CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY

Statement of Accounts 2021/22

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Narrative Report:

1. Introduction

The Code of Practice on Local Authority Accounting in the United Kingdom requires 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 Cambridgeshire & Peterborough Combined Authority, its main objectives and strategies, to provide a commentary on how the Combined Authority has used its resources to achieve its desired outcomes, and to demonstrate how it is equipped to deal with the challenges ahead.

This report provides the narrative to Cambridgeshire & Peterborough Combined Authority's financial statements for the year ended 31 March 2022.

2. Organisational Overview and External Environment

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

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

The eighth founding member of the Combined Authority was the Greater Cambridge Greater Peterborough Local Enterprise Partnership now represented by the Business Board. By virtue of their office, the Chair of the Business Board is the voting representative on the Combined Authority and the Deputy Chair is the substitute representative.

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

The Business Board was constituted as a non-statutory body to be the Local Enterprise Partnership (LEP) for the region. It is independent of the Combined Authority operating as a private-public sector partnership, focusing on the key business sectors to provide strategic leadership and drive growth in the area.

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

- Local Industrial Strategy – strategy development, implementation oversight, and monitoring of key objectives
- Place-based growth plans – including oversight of implementation of the Growth Fund programme, 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 gives commerce a stronger voice in developing the Combined Authority's plans and decision making and is committed to advising the Combined Authority on achieving its Sustainable Growth Ambition. It ensures that a clear business perspective is brought forward as the Combined Authority seeks to be at the frontier of accelerating delivery and securing new investment models, with and across Government, the private sector and the local area.

The Combined Authority Board decides the strategic direction of the Combined Authority but delegates many of its decision-making powers for operational matters to the three Executive Committees, the Transport & Infrastructure Committee, the Skills Committee and the Housing & Communities Committee.

The Combined Authority has six subsidiary companies which have been set up to deliver specific objectives of the Combined Authority. The six companies are as follows:

Angle Holdings limited,

Angle Developments East limited,

One CAM limited,

Cambridgeshire and Peterborough Business Growth Company limited,

Peterborough HE Property Company ltd, and

Peterborough R&D Property Company ltd

3. Governance

Cambridgeshire & 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.

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

The Business Board and Combined Authority Board work to a single Assurance Framework which has been approved by the Department for Levelling Up, Housing and Communities (DLUHC). It provides a robust, singular framework that brings cohesion to the work of the single officer team, ensuring clarity, transparency and openness for Government, partners and members of the public around governance and compliance processes, and a singular approach to the recommendation and decision-making processes of both Boards.

In June 2022, our auditors, EY, highlighted a significant weakness in the Combined Authority's governance arrangements. These weaknesses and the authority's plans to address them are covered in the Annual Governance Statement.

4. Operational Model

The Devolution Deal for Cambridgeshire and Peterborough set out key ambitions for the Combined Authority to make our area a leading place in the world to live, learn and work. These include:

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

A significant element of the devolution deal was the award of a single pot investment fund. This single pot for Cambridgeshire & Peterborough Combined Authority initially comprised of a devolved, multi-year transport settlement and an additional long-term investment fund grant, worth up to £600 million over 30 year. Since then the Combined Authority has also received a devolved adult education budget of c. £12m per year.

The Combined Authority has committed to refreshing its overarching strategy for the remainder of the current mayoral term during 22-23. The refresh will clearly set out the vision, strategic priorities and the overall approach of the Combined Authority to enable our ambitions to be realised.

5. Risks and Opportunities

COVID-19

On 25 March 2020, the Combined Authority set out its response to COVID-19 to support recovery and formulated an approach covering an immediate, short term and medium-term response.

The Combined Authority conducted a review of all priorities to focus on those which would support economic recovery following the impact of the pandemic.

The Combined Authority Board approved the budget for 2021/22 and MTFP for the four-year period to 2024/25 in January 2021. The MTFP set out assumed future funding streams and a full capital programme of investments for the period. The whole of the MTFP was reviewed to consider risks to delivery and to focus on priorities which will support economic recovery.

The MTFP confirmed that the programmes and projects which were contained within the Business plan were affordable within the expected funding envelope across the lifetime of the MTFP, whilst maintaining a £1m Contingency Reserve.

Inflation

The impact of a worsening economic environment including rising inflation has created significant budgetary pressures for the Combined Authority. Whilst the impact on the 2021/22 financial year was limited, the impact of inflation will require the Board to carefully consider service delivery and funding options in going forward.

Vision and Purpose

We want to make sure that everything we do makes life better, healthier and fairer for all. If rising prosperity does not make life better, healthier or exhausts the resources our children will need for the future, our approach is flawed. It is now recognised that we don’t just need growth: we need good growth. Our aim is not simply to increase our income, but to increase our area’s wealth, in a way that is driven by our values and supports levelling up.

Values

The Combined Authority and our constituent council partners have continued to shape our approach for our region and endorsed the development of a core set of operational values; the following were suggested with a view to being reviewed in the planned strategy refresh:

- Collective Leadership
- Co-production
- Subsidiarity
- Additionality
- Devolution

At the Combined Authority we are also committed to enabling our mayoral values of leading with compassion, working cooperatively, and serving our community.

Sustainable Growth Ambition

The adoption by the Combined Authority of a Sustainable Growth Ambition statement shifts to a broader thinking, underpinned by a strategic assessment framework based largely on the six capitals approach called 'Six Keys'. Using the Six Keys enables decision making to be informed not just by one measure but a range of measures that taken together demonstrate that the area is growing sustainably towards its growth target; these measures are grouped around six key considerations for sustainable growth. These are:

Climate and Nature: restoring the area's depleted natural capital and addressing the impact of climate change on our low-lying area's special vulnerabilities and encouraging businesses to come up with solutions.

People: building human capital - the health and skills of the population - to raise both productivity and the quality of life so that that people in our region are healthy and able to pursue the jobs and lives they want.

Innovation: building on our reputation for new thinking, new technology and new ideas in Cambridgeshire and Peterborough to ensure this area can continue to be one of the most dynamic.

Reducing inequalities: investing in the community and building social capital to complement improved skills and connectivity as part of the effort to narrow the big gaps in life expectancy and people's income between places.

Infrastructure: from digital and public transport connectivity to water and energy, building out the networks needed to support a successful future.

Financial and systems: improving the institutional capital – the ways we work, organise, and fund ourselves - which supports decision-making and delivery.

6. Strategy and Resource allocation

Cambridgeshire and Peterborough Combined Authority was established as a Mayoral Combined Authority in 2017 to make life better, healthier and fairer for all. As the authority revises its focus to 2025, much of the original purpose and ambition remains with increased attention to address post-pandemic areas of deficit and more recent impact of climate, energy and cost of living crises. The overall strategy for the Combined Authority will aim to further enable a prosperous Cambridgeshire and Peterborough region; one that is more equitable, more environmentally sustainable, and securing good growth for its residents and businesses.

Climate and Nature

The Combined Authority has established the Independent Commission on Climate to provide independent evidence and advice on climate issues. The Commission has made 58 recommendations for action toward a pathway to reach Net Zero by 2050 (or before). The Commission found that transport and the heating of buildings provided the most emissions and are priorities for action. Emissions from soils are also a particular issue for the area, as they add a third to overall emissions. We will take action on climate recommendations where we have direct influence and will convene and support organisations in addressing the other climate recommendations. For the natural environment the Combined Authority Board has endorsed the "Doubling Nature" ambition. This will seek to double the amount of rich wildlife and natural green space. Our transport strategy has also evolved and business cases will include increased emphasis on climate impact. Improving public transport connectivity is at the heart of our climate strategy to combat the high levels of transport emissions in the region with a high reliance on private car use. We have developed a vision for buses that has committed to encourage sustainable growth and protect and enhance our environment. We intend to build on our strong active travel credentials building on our success as we have the highest UK cycling rates in Cambridge.

Employment and Skills

Our Employment and Skills Strategy sets out what our ambition means for each of the groups interacting with the skills system:

People experience fulfilment and good physical and mental health with productive, quality working lives. They drive their own learning and can access support and learning to meet their personal and work ambitions.

Employers are providing good quality jobs; have the skills they need in their staff and can recruit the right person for the right job.

Providers work collaboratively in an integrated education and skills system to deliver learning, qualifications, careers education and support to enable people to enter the labour market in the ways that suit individual's needs and ambitions.

Place leaders secure outcomes for the whole place, convening and supporting collaboration between employers and the integrated skills system.

Innovation

Our Local Industrial Strategy (LIS) proposes that the area's economic growth is supported by harnessing innovation. A key priority in the LIS is to replicate and extend the infrastructure and networks that have enabled Cambridge to become a global leader in innovative growth, creating a business support and innovation eco-system to promote inclusive growth to replicate the "Cambridge Phenomenon". Research is fundamental to achieving this replication, as it produces the new ideas and technologies that enable entrepreneurs to start up, existing businesses to scale-up and for new tech-firms to spin-out of academic and research institutions. It requires the generation of free-flowing exchange of ideas and insights that ensure research is informed by local business' needs. To achieve this, we will bring together leading entrepreneurs, innovators, mentors and coaches with growing firms to strengthen linkages across the area. We will also support businesses, universities and other partners to collaborate to maximise public and private investment, including Research & Development funding, and improving funding to support the growth of local businesses into global markets. Peterborough and Fenland require level 5, 6, 7 & 8 skills in advanced manufacturing and technologies that support the drive to net-zero. This will require the development of an innovation and business support eco-system to grow indigenous high-value firms and attract new ones to Peterborough and Fenland. The creation of new launchpads will be the focal points for this innovation cluster development, focusing on product development to support key growth sectors such as Agri-tech, artificial intelligence and advanced manufacturing innovation.

Reducing Inequalities

Levelling-Up is important to our region. Peterborough and Fenland are ranked as Priority One and Two retrospectively by the Government for levelling-up funding. Both have skills and quality of employment deficits that leads to deprivation, including:

- Education deprivation – just 32.1% of the population gain a National Vocational Qualification 4 or above qualification compared to 43% nationally.
- Social and health deprivation – healthy life expectancy is below retirement age in parts of Fenland.
- Child poverty – 25% of people in Peterborough are living in poverty, compared to 17% nationally.
- Poor social mobility – Peterborough is ranked 191st and Fenland as 319th out of 324 local authority districts putting it in the bottom 2% of places nationally

The major contributing factors are low aspirations, poor access to higher education and high-quality employment. Our Independent Economic Review (CPIER), which was designed to identify the economic performance and potential of Cambridgeshire and Peterborough, identified a new higher education institution in Peterborough as the only viable solution to the Higher Education Cold-Spot.

The Local Industrial Strategy (LIS) also identifies the northward expansion of the innovation clusters and networks from Cambridge, as the primary route to improving the knowledge intensity and quality of employment for Peterborough and the Fens. An inclusive growth strategy and improving absolute standards of living is vital for the long-term economic sustainability of our economy. Local political, education and business leaders are working together to achieve this, across place, sectors and political affiliations and we are keen to work with Ministers, to re-envision what Place Based innovation means and how it can be delivered to drive levelling-up. Improving transport connectivity will also aim to connect cut off communities, to create a far-reaching and affordable public transport network.

Infrastructure

Our infrastructure strategy is set out in the statutory Local Transport Plan and Digital Infrastructure Strategy. A new Local Transport and Connectivity Plan (LTCP) will be published in 2023. This document is a refresh to the first Local Transport Plan for Cambridgeshire and Peterborough published in 2020. The LTCP will describe how transport interventions can be used to address current and future challenges and opportunities for Cambridgeshire and Peterborough. It will set out the policies and strategies needed to secure growth, address the climate crisis and ensure that transport enables opportunity for all, with people able to access key services that will improve their quality of life, in a sustainable way.

The LTCP has six objectives:

Productivity – Giving both employers and people the means to fulfil their potential, making them more efficient and more innovative to create more prosperity.

Connectivity – People and communities are bought closer together, giving more opportunities for work, education, leisure, and pleasure.

Climate – Successfully and fairly reducing emissions to Net Zero by 2050.

Environment – Protecting and improving our green spaces and improving nature with a well-planned and good quality transport network.

Health – Improved health and wellbeing enabled through better connectivity, greater access to healthier journeys and lifestyles and delivering stronger, fairer and more resilient communities.

Safety – To prevent all harm by reducing risk and enabling people to use the transport system with confidence

Finance and Systems

We commit to a continued review of the funding we receive to ensure we can meet the ambitions set out in our strategies. We will therefore continue to lobby for funding to invest in interventions that will provide sustainable and healthy places in which to live and work. In 2021 we have been successful on bids from central government totalling over £40m, and in 2022 amongst other things we will play a lead role in administering the UK Shared Prosperity Fund allocation and be looking at opportunities to bid for Transport Levelling Up funding. We will also continue to build public and private partnerships where to date we have leveraged over £150 million from the private sector through our Business Board alone. We will continue to look at innovative ways to invest in the region and our businesses including through Recycled Growth Funds. Recycled Growth Funds are made up of repayments from previous Growth Fund investments, based on recommendations from the Business Board. As these investments repay the funds these can be reinvested in new projects delivering jobs and skills in the area. The interest payments on these investments give the Business Board revenue funds as well.

7. Performance

Our Key Achievements in 2021/22

Funding

In 2021 we have been successful on bids from Government totalling over £40m, this includes £20m of Levelling Up funding, £13.8m of Getting Building Funding, £4.3m for 30 Zebra buses, £3.4m of Community Renewal Funding and £2.9m of active travel funding.

Promotion

We have received funding confirmation that following the completion of a successful Cambridge South Station business case by the Combined Authority, Government have announced within the Budget that this project is funded, subject to planning to proceed for completion in 2025.

Delivery

Construction began on Manea and March stations to provide better station and platform facilities as well as improved parking and bus connectivity points. Over the course of 2021 a set of Quick Win schemes in March have also been delivered with only two remaining, these include zebra crossings, signage, footways, and link roads to improve safety and connectivity.

In 2021 we rolled out E-bikes and E-scooters into Cambridge and Peterborough. The scheme so far has tracked more than 224,000 trips in Cambridge alone that have travelled over 1million kilometres (equivalent to 25 times around the equator). The trial has been used by more than 36,000 active users. In the first 10 months of the Cambridge trial, it is estimated that 73,000 fewer car journeys have taken place which equates to a 66-tonne reduction in Carbon Dioxide emissions.

For the Digital Connectivity programme in 2021 we hit our full fibre target of 20% a year early and we are now at 35%. The public access CambWifi network has been extended to market towns in Huntingdonshire and East Cambridgeshire and is live in Peterborough city centre, with planning underway for deployment in March and Whittlesey.

In 2021 we rolled out a trial of Demand Responsive Transport in West Huntingdonshire named 'Ting', it is too early to make conclusions about its success, but the numbers are promising with an estimated 500 individual passenger trips a week prior to Christmas.

In partnership with Cambridgeshire County Council, we have begun construction on King's Dyke which is a £32 million infrastructure project. The bridge is now in position over the railway line and the two new roundabouts are taking shape.

The University of Peterborough Phase 1 begun construction and opened in September 2022, and funding has been approved for phases 2 and 3.

We have also continued creating jobs through the Local Growth Funds with 4,863 created over the course of the fund, and have continued to create jobs, apprenticeships and attract inward investment through our innovative Business Growth Service.

For housing, by the end of the programme we expect to have delivered 1,457 additional affordable houses

8. Outlook

Despite the potential impact of COVID-19 on local authority financial sustainability, the Combined Authority is able to maintain a balanced and affordable budget and to continue to operate for the foreseeable future. The Combined Authority has undertaken cash flow modelling which demonstrates the Combined Authority does not have any liquidity concerns over the next 12 months. It is therefore appropriate to prepare the financial statements on a going concern basis.

Basis of Preparation and Presentation

This Statement of Accounts has been prepared in accordance with statutory requirements, detailed in the Local Government Act 2003, the Accounts and Audit Regulations 2015 and The Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code).

The Statement of Accounts brings together the major financial statements for the Combined Authority for the financial year 2021/22. The financial statements, along with the notes that accompany them, aim to give a full and clear picture of the financial position of Cambridgeshire and Peterborough Combined Authority. The key contents of the various sections are as follows:

- Statement of Responsibilities – sets out the responsibilities of the Combined Authority and the Chief Finance Officer in respect of the Statement of Accounts

- Comprehensive Income and Expenditure Statement – shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices
- Movement in Reserves Statement – this statement shows the movement in the year on the reserves held by the Combined Authority
- Balance Sheet – shows the value of the assets and liabilities recognised by the Combined Authority as at 31 March 2022
- Cash Flow Statement – summarises the inflows and outflows of cash, and cash equivalents, arising from transactions with third parties
- Notes to the Financial Accounts - the various statements are supported by technical notes and by the Statement of Accounting Policies
- Annual Governance Statement – sets out how the Combined Authority's governance arrangements comply with the principles of the Local Code of Governance

Nick Bell
Executive Director of Resources & Performance and Section 73 Officer
Date: xx January 2024

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

Statement of Responsibilities for the Statement of Accounts

The Combined Authority's Responsibilities

The Combined Authority is required to:

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

The Section 73 Officer's Responsibilities

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

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

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

The Section 73 Officer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Section 73 Officer's Certificate

I certify that the accounts set out on pages 14 to 74 present a true and fair view of the financial position of the Combined Authority at 31 March 2022 and its income and expenditure for the year ended 31 March 2022.

Nick Bell
Executive Director of Resources and
Performance and Section 73 Officer

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Approval of the Statement of Accounts

I confirm that these accounts were approved by the Audit and Governance Committee at the meeting held on the **th ****** 2024

John Pye
Chair of the Audit Committee:

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Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Combined Authority has the ability to levy a council tax precept, but this power has not been utilised in 2021-22.

CPCA 2020/21					CPCA 2021/22		
Expenditure £'000	Income £'000	Net Expenditure £'000	Comprehensive Income and Expenditure Statement	Note	Expenditure £'000	Income £'000	Net Expenditure £'000
4,134	-	4,134	Chief Executive, Inc.Staffing		5,595	-	5,595
319	(2)	317	Externally Commissioned Support Services		477	(1)	477
631	-	631	Corporate Overheads		499	-	499
49	-	49	Governance Costs		42	-	42
458	-	458	Mayor´s Office		402	-	402
254	(38)	216	Other Corporate Budgets		186	(52)	135
-	-	-	Election		965	-	965
47,454	(47,042)	412	Business and Skills		38,132	(27,186)	10,946
74,883	(64,754)	10,130	Strategy and Delivery		71,465	(56,879)	14,586
23,502	(453)	23,048	Housing		19,859	(2,340)	17,519
151,684	**(112,289)**	**39,396**	**Net Cost of Services**		**137,622**	**(86,458)**	**51,164**
		94	Other Operating Income & Expenditure	8			-
		3,621	Financing and Investment Income and Expenditure	9			2,004
		(26,187)	Taxation and Non-Specific Grant Income	10			(42,611)
		16,923	**(Surplus) / Deficit on Provision of Services**				**10,557**
		57	Loss from investments in equity instruments designated at FVOCI				15
		1,542	Actuarial (Gains) / Losses on Pension Assets / Liabilities	21			(222)
		1,599	**Other Comprehensive Income and Expenditure**				**(207)**
		18,522	**Total Comprehensive Income and Expenditure**				**10,350**

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end of the year on reserves held by the Combined Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and other 'unusable reserves'. The Statement shows how the movements in year of the Combined Authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

CPCA - Movement in Reserves Statement	Note	General Fund Balance	Earmarked General Fund Reserves	Capital Grants Unapplied Account	Usable Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Combined Authority Reserves
Balance at 1 April 2020		**(13,936)**	**(3,101)**	**(104,892)**	**(11,008)**	**(132,937)**	**(37,776)**	**(170,713)**
Total Comprehensive Income & Expenditure		16,923	-	-	-	16,599	1,599	18,522
Adjustments between accounting basis & funding basis under regulations	14	(14,136)	-	45,967	1,787	33,618	(33,618)	-
Net Increase before Transfers to Earmarked Reserves		**2,787**	**-**	**45,967**	**1,787**	**50,541**	**(32,019)**	**18,522**
Transfers to / (from) Reserves		**3,347**	**(3,347)**	**-**	**-**	**-**	**-**	**-**
(Increase) / Decrease in 2020/21		**6,134**	**(3,347)**	**45,967**	**1,787**	**50,541**	**(32,019)**	**18,522**
Balance at 31 March 2021 Carried Forward		(7,802)	(6,448)	(58,925)	(9,221)	(82,396)	(69,795)	(152,191)
Balance at 1 April 2021		**(7,802)**	**(6,448)**	**(58,925)**	**(9,221)**	**(82,396)**	**(69,795)**	**(152,191)**
Total Comprehensive Income & Expenditure		10,557	-	-	-	10,557	(207)	10,350
Adjustments between accounting basis & funding basis under regulations	14	(13,421)	-	22,067	47	8,693	(8,693)	-
Net Increase before Transfers to Earmarked Reserves		**(2,864)**	**-**	**22,067**	**47**	**19,250**	**(8,900)**	**10,350**
Transfers to / (from) Reserves		1,049	(1,049)	-	-	-	-	-
(Increase) / Decrease)in 2021/22		(1,815)	(1,049)	22,067	47	19,250	(8,900)	10,350
Balance at 31 March 2022 Carried Forward		**(9,617)**	**(7,497)**	**(36,858)**	**(9,174)**	**(63,146)**	**(78,695)**	**(141,841)**

Balance Sheet

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

Restated* 31/03/2021 £'000		Note	31/03/2022 £'000
80	Property, Plant & Equipment	22	72
41,059	Long Term Investments	25,26	55,350
22,469	Long Term Debtors	25,26,28	3,819
63,608	**Total Long-Term Assets**		**59,241**
171,230*	Short Term Investments	25,26	253,141
39,011	Short Term Debtors	25,26,28	53,711
50,567*	Cash and Cash Equivalents	25,26,33	51,860
260,808	**Current Assets**		**358,713**
(60,272)	Short Term Creditors	25,26,29	(57,657)
(226)	Short Term Provisions	30	(546)
(60,498)	**Current Liabilities**		**(58,203)**
(3,644)	Long Term Creditors	7	(4,926)
(108,083)	Capital Grants Receipts in Advance	31	(212,983)
(111,727)	**Long Term Liabilities**		**(217,909)**
152,191	**Net Assets**		**141,841**
(82,396)	Usable Reserves	14	(63,146)
(69,795)	Unusable Reserves	14	(78,695)
(152,191)	**Total Reserves**		(141,841)

* In previous accounts Cash and Cash Equivalents had been classified as instruments with a maturity date within 3 months of the reporting date in order show the balance sheet in liquidity order. This accounting policy has been amended in line with IAS7 to classify Cash and Cash Equivalents as instruments maturing within 3 months of acquisition. Thos has reduced Cash & Cash Equivalents and increased Short Term Investments by £33million

Nick Bell
Chief Finance Officer and Section 73
Date: xx January 2024

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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.

2020/21 £'000	Cash Flow Statement	Notes	2021/22 CPCA £'000
16,923	Net (Surplus) or Deficit on the Provision of Services		10,557
(103,927)	Adjustments to Net (Surplus) or Deficit on the provision of Services for Non-Cash Movements	32	(112,067)
(87,004)	**Net cash flows from Operating Activities**		(101,511)
48,002	Investing Activities	32	133,347
-	Financing Activities		-
(39,002)	**Net (Increase) or Decrease in Cash and Cash Equivalents**		**31,837**
11,565	Cash & Cash Equivalent at the beginning of the Reporting Period		50,567
39,002	Increase / (Decrease) in Cash and Cash Equivalents		(31,837)
50,567	**Cash & Cash Equivalents at the end of the Reporting Period**	33	**18,730**

The adjustment of net (surplus) deficit on the provision of Services for non-cash movements contains £104,900k for the movement in Capital Grants Received in Advance, see note 32 for further details .

Notes to the Accounts

1. Accounting Policies

Basis of Identification of Group Boundary and Group Accounts Preparation.
Where the Combined Authority has the authority has interests in subsidiaries, associates and/or joint ventures, subject to consideration of materiality, group accounts must be prepared. The Combined Authority has considered its group relationship as follows:

Company	Interest (voting rights if different)	Category	In group accounts	Turnover 20/21	Profit / (Loss) 20/21	Net Assets 20/21	Turnover 21/22	Profit / (Loss) 21/22	Net Assets 21/22
				£'000	£'000	£'000	£'000	£'000	£'000
Peterborough HE Property Company Limited	81% (40%)	Associate	Yes - equity	-	(164)	8,067	-	(265)	26,468
Cambridgeshire and Peterborough Business Growth Company Limited	100%	Subsidiary	Yes – line by line	143	(1,981)	3,426	6,438	(50)	3,348
One Cam Limited	100%	Subsidiary	Yes – line by line	-	(1,540)	455	-	(1,570)	885
Peterborough R&D Property Company Limited	86% (67%)	Subsidiary	Yes – line by line	-	(154)	(154)	-	(273)	7,789
Angle Holdings Limited	100%	Subsidiary	Not material	-	(2)	(4)		(4)	(8)
Angle Developments (East) Limited	100%	Subsidiary	Not material	-	(14)	(21)		(15)	(36)
Smart Manufacturing	100% (50%)	Joint Venture	Not material	-	(45)	670		(216)	454
Ascendal	100% (50%)	Joint Venture	Not material	-	(313)	652		(585)	67
MedTech Accelerator Ltd	20%	Associate	Not material	-	(191)	377*		(23)	301

*MedTech Accelerator Ltd accounts are prepared to 30 June, 21/22 figures are year to 31 March 22.

Peterborough HE Property Company Limited was set up in partnership with Peterborough City Council and Anglia Ruskin University to build and run the site for Peterborough University.

Cambridgeshire and Peterborough Business Growth Company Limited is a wholly owned subsidiary set up to deliver key services in the region covering Inward Investment, Skills Brokerage and provide support and resources to SMEs.

One Cam Limited is a wholly owned subsidiary set up to develop the Cambridgeshire Autonomous Metro. Decision has been made to wind down the company at Board meeting on 27 October 2021.

Peterborough R&D Property Company Limited has been set up in partnership with Photocentric Limited to build a commercial Research and Development facility linked to the new Peterborough University.

Angle Holdings Limited and its subsidiary Angle Developments Limited were set up to develop housing projects in accordance with the Combined Authority's Housing Strategy. To date no projects have been progressed through the companies. The Combined Authority Board has agreed to provide loan finance to the companies to cover running costs until such time as profitable projects are developed.

Smart Manufacturing is a joint venture with Opportunity Peterborough to establish a membership organisation supporting businesses to adapt to new technologies, business models by facilitating networking, and providing benchmarking, training and learning programmes to its members.

Ascendal Accelerator Ltd is a joint venture with Ascendal Innovation Ltd to support the development of SMEs and new technology in the public transport sector.

MedTech Accelerator Ltd. is a joint venture with Health Enterprise East, NHS Innovations East and New Anglia LEP which provides early-stage investment funding and support to organisations which have achieved proof of concept with innovations in the healthcare sector to enable these organisations to take the next step towards commercialisation.

Through the Illumina Accelerator programme the Combined Authority holds nine future equity agreements which will, upon maturity, become minor shareholdings in start-up companies. As these investments will not result in the Combined Authority holding a significant proportion of shares, nor having any form of control beyond its minor shareholding, these will be immaterial to the Authority's accounts.

General Principles

The Statement of Accounts summarises the Combined Authority's transactions for the 2021/22 financial year and its position at the year-end 31 March 2022. 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 2021/22, 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.

The same accounting policies are applied to the Combined Authority and Group accounts, with the exception of statutory adjustments between the accounting and funding basis (see note 14) which only apply to the Combined Authority accounts.

1.1. Accruals of Income and Expenditure

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

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

1.2. Cash and Cash Equivalents

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

1.3. Charges to Revenue for Non-current Assets

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

- depreciation attributable to the assets used by the relevant service

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

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

1.4. Employee Benefits

1.4.1 Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end that employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to surplus or deficit on the provision of services, but then reversed out through the Movement in Reserves Statement to the accumulated absences account so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

1.4.2 Termination Benefits

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

1.4.2 Post-employment Benefits

Employees of the authority can become members of the Local Government Pensions Scheme, administered by Cambridgeshire County Council in partnership with West Northamptonshire Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the authority.

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

- The liabilities of the pension fund attributable to the Authority are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees
- Liabilities are discounted to their value at current prices, using a discount rate of based on the indicative rate of return on high quality corporate bonds

The assets of the pension fund attributable to the Authority are included in the balance sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.
-

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

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the comprehensive income and expenditure statement to the Combined Authority Staffing Costs line
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited in the comprehensive income and expenditure statement to the Combined Authority Staffing Costs line
- net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the financing and investment income and expenditure line of the comprehensive income and expenditure statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments

Remeasurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the pensions reserve as other comprehensive income and expenditure
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the pensions reserve as other comprehensive income and expenditure
- contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense

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

Discretionary benefits

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

1.5. Events after the Reporting Period

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

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

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

1.6. Financial Instruments

1.6.1 Financial Liabilities

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

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

The carrying value for most loans is outstanding principal repayable plus accrued interest. Interest charged to the CIES is the amount payable under the agreement.
Annual charges for these loans are made to the Financing and Investment Income and Expenditure line in the CIES. The charge is the carrying amount of the liability multiplied by the effective rate of interest.
For these loans, the difference between the annual charge and the cash paid is reversed out in the MIRS.

1.6.2 Financial Assets

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

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

1.6.2.1 Financial Asset Measured at Amortised Cost

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

When soft loans (loans below market rate) are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.
Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the borrower, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

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

1.6.2.3 Financial Assets Measured at Fair Value through Profit or Loss (FVPL)
Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

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

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

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

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the 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

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

1.6.3 Expected Credit Loss Model

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

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

1.7. Government Grants and Contributions

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

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

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

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

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

Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

1.8. Leases

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

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

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

1.8.1 The Authority as Lessee

1.8.1.1 Operating Leases

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

1.9. Property, Plant and Equipment

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

Intangible Assets - Expenditure on non-monetary assets that do not have physical substance but are identifiable and controlled by the Authority (e.g. software licences) is capitalised when it will bring benefits to the Authority for more than one financial year.

1.9.1 Recognition

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

1.9.2 Measurement

Assets are initially measured at cost, comprising:

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

In 2021/22, in addition to Vehicle, plant, furniture & equipment, there have been some expenditure classified as Assets Under Construction in the group accounts. measured at the same basis as above incurred for the University of Peterborough project.

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

1.9.3 Impairment

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

1.9.4 Depreciation and Amortisation

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

Deprecation is calculated on the following bases:

- Vehicle, plant, furniture and equipment – Depreciation is calculated from the year of acquisition, on a straight line basis, over a period of five years
- Assets Under construction – Assets in the course of construction are not depreciated until they are brought into use

The useful lives of assets are reviewed regularly. Where necessary, the life of an asset is revised and the carrying amount of the asset is then depreciated over the remaining useful life.

Intangible assets - amortised on a straight line basis over the economic life of the asset to reflect the pattern of consumption of benefits. All software is given a finite useful life, based on an assessment of the period that the software is expected to be of use to the Authority - usually five years

1.9.5 Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e., netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the revaluation reserve are transferred to the capital adjustment account. Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The receipts remain within the capital receipts reserve, and can then only be used for new capital investment or set aside to reduce the authority’s underlying need to borrow (the capital financing requirement). Receipts are appropriated to the reserve from the General Fund balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

1.10. Programme Management of Delegated Funds

Some funds are delegated to CPCA that HM Government require it to distribute and manage to achieve the desired outcomes. Government subsequently require officers of CPCA to monitor activity and report thereon regularly. Such funds require specific project management and this sets out the methodology for funds under management in 2021/22.

1.10.1 Local Growth Fund

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

The final tranche of funding was received in 2020-21; however, the responsibility for monitoring and evaluation of the funded projects continues and will be funded from the reserve built up via the programme management element of the funds.

1.10.2 Housing Investment Fund

HM Government devolved funds to the CPCA to deliver affordable homes, and the CPCA has sought out opportunities and delivered utilising a combination of grants and loans. This funding was reviewed at the end of 2021-22 with Ministry of Housing, Communities and Local Government (MHCLG) to establish future funding provision and programme objectives. Repaid capital from the issued housing loans are ringfenced to programme pipeline of opportunities, and discussions are ongoing with

MHCLG to agree further funding to support and deliver the pipeline on a project by project basis. These discussions are based on the costs of running the programme continuing to be charged to these funds.

1.11. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Combined Authority has a payment 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 Combined 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. There are no Contingent Liabilities disclosed in the 2021/22 accounts.

1.12. Reserves

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

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

The reserve is then transferred back into the General Fund Balance in the Movement in Reserves Statement.
Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits. These reserves are not usable resources for the Combined Authority and are explained within the relevant policies.

1.13. Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the General Fund Balance.

The Combined Authority receives many capital funds from H.M. Government to achieve outcomes in the area. Such funds include Gainshare (Capital), Transforming Cities Fund, Housing Investment Fund and Local Growth Fund. While the CPCA delivers some functions and services directly, predominantly passenger transport functions, it is primarily a commissioning organisation and seeks to deliver the outcomes through third parties such as constituent authorities by giving capital grants to deliver these capital projects. Under the CIPFA prudential code such expenditure is treated as REFCUS.

1.14. Value Added Tax (VAT)

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

1.15. Going Concern

Despite the potential impact of COVID-19 on local authority financial sustainability, the Combined Authority is able to maintain a balanced and affordable budget and to continue to operate for the foreseeable future. The Combined Authority has undertaken cash flow modelling which, taking account of the cash balances of £196.7 million at 31 December 2023 and forecast cash balances of

£103.6 million at 31 March 2025, demonstrates the Combined Authority does not have any liquidity concerns over the next 12 months from date of authorisation. It is therefore appropriate to prepare the financial statements on a going concern basis.

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

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

- IFRS 16 Leases will require authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2024 following the impact of the COVID-19. Local authorities can adopt IFRS16 earlier than this if an authority considers that it is able to do so.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16.
- There are 4 standards which have been reviewed as part of the annual IFRS improvement programme. These are:
- IFRS 1 (First-time adoption) – the amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
- IAS 37 (Onerous contracts) – clarifies the intention of the standard
- IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

During the consultation process on the 2022/23 Code CIPFA/LASAAC did not envisage these changes having a significant effect on authority financial statements.

3. Critical Judgement in Applying Accounting Policies

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

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

4. External Audit Costs

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

2020/21 £'000	Fees Payable	2021/22 £'000
45	Fees payable with regard to external audit services carried out by the appointed auditor	118
-	PSAA audit refund	-
45		**118**

Note, £45k has been recognised in the accounts based on the PSAA Scale fee, but £118k has been disclosed in this note based on discussion with EY on potential scale fee variations. The additional fees have not been accrued for as they are still subject to PSAA approval.

5. Mayor's and Members' Allowances

The Mayor is the only Member of the CPCA Board who receives an allowance from the Combined Authority in relation to their position on the Combined Authority Board. The Chair of the Business Board receives an allowance for that role, and the Leaders of the constituent authorities are remunerated by their own authorities.

Role	Allowances 2020/21	Allowances 2021/22	Expenses 2020/21	Expenses 2021/22	Total 2020/21	Total 2021/22
Mayor	75,000	**80,742**	1,410	**567**	76,410	81,309
Chair of the Business Board	24,000	**24,000**	**-**		24,000	24,000
Chair of Audit and Governance Committee	1,534	**1,534**	**-**		1,534	1,534

6. Officers' Remuneration

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

These requirements only apply to directly employed staff.

Senior Employees

There are additional disclosures required in relation to senior employees and the table below includes those required disclosures. In this context, a senior employee is identified as follows:

- the designated head of paid service, a statutory chief officer or a non-statutory chief officer of a relevant body, as defined under the Local Government and Housing Act 1989

- any person having responsibility for the management of the relevant body, to the extent that the person has power to direct or control the major activities of the body, in particular activities involving the expenditure of money, whether solely or collectively with others

Total Remuneration including Employer Pension Contributions £000 21/22		Pay	Pension	Exit Costs	3rd Party Payments	Total
Post	**Name(s) of post holders**	**£000**	**£000**	**£000**	**£000**	**£000**
Chief Executive	Eileen Milner (from Oct 2021)	103	19	*	-	**122**
Co-Chief Executive	John Hill	-	-	-	44	**44**
Co-Chief Executive1*	Kim Sawyer	44	8	-	-	**52**
Director of Corporate Resources	Kim Sawyer	67	12	70	-	**149**
Monitoring Officer	Robert Parkin	97	18	*	-	**115**
Chief Finance Officer	Jon Alsop	108	20	-	-	**128**
Director of Business and Skills	John T Hill (to Feb 2022)	137	-	-	-	**137**
Director of Business and Skills	Alan Downton (Mar 2022)	9	2	-	-	**11**
Director of Delivery and Strategy	Paul Raynes	140	26	*	-	**166**
Director of Housing	Roger Thompson	140	26	-	-	**166**
	Total remuneration in 2021/22	**845**	**131**	**70**	44	**1,090**
2020/21						
Co-Chief Executive	John Hill	-	-	-	133	**133**
Co-Chief Executive 1*	Kim Sawyer	85	17	-	-	**102**
Director of Corporate Resources	Kim Sawyer	85	17	-	-	**102**
Monitoring Officer	Robert Parkin	87	16	-	-	**103**
Chief Finance Officer	Jon Alsop	100	18	-	-	**118**
Director of Business and Skills	John T Hill	152	-	-	-	**152**
Director of Delivery and Strategy	Paul Raynes	138	25	-	-	**163**
Director of Housing	Roger Thompson	138	25	-	-	**163**
	Total remuneration in 2020/21	**785**	**118**	-	133	**1,036**

1 -Kim Sawyer covers both the role of Director of Corporate Resources and Co-Chief Executive thus the costs are split across both budgets

*Exit package included within the Exit Packages note for 21/22 on an accounting basis, but disclosed in the 22/23 Senior Officers Remuneration note due to timing of payment.

Where these posts were covered by non-employees (consultants) these costs are shown here. The services of John Hill are provided under a shared services agreement with East Cambridgeshire District Council

Employee remuneration above £50,000

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

Remuneration Band *	**Number of employees 2020/21**	**Number of employees 2021/22**
£50,000-£54,999	5	5
£55,000-£59,999	3	5
£60,000-£64,999	0	3
£65,000-£69,999	4	0
£70,000-£74,999	3	3
£75,000-£79,999	2	2
£80,000-£84,999	4	3
£85,000-£89,999	1	3
£95,000-£99,999	0	1
£100,000-£104,999	1	1
£105,000-£109,999	1	1
£110,000-£114,999	0	1
£120,000-£124,999	0	1
£135,000-£139,999	2	1
£140,000-£144,999	0	2
£150,000-£154,999	1	0
£170,000-£174,999	1	0
Total	28	**32**

Exit Packages

The number of exit packages in terms of compulsory and other departures is set out in the table below, total amount paid per banding is excluded as it would allow individual packages to be identified and includes pension strain payments where applicable. This note includes costs accounted for in 2021/22 where payment was made in 2022/23. Where these relate to Senior Officers they are disclosed in the Senior Officer Remuneration note in the 2022/23 Statement of Accounts.

	Number of compulsory redundancies	Number of other departures with exit packages	Total number of exit packages	Total exit package costs where >1 in band
2021/22				
£0 - £19,999	-	2	2	20,988
£20,000- £39,999	-	2	2	51,415
£40,000-£59,999	-	2	2	95,257
£60,000-79,999	-	2	2	140,919
£150,000-199,999	-	1	1	N/A
Total	**-**	**9**	**9**	**-**
2020/21				
£0-£20,000	3	-	3	27,972
Total	**3**	**-**	**3**	**27,972**

Pay Multiple

The pay multiple is defined as the ratio between the highest paid taxable earnings for a given year (including base salary, variable pay, bonuses, allowances and the cash value of any benefits-in-kind) and the median earnings figure of the whole of the authority's workforce.

For 2021-22 the Combined Authority's pay ratio was 4.76 (20/21 3.58).

7. Defined Benefit Pension Scheme

Following the transfer of employment contracts held by Peterborough City Council on 1 May 2019, the Authority became an admitted body to the Local Government Pension Scheme, administered locally by Cambridgeshire County Council. The scheme assets and liabilities related to these staff transferred to the Authority on a fully funded basis. For reasons of comparability between funds the Code prescribes the use of specific rates for discounting the scheme liabilities, which are different from the locally determined ones used in the calculation of the funding position and contribution rates. Therefore, under the actuarial calculations used for the accounts the Authority's share of the scheme showed an opening net liability of £3,644k which has increased to £4,926k as at 31 March 2022. This is not a real cost to the General Fund and is not likely to be reflect the actual cost of providing benefits which will be estimated in the next funding valuation.

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

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

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

Other principal risks to the authority of the scheme are the demographic risks, statutory changes to the scheme, changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the general fund the amounts required by statute as described in the accounting policies note.

Transactions relating to post-employment benefits

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

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

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

2020/21 £'000	Comprehensive Income and Expenditure Statement	2021/22 £'000
	Cost of service	
1,175	Current service costs	2,235
-	Past service costs	-
-	(Gain) Loss from Settlements	-
	Financing and Investment Income & Expenditure	
118	Interest costs	196
(77)	Interest income on plan assets	(107)
1,216	**Total Post Employment Benefit Charged to the Surplus or Deficit on the provision of Services**	**2,324**
	Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement	
-	Recognition of net Defined Benefit Liability on transfer on IAS19 basis	-
(700)	Return on Plan Assets (excluding amounts included in net interest)	(312)
106	Actuarial (Gains)/Losses Arising on Changes in Demographic Assumptions	(17)
2,186	Actuarial (Gains)/Losses Arising on Changes in Financial Assumptions	(1,494)
4	Difference between actual employers' contributions and estimate in Actuary's report	(1)
(54)	Other	1,601
2,758	**Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement**	**2,101**
	Movement in Reserves Statement	
(2,758)	Reversal of net changes made to the Surplus or Deficit for the provision of Services for post-employment benefits in accordance with the Code	(2,101)
	Actual amount charged against the General Fund and HRA Balance for pensions in the year	
668	Employer's contributions payable to the scheme	819
(2,090)	**Retirement benefits payable to pensioners**	(1,282)

Pension assets and liabilities recognised in the balance sheet

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

2020/21 £'000	Pension Assets & Liabilities Recognised in the Balance Sheet	2021/22 £'000
(8,251)	Present value of the defined benefit obligation	(16,429)
4,607	Fair Value of Plan Assets	11,503
(3,644)	**Closing fair value of scheme assets**	**(4,926)**

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

2020/21 £'000	Reconciliation of the Movements in the Fair Value of the Scheme (plan) Assets	2021/22 £'000
2,850	Opening Fair Value of Scheme Assets	4,607
77	Interest Income	107
	Remeasurement Gain/(Loss)	
	Other Experience	5,280
700	Return on Plan Assets, excluding amounts included in the net interest expense	312
668	Contributions from employer	819
(4)	Difference between actual employers' contributions and estimate in Actuary's report	1
318	Contributions from employees into the scheme	380
(2)	Benefits Paid	(3)
4,607	**Closing fair value of scheme assets**	**11,503**

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

2020/21 £'000	Reconciliation of Present Value of the Scheme Liabilities (defined benefit obligation)	2021/22 £'000
4,404	Opening balance	8,251
1,175	Current Service Cost	2,235
118	Interest Cost	196
318	Contributions from Scheme Participants	380
	Remeasurement (Gains) & Losses	-
106	Actuarial (Gains)/Losses Arising from Changes in Demographic Assumptions	(17)
2,186	Actuarial (Gains)/Losses Arising from Changes in Financial Assumptions	(1,494)
(54)	Other	6881
-	Past Service Cost	-
(2)	Benefits Paid	(3)
8,251	**Net Pension Liability**	**16,429**

Local Government Pension Scheme assets comprised

Period Ended 31 March 2021					Period Ended 31 March 2022			
Quoted Prices in Active Markets	Quoted Prices not in Active Markets	Total	Percent of Total Assets	Asset Category	Quoted Prices in Active Markets	Quoted Prices not in Active Markets	Total	Percent of Total Assets
£'000	£'000	£'000	%		£'000	£'000	£'000	%
				Debt Securities				
-	206	206	4%	UK Government	-	565	565	5%
				Private Equity				
-	347	347	8%	All	-	1228	1228	11%
				Real Estate				
-	283	283	6%	UK Property	-	808	808	7%
			0%	Overseas Property				0%
				Investment Funds & Unit Trusts				
-	2,767	2,767	60%	Equities	-	6,632	6,632	58%
-	535	535	12%	**Bonds**	-	1,223	1.223	10%
-	417	417	9%	Infrastructure	-	914	914	8%
-	3,719	3,719	81%	**Total Investment Funds & Unit Trusts**	-	8,769	8,769	76%
				Derivatives				
-	(19)	(19)	0%	**Other**	-	23	23	0%
				Cash & Cash Equivalents				
71	-	71	2%	All	111	-	111	1%
					-	-	-	0%
71	**4,536**	**4,607**	**100%**	**Totals**	**60**	**6,163**	**6,223**	**100%**

Basis for estimating assets and liabilities

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

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

The significant assumptions used by the actuary have been:

31-Mar-21	Basis for Estimating Assets & Liabilities	31-Mar-22
	Mortality Assumptions:	
	Longevity at 65 for current pensioners:	
22.2 years	Men	22 years
24.4 years	Women	24.2 years
	Longevity at 65 for future pensioners:	
23.2 years	Men	22.9 years
26.2 years	Women	26 years
	Financial Assumptions	
2.80%	Rate of inflation	3.15%
3.30%	Rate of increase in salaries	3.65%
2.80%	Rate of increase in pensions	3.15%
2%	Rate for discounting scheme liabilities	2.80%
25%	Take-up of option to convert annual pension into retirement lump sum for Pre-April 2008 service	25%
64%	Take-up of option to convert annual pension into retirement lump sum for Post-April 2008 service	64%

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

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

Change in assumptions at year ended 31 March 2022	Approximate % increase to Employer Liability	Approximate monetary amount increase (£'000)
0.1% decrease in Real Discount Rate	3%	293
1 Year Increase in member life expectancy	4%	457
0.1% increase in salary increase rate	0%	28
0.1% increase in pension increase rate (CPI)	2%	270

Impact on the authority's cash flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The county council has agreed a strategy with the scheme's actuary to achieve a 70% likelihood of a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2022.

The authority anticipated to pay £819k expected contributions to the scheme in 2022/23 (£664k 21/22).

8. Other Operating Income and Expenditure

2020/21 £'000		2021/22 £'000
94	(Gains)/losses on the disposal of non-current assets	-
94	**Total**	**-**

9. Financing and Investment Income and Expenditure

2020/21 £'000	Financing and Investment Income	2021/22 CPCA £'000
(809)	Interest Receivable	(487)
41	IAS 19 - Pension Interest & Return on Assets	89
4,388	Loss in Fair Value of Investments held at Fair Value Profit and Loss	2,402
3,620	**Total**	**2,004**

10. Non Specific Grant Income

2020/21 £'000		2021/22 £'000
	Grants, Contributions credited to Taxation and Non Specific Grant Income	
	Non -Specific Government Grants	
(8,000)	Gain Share - Revenue	(9,000)
-	Transport Levy	(13,040)
(1,559)	Other - Non -Specific Government Grants	(2,497)
(9,559)	Total Non-Specific Grants	(24,536)
	Capital Grants & Contributions	
(11,979)	Gain Share - Capital	(6,480)
(4,535)	Growth Deal	-
-	Getting Building Fund	(7,300)
-	Dft ZEBRA grant	(4,295)
(114)	Other - Capital Grants & Contributions	-
(16,628)	Total Capital Grants & Contributions	(18,075)
(26,187)	**Total Taxation and Non Specific Grant Income**	**(42,611)**

11. 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.

Central Government

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

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

2020/21 £'000		2021/22 £'000
(9,040)	DLUHC - revenue grants	(11,493)
(12,000)	DLUHC - capital grants	(20,428)
(61,691)	DfT - capital grants	(66,764)
(2,030)	DfT - revenue grants	(2,021)
(1,266)	BEIS - revenue grants	(7,037)
(122,388)	BEIS - capital grants	(118,389)
-	DWP – revenue grants	(1,147)
(13,283)	DfE revenue grants	(13,633)
(221,698)	**Total Income**	**(240,912)**

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;

2020/21 £'000		2021/22 £'000
	Expenditure	
	Expenditure with councils	
4,133	Cambridgeshire City Council	9,855
37,451	Cambridgeshire County Council	42,581
290	East Cambridgeshire District Council	1,529
1,499	Fenland District Council	2,784
185	Huntingdonshire District Council	1,740
14,254	Peterborough City Council	9,652
(226)	South Cambridgeshire District Council	-
57,586	**Total**	**68,142**
	Creditors	
	General Creditors with councils	
(9,100)	Cambridgeshire City Council	-
(4,053)	Cambridgeshire County Council	(1,663)
(18)	East Cambridgeshire District Council	(183)
878	Fenland District Council	(1,557)
(51)	Huntingdonshire District Council	(634)
(216)	Peterborough City Council	(589)
-	South Cambridgeshire District Council	(1,267)
(12,560)	**Total**	**(5,893)**

Group Companies

During the year the Combined Authority incurred spend on behalf of group companies and recharged them for services. The Combined Authority paid Cambridgeshire and Peterborough Business Growth Company Limited for services provided on its behalf. All amounts below were outstanding at 31 March 2022.

	Due from CPCA 2021/22 £'000	Due to CPCA 2021/22 £'000
Peterborough HE Property Company Limited	(4,072)	108
Cambridgeshire and Peterborough Business Growth Company Limited	(3,402)	3,776
One Cam Limited	-	-
Peterborough R&D Property Company Limited	(8,423)	738
Angle Developments Limited	-	28
Angle Holdings	-	3

Members

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

The following companies related to Combined Authority Board and Business Board members have received grants, payments for services or investment (Start Codon) during 2021/22.

2020/21 £'000	Company	Reason for Funding	Related Party	2021/22 £'000
1,470	Cross Keys Homes	Grants for affordable housing	Cllr Holdich / Cllr Fitzgerald	(2,028)
2,281	City College Peterborough	Adult Education provision and the Health and Social Care Work Academy project	Cllr Holdich	-
181	Stainless Metalcraft	Local Growth Fund project – Advanced Manufacturing Centre	Austen Adams	(2,391)
3,358	NIAB	Local Growth Fund projects – Agri-Tech Start-up Incubator and Agri-gate Hasse Fen extension Eastern Agri-tech programme project	Tina Barsby	(313)
3,000	University of Cambridge	Local Growth Fund project – West Cambs Innovation Park	Professor Andy Neely	-
115	Cambridgeshire Chambers of Commerce	Payment for support services in administering grant programmes	Faye Holland	-
1,230	TWI Ltd	Local Growth Fund project – Ecosystem Innovation Centre	Aamir Khalid	-
890	Start Codon Ltd	Local Growth Fund project – Life Sciences Accelerator	Jason Mellad	(635)

Officers

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

John Hill is a director of East Cambs Trading Company Limited which the Combined Authority has provided loans to, see note 28.

12. Expenditure and Income Analysed by Nature

2020/21 £'000	Expenditure and Income Analysed by Nature	2021/22 £'000
	Expenditure	
6,708	Employee Expenses - Contracts held by CPCA	8,710
109,943	Capital Grants made treated as REFCUS	88,789
37	Depreciation	38
39,880	Other Service Expenses	42,578
156,568	**Total Expenditure**	**140,115**
	Income	
(1,447)	Interest & Investment Income	(1,853)
(130,062)	Government Grants & Contributions	(121,793)
(8,136)	Other Income	(5,911)
(139,645)	**Total Income**	**(129,557)**
16,923	**Surplus/Deficit on the Provision of Services**	**10,558**

13. Expenditure and Funding Analysis

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

	2020/21			2021/22		
	Exp Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net exp in the CIES	Exp Chargeable to the General Fund	Adjustments between accounting basis & funding basis under regulations	Net exp in the CIES
	£'000	£'000	£'000	£'000	£'000	£'000
Combined Authority Staffing Costs	3,539	595	4,134	4,263	1,332	5,595
Externally Commissioned Support Services	317	-	317	477	-	477
Corporate Overheads	500	131	631	476	23	499
Governance Costs	49	-	49	42	-	42
Mayor´s Office	421	37	458	375	27	402
Other Corporate Budgets	216	-	216	135	-	135
Election	-	-	-	965	-	965
Business and Skills	411	1	412	478	10,468	10,946
Strategy and Delivery	8,386	1,744	10,130	13,666	920	14,586
Housing	539	22,510	23,049	(685)	18,204	17,519
Net Cost of Services	**14,378**	**25,018**	**39,396**	**20,190**	**30,974**	**51,164**
Other Operational Expenditure	-	94	94	-	-	-
Financing & Investment Income and Expenditure	(850)	4,472	3,621	(486)	2,491	2,004
Taxation and Non-Specific Grant Income	(10,741)	(15,448)	(26,187)	(22,568)	(20,044)	(42,611)
(Surplus) / Deficit on Provision of Services	**2,787**	**14,136**	**16,923**	**(2,864)**	**13,421**	**10,567**
Opening General Fund balance			**(17,037)**	**(14,250)**		
Less/plus (surplus) or deficit on HRA			2,787	(2,864)		
Closing General Fund			**(14,250)**	**(17,114)**		

Adjustments between funding and accounting basis:

2020/21					2021/22			
Adjustments for Capital Purposes1	Net Change for Pensions Adjustments2	Other Differences3	Total Adjustments		Adjustments for Capital Purposes1	Net Change for Pensions Adjustments2	Other Differences3	Total Adjustments
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
-	483	112	595	Combined Authority Staffing Costs	-	1,376	(44)	1,332
-	-	-	-	Externally Commissioned Support Services	-	-	-	-
131	-	-	131	Corporate Overheads	38	-	(14)	23
-	-	-	-	Governance Costs	-	-	-	-
-	24	13	37	Mayor´s Office	-	40	(13)	27
-	-	-	-	Other Corporate Budgets	-	-	-	-
1	-	-	1	Business and Skills	10,482	-	(14)	10,468
1,744	-	-	1,744	Strategy and Delivery	1,085	-	(166)	920
22,510	-	-	22,510	Housing	18,509	-	(305)	18,204
24,386	**507**	**125**	**25,018**	**Net Cost of Services**	**30,114**	**1,416**	**(556)**	**30,974**
94	-	-	94	Other Operational Expenditure	-	-	-	-
4,446	41	(15)	4,472	Financing & Investment Income and Expenditure	2,402	89	-	2,491
(15,448)	-	-	(15,448)	Taxation and Non-Specific Grant Income	(20,044)	-	-	(20,044)
13,478	**548**	**110**	**14,136**	**Difference between general fund surplus or deficit and CIES surplus or deficit on the provision of services**	**12,472**	**1,505**	**(556)**	**13,421**

1. Adjustments for Capital Purposes:
   - for service lines this column adds in depreciation, Revenue Expenditure Funded by Capital Under Statute and associated grant funding and the expected credit losses on capital loans
   - the other income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year and adjusted for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets
2. Net change for the pension adjustments:
   - for service lines this represents the removal of the employer pension contributions made by the Combined authority as allowed by statute and the replacement with current service costs and past service costs
   - for other income and expenditure – the net interest on the defined benefit liability is charged to the CIES

3 Other Statutory adjustments:

- for service lines this represent the removal of short term accumulated absences
- for other income and expenditure this column recognises adjustments to the general fund for the timing differences for premiums and discounts

14. Adjustments between Accounting Basis and Funding Basis under Regulations

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

General Fund Balance - is the statutory fund into which all the receipts of the Combined Authority are required to be paid, and out of which all liabilities of the Combined Authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Combined Authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Combined Authority is required to recover) at the end of the financial year.

Capital Receipts Reserve – holds the proceeds from the disposal of land or other assets and repayment of loans and continues to be restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure.

Capital Grants Unapplied Account – holds the grants and contributions received towards capital projects for which the Combined Authority has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is not restricted by grant terms as to the capital expenditure against which it can be applied and / or the financial year in which this can take place.

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

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

2021/22 Adjustments between Accounting Basis and Funding Basis Under regulations	General Fund	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves
	Usable Reserves				
	£000	£000	£000	£000	£000
Depreciation & impairment of non-current assets	(38)			**(38)**	**38**
Capital grants and contributions	74,385			**74,385**	**(74,385)**
Reversal of Expected credit loss on capital loans	485			**485**	**(485)**
Revenue expenditure funded from capital under statute	(88,789)			**(88,789)**	**88,789**
Loss for Interest foregone on capital loan	76			**76**	**(76)**
Loss in Fair Value of capital investments	(2,402)			**(2,402)**	**2,402**
Reversal of asset derecognition	-			**-**	**-**
Reversal of proceeds from asset disposal	-			**-**	**-**
Adjustments involving the Capital Grants Unapplied Account (CGU)					
Capital grants & contributions unapplied from the CIES	4,295		(4,295)	**-**	**-**
Application of grants to capital financing transferred to the Capital Adjustment Account	-		26,362	**26,362**	**(26,362)**
Adjustments involving the Capital Receipts Reserve (CRR):					
Redemption of Financial Assets (Loans)	-	(14,363)		**(14,363)**	**14,363**
Application of capital receipts to capital financing transferred to the Capital Adjustment Account	-	14,410		**14,410**	**(14,410)**
Adjustments involving the Pension Reserve					
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement	(1,505)			**(1,505)**	**1,505**
Adjustments involving the Accumulated Absences Adjustment Account					
Adjustments for Short term absences	56			**56**	**(56)**
Adjustments involving the Financial Instruments Adjustment Account:					
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements.	14			**14**	**(14)**
TOTAL ADJUSTMENTS	(13,421)	47	22,067	8,693	(8,693)

2020/21 Adjustments between Accounting Basis and Funding Basis Under regulations	Usable Reserves General Fund	 Capital Receipts Reserve	 Capital Grants Unapplied	 Total Usable Reserves	Unusable Reserves
	£000	£000	£000	£000	£000
Depreciation & impairment of non-current assets	(37)			**(37)**	**37**
Capital grants and contributions	89,400			**89,400**	**(89,400)**
Reversal of Expected credit loss on capital loans	18			**18**	**(18)**
Revenue expenditure funded from capital under statute	(109,943)			**(109,943)**	**109,943**
Loss for Interest foregone on capital loan	(76)			**(76)**	**76**
Loss in Fair Value of capital investments	(4,342)			**(4,342)**	**4,342**
Reversal of asset derecognition	(455)			**(455)**	**455**
Reversal of proceeds from asset disposal	361			**361**	**(361)**
Adjustments involving the Capital Grants Unapplied Account (CGU)					
Capital grants & contributions unapplied from the CIES	11,596		(11,596)	**-**	**-**
Application of grants to capital financing transferred to the Capital Adjustment Account			57,563	**57,563**	**(57,563)**
Adjustments involving the Capital Receipts Reserve (CRR):					
Redemption of Financial Assets (Loans)		(3,171)		**(3,171)**	**3,171**
Application of capital receipts to capital financing transferred to the Capital Adjustment Account		4,958		**4,958**	**(4,958)**
Adjustments involving the Pension Reserve					
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement (see also note 7)	(548)			**(548)**	**548**
Adjustments involving the Accumulated Absences Adjustment Account					
Adjustments for Short term absences	(125)			**(125)**	**125**
Adjustments involving the Financial Instruments Adjustment Account:					
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements.	15			**15**	**(15)**
TOTAL ADJUSTMENTS	(14,136)	1,787	45,967	33,618	(33,618)

Summary of Usable and Unusable Reserves

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

01-Apr-20	Movement	31-Mar-21		01-Apr-21	Movement	31-Mar-22
£'000	**£'000**	**£'000**		£'000	**£'000**	**£'000**
(13,936)	6,134	(7,802)	General Fund Balance	(7,802)	(1,815)	(9,617)
(3,101)	(3,347)	(6,448)	Earmarked General Fund Reserves	(6,448)	(1,049)	(7,497)
(11,008)	1,787	(9,221)	Usable Capital Receipts Reserve	(9,221)	47	(9,174)
(104,892)	45,967	(58,925)	Capital Grants Unapplied Account	(58,925)	22,067	(36,858)
(132,937)	**50,541**	**(82,396)**	**Total Usable Reserves**	**(82,396)**	**19,250**	**(63,146)**
(39,582)	(34,276)	(73,858)	Capital Adjustment Account	(73,858)	(10,126)	(83,984)
44	(15)	29	Financial Instruments Adjustment Account	29	(14)	15
208	57	265	Financial Instruments Revaluation Reserve	265	15	280
-	125	125	Accumulated Absences Account	125	(56)	69
1,554	2,090	3,644	Pensions Fund Reserve	3,644	1,282	4,926
(37,776)	**(32,019)**	**(69,795)**	**Total Unusable Reserves**	**(69,795)**	**(8,900)**	**(78,695)**
(170,713)	**18,522**	**(152,191)**	**Total Usable and Unusable Reserves**	**(152,191)**	**10,350**	**(141,841)**

15. 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.

Earmarked Reserve:	01-Apr-2021	Transfer Out	Transfer In	31-Mar-2022	Movement	Purpose of the Earmarked Reserve
	£'000	£'000	£'000	£'000	£'000	
Revenue Reserve	1,000			**1,000**	**-**	This reserve provides a working balance to cover risks to the revenue budget.
Elections Costs Reserve	780	(780)		**-**	**(780)**	This reserve smooths the impact on the revenue budget of the Mayoral elections which take place every four years.
AEB Reserve	1,848		759	**2,607**	**759**	This reserve holds the balance of adult education budget funding to maintain a locally determined ringfence between financial years.
Business Board Strategic Revenue Reserves	728		588	**1,316**	**588**	This reserve holds un-ringfenced revenue funds which are received by the Combined Authority as the Accountable Body for the Business Board.
Departmental Reserves	2,092	(434)	916	**2,574**	**482**	These represent unspent grant funding and other income which does not require repayment, but is earmarked for projects in future years.
Total Earmarked Reserves	**6,448**	**(1,214)**	**2,263**	**7,497**	**1,049**	

16. Capital Grants Unapplied Reserve

Capital Grants Unapplied Reserve	01-Apr-2021	Transfer Out	Transfer In	31-Mar-2022
	£'000	£'000	£'000	£'000
Housing Grant - General	3,629	(3,629)	-	**-**
DfT Zebra Grant	-	-	4,295	**4,295**
Gain Share - Capital	55,296	(22,733)	-	**32,563**
Total Capital Grants Unapplied Reserve	**58,925**	**(36,362)**	**4,295**	**36,465**

In March 2022 the Secretary of State for the Ministry of Housing, Communities and Local Government transferred responsibility for delivering the Affordable Housing programme within Cambridge City to Cambridge City Council, as such the remaining balance of the "Housing Grant -Cambridge" was paid across to the City Council to support their delivery.

17. Capital Adjustment Account

2020/21 £'000	Capital Adjustment Account	2021/22 £'000
(39,582)	**Balance as at 1 April**	(73,858)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement	
(89,400)	Capital Grants & Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to Capital Financing	(74,385)
109,943	Revenue Expenditure Funded from Capital under Statute	88,789
3,171	Redemption of financial assets (loans)	14,363
(4,958)	transfer from usable capital receipts	(14,410)
37	charges for depreciation	38
455	Asset derecognition	-
(361)	Proceeds from asset disposal	-
76	Loss for Interest foregone on capital loan	(76)
4,342	Loss in Fair Value of capital investments	2,402
(18)	charges for expected credit loss relating to capital loans	(485)
(4,267)	Application of grants to finance capital loans from the Capital Grants Unapplied Accounts	(10,264)
(53,296)	Application of Grants to Capital Financing from the Capital Grants Unapplied Account	(16,098)
(73,858)	**Balance as at 31 March**	**(83,985)**

18. Financial Instruments Adjustment Account

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

2020/21 £'000		2021/22 £'000
44	**Balance as at 1 April**	**29**
(15)	Amounts arising from timing differences associated with certain financial instruments	(14)
29	**Balance as at 31 March**	**15**

19. Financial Instruments Revaluation Reserve

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

2020/21 £'000		2021/22 £'000
208	**Balance as at 1 April**	**265**
57	Amounts arising from timing differences associated with certain financial instruments	15
265	**Balance as at 31 March**	**280**

20. Accumulated Absences Account

The accumulated absences account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year, e.g., annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the account.

2020/21 £'000		2021/22 £'000
-	**Balance as at 1 April**	**125**
125	Amounts Accrued at the end of the current year	(56)
125	**Balance as at 31 March**	**69**

21. Pensions Reserve

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

2020/21 £'000		2021/22 £'000
1,554	**Balance as at 1 April**	**3,644**
1,542	Remeasurements of the net defined benefit liability	(222)
1,216	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the comprehensive income and expenditure statement	2,324
(668)	Employer's pensions contributions and direct payments to pensioners payable in the year	(820)
3,644	**Balance as at 31 March**	**4,926**

22. Property, Plant and Equipment

	2020/21			2021/22		
Movement in 2021/22	**Vehicle, Plant, furniture & equipment**	**Assets under construction**	**Total Property, Plant & Equipment**	**Vehicle, Plant, furniture & equipment**	**Assets under construction**	**Total Property, Plant & Equipment**
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April	**287**	**361**	**648**	**159**	**-**	**159**
Additions	28		28	30		30
Disposals	(156)	(361)	(517)			-
At 31 March	**159**	**-**	**159**	**189**	**-**	**189**
Accumulated Depreciation & Impairment						
At 1 April	**(104)**	**-**	**(104)**	**(79)**	**-**	**(79)**
Depreciation Charge	(37)		(37)	(38)		(38)
Disposals	62		62			-
At 31 March	**(79)**	**-**	**(79)**	**(117)**	**-**	**(117)**
Net Book Value						
At 31 March	**80**	**-**	**80**	**72**	**-**	**72**
At 1 April	**183**	**361**	**544**	**80**	**-**	**80**

23. 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.

2020/21 £'000		**2021/22 £'000**
-	**Opening Capital Financing Requirement**	**-**
	Capital Investment	
109,943	Revenue Expenditure Funded from Capital Under Statute	88,789
28	Property Plant and Equipment	30
34,282	Equity Instruments	18,073
8,029	Capital loans	10,265
	Sources of Finance	
(5,319)	Usable Capital receipts	(14,410)
(57,563)	Capital grants unapplied	(28,362)
(89,400)	Capital Grants & Contributions	(74,385)
-	**Closing Capital Financing Requirement**	**-**

24. Combined Authority Leasing Arrangements

Combined Authority as Lessee - Operating Leases

The Combined Authority's only material operating lease was for the office in Alconbury. The lease was surrendered during 2020/21.

25. Financial Instruments

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

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

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

2020/21 £000		2021/22 £000
(794)	Interest Income - Treasury Management	(472)
(803)	Interest Income - Service Loans	(1,382)
150	Reduction in carrying amount of Service Loans due to interest foregone	-
(18)	movement in expected credit loss allowances	(485)
4,389	loss from changes in Fair Value (FVPL assets)	-
2,924	**Net impact on surplus/deficit on provision of services**	**(2,338)**
57	loss from changes in Fair Value (FVOCI assets)	15
57	**Impact on Other Comprehensive income**	**15**
2,981	**Net (gain)/loss for the year**	**(2,323)**

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

31-Mar-21			31-Mar-22	
Long Assets £000	Current Assets £000		Long Term Assets £000	Current Assets £000
		Assets at Amortised Cost:		
10,000	**171,230**	Investments - Amortised Cost	**10,000**	**253,141**
-	50,567	Cash & Cash Equivalents	-	51,860
22,469	**21,308**	Debtors - Service Loans	**3,819**	**35,974**
-	**10,760**	Debtors - Other	**-**	**9,278**
		Assets at Fair Value:	-	-
30,984	-	Investments at Fair Value Profit and Loss	46,351	-
75	**-**	Medtech Shares - Designated FVOCI	**60**	**-**
63,528	**253,865**	**Total Financial Assets**	**60,229**	**350,254**
		Liabilities at Amortised Cost:		
-	**(52,398)**	Creditors	**-**	**(43,878)**
-	**(52,398)**	**Total Financial Liabilities**	**-**	**(43,878)**

26. 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 net present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- The fair values of other long-term investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March
- Service loans have been discounted using a rate with an equivalent margin over current base rate to that at the time the loan was agreed
- 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.
- For equity and equity type investments, the fair value has been assumed as the Combined Authority's share of shareholders funds as at 31 March 2022, except for investments in Start Codon where the fund valuation has been used and Illumina investments where an estimate has been made of the value to be received under the agreements.

With the introduction of IFRS 9 the authority has designated the Medtech shares at 31 March 2020 as fair value through other comprehensive income. This is because the shares are not held for trading or income generation, rather a longer-term policy initiative.

The Fair Values calculated are as follows:

31-Mar-21			31-Mar-22		
Carrying Amount £000	**Fair Value £000**		**Fair Value Level**	**Carrying Amount £000**	**Fair Value £000**
		Assets at Amortised Cost:			
10,000	**10,053**	LT Investments - Amortised Cost	**2**	**10,000**	**10,107**
43,777	**43,965**	Debtors - Service Loans	**2**	**39,792**	**39,487**
		Assets at Fair Value:			
30,984	**30,984**	Investments at Fair Value Profit and Loss	**3**	**46,351**	**46,351**
75	**75**	Medtech Shares - Designated FVOCI	**3**	**60**	**60**
84,836	**85,077**	**Total**		**96,203**	**97,435**
		Assets for which Fair Value is not disclosed:			
171,230	-	ST Investments - Amortised Cost		253,141	-
50,567	-	Cash & Cash Equivalents		51,860	-
10,760	**-**	Debtors - Other		**9,278**	**-**
317,393		**Total Financial Assets**		**314,280**	**-**
		Liabilities for which Fair Value is not disclosed:			
(52,398)	**(52,398)**	Creditors		**(43,878)**	**(43,878)**
(52,398)	**(52,398)**	**Total Financial Liabilities**		**(43,878)**	**(43,878)**

27. 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 Finance team, under policies approved annually by the Combined Authority in the 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

The Combined Authority manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice.

A limit of £25m of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in banks, building societies and companies, a smaller limit of £15m applies. The Combined Authority also sets limits on investments in certain sectors.

The Combined Authority had a total of £308.1m deposited with the Debt Management Office (DMO), other local authorities, UK banks and MMFs at 31 March 2022. 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 2022 and no Expected Credit Loss allowances have been made on treasury investments. We are in constant communication with our treasury advisors to update our position in accordance with their advice on managing emerging risks.

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), other local authorities at favourable rates and the money market generally. There is no significant risk that it will be unable to raise finance to meet its commitments.

Market risks:

Interest rate risk

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

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

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

Price Risk

The Combined Authority holds shares in several companies for service delivery purposes, which are not publicly traded. For most of these companies, the value in the accounts is based on the shareholder funds held on the 31st March 2022, rather than a market share value, as such for these companies, we do not consider there to be exposure to losses arising from movements in the traded price of shares. During 20/21 the Combined Authority invested Local Growth Funds in the Start Codon and Illumina projects which provide funding and support to local start-up companies across the Biomedical, healthcare technology and life sciences sectors. The value of the funds invested are exposed to the changes in the companies' values, however this risk is acceptably tolerated as no reliance has been placed on these funds for future service delivery, thus any losses would not have an effect on the wider financial sustainability of the Combined Authority.

Foreign Exchange Risk

The Combined Authority has no liabilities denominated in foreign currencies and thus there is no material risk arising from movements in exchange rates.

28. Debtors

31-Mar-21 CPCA £'000	Short Term Debtors	31-Mar-22 CPCA £'000
1,620	Central government bodies	2,187
993	Other local authorities	4,264
21,772	Other entities and individuals	35,995
7,635	Group Companies	2,806
6,991	Prepayments	8,459
39,011	**Total Short-Term Debtors**	**53,711**

31-Mar-21 CPCA £'000	Long Term Debtors	31-Mar-22 CPCA £'000
21,868	Other entities and individuals	3,819
601	Other local authorities	-
22,469	**Total**	**3,819**

Other entities and individuals include loans of £20.3m to East Cambs Trading Company, £13.4m to other housing developers, and £5.8m Growth Fund loans which are split across both short- and long-term debtors (20/201 £24m ECTC, £14m other housing and £5.8m of Growth Fund Loans).

29. Creditors

31-Mar-21 £'000	Short Term Creditors	31-Mar-22 CPCA £'000
	Creditors:	
(9,327)	Central government bodies	(14,584)
(19,625)	Other local authorities	(7,320)
(8,335)	Other entities and individuals	(19,856)
(22,985)	Group Companies	(15,896)
(60,272)	**Total Short-Term Creditors**	(59,071)

30. Provisions

The Combined Authority has an outstanding matter in relation to pension obligations relating to the transfer of ex-GCGP LEP staff to the Combined Authority in April 2018. The Combined Authority is working with the pension fund providers to confirm the nature and timing of the obligation and of the quantum of any liability attached to this obligation. The total potential liability is estimated at £226k. Exit cost provision for the FY 2021/22 is £319k.

Provisions	LEP Pensions £'000	Exit Costs £'000	Total £'000
Balance at 1 April 2021	(226)	-	(226)
Additional Provision made in 2021/22	-	(320)	(320)
Balance at 31 March 2022	**(226)**	**(320)**	**(526)**

31. Capital Grants Receipts in Advance

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

31-Mar-21 £'000	Capital Grants Receipts in Advance	31-Mar-22 £'000
(25,772)	Transforming Cities Fund	(33,161)
-	Local Transport Grant	(5,849)
(3,075)	Pothole and Flood Resistance	-
(79,236)	Green Homes LAD 2 Energy Grant	(53,684)
	DfT A10 Dualling and Junctions Grant	(1,993)
	BEIS Sustainable Warmth LAD3 Grant	(118,296)
(108,083)	**Total Capital Grants Received in Advance**	**(212,983)**

32. 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 32

Operating Activities

2020/21 £'000	Adjustments to Net Surplus or Deficit on the provision of services for Non-Cash Movements	2021/22 £'000
(37)	Depreciation of Non-Current Assets	(37)
(455)	Assets de-recognised during year	-
7,053	Increase/(Decrease) in debtors	(7,934)
(16,023)	(Increase)/Decrease in creditors	2,615
(226)	(Increase)/Decrease in provisions	(320)
(548)	Pension Fund costs adjustment	(1,504)
(93,705)	Capital Grants Received in Advance	(104,900)
14	Other Non-cash items	15
(103,927)	**Net cash (inflow)/outflow from operating activities**	**(112,067)**

Investing Activities

2020/21 £'000	Cash Flow Statement – Investing Activities	2021/22 £'000
45,183	Purchase of Short & Long-Term Investments	129,333
27	Purchase of Property, Plant & Equipment	30
	Cash advanced for capital loans	
2,792	Proceeds from loan repayments	3,984
48,002	**Net cash flows from investing activities**	**133,347**

33. Cash Flow Statement – Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is shown in the following table.

2020/21 £'000	Cash and Cash Equivalents	2021/22 £'000
50,001	Short Term Cash Investments	45,115
566	Bank Accounts	6,745
50,567	**Total Cash & Cash Equivalents**	**51,860**

Group Accounts

Introduction

In order to provide a full picture of the economic and financial activities of the Authority and its exposure to risk the accounting statement of a material subsidiary are consolidated with the Authority's accounts. They include the core accounting statements (movement in reserves statement. comprehensive income and expenditure statement, balance sheet and cash flow statement) presented in a similar manner to the Authority's accounts. Further explanatory notes are given and these should be read in conjunction with the Authority's (single entity) accounts.

Group accounts has been prepared under the requirement of the Code of Practice on Local Authority Accounting, consolidating and material subsidiary, associate or joint venture entities which the Authority exercises control or influence (See also Note 1 –Accounting Policies).

Accounting Policies

The Authority has reviewed the accounting policies applied to subsidiaries companies and has concluded that there are no material adjustments required to align accounting policies of both entities. As a subsidiary, the accounts have been consolidated with those of the Authority on a line by line basis and any balances and/or transactions between the parties have been eliminated in full in both the Comprehensive Income and Expenditure account and Balance sheet.

Group - Comprehensive Income and Expenditure Statement

Group 2020/21					Group 2021/22		
Expenditure £'000	Income £'000	Net Expenditure £'000	Comprehensive Income and Expenditure Statement	Note	Expenditure £'000	Income £'000	Net Expenditure £'000
4,134	-	4,134	Chief Executive		5,595	-	5,595
319	(2)	317	Externally Commissioned Support Services		477	(1)	477
631	-	631	Corporate Overheads		499	-	499
49	-	49	Governance Costs		42	-	42
458	-	458	Mayor´s Office		402	-	402
254	(38)	216	Other Corporate Budgets		186	(52)	135
-	-	-	Election		965	-	965
46,618	(44,072)	2,547	Business and Skills		40,874	(29,577)	11,297
75,121	(63,452)	11,670	Strategy and Delivery		71,649	(55,494)	16,156
23,502	(453)	23,049	Housing		19,859	(2,340)	17,519
151,086	**(108,016)**	**43,071**	**Net Cost of Services**		**140,549**	**(87,464)**	**53,085**
		94	Other Operating Income & Expenditure				-
		99	Financing and Investment Income and Expenditure				(71)
		(26,187)	Taxation and Non-Specific Grant Income				(42,611)
		17,077	**(Surplus) / Deficit on Provision of Services**				**10,404**
		57	Loss from investments in equity instruments designated at FVOCI				15
		1,542	Actuarial (Gains) / Losses on Pension Assets / Liabilities				(222)
		1,599	**Other Comprehensive Income and Expenditure**				**(207)**
		18,676	**Total Comprehensive Income and Expenditure**				**10,197**

Group - Movement in Reserves Statement

Combined Authority Group Movement in Reserves Statement	Combined Authority Usable Reserves £'000	Cambridgeshire and Peterborough Business Growth Company Limited Usable Reserves £'000	One Cam Limited Usable Reserves £'000	Peterborough R&D Property Company Limited Usable Reserves £'000	Peterborough HE Property Company Limited Usable Reserves £'000	Total Usable Reserves £'000	Combined Authority Unusable Reserves1 £'000	Total Group Reserves £'001
Balance at 1 April 2020	**(132,937)**	**-**	**-**	**-**	**-**	**(132,937)**	**(37,776)**	**(170,713)**
Total Comprehensive Income & Expenditure	16,923	1,981	1,540	154	292	20,890	1,599	22,489
Adjustments between group accounts and authority accounts2	(385)	(1,973)	(1,302)	(154)	-	(3,813)	-	(3,813)
Net Increase/decrease before transfers	**16,538**	**9**	**238**	**-**	**292**	**17,077**	**1,599**	**18,676**
Adjustments between accounting basis & funding basis under regulations	**37,431**	**-**	**-**	**-**	**-**	**37,431**	**(37,431)**	**-**
(Increase) / Decrease in 2020/21	**53,969**	**9**	**238**	**-**	**292**	**54,508**	**(35,832)**	**18,676**
Balance at 31 March 2021 Carried Forward	(78,968)	9	238	-	292	(78,429)	(73,608)	(152,037)
Balance at 1 April 2021	**(78,968)**	**9**	**238**	**-**	**292**	**(78,429)**	**(73,608)**	**(152,037)**
Total Comprehensive Income & Expenditure	10,557	78	1,570	273	-	12,479	(207)	12,272
Adjustments between group accounts and authority accounts2	(2,374)	1,957	(1,385)	(273)		(2,075)		(2,075)
Adjustments between accounting basis & funding basis under regulations	10,767				-	10,768	(10,768)	-
Net Increase before Transfers to Earmarked Reserves	**18,951**	**2,035**	**185**	**-**	**-**	**21,172**	**(10,975)**	**10,197**
(Increase) / Decrease in 2021/22	18,951	2,035	185	-	-	21,172	(10,975)	10,197
Balance at 31 March 2022 Carried Forward	**(60,017)**	**2,044**	**423**	**-**	**292**	**(57,257)**	**(84,583)**	**(141,840)**

Group Balance Sheet

Group 31/03/2021 £'000		Note	Group 31/03/2022 £'000
782	Property, Plant & Equipment	2	6,159
37,178	Long Term Investments		37,580
22,469	Long Term Debtors		3,819
60,429	**Total Long-Term Assets**		**47,557**
171,230	Short Term Investments		253,141
34,738	Short Term Debtors	3	54,656
53,566	Cash and Cash Equivalents		53,290
259,534	**Current Assets**		**361,088**
(55,973)	Short Term Creditors	4	(48,349)
(226)	Short Term Provisions		(546)
(56,199)	**Current Liabilities**		**(48,896)**
(3,644)	Long Term Creditors		(4,926)
(108,083)	Capital Grants Receipts in Advance		(212,983)
(111,727)	**Long Term Liabilities**		**(217,909)**
152,037	**Net Assets**		**141,840**
(78,429)	Usable Reserves		(57,257)
(73,608)	Unusable Reserves		(84,583)
(152,037)	**Total Reserves**		(141,840)

Group - Cash Flow Statement

2020/21 Group £'000	Cash Flow Statement	Notes	2021/22 Group £'000
17,077	Net (Surplus) or Deficit on the Provision of Services		10,404
(104,081)	Adjustments to Net (Surplus) or Deficit on the provision of Services for Non-Cash Movements		(101,839)
(87,004)	**Net cash flows from Operating Activities**		(91,435)
48,002	Investing Activities		91,712
-	Financing Activities		
(39,002)	**Net (Increase) or Decrease in Cash and Cash Equivalents**		**277**
11,565	Cash & Cash Equivalent at the beginning of the Reporting Period		50,567
39,002	Increase / (Decrease) in Cash and Cash Equivalents		(277)
50,567	**Cash & Cash Equivalents at the end of the Reporting Period**		**50,290**

Notes to the Group Accounts

1. Accounting Policies

The Accounting policies of the group are the same as those applied to the Authority's single entity accounts.

2. Property, Plant and Equipment

Movement in 2021/22	Group		
	Vehicle, Plant, furniture & equipment	Assets under construction	Total Property, Plant & Equipment
Cost or Valuation	£'000	£'000	£'000
At 1 April 2021	**159**	**702**	**861**
Additions		5,384	5,384
Disposals			-
At 31 March 2022	**159**	**6,086**	**6,086**
Accumulated Depreciation & Impairment			
At 1 April 2021	**(79)**	**-**	**(79)**
Depreciation Charge	(8)		(8)
Disposals			-
At 31 March 2022	**(87)**	**-**	**(87)**
Net Book Value			
At 31 March 2022	**72**	**6,086**	**6,158**
At 1 April 2021	**80**	**702**	**782**

3. Debtors

31-Mar-21 Group £'000	Short Term Debtors	31-Mar-22 Group £'000
1,620	Central government bodies	2,187
993	Other local authorities	4,264
25,134	Other entities and individuals	39,746
6,991	Prepayments	8,459
34,738	**Total Short-Term Debtors**	**54,656**

4. Creditors

31-Mar-21 Group £'000	Short Term Creditors	31-Mar-22 Group £'000
	Creditors:	
(9,565)	Central government bodies	(14,584)
(19,625)	Other local authorities	(7,320)
(26,783)	Other entities and individuals	(26,445)
(55,973)	**Total Short-Term Creditors**	(48,349)

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Annual Governance Statement

For the year ended 31 March 2022

Annual Governance Statement – 2021/22
Cambridgeshire and Peterborough Combined Authority

Scope of Responsibility

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

The Combined Authority also has a duty under the Local Government Act 1999 to arrange to secure continuous improvement in the way in which its functions are exercised.

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 Authority was formally established on 3 March 2017 and continues to develop and refine its governance arrangements through regular review of its key documents. Latest copies of its constitution, assurance framework and monitoring and evaluation framework are available on its website.

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

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

The Authority acknowledges that good governance arrangements will enable it to establish effective policies and to deliver ambitious programmes to communities in the combined authority area. The arrangements put in place must be both robust and adaptable to deliver its objectives in a dynamic and strategic environment.

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. 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 and potential impact of those risks being realised and to manage them effectively.

The Governance Framework

Context

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. The Authority's second mayor was elected in May 2021.

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

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

Powers devolved to the Mayor as part of the devolution plan include:

- Responsibility for a multi-year, consolidated and devolved transport budget
- Responsibility for an identified Key Route Network of local authority roads

- Powers over strategic planning and the responsibility to create a non-statutory spatial framework for Cambridgeshire and Peterborough and to develop with Government a Land Commission

Further secondary legislation has since come into force to increase its powers. This includes:

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

The Combined Authority is small in size and while it has been strategic in nature, it is also an operational delivery body for functions including the provision of bus services and adult education. It is also the local transport authority for the area of Cambridgeshire and Peterborough. The Authority has mainly delivered through a commissioning model with delivery being undertaken by those best qualified to do so across the public and private sector. It has increased staff numbers and increasingly delivers through the internal expertise of its employed officers across a range of disciplines.

Delivery through Subsidiary Undertakings

The Combined Authority currently has 6 subsidiary companies over which it has a significant level of control. Material trading activity of the subsidiaries only started in 2020-21 and, as such, the governance arrangements of these companies has become increasingly important. This is an area of significant interest across the Local Authority sector given recent high-profile issues that have come to light. CIPFA have now published new guidance on governance of Local Authority Trading Companies (LATC) and the Combined Authority will review its own governance arrangements considering this guidance, to ensure they are appropriate and effective.

Officers are working with the Audit and Governance and Overview and Scrutiny committees to develop and deliver appropriate oversight arrangements in respect of the companies.

Cambridgeshire and Peterborough Combined Authority Structure

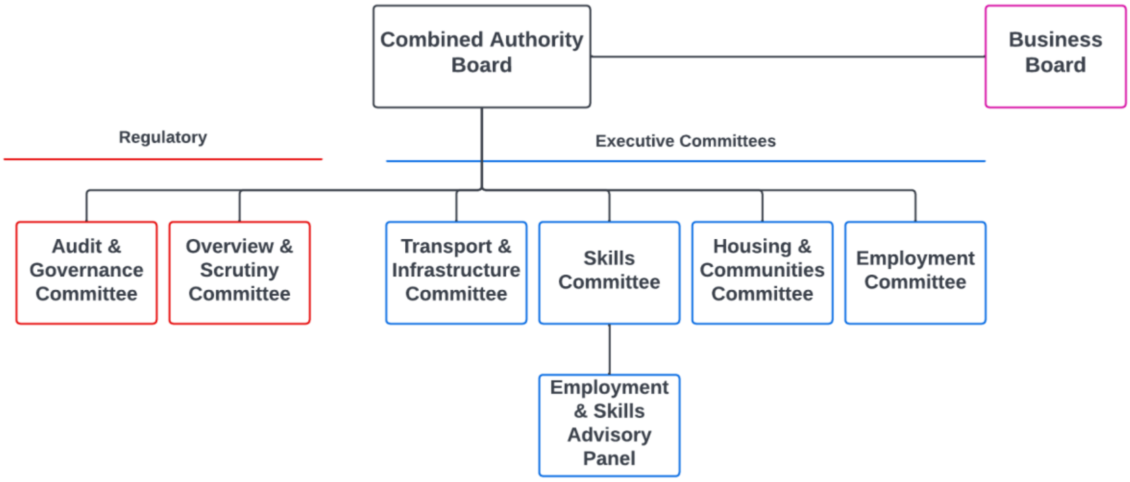
The Authority is made up of a directly elected Mayor and the following seven local authorities (referred to as the Constituent Councils) and the Local Enterprise Partnership known as the Business Board:

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

- Huntingdonshire District Council
- Peterborough City Council
- South Cambridgeshire District Council

In addition, the Authority co-opts the Police and Crime Commissioner, a representative of the Clinical Commissioning Group (CCG), and a representative from the fire authority.

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



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

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

Combined Authority 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) also nominates one of its members, normally the Chair and a substitute member, to be its representative. The Business Board representative has full voting rights on the Combined Authority Board.

The Board's role and powers are set out in the constitution. The Board provides strategic leadership for the Combined Authority area, approving strategies, policies and budget allocation to ensure that the required outcomes are delivered.

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

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

Mayor

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

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

Executive Committees

In September 2018, the Board set up three executive committees; the Transport and Infrastructure Committees, the Skills Committee and the Housing and Communities Committee. By placing responsibility for three of the largest portfolios into a committee system, it enabled the Combined Authority to meet challenges of resilience and volume. The Chair of each committee leads the portfolio responsibilities of that committee and can distribute responsibility for delivering discreet areas of the portfolio amongst the members of the committee. By creating a division of the portfolio workload across the committee members, the Combined Authority ensures a measure of continuity in the delivery of its key projects. A committee system also allows member oversight of the delivery of its programme of works against the Combined Authority's Assurance Framework and Monitoring and Evaluation Framework.

In September 2019 the Combined Authority Board agreed amendment to the Authority's constitution to strengthen the role of the Executive Committees by delegating to them decision-making powers previously exercised by the Combined Authority Board. The membership of the Executive Committee was expanded to include representatives of all the constituent councils on each committee.

The advantages of these arrangements include:

- Creating more realistic workloads for the members of the Combined Authority Board
- Allowing members of the Combined Authority Board to have a strategic focus
- Increasing the profile of the Authority amongst the constituent councils
- Increasing the understanding of the Authority amongst constituent councils
- Sharing of knowledge and regional issues
- Improving cross-boundary co-operation
- Bringing in additional member expertise to the Authority in key areas, and
- Decreasing the frequency of Combined Authority Board meetings

The effectiveness of these governance arrangements is kept under review by the Authority's Audit & Governance Committee. The most recent review is nearing completion will report findings and recommendations to the Board in the Summer of 2022.

Overview and Scrutiny Committee

The Combined Authority has established an overview and scrutiny committee to comply with the requirements of the Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017. The Committee comprises 14 elected councillors, two from each of the seven constituent councils, and reflects the political balance across the combined authority area. Its primary role is to review and scrutinise decisions of the combined authority and the Business Board. They monitor the Forward Plan of forthcoming key decisions and may call-in any of these decisions where members consider that further scrutiny and challenge is required.

The committee undertakes 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 Mayor and Chief Executive attend meetings at least quarterly to update the committee and to answer any questions.

A review of the working arrangements was recently conducted by The Centre for Governance and Scrutiny (CfGS) to support the future work of the Overview and Scrutiny Committee and to develop its role. The review included an examination of:

- **Culture:** The mindset and mentality underpinning the operation of the overview and scrutiny process
- **Information**: How information is prepared, shared, accessed and used in the service of the scrutiny function, and
- **Impact**: Ways to ensure that scrutiny is effective, that it makes a tangible difference to the lives of local people.

Audit and Governance Committee

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

The Chair of the Audit and Governance Committee presented his annual report to the Combined Authority Board at its Annual General Meeting in June 2022. The annual report highlights the work of the Committee for the Municipal Year and details the following:

- Background to the Committee, its roles, responsibilities and membership
- An overview and coverage of its remit including Internal Audit, Accounts and Financial Management, External Audit, Risk Management, Control Assurance, Corporate Governance, and Fraud and Irregularities
- Training provided to ensure that suitable challenge and scrutiny is adopted
- Records of complaints, Freedom of Information requests and attendance levels for the committee to consider

The Audit and Governance Committee has an independent chair, who was re-appointed for a second period of four years in 2021.

Business Board (Local Enterprise Partnership)

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

The current membership comprises fourteen members, which includes two public sector members and up to twelve business representatives from amongst the key sectors across the Cambridgeshire and Peterborough area. The majority members on the Board are from the private sector. Membership of the Business Board reflects two key priorities:

1) that the Business Board should be predominantly private sector led to provide the best possible platform for businesses within the area and that
2) the Board ought to be comprised of representatives of those key sectors which are driving economic growth in the area

The Mayor and the Lead Member for Economic Growth are members of the Business Board recognising the importance of its role and of the private sector in any growth strategies for delivery in the Authority's area.

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

The Business Board's constitutional arrangements comply with the National Local Growth Assurance Framework and with the joint Local Assurance Framework for the Authority and the Business Board.

Strategic Direction

The **Combined Authority's Sustainable Growth Ambition Strategy** sets out the area's responsibility in pursuing economic growth to ensure that rising prosperity makes life better, healthier and fairer, and does not exhaust the resources our children will need for the future. More and more people are recognising that we don't just need growth: we need good growth. Our aim is not simply to increase our income, but to increase our area's wealth, in a way that is driven by our values.

The values the Mayor wishes to be the hallmark of his term in office are

- Compassion
- Cooperation
- Community

These frame how we will pursue the devolution deal's overall aim of achieving sustainable growth.

The Sustainable Growth Ambition Strategy (SGAS) aims to build up the capital stock of Cambridgeshire and Peterborough across the six keys of

- Health and Skills: building human capital to raise both productivity and the quality of life
- Climate and Nature: restoring the area's depleted natural capital and addressing the impact of climate change on our low-lying area's special vulnerabilities
- Infrastructure: from digital and public transport connectivity, to water and energy, building out the networks needed to support a successful future
- Innovation: ensuring this area can continue to be one of the most dynamic and dense knowledge economies in Europe;
- Reducing inequalities: investing in the community and building social capital to complement improved skills and connectivity as part of the effort to narrow the gaps in life expectancy and income between places
- Financial and systems: improving the institutional capital which supports decision-making and delivery

The **Cambridgeshire and Peterborough Combined Authority Business Plan** sets out the authority's investment priorities. It is updated annually and presented to the Board for approval each January, alongside the Authority's budget and Medium-Term Financial Plan.

The Medium-Term Financial Plan forms the investment plan for the Combined Authority and allocates resources to deliver the next stages of these priority programmes.

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

The Business Plan aligns with the approach to performance management reporting to enable members to monitor performance against the Business Plan priorities

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

Assurance Framework

The Assurance Framework complies with the National Local Growth Assurance Framework and was approved by the Board in March 2021 following feedback and sign off from CLGU (Cities and Local Growth Unit). The Assurance Framework sets out:

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

(b) The respective roles and responsibilities of the Combined Authority, the Business Board and officers, in decision-making and ways of working

(c) The key processes for ensuring accountability, including public engagement, probity, transparency, legal compliance and value for money

(d) How potential investments to be funded through the Cambridgeshire and Peterborough Medium Term Financial Plan incorporating the Single Pot, will be appraised, prioritised, approved, signed off and delivered

(e) The processes for oversight of projects, programmes and portfolios and how the progress and impacts of these investments will be monitored and evaluated

Project Delivery

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

The Monitoring & Evaluation Framework incorporates the Local Growth Fund monitoring and evaluation plan. Being able to show the efficacy and impact of the Business Board’s investments enables a positive case to be made to Government in discussions regarding the allocation and responsibility for future funding streams

Decision Making

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

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

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

Financial Management

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

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

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

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

Budget update reports are presented bi-monthly at Combined Authority Board meetings to provide information on income and expenditure for the year to date, and the forecast outturn position against the approved budget and provides analysis of material variances for both Revenue Funds and the Capital Programme.

The Combined Authority is required to adhere to the CIPFA Financial Management Code. The following key actions were identified in the 2020-21 Annual Governance Statement and a summary of actions taken to address them is included below:

- A formal timeline for the creation of the Annual Governance Statement will be established.- To be included in the next review of the CPCA Financial Regulations

- Regular budget holder and project manager training will be implemented to reinforce the responsibilities associated with those roles The Combined Authority is rolling out new functionality of it's core financial system and formal budget holder training is being developed as part of this transformation
- The Authority will carry out a financial resilience assessment – The Combined Authority has considered its arrangements and position against the four pillars of financial resilience identified by CIPFA: routine, benchmarking, having clear plans and reserves to establish whether actions are required to further promote financial resilience
- Regular financial reporting to Executive Team (previously Corporate Management Team), Committees and Boards will include key balance sheet items – regular financial reporting is in place for the Executive team (via the Performance and Risk Committee), Committees and Boards

Developing Capacity

The Combined Authority's external auditors have highlighted a concern that "the Authority has insufficient capacity, capability and an inappropriate culture to support the effective governance and operation of the organisation." The staffing structure will be reviewed in 2022 as part of the Combined Authority's Improvement plan to address these concerns.

Internal Audit

RSM Assurance Limited provide the Chief Internal Auditor function for the Combined Authority and presented the audit plan for approval to the Audit & Governance Committee April 2021 and has provided the Committee with regular updates since then.

External Audit

On 1 June 2022, the Combined Authority's auditors, EY, wrote to the Chair of the Audit and Governance Committee in accordance with their responsibilities under the National Audit Office (NAO) 2020 Code of Audit Practice. The NAO Code sets out how auditors are expected to approach their work on Value for Money arrangements. The Code requires that where the auditor has concluded that there is a significant weakness in a body's arrangements, it should be reported to this body as soon as practicable, supported with recommendations for improvement. The EY letter identified a significant weakness in the Combined Authority's Governance arrangements – How the Authority ensures that it makes informed decisions and properly manages its risks. To address the significant governance weakness, "the Authority needs to urgently ensure that it has sufficient appropriate leadership capacity to be able to deliver its objectives and statutory responsibilities. In order to do so, we (EY) believe more formal intervention is required, and expeditious discussions with the Authority's sponsoring department to this end are time critical".

Improvement Framework

In July 2022, the Interim Chief Executive took a paper to the CPCA Board to seek approval for an Improvement Framework to address the weaknesses highlighted in the EY letter. The Board was recommended to:

- Note the recommendations of the Audit and Governance Committee and provide a response as requested
- Delegate authority to the Interim Chief Executive for the recruitment and appointment of additional resources, including interim Chief Officers and Statutory Officers,
- Delegate authority to the Interim Chief Executive to finalise the senior management structure of the Authority
- Acknowledge the scope and scale of the intended self-assessment exercise and recognition of the scale of the current issues facing the Combined Authority.
- Support the self-assessment exercise
- Note the review of governance and ways of working

Request that the Board, and the Chairs of Audit & Governance Committee and the Overview & Scrutiny Committee, receive regular updates on all improvement action

In October 2022, the Board agreed an improvement plan to address issues raised across six key themes:

A. Establish clarity on the scale of political ambition and develop an overarching strategy for the remainder of this mayoral term and to chart the next steps on that journey. This needs to include defining the purpose and role of the CPCA and in particular where the CPCA can add value
B. Implement a comprehensive reset of ways of working and align the policy development and pre-Board processes to support this
C. Prioritise work to establish a long-term strategy for transport, an urgent development of a bus strategy and review the role and functioning of the Business Board
D. Undertake a strategic review of income projections, including options, to secure sustainability and the possibility of taking a more strategic approach to the application of funds for identified priorities
E. Design and implement an organisation for today's performance, and with the agility to act on emerging demands and opportunities
F. Map the approach, capacity and arrangements needed to build effective public relations and influencing delivery operation

The Improvement plan set out a number of key deliverables over a three-month period and agreed the establishment of an Independent Improvement Board to be chaired by Lord Kerslake.

Regular updates are being taken to the Board, the Overview and scrutiny Committee and the Audit and Governance Committee to highlight progress being made against the Improvement plan.

Risk Management

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

Corporate and project risks are identified, recorded and monitored by the Performance and Risk Committee, a group made up of Combined Authority Officers and the Audit & Governance Committee. Significant risks are escalated to the Combined Authority Board where necessary.

Managing Performance

Given the level of investment undertaken by the combined authority, it is vital that it follows robust programme management processes for its programmes and for collective consideration of outputs and outcomes. Alongside the monitoring and evaluation framework, a Performance Management process has also been developed, to monitor and report on programme delivery (time, quality, cost) and the outcomes and impact of projects/programmes. Regular papers are taken to Board meetings which report on the performance of the Combined Authority's projects. The analysis includes a 'delivery dashboard' which provides metrics showing progress being made against devolution deal commitments to deliver Prosperity (measured by Gross Value Added (GVA)), Housing and Jobs.

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.

The Combined Authority currently has 6 subsidiary companies over which it has a significant level of control but is in the process of winding up 3 of these as they have either ceased, or never traded. The Combined Authority will review its governance arrangements for its remaining subsidiary companies in light of recommendations expected from the relevant RSM internal audit review and the guidance published recently by CIPFA.

The Chief Internal Auditor of a Local Authority is required annually to provide their opinion on the overall systems of internal control and their effectiveness.

The Annual Internal Audit Opinion

The annual internal audit opinion is based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes.

For the 12 months ended 31 March 2022, the head of internal audit opinion for Cambridgeshire and Peterborough Combined Authority is as follows:

"There are weaknesses in the framework of governance, risk management and control such that it could become, inadequate and ineffective".

"Factors and Findings which have informed our opinion"

Risk Management

We have not undertaken a specific risk management review in 2021/22. An audit of risk management was originally included within the 2021/22 plan following the partial (negative) assurance opinion issued in 2020/21. Management advised that whilst some progress had been made, there were still a number of areas arising from the partial assurance opinion that still needed to be addressed. Due to the limited progress of implementing these actions, the risk management audit was replaced with another review.

Governance

Our governance coverage in 2021/22 was focussed on Subsidiary Governance. We carried out an audit designed to allow the Authority to take assurance that appropriate governance arrangements were in place to monitor, manage and support its subsidiary companies, including the reporting and escalation of matters to the CPCA for oversight and scrutiny. This concluded with a negative opinion, minimal assurance.

Our review identified significant issues requiring management attention, including a lack of operational and financial performance reporting from the subsidiary companies to the CPCA, and a lack of oversight from the CPCA regarding the operations of its subsidiaries. In addition, evidence was not provided during the audit to confirm that the business plans of subsidiary companies were being subject to regular review by the CPCA in line with Shareholder Agreements, whilst for one subsidiary, evidence of an initial business plan was not provided. Furthermore we identified issues with the risk registers for the CPCA's operational subsidiary companies, including a lack of separation between planned actions and implemented controls, and a lack of specific and measurable actions. We were also unable to confirm that a Programme Management Committee had been established for the

Business Growth Company, as required by its Shareholders Agreement. We did identify also some well designed and complied with controls.

We have also been advised post year end of a governance review commissioned by the Authority and conducted by Governance First Limited which has highlighted a wide range of improvement actions required in the area of governance. Following this review we have also been advised of a subsequent letter from EY, the authority's external auditors and the potential impact that the findings from the governance review may have on their value for money conclusion. These post year end events have also been taken into account when forming our opinion.

Internal Control

In addition to the Subsidiary Governance audit, we undertook four further assurance assignments during 2021/22, from all four of which the Authority could take positive (reasonable) assurance:

Adult Education Budget
Key Financial Controls – financial reporting and general ledger
Capital Programme – monitoring and reporting
Payroll

Our Follow Up review, conducted on a sample of the previously agreed management actions across five previous audits concluded that the Authority had made reasonable progress in implementing the actions.

We also undertook two additional follow-up reviews relating to the IT Control Framework. These reviews followed on from the minimal (negative) assurance audit undertaken in 2020/21. The first of these reviews found that of the four actions that had become due for implementation, three had been implemented, but one high priority action had not been implemented. The second review followed up that high priority action plus the six remaining actions which were all due for implementation. Whilst we found that three actions had been implemented, two medium priority actions had only been partly implemented (one downgraded to low priority), and one medium priority action and the same high priority action, which related to ensuring sufficient IT specialism/expertise is maintained amongst the authority's workforce, had not been implemented.

Advisory Reviews

As part of the internal audit plan, our specialist colleagues undertook an advisory Fraud Risk Assessment, which identified seven areas for suggested improvement, but did not identify any significant areas of weakness. In addition to the audits of the original 2021/22 audit plan, we were also commissioned to undertake three additional advisory reviews: OneCAM – Governance and Decision-making, Community Land Trust Advisory review (10 management actions agreed), and an Analysis of Government Procurement Card expenditure and Expenses – Deep dive. The deep dive report has been issued (with seven high, two medium and one low priority actions).

Additional factors and findings informing our opinion

In addition to the minimal assurance (negative) opinion of the Subsidiary Governance audit, the limited progress implementing the actions from the 2020/21 risk management audit, the findings of the Government Procurement Card Expenditure and Expenses – Deep Dive and some of the actions still requiring work following the 2020/21 IT Control Framework (minimal assurance) review, in forming our annual opinion we have also taken into account some significant wider governance issues. Some of these came to our attention following the independent review of governance commissioned by the Authority and subsequent concerns raised by the external auditor and reported by them to the Department for Levelling Up, Housing and Communities (DLUHC). The independent governance review made some 47 recommendations.

We note the External Auditor's concerns and include an extract from the June 2022 Audit and Governance Committee papers:

The Chair of the Committee received a letter from EY, the Authority's external auditors, on 1 June which notified him of their judgement that a value for money risk exists in the form of significant weakness in Cambridgeshire & Peterborough Combined Authority's governance arrangements.

This judgement was based on the following reasons:

- "Investigations into key individuals in the Mayor's office following a whistle-blower notification
- Increased number of employment related claims against the Authority
- Current vacancies in the Authority's senior management team, particularly at Chief Executive level, and the prospect that this could increase further from July 2022
- Weaknesses we have observed in how the extraordinary meeting of the Authority Board makes informed decisions; and
- That the nature of the whistle-blower allegations and initial findings of independent investigation reports raises significant questions on the culture, behaviour and integrity of key individuals in the Mayor's office"

and leads the auditors to a concern "that the Authority has insufficient capacity, capability and an inappropriate culture to support the effective governance and operation of the organisation and how it discharges its statutory services".

Governance Arrangements

There is a dedicated Governance team to ensure the Combined Authority complies with its regulatory responsibilities and to advise members, employees and partner organisations. The team oversees several areas including supporting the Board and committees, transparent decision making, Declarations of Interest, Whistle-blowing and Freedom of Information request handling.

Freedom of Information and Environmental Information Regulation Requests

The Combined Authority is subject to the Freedom of information Act 2000 and the Environmental Information Regulations 2004, and the Governance team processes such requests. Over the last financial year, the Combined Authority has received and responded to several such requests for information.

Internal Audits have carried out an audit of the Information Governance function of the Authority and have identified areas of improvement which the Authority has promptly responded to by taking action. Some of the issues identified are being dealt with while other matters have dates in which the actions will be completed.

Review of Effectiveness

The Combined Authority is responsible for conducting, at least annually, a review of the effectiveness of its governance framework. The review of effectiveness is informed by the work of the officers within the Authority who have responsibility for the development and maintenance of the governance environment, assurance work undertaken by Internal Audit, and by comments made by the external auditors and other review agencies and inspectorates. Any areas for review will be overseen and coordinated by the Chief Executive, Chief Finance Officer and Monitoring Officer and any findings reported to the Audit and Governance Committee, as appropriate.

The Authority is aware and is planning for the coming year that:

1. Internal Audit undertake a review of the effectiveness of internal audit and of the systems of internal control
2. Senior officers sign the annual statements of responsibilities confirming that during the year they have:
    - Established arrangements for establishing directorate objectives and compliance with corporate priorities
    - Endeavoured to ensure compliance with the Authority's governance arrangements (Constitution, Ethical Framework, and Policies & Regulations)
    - Made arrangements for sound budgetary controls
    - Effectively monitored and managed performance
    - Reported to the appropriate member committees and the Board

- Responded promptly to internal & external audits & inspections
- Continuously managed business risks and service continuity arrangements

3. Significant work is undertaken to successfully put risk management into the heart of decision making, strategic planning and performance processes so that the Authority is risk enabled and active management of risk is undertaken throughout the organisation.
4. A review of the Authority's corporate governance framework including the Code of Corporate governance.

Code of Conduct

All Combined Authority employees and members should be subject to a formal Code of Conduct. A member's code of conduct has recently been adopted by the Authority, which should form part of the Authority's Constitution.

Declaration of Interest.

The Authority will look into developing the register of Interests for members and officers which will be reviewed annually. In the interests of transparency, the declarations should be reviewed by both the Chief Executive and Monitoring Officer and published on the Authority's website.

Gifts and Hospitality

The Combined Authority will look to develop the register of offers of Gifts and Hospitality made to members and officers of the Combined Authority, even if these offers are declined.

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.

As shown by the letter from our External Auditors "there are significant weaknesses in the Authority's governance arrangements". The Authority recognises this and has put in place a detailed and well resourced Improvement Framework to address the identified concerns. We are confident that the Authority is well on its way to emerging with a clear strategic direction, stronger and more effective governance arrangements, and the capability to deliver for the people of Cambridgeshire and Peterborough.

Certification

We have been advised on the implications of the results of the review of the effectiveness of the Combined Authority's governance framework, by the Audit and Governance Committee.

The Annual Governance Statement was approved by the Audit Committee on the XX XXXX 20XX.

Our overall assessment is that the Annual Governance Statement is a balanced reflection of the governance environment. The Combined Authority's auditors have identified a significant value for money risk relating to its governance arrangements. The Combined Authority is taking action to address these highlighted concerns through an Improvement Framework to ensure that the Authority has sufficient appropriate leadership capacity to be able to deliver its objectives and statutory responsibilities. The Improvement Framework will support the Authority in achieving value for money through appropriate governance arrangements and safeguard the future delivery of services.

Signed: ______________________	Signed: ______________________
Date:	Date: