APPENDIX A

Greater Cambridge Partnership – Accounting for City Deal in 2020/21 by Cambridgeshire County Council

A Background

A.1 The Greater Cambridge Partnership (GCP) is a collaborative arrangement between Cambridgeshire County Council (CCC), Cambridge City Council, South Cambridgeshire District Council, and the University of Cambridge. GCP is a joint committee but not under joint control, as there is no requirement for unanimous consent from the partners. As such, the arrangement is outside of scope of joint arrangements accounting (IFRS 10, 11 and 12). GCP is not a separate entity; CCC are the accountable body.

A.2 The first tranche of City Deal Grant funding was £100m over five years (2015-2020). CCC was commissioned to deliver the entirety of that programme of work; the majority of which was capital expenditure on CCC assets (being the Highways Authority). Having passed the Gateway Review, MHCLG (now DLUHC) confirmed to GCP that they would receive £200m of City Deal Grant over five years, beginning in 2020/21.

B. Accounting in 2020/21

This section sets out the accounting treatment that the Council has adopted in the accounts published for Committee (unchanged since the draft accounts)

B.1 Journals processed

	Dr/Cr	Account Type	Core statement section	Amount
A	Cr	Capital grants and contributions income	CIES – Taxation and Non Specific Grant Income	£200m
B	Dr	Bank	BS – current assets (cash and CEs)	£40m
C	Dr	Short term debtor	BS – current assets	£40m
D	Dr	Long term debtor	BS – non-current assets	£120m
E	Dr	MiRS ABAB&FB capital grants recognised in-year and applied in-year	MiRS - Adjustments between accounting basis and funding basis	£40m
F	Dr	MiRS ABAB&FB capital grants recognised in-year but not applied	MiRS - Adjustments between accounting basis and funding basis	£160m
G	Cr	Capital grants and contributions unapplied account	BS – Usable Reserves	£160m
H	Cr	Capital adjustment account	BS – Unusable Reserves	£40m

B.2 Reasoning - Control

B.2.1 The planned usage of the City Deal grant for expenditure on CCC assets and for CCC to have the lead for this work (and in practice could not effectively be led by any of the other partners) means that the **substance** of the arrangement is that CCC has control of the grant.

B.3 Reasoning – Full Recognition in 2020/21

B.3.1 CCC assessed the City Deal Grant in line with the Code under IAS 20, using IPSAS 23 for guidance on the adaptations of IAS 20 adopted by the Code. The Code (para 2.3.2.8) requires that grants and contributions should not be recognised until there is reasonable assurance that:
(a) the authority will comply with the conditions attached to them, and
(b) the grants or contributions will be received.
Neither the Code nor IAS 20 define 'reasonable assurance', and it is instead a matter of professional judgement by practitioners.

B.3.2 The grant determinations state that the only 'condition' is that the grant "may be used only for the purposes that a capital receipt may be used for in accordance with regulations made under section 11 of the Local Government Act 2003". Neither the grant determinations nor any of the other documentation issued state that there is a right of return if the 'condition' is not met; therefore, under the Code this is treated as a 'restriction' rather than a 'condition'.

B.3.3 MHCLG have confirmed that £200m of City Deal grant will be received over five years, following a successful Gateway Review of the first tranche of City Deal grant which 'unlocked' this second tranche of funding. CCC considers there is reasonable assurance, based on all currently available information, that the grant will be received as advised. As a result of the judgements in paragraph B.3.2, CCC's current view is that no grant conditions exist and that the whole grant amount is expected to be received; therefore, it was appropriate to recognise the whole £200m capital grant income immediately as Taxation and Non Specific Grant Income in the 2020/21 CIES.

B.3.4 The amount of City Deal grant received in 2020/21 (£40m) was applied to capital financing in that year, with the remainder held in the capital grants and contributions unapplied account (usable reserves). The remaining £160m to be received was recorded as a debtor (£40m short term and £120m long term).

B.4 <u>Debtor recognition</u>

B.4.1 The Code requires that debtors relating to non-exchange transactions (including grants) be accounted for in accordance with IPSAS 23. IPSAS 23 states that "An inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset shall be recognised as an asset when, and only when:
(a) It is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and
(b) The fair value of the asset can be measured reliably."
IPSAS 23 also states that "An inflow of resources is "probable" when the inflow is more likely than not to occur. The entity bases this determination on its past experience with similar types of flows of resources and its expectations regarding the taxpayer or transferor."

B.4.2 The Council's past experience with this transferor, in relation to the first tranche of the City Deal grant, along with the letter from Government Ministers dated 7 September 2020 which stated, "We trust that this gives you the certainty to continue investing in your programme”, CCC have judged that the threshold for probable receipt has been exceeded. Government has further stated that the approach to the city deal gainshare programme is to provide a long-term funding agreement to give GCP the certainty to plan with confidence for longer periods than are usual for Government grant programmes and Ministers’ letter to GCP in September 2020 confirmed that the successful passing on the first gateway review had unlocked the next £200m over the following five years.

B.4.3 IPSAS 23 continues on to state, “An entity obtains control of transferred resources either when the resources have been transferred to the entity, or the entity has an enforceable claim against the transferor” and that “only when a claim is enforceable, and the entity assesses that it is probable that the inflow of resources will occur will assets, liabilities and or revenue be recognized. Until that time, the entity cannot exclude or regulate the access of third parties to the benefits of the resources proposed for transfer”.

B.4.4 As outlined above, ‘enforceability’ underlies the recognition of the debtor. The transferor has stated that it is a “long-term funding agreement”, that “GCP has passed the first of its scheduled gateway reviews. This unlocks your next 5-year tranche of Investment Funds… over the next five years starting in 2020-21 and that there will be further future funding” to give “certainty to plan with confidence for longer periods than are usual for Government grant programmes”, and it is the intention that the GCP will commit future expenditure to be funded by the grant. CCC judge that, having committed to expenditure, and taking into account the arrangements for this particular grant, if the outstanding £160m were withdrawn by government GCP/CCC would seek to enforce payment of the remaining grant through judicial, political or other available processes.

B.4.5 CCC recognises that enforceability is a judgemental conclusion in relation to the City Deal grant but considers, in the circumstances described, that recognition of a debtor is appropriate.

C. Disclosure in 2020/21 SoA

C.1 We have updated the wording of the disclosure in the Statement of Accounts to more fully describe the accounting considerations.

C.2 If the conclusion is reached that only the first year of funding is to be recognised, lines C, D, F and G of the above journals would be removed, and line A would be reduced to £40m.