The Mayor and Deputy Mayor are members of the LEP recognising the importance of the LEP's role and the private sector in any growth strategies for delivery in the Combined Authority area. The Business Board met in shadow form before 1 April to develop its terms of reference and constitutional arrangements working closely with Government. The Business Board had its first public meeting on 30 April 2018.

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.

A recruitment campaign is underway to appoint representatives from the business community. The 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 the those key sectors which are driving economic growth in the area.



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Strategic Direction

Following his election in May 2017, the Mayor published 100-day plan outlining the actions to deliver on this agenda. The 100-day plan kick-started the work to progress the devolution deal commitments.

The Combined Authority has been working to articulate its longer term ambition and aspirations for Cambridgeshire and Peterborough. These are described in the 2030 prospectus to be agreed by the Board in May 2018. A programme of engagement has been planned with stakeholders across the area, including member local authorities and partners, communities, businesses, schools and universities and others alongside a media strategy to launch and promote the 2030 ambition. This will include a conversation with a representative sample of residents across the region to translate the 2030 ambitions into the four year plan and understand the different priorities between areas. The Combined Authority is working with each partner Local Authority on the launch and engagement plans.

In May, the board will also agree its Four Year Plan which sets out how the Combined Authority plans 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. A number of forums have also contributed including the Cambridgeshire and Peterborough Public Service Board (CPSB), the Cambridgeshire and Peterborough STP Board, Public Health England and wider stakeholders and partners.

The draft Medium Term Financial Plan (MTFP) provides an initial view of the anticipated costs associated with delivering the four-year plan. This document represents a key step in articulating the anticipated profile of costs and funding over the next four years, enabling resource allocation, monitoring and transparency which is essential for success.

Work is underway to develop core strategies including for example, the local industrial strategy, housing strategy, skills strategy, local transport plan, strategic spatial planning framework and market towns masterplans. The Combined Authority has progressed key investment decisions in a range of transport and infrastructure, skills, housing and economic development initiatives.

In November 2017 the Government released the 'Industrial Strategy'. It has direct relevance to the Business Board and the Combined Authority as its key message is that we will work with Government to support the development and growth of new industries and address the challenges the UK faces in the 21st Century.



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The Combined Authority has commissioned an independent Economic Commission who will play an important role in developing our local Industrial strategy. The Commission consists of experts in the field who will bring forward independent advice and evidence on the local economy which will enable political and business leaders to agree on economic priorities and to come together more effectively in pursuing them.

The Authority has agreed with Government an assurance framework. Following the establishment of the Business Board, a single assurance framework is being developed.

The new framework will be developed to meet the criteria set out by Government, and recent best practice advice from the Mary Nye Review, and will be an example of best practice in the arena of compliance and governance.

Project Delivery

The Authority has agreed a monitoring and evaluation framework with Government. The Combined Authority's programme management and delivery assurance framework is being refreshed and will provide assurance to the Combined Authority Board and to Central Government through robust monitoring and evaluation arrangements for each of the commissioned projects.

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 four days after they are published to enable the overview and scrutiny committee to exercise its right to call-in decisions.



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Financial Management

A key responsibility of the Combined Authority is determining, agreeing and monitoring appropriate budgets in order for it to be able to fulfil strategic objective. The first budget was agreed at the first Board meeting in March 2017 and is regularly reviewed by the Board.

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

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

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

Developing Capacity

The member structure is well defined, and following the appointment of the Chief Executive and 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 is currently taking place and a permanent staffing structure will be in place by the end of the year.

Internal Audit

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

External Audit

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



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Risk Management

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

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. An evaluation and performance framework has been agreed by the Board and Government. A Performance Management Framework will be 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.

During the year, 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. The report to the Audit and Governance Committee providing feedback to the review noted that as the organisation is 'in it's infancy', 'a number of processes are still to be developed or have not yet had the chance to embed across the organisation'. 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
High	<p>Budget Management: Budget monitoring, while being managed, are only reported internally.</p> <p>In order to develop better engagement and transparency of the CPCA, there is a requirement for budget reports to be provided for scrutiny and challenge my members</p>	Agreed - to be Implemented and established in 2018/2019
High	<p>Financial Resilience: Treasury management strategy does not allow for better investment of funds</p> <p>A clear Treasury Management Strategy should be developed which embraces the unique nature of the Combined Authority whilst allowing for greater flexibility in its investment arrangements.</p>	Agreed - Revised Treasury management Strategy has been reviewed by Audit & Governance committee and is due to go to the May CPCA Board which will include their recommendations to enable more creative investment opportunities subject to appropriate due diligence
High	<p>Risk Management Strategy: At the time of the audit, a risk management strategy had not been developed</p>	Agreed - Risk strategy including appetite for Risk is to be included in Leaders Strategy meeting. Process to review annually will be implemented and co-ordinated by Assurance Manager on behalf of the Directors



Medium	<p>Budget Setting: Current budget setting arrangements only provide the Board with one year's budget.</p>	Agreed - CPCA is currently developing a 4 year plan which is going to the May CPCA Board for discussion
Medium	<p>Governance: CPCA can demonstrate that it has objectives in place aligned to its vision</p>	Agreed - The objectives and the 2030 vision going to the board 30 May progress report will follow to Audit & Governance
Medium	<p>Complaints Procedures: Procedures have been established for complaints but not whistleblowing</p>	Agreed - Whistleblowing Policy agreed at Board and now published on CPCA website.
Medium	<p>Risk Management Strategy: At the time of the audit, a risk management strategy had not been developed</p>	Agreed. Now Completed.
Medium	<p>Risk registers: Corporate risks need to be approved by the CPCA</p> <p>Once established, risk registers need to be approved and monitored through the Board and various committees.</p>	Agreed - Risk register currently being reviewed and a new version produced. Due to go back to Audit Committee in July. In addition to the register being produced a process will be put in place to ensure risks are reviewed regularly and escalated where appropriate.



Medium	<p>Risk Appetite It is unclear what appetite the Board has to risk</p> <p>Until the RMS has been approved, it will be unclear as to the risk appetite for the CPCA and whether any corporate or operational risks are above tolerance, requiring effective mitigation.</p>	Agreed - Will seek a Full Board consultation.
Medium	<p>Framework: An appropriate performance management framework is required</p>	Agreed - to be Implemented and established in 2018/2019
Medium	<p>Project Management: Standardised documentation has not been used for all projects</p>	Agreed - to be Implemented and established in 2018/2019

Governance Issues

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

Issue	Action Required	Responsible Officer	Date of Completion
Risk Management	Establish risk management and reporting arrangements for corporate and individual projects.	Martin Whiteley, Chief Executive/Rachel Musson, Chief Finance Officer	
Communications Strategy	A strategy to be developed to include partnership frameworks and community engagement, and consultation principles	Tom Hunt, Chief of Staff, Mayor's Office	



Issue	Action Required	Responsible Officer	Date of Completion
Local Industrial Strategy	Strategy to identify evidence base	Martin Whiteley, Chief Executive	
Performance Management	Performance Management framework and systems to be developed	Martin Whiteley, Chief Executive	Dec 2018
Corporate Values and Staffing Policies	To establish its own staffing policies including appraisal process an equal opportunities policy and corporate values	Rachel Musson, Chief Finance Officer	
Data Retention Policy	To develop a data retention policy	Kim Sawyer, Monitoring Officer	

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 is committed to making continued improvements during the course of the next year.



Certification

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

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

Signed:

To be signed by July 2018

Martin Whiteley, Chief Executive

Date:

Signed:

To be signed by July 2018

John Pye, Chair of the Audit and Governance Committee

Date:
