AUDIT AND GOVERNANCE COMMITTEE

Date:Friday, 30 July 2021

Democratic Services

Robert Parkin Dip. LG.
Chief Legal Officer and Monitoring Officer

72 Market Street
Ely
Cambridgeshire
CB7 4LS

10:00 AM

Main Hall, Burgess Hall Events & Conference Centre, One Leisure, Westwood Road, St Ives, PE27 6WU [Venue Address]

AGENDA

Open to Public and Press

1 Apologies for Absence and Declarations of Interest

2 Chair Announcements

3 Minutes of the Previous Meeting

To approve the minutes of the meeting held on 25th June 2021.

A&G Draft Minutes 250621 Final **5 - 18**

4	**Combined Authority Update**	
5	**Work Programming Report**	**19 - 48**
6	**Internal Audit Progress Report 2122**	**49 - 62**
7	**Internal Audit Annual Report 2021**	**63 - 78**
8	**External Audit Final Results 2021**	**79 - 130**
9	**Draft Statement of Accounts and AGS 2021**	**131 - 326**
10	**Corporate Risk Report**	**327 - 336**
11	**Appointment of Independent Members Report**	**337 - 340**

12 Date of next meeting:

Friday, 24th September 2021 at 10.00 a.m.
Venue TBC.

The Audit and Governance Committee comprises the following members:

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

The Audit and Governance Committee Role.

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

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

Councillor David Brown

John Pye

Councillor Ian Benney

Councillor Graham Bull

Councillor Tony Mason

Councillor Shaz Nawaz

Councillor Mike Sargeant

Councillor Graham Wilson

Clerk Name:	Anne Gardiner
Clerk Telephone:	
Clerk Email:	anne.gardiner@cambridgeshirepeterborough-ca.gov.uk

CAMBRIDGESHIRE
& PETERBOROUGH
COMBINED AUTHORITY

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY –

DRAFT MINUTES

AUDIT AND GOVERNANCE COMMITTEE: MINUTES

Date: 25th June 2021

Time: 10:00am

Location: Main Hall, Burgess Events and Conference Centre, One Leisure, Westwood Road, St Ives PE27 6WU

Present:

Mr John Pye	Chairman
Cllr Ian Benney	Fenland District Council
Cllr Tony Mason	South Cambridgeshire District Council
Cllr Shaz Nawaz	Peterborough City Council
Cllr Graham Bull	Huntingdonshire District Council
Cllr David Brown	East Cambridgeshire District Council
Cllr Mike Sargeant	Cambridge City Council
Cllr Graham Wilson	Cambridgeshire County Council

Officers:

Kim Sawyer	Interim Chief Executive Officer
Robert Parkin	Monitoring Officer
Anne Gardiner	Scrutiny Officer
Jon Alsop	Chief Finance Officer (S73 Officer)
Daniel Harris	Internal Auditors (RSM)
Janet Warren	Adult Education Budget Coordinator
Adrian Cannard	Strategic Planning Manager
Robert Emery	Chief Accountant and Deputy S73 Officer

1. Apologies for Absence and Declarations of Interest

1.1 No apologies were received.

1.2 No declarations of interest were made.

2. Election of Vice Chair

2.1 Cllr David Brown was duly elected the Vice Chair for the municipal year 2021/22.

3. Chair's Announcements

3.1 The Chair thanked the departing members of the Committee for their hard work and contribution over the past year and welcomed the new members.

3.2 The Chair informed the Committee that the External Auditor, Suresh Patel, would be leaving EY, but he had committed to deliver the final audit results at the end of July.

The Chair thanked Suresh for his work and wished him well in his future role.

3.3 The Chair had met with Mayor Johnson who, as a medical professional, recognised the need and the value for good internal controls. The Mayor would attend meetings of the Audit and Governance Committee when invited.

The Mayor also supported the recommendation from the Committee that there should be a presumption of holding Business Board meetings in public. An issue which would be discussed when the Business Board Chair attended the Committee's next meeting.

3.4 The Chair advised that the Chief Executive Officer would be running late and he had therefore moved item 5 Combined Authority Update to the end of the agenda.

4. Minutes of the last Meeting

4.1 The minutes from the meeting held on the 6th April 2021 were agreed as a correct record.

4.2 The Actions from the previous meeting were noted.

6. Internal Audit Progress Report

6.1 The Committee received the report which provided an update to the work that RSM have conducted against the internal audit plan for 2020/21.

6.2 The Internal Auditor said that the current work programme would be included in his future reports.

6.3 In response to a question,, the Committee were advised that the testing undertaken during the grant audit included looking at a range of areas and checking to ensure that any potential for fraudulent claims was minimal. The guidance that had been issued was considered; the Internal Auditor confirmed that there were strict criteria and these had been adhered to.

6.4 In response to a question regarding the register of interest forms, the Monitoring Officer advised that the action from the Internal Auditor had enabled the governance team to redouble efforts to ensure forms were returned from members. This was a challenging task and was reliant on the cooperation of the appointed members. In future, the Chairs of Committees and the Board may be requested to encourage any members that had not been forthcoming with their forms.

6.5 In response to a question about changing the classification from 'no assurance' to 'minimal assurance', the Internal Auditor advised that this was as a result of receiving feedback from clients; there were a number of local authority teams that used this definition, and it was fully compliant with standards.

6.6 The Internal Auditor advised that two recommended actions had been superseded. The first was related to the fact that the Combined Authority had absorbed its Treasury Management function in-house and therefore the action was no longer relevant. The second was in relation to the preparation of a progress report for the

A&G Committee: this was superseded, as the Medium Term Financial Plan and the Business Plan now came to the Committee.

6.7 In response to a question, the Committee were advised that the medium priority actions within each report would result in an action plan with officers – if these hadn't been implemented when the auditors revisited the actions then they may need to be escalated to high priority.

6.8 In response to a question about the audits for Risk Management and IT controls, the Committee were advised that RSM were providing support including training for staff in risk.

6.9 In regards to the IT controls, the Committee were advised that the report had been useful in commissioning SOCITM to look at the needs of the Combined Authority in terms of support required around ICT provision.

6.10 The Committee noted the report.

7. Draft Statement of Accounts and Annual Governance Statement

7.1 The Committee were asked to note that the draft Statement of Accounts 2020/21 had been published with the notice on the exercise of public rights.

7.2 The Committee discussed the draft accounts with the following questions and points being raised:-

7.3 In response to a query about how the accounts could be made more accessible to members of the public, officers advised that this had been raised as an issue in the recent Redmond Review. Government guidance was expected and would be implemented once received.

7.4 In response to a question about exit packages in 2019/20, officers agreed to see if further notes could be included.

Officers agreed to check what the increase in governance costs from £17k to £49k were.

7.5 In response to a question about grants to third parties and the level of disclosure provided, officers agreed to check the guidance to see of further information could be included.

7.6 In response to a question about the Mayor's costs, the Committee were advised that they included staffing and the increase reflected new posts that had been created. The Mayor's budget was considered separately.

7.7 The detail on the subsidiary accounts was included within the group accounts. In addition each company has their own set of accounts which could be brought to a future committee meeting to give them visibility.

7.8 The Committee were advised that the revenue costs included capital funding; this was different to how most local authorities operated. As the Combined Authority was mainly a commissioning body, most of the capital spend was on other organisations' projects. The £110m spending on capital grants was on capital projects delivered by others.

7.9 The Committee requested that a report come to Committee in six months (November) with an update on what guidance had been received from government on how to simplify accounts for members of the public.

7.10 The Committee then discussed the Annual Governance Statement with the following points being raised:-

- The Committee requested that the governance of the Trading Companies should be included in the Annual Governance Statement stating either what had been done or what would be done.
- Officers agreed to include in the Annual Governance Statement what progress had been made in regard to the commitment to delivery of the doubling of GVA in 25 years as part of the Devolution Deal
- The Committee requested that officers reconsider the wording which described the CPCA as a Strategic and Commissioning body, as it now had operational responsibilities.
- The Committee requested that any changes to the Accounts and Annual Governance Statement be marked up in the next version.

7.11 The Committee noted the report.

8. 2020/21 Treasury Management Outturn Report

8.1 The Committee received the report which requested they review the actual performance to 31st March 2021 against the prudential indicators included within the Treasury Management and Capital Strategies.

8.2 The Chief Accountant and Deputy S73 Officer advised that the Combined Authority Board had approved the Treasury Management Strategy.

8.4 In response to a question about long term deposits, the Committee were advised that the return was better on longer investments.

8.5 The Combined Authority received funds for projects which would be delivered over a 4-5 year period. It was not uncommon to receive funding in one year which would not be used to deliver on the objectives of a project until the 2nd or 3rd year.

8.6 The Committee was advised that the non-compliance detailed in the report was a result of receiving additional funding which had not been anticipated; the breach was reported to the Committee in January with the advice that the level indicator had been increased.

8.7 The Committee were advised that the term slippage referred to spend within a capital programme which had not spent its budget within its set year – the reasons for this would vary. The officers agreed to provide a breakdown summary of slippage on projects to the committee members.

8.8 The Committee noted the report.

9. Adult Education Budget Update

9.1 The Committee received an update on the Adult Education Budget Audit and Assurance approach.

9.2 The Committee queried the results of the audit of one of the providers which had received a 20% error rating; the auditors were still investigating the organisation and that the results would be reported back to the committee. The Combined Authority had ceased involvement with that provider due to unsatisfactory performance in the first year.

The Committee were advised that in the main the audit results were being reported as satisfactory.

9.3 The Committee requested that a further update be brought to the November meeting.

9.4 The Committee noted the report.

10. Climate Change Commission

10.1 The Committee received the report which described the development of climate change recommendations through the work of the Cambridgeshire and Peterborough Independent Commission on Climate.

10.2 The Committee questioned whether there had been a cost ratio carried out to ensure that the commission was delivering good value for money and were advised that the impact on Combined Authority operations would be determined by the decisions taken by the CA Board at their meeting the following week. The cost effectiveness of the commission would be included in the second report due to be produced later in the year.

10.3 The Committee were advised that the Climate Working Group would be the best place for the committee to get involved and could request to review the Terms of Reference for this group once it had been established and receive regular updates on how the recommendations from the commission were being implemented.

10.4 The Committee raised concerns that flooding had not been included in the commission's report and agreed to recommend to the Climate Working Group (once established) that this be considered as a matter of urgency.

10.5 The Committee AGREED that they would contact the Climate Working group once it had been set up to review the Terms of Reference and request regular updates from the group and to recommend that flooding be considered as part of the commissions report.

The Committee noted the report.

11. Corporate Risk Register

11.1 The report asked that the Committee note and review the Combined Authority's Corporate Risk Register and recommend any proposed changes for reporting to the next Combined Authority Board meeting for approval.

11.2 The Monitoring Officer advised that the IT residual risk score had been reduced as it was judged that by working with the current provider and the consultants, SOCITM, there was now a responsive and resilient system in place.

11.3 The Committee were advised that the risk relating to the change in political management had been closed. While there had been some lessons learned, officers were used to working in a changing political environment and were able to respond effectively. Comparisons with other Combined Authorities and the experiences from the introduction of a new Mayor four years ago had helped. Officers advised that lessons would be learnt from this transition to ensure an even smoother transition plan was in place for next time.

11.4 The Committee Agreed to approve the approach being taken by officers in regard to the risk register and requested that an insight into the risk management strategy process be provided.

11.5 The Chief Executive Officer suggested that the Committee consider the value of the risk register and whether it could be used to inform the committees work programme going forward. The Chair Agreed that he would meet with the Monitoring Officer to assess this.

11.6 The Committee noted the risk register.

12. Review of Governance Policies and Annual Report

12.1 The Committee received the report to comment on and note the corporate whistleblowing and complaints procedures, to review the procedures and note the data on corporate complaints and Freedom of Information requests from June 2020 – May 2021.

12.2 The Monitoring Officer said that there had been 6 late responses to FOI requests; however, there was the option within the FOI Act for officers to request extensions to ensure responses could be provided accurately.

12.3 The main topics of the FOI requests were, transport, procurement, impact of Covid, grants applications and HR Policy information.

12.4 The team were currently working with the County Council's GDPR team to ensure that the processes at the Combined Authority were efficient.

12.5 In response to a question about whistleblowing, the Monitoring Officer advised that certain complaints received could fall into the whistleblowing category; they had to be assessed to ensure they were handled within the appropriate framework.

12.6 The Committee were advised that further numbers would be reported at the September meeting.

The Committee noted the report.

5. Combined Authority Board Update

5.1 The Interim Chief Executive Officer provided an update for the Committee on the recent activity of the Combined Authority Board.

5.2 There had been a significant change at the Combined Authority due to the new Mayor being elected and a change in the political balance across the county.

5.3 Officers had been working with the new Mayor to ensure greater collaboration with the constituent councils.

5.4 The recruitment for the new CEO had been completed with the appointment due to be agreed at the next CA Board.

5.5 The Combined Authority had taken on the transport teams from Cambridgeshire County Council and Peterborough City Council through TUPE transfer but were still in a transition period.

5.6 The Mayor had made a commitment to stop work on the CAM project and a decision regarding this would come to the CA Board in July.

5.7 Action was being undertaken to look at the way committees worked in the Combined Authority to improve effectiveness.

5.8 The Government had focused on the OxCAM ARC as an area of economic recovery and had announced plans to produce a strategic framework and set up a statutory growth body for the ARC, which would have powers to drive growth opportunities across the area.

5.9 A national LEP review was ongoing which would affect the Business Board; funds were no longer coming directly to LEPs as Government had centralised all bidding; funds would no longer be directly devolved to the Combined Authority but would be

disbursed in a competitive process with other combined authorities to secure levelling up funding.

5.10 A Skills White Paper has been produced which had advised that the Combined Authority would no longer have skills powers devolved to it but rather that Chamber of Commerce would cover this area; the Combined Authority were considering in consultation with other Combined Authorities what this would mean going forward.

5.11 In response to a question about the Housing situation and any further updates from MHCLG, the Committee were advised that a report was due to go to the CA Board next week which would detail this.

5.12 In response to a question about how the Combined Authority would go about stopping a significant project such as the CAM, the Chief Executive Officer advised that the CAM programme had not stopped as that decision had to be approved by the CA Board; the framework for CAM was still in place but the decision had been taken to halt the work of the consultants to save on costs.

5.13 The Committee thanked the Chief Executive Officer for the update.

13. Work Programme for the Audit & Governance Committee

13.1 The Committee requested that a training session be scheduled for March 2022 for the committee to carry out a self assessment.

13.2 The Committee requested that prior to the training session on Trading Companies in September that a briefing note be provided for members.

13.3 The Committee received and noted the Work Programme report.

14. Date of next meeting

14.1 The next meeting would be held on the 30th July 2021, Main Hall, Burgess Events and Conference Centre, One Leisure, Westwood Road, St Ives PE27 6WU

Meeting Closed: 12:42pm.

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY

Audit and Governance Committee Action Log

Purpose: The action log records actions recorded in the minutes of Audit and Governance Committee meetings and provides an update on officer responses.

Minutes of the meeting 25th June 2021

Minute	Report title	Lead officer	Action	Response	Status
6.2	Internal Audit Progress Report	Daniel Harris (RSM)	Internal Auditors to include the current work programme in all reports.		Open
7.4	Draft Statement of Accounts and AGS 2021	Jon Alsop	Officers to check if further notes on the exit packages in 2019/20 which were restated could be added.	Note added to the table in question	Closed
7.4	Draft Statement of Accounts and AGS 2021	Jon Alsop	Officers agreed to check what the increase in governance costs from £17k to £49k were.	Will update the Board at the meeting.	Open
7.5	Draft Statement of Accounts and AGS 2021	Jon Alsop	Officers to refer to guidance on whether there could be further information disclosed regarding grants to third parties.	A column has been added to this note disclosing the purpose of payments to related parties	Closed
7.3	Draft Statement of Accounts and AGS 2021	Jon Alsop/Rob Emery	Report to come to Committee in six months (November) with an update on what guidance had been received from government on how to simplify accounts.	Added to the work programme	Closed

7.10	Draft Statement of Accounts and AGS 2021	Jon Alsop/Rob Parkin	Governance of the Trading Companies should be included in the AGS – either what is being done or what will be done.	AGS updated to make greater reference to current situation with the Trading companies and planned work in light of the CIPFA guidance due to be published in the Autumn.	Closed
7.10	Draft Statement of Accounts and AGS 2021	Jon Alsop/Rob Parkin	Include in the AGS what progress has been made in regard to the commitment to delivery of the doubling of GVA in 25 years as part of the Devolution Deal	AGS updated to reflect that outcomes in terms of GVA are still not established as the independent data set for GVA had only been published for	Closed
7.10	Draft Statement of Accounts and AGS 2021	Jon Alsop/Rob Parkin	Any changes to the Accounts and AGS to be marked up to show changes.	This will be done in the report to the Committee	Closed
7.10	Draft Statement of Accounts and AGS 2021	Jon Alsop/Rob Parkin	Statements within the Monitoring and Evaluating Framework to be made clearer on where projects are in their delivery.	The AGS has been updated to be clearer on this point	Closed
7.10	Draft Statement of Accounts and AGS 2021	Jon Alsop/Rob Parkin	Reconsider the wording which describes the CPCA as a Strategic and Commissioning body as now operational powers.	These have been updated, the overall point is still valid as passenger transport services are only one area of the CA's remit with the others being delivered as a commissioning organisation.	Closed
8.7	Treasury Outturn Report	Rob Emery	Breakdown summary of slippage requests to be provided to the committee.	Apologies to the committee, this will be provided ahead of the meeting.	Open
9.3	Adult Education Budget	Janet Warren	Update to come to November meeting.	Added to the Work Programme	Closed
10.5	Climate Change Commission	Adrian Cannard	Terms of reference for the Climate Change Working group to be brought to the committee for consideration and to request that the working group advise how flooding considerations	Report to come to November or January meeting	

			will be included within the recommendations of the group.		
11.4	Risk Register	Rob Parkin	Update on the embedding of the Risk strategy and work with RSM to be included in the next report.	Included in current report	Closed
11.5	Risk Register	Rob Parkin/Anne Gardiner	Meeting with Chair and MO to discuss alignment of risk register with A&G work programme	The Chair and MO have met and a report with options for the committee to consider is being brought to July's meeting.	Closed
11.5	Risk Register	Rob Parkin/Anne Gardiner	Risk register to be considered as part of the work being done with the O&S Committee to review their working arrangements.	This has been discussed with CfGS and will be discussed with the O&S Chair.	Closed
13.1	Work Programme	Anne Gardiner	Development Session to be added to March meeting for Committee to carry out self assessment review.	Development Session added to the work programme.	Closed
13.2	Work Programme	Anne Gardiner/Rob Parkin	Briefing note on the background of the Trading Companies to be provided to members before the training session in September		Open

Minutes of the meeting on 6th April 2021

Minute	Report title	Lead officer	Action	Response	Status
4.3	Combined Authority Update	Rochelle Tapping	Business Board Chair to be invited to meet with committee once the Business Board had discussed the recommendation on amending the presumption of holding meetings in public.	The Business Board considered the recommendation from the Audit and Governance Committee at its meeting on 19 May 2021. Meeting to be arranged between Chair's to discuss outcome of CA Board discussion to report back to committee in September.	Open

Minutes of the meeting on 5th March 2021

Minute	Report title	Lead officer	Action	Response	Status
4.4	Assurance Framework	Robert Parkin	A proposal outlining how the Combined Authority would address the oversight arrangements for Trading Companies going forward and demonstrate how these would be effective; drawing on real examples from Nottingham and Croydon Councils would be brought to the committee.	Report and Training Session on Trading Companies scheduled for September 2021	Open
5.4	Revision to Constitution – Housing Committee	Robert Parkin	Revision to Housing Committee remit to be included in annual review of constitution	Review of constitution to take place over August	Open
8.2	Information Governance Update	Rochelle Tapping	Officers to implement a process to enable experiences with ICT issues to be shared across the constituent councils of the Combined Authority	Verbal Update to come to the July meeting	Open

Minutes of the Meeting on 2nd October 2020

Minute	Report title	Lead officer	Action	Response	Status
7.3	Combined Authority Update	Kim Sawyer	The Chief Executive to provide the Committee with regular updates on the working relationship between the Combined Authority and Greater Cambridge Partnership as part of the CAB updates	Ongoing	Open

CAMBRIDGESHIRE
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COMBINED AUTHORITY

Agenda Item No: 5

Audit and Governance Committee - Work Programming Report

To:	Audit and Governance Committee
Meeting Date:	30th July 2021
Public report:	Public Report
From:	Robert Parkin Chief Legal Officer and Monitoring Officer
Recommendations:	The Audit and Governance Committee is recommended to: a) comment on the suggested ways for developing the Committee's work programme. b) Agree that officers should take forward the proposals in the report and provide an updated work programme and terms of reference for the committee to agree at their next meeting. c) Invite the Chief Legal Officer/Monitoring Officer to develop proposals for a formal process of referral to the Audit and Governance Committee by other committees or the Combined Authority Board. d) Note the current work programme for the Audit and Governance Committee for the 2021/22 municipal year attached at Appendix 3 Voting arrangements: A simple majority of all Members

1. Purpose

1.1 The Committee are requested to review and discuss the suggested ways of developing their work programme.

2. Background

2.1 At the Audit and Governance Committee meeting held on the 25th June 2021 the Committee agreed that the Monitoring Officer would work with the Chair to develop ideas around how the Committee would develop their work programme.

2.2 The Monitoring Officer and Audit and Governance Chair met on the 6th July 2021 and following this meeting suggest that there are four stances to the Committee's work programme and propose the below processes for members to consider:

1) **Standing Items** – items which the committee must consider and review as part of their functions laid out in their terms of reference (Appendix 1) these include:

- the constitution
- annual statement of accounts
- Annual Governance Statement
- Assurance framework
- whistleblowing, anti -fraud and complaints policies
- Treasury Management Strategy
- Internal Audit
- External Audit

The Committee will continue to receive these items throughout the municipal year.

2) **Horizon Scanning** – officers suggest that committee receive a report twice a year which will outline key areas of work for the Combined Authority for members to consider adding to their work programme.

The Committee could meet informally to discuss the Horizon Scanning report with relevant Directors in attendance to enable sharing of information prior to members resolving to add an item to their work programme.

3) **Corporate Risk Register** – consideration of the top five risks as items to that could be added to work programme. (top five risks to be detailed in future work programme reports)

4) **Referral of Items from Members of the Combined Authority** – a process for how members can refer items to the Audit and Governance Committee will be developed as part of the ways of working review being carried out.

The Overview and Scrutiny Committee have a process for Members of the Combined Authority to refer matter to them (Appendix 2) which Audit and Governance could replicate and request that their terms of reference are updated to include a similar process.

Currently referrals are discussed with the Chair who decides whether the item should be added to the work programme.

Members of the committee also have the opportunity to suggest additional items to the work programme at each meeting under their 'Work programme' item.

2.3 The Committee are requested to comment on the above and advise officers on their

preferences for how to manage the work programme going forward.

2.4 The current work programme is attached at Appendix 3 for members to note.

3. Financial Implications

3.1 None

4. Legal Implications

4.1 See Appendix 2 for guidance.

6. Appendices

6.1 Appendix 1 – Audit and Governance Committee Terms of Reference

6.2 Appendix 2 – O&S Committee References of Matters to Committee

6.3 Appendix 3 – A&G Work Programme 2021/22

7. Background Papers

7.1 Audit and Governance Minutes 25th June 2021

Chapter 14 - Audit and Governance Committee

Part 1 – Functions

1. Governance

1.1 The Combined Authority has appointed an Audit and Governance Committee. The committee is a statutory, non-executive committee.

2. Functions

2.1. The Audit and Governance Committee shall have the following statutory powers to:

(a) review and scrutinise the authority's financial affairs;

(b) review and assess the authority's risk management, internal control and corporate governance arrangements;

(c) review and assess the economy, efficiency and effectiveness with which resources have been used in discharging the authority's functions; and

(d) make reports and recommendations to the Combined Authority in relation to reviews conducted under paragraphs (a) (b) and (c);

(e) Implement the obligation to ensure high standards of conduct amongst Members.

3. Terms of Reference

3.1. The Audit and Governance Committee shall undertake the following for both the Combined Authority and the Business Board:

Accounts

3.2. Approve the annual statement of accounts;

Governance

3.3. Review corporate governance arrangements against the good governance framework;

3.4. Review the Annual Governance Statement prior to approval to ensure it properly reflects the risk environment and supporting assurances;

3.5. Annually review the assurance framework to ensure it adequately addresses risks and priorities including governance arrangements of significant partnerships;

3.6. Monitor the Authority's risk and performance management arrangements including reviewing the risk register, progress with mitigating actions and assurances;

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

Internal Audit

3.8. Provide assurances over the effectiveness of internal audit functions and assuring the internal control environments of key partners;

3.9. Review internal audit requirements undertaken by the Combined Authority;

3.10. Approve the internal audit plan;

3.11. Consider reports and assurances from the Chief Finance Officer in relation to:

(a) Internal Audit performance;

(b) Annual Assurance Opinion on the adequacy and effectiveness of the framework of governance, risk management and control;

(c) Risk management and assurance mapping arrangement;

(d) Progress to implement recommendations including concerns or where managers have accepted risks that the Authority may find unacceptable.

External Audit

3.12. Review the annual accounts;

3.13. Consider the annual external audit of the Combined Authority's accounts, including the Annual Audit Letter and assessing the implications and monitoring managers' response to concerns;

Financial Reporting

3.14. Consider whether accounting policies were appropriately followed and any need to report concerns to the Combined Authority Board;

3.15. Consider any issues arising from External Auditor's audit of the account;

3.16. Ensure there is effective scrutiny of the treasury management strategy and policies in accordance with CIPFA's Code of Practice;

3.17. Maintain an overview of the Council's Constitution in respect of contract procedure rules, financial regulations and standards of conduct and make recommendations to the Chief Finance Officer and Monitoring Officer where necessary;

Code of Conduct

3.18. Ensure the Combined Authority has effective policies and processes in place to ensure high standards of conduct by its Members and Co-opted Members;

3.19. Assisting the Members and Co-opted Members to observe the Code of Conduct;

3.20. Advising the Combined Authority on the adoption or revision of the Code of Conduct and monitor its operation;

3.21. Advising on training and overseeing the effectiveness of any training for Members and Co-opted Members on matters relating to the Code of Conduct;

General

3.22. Report and make recommendations to the Combined Authority in relation to the above.

4. Membership

4.1. The Combined Authority Board shall decide the size and membership of the Audit and Governance Committee and shall include one Independent Person.

4.2. In appointing Members to the Committee, the Combined Authority Board must ensure that the Members of the Committee taken as a whole reflect so far as reasonably practicable the balance of political parties for the time

being prevailing among Members of the Constituent Councils when taken together.

4.3. The Committee may not include any Officer of the Combined Authority or of a constituent council.

4.4. The Combined Authority Board shall appoint at least one Substitute Member from each constituent council.

4.5. The Monitoring Officer has delegated authority to accept changes to membership of committees notified by constituent councils during the municipal year to ensure there is a full complement of members or substitute members at committee meetings.

5. Chair and Vice-Chair

5.1. The Combined Authority Board shall appoint the Chair and Vice-Chair.

6. Sub-Committees

6.1. The Committee may appoint one or more sub-committees and arrange for the discharge of any of its functions by any such sub-committee.

6.2. The Committee shall appoint a hearings panel to hear any complaints where the Member is alleged to have breached the Code of Conduct.

7. Hearing Panel (Sub-Committee to the Audit and Governance Committee)

7.1. The Hearings Panel is a Sub-Committee of the Audit and Governance Committee.

7.2. The Panel has the following functions:

7.2.1. When matters are referred by the Monitoring Officer granting dispensations to Members and Co-opted Members allowing them to:

(a) participate in the debate; and/or

(b) vote on any matter in which they have a disclosable pecuniary interest;

7.2.2. On matters being referred by the Monitoring Officer deciding whether complaints concerning Members should be investigated;

7.2.3. Hearing complaints that have been referred to them by the Monitoring Officer pursuant to the Complaints procedure;

7.2.4. The agreement of relevant procedures for the undertaking of its functions, when appropriate to be included within the Constitution.

Part 2 – Procedure Rules

1. Access to Meetings

1.1 The public may attend meetings and have access to agenda, reports and minutes in accordance with the Transparency Rules, Forward Plan and Key Decisions in **Chapter 6 - Transparency Rules, Forward Plan and Key Decisions**.

2. Meetings

2.1 The Committee will meet at least once a year.

2.2 An extraordinary meeting of an Audit and Governance Committee may be called by:

(a) the Chair of the Committee; or

(b) the Head of Paid Service.

3. Quorum

3.1 No business is to be transacted at a meeting of the Committee unless at least two-thirds of the total number of Members on the Committee are present.

4. Voting

4.1 Each Member of the Committee appointed from the Constituent Councils is to have one vote and no Member (including the Chair) is to have a casting vote.

4.2 Members of the Committee who are appointed other than from the Constituent Councils shall be non-voting Members of the Committee but may be given voting rights by resolution of the Combined Authority.

4.3 Any questions that are to be decided by the Committee are to be decided by a simple majority of the Members present and voting. If a vote is tied on any matter it is deemed not to have been carried.

5. Conflicts of Interest

5.1 Members must comply with the Member Code of Conduct.

5.2 No Member of the Committee may scrutinise a decision (whether or not implemented) in which they were directly involved as a Member of the decision-making body which made that decision.

5.3 Such a Member may only attend the Committee to:

(a) make representations;
(b) answer questions; or
(c) give evidence about the decision.

6. Appointment of Independent Person

6.1 The Committee must have at least one independent person. The appointment must be made by the Combined Authority Board.

6.2 A person is independent if the person:

(a) is not a Member, Co-opted Member or Officer of the authority;

(b) is not a Member, Co-opted Member or Officer of a parish council for which the authority is the principal authority;

(c) is not a relative, or close friend, of a person within sub-paragraph (a) or; and

(d) was not at any time during the past five years been:

(i) a Member, Co-opted Member or Officer of the authority; or

(ii) a Member, Co-opted Member or Officer of a parish council for which the Authority is the principal Authority.

Term of Office

6.3 Each independent person will serve a term of four years, which may be renewed up to a maximum of one further term (ie total maximum eight years).

Appointments Process:

6.4 The vacancy for the Independent Person must be advertised in such manner as the Combined Authority considers is likely to bring it to the attention of the public. The person must submit to the Combined Authority an application to fill the vacancy, and the person's appointment has been approved by a majority of the Members of the Combined Authority Board.

6.5 The position of Independent Person shall be advertised on the Combined Authority's website, along with the website of each constituent authority.

7. Procedures at meetings

7.1 The Combined Authority Transparency Rules, Forward Plan and Key Decisions in Chapter 6 - Transparency Rules, Forward Plan and Key Decisions will apply.

Annex 1

The current membership of the Audit and Governance Committee is one member from each constituent council and one independent person. (eight members). The quorum is six members.

Appendix 2:

Overview and Scrutiny Constitution Extract – Chapter 13

7. Requests to Overview and Scrutiny

7.1. The Mayor or Combined Authority Board may ask the Committee to review any of its functions or assist in developing budget and policy proposals.

8. Reference of Matters to Committees

8.1. Any of the following may request a matter to be included on the agenda of the Overview and Scrutiny Committee provided it is relevant to the functions of the Combined Authority and not an excluded matter:

(a) any Member of the Overview and Scrutiny Committee;

(b) any Member of the Combined Authority; and

(c) any Member of a Constituent Council of the Combined Authority.

8.2. An “excluded matter” means any matter which is a local crime and disorder matter.

8.3. The request must be submitted to the Monitoring Officer who will arrange for the item to be placed on the agenda of the next available meeting. The request should state why the Member considers it appropriate for the Committee to exercise any of these powers in relation to the matter and the Committee must have regard to these reasons.

8.4. If the Committee decides not to exercise any of its powers to review or scrutinise decisions made, or other action taken, in connection with

(a) the discharge of any functions which are the responsibility of the authority;

(b) in connection with the discharge by the Mayor of any general functions;

it must notify the Member of its decision; and the reasons for it.

8.5. The Committee must provide the Member with a copy of any report or recommendations which it makes in connection with the matter.

AUDIT AND GOVERNANCE COMMITTEE
WORK PROGRAMME 2021/22

Meeting Date 2020/21	Item	COMMENTS
30 July 2021 Venue: Burgess Hall		
	Combined Authority Board Update	Standing item on the agenda when a chief officer or by agreement once a year the Mayor for the Combined Authority provides an update on the activities for the authority.
	Minutes of the previous meeting	Standing item on the agenda for the committee to agree the minutes from the last meeting.
	Corporate Risk Register	Standing item by request of the committee to be considered at each meeting.
	Work Programme	Standing item for the committee to consider their upcoming work programme.
	Internal Audit – Progress Report	Report from the Internal Auditors to provide an update on the progress of the current internal audits.
	Internal Audit – Annual Report	A report provided by the Internal Auditors on the effectiveness of the Authority's systems of governance; risk management and internal control.
	External Audit Final Results	The Committee receive the audit results report

		from the external auditors.
	Annual Financial Report & Annual Governance Statement	The Committee receives the report which asks them to: a) approve the audited Statement of Accounts 2017/18 b) Receive and approve the Annual Governance Statement 2017/18
	Appointment of Independent Persons for Member Conduct	
Meeting Date 2020/21	**Item**	**COMMENTS**
DEVELOPMENT SESSION: TRADING COMPANIES		
24 Sept 2021 Venue: TBA	**Combined Authority Board Update**	Standing item on the agenda when a chief officer or by agreement once a year the Mayor for the Combined Authority provides an update on the activities for the authority.
	Minutes of the previous meeting	Standing item on the agenda for the committee to agree the minutes from the last meeting.
	Corporate Risk Register	Standing item by request of the committee to be considered at each meeting.
	Annual Constitution Review including governance arrangements for the CA Board	
	Work Programme	Standing item for the committee to consider their upcoming work programme.

	Internal Audit – Progress Report	Report from the Internal Auditors to provide an update on the progress of the current internal audits.
	External Audit – Annual Audit Letter	The Committee receive the annual audit letter which communicates the key issues arising from external auditors work in carrying out the audit of the statement of accounts for the Cambridgeshire and Peterborough Combined Authority.
	Trading Companies	The Committee requested that a report on how the governance of Trading Companies would be arranged.
	Information Governance Update	Bi annual update on governance issues including FOI, Complaints, incidents of fraud and whistleblowing.
Meeting Date	**Item**	**Comment**
DEVELOPMENT SESSION: ROLE OF AUDIT ON MAJOR PROJECTS		
26th November 2021	**Combined Authority Board Update**	Standing item on the agenda when a chief officer or by agreement once a year the Mayor for the Combined Authority provides an update on the activities for the authority.
	Minutes of the previous meeting	Standing item on the agenda for the committee to agree the minutes from the last meeting.
	Corporate Risk Register	Standing item by request of the committee to be considered at each meeting.
	Work Programme	Standing item for the committee to consider their upcoming work programme.

	Internal Audit – Progress Report	Report from the Internal Auditors to provide an update on the progress of the current internal audits.
	External Audit – Draft Audit Plan	The Committee receive the draft Audit Plan and comment whether the planned audit is aligned with the Committee's expectations.
	Treasury Management Strategy Update	The Committee receive the report which provides the Audit and Governance Committee with an update on the Combined Authority (CPCA)'s Treasury Management Strategy.
	Assurance Framework	Committee agreed in May 2019 that the A/Framework be presented to Committee on 6-month basis.
	Guidance on Accounts	Report to come to Committee with an update on what guidance had been received from government on how to simplify accounts.
	Adult Education Budget	
	Terms of Reference for the Climate Change Working group	Terms of reference for the Climate Change Working group to be brought to the committee for consideration and to request that the working group advise how flooding considerations
28th January 2022	**RESERVE MEETING**	
Meeting Date	**Item**	**Comment**
DEVELOPMENT SESSION: A&G COMMITTEE SELF ASSESSMENT		

11th March 2022	**Combined Authority Board Update**	Standing item on the agenda when a chief officer or by agreement once a year the Mayor for the Combined Authority provides an update on the activities for the authority.
	Minutes of the previous meeting	Standing item on the agenda for the committee to agree the minutes from the last meeting.
	Corporate Risk Register	Standing item by request of the committee to be considered at each meeting.
	Work Programme	Standing item for the committee to consider their upcoming work programme.
	External Audit – Audit Plan	The Committee receive and approve the final audit plan prepared by the external auditors
	Internal Audit Plan:	Details of audit activity for the following year.
	Treasury Management Strategy Summary	The Committee receive the report asks for comments comment on the draft Treasury Management Strategy.
	Assurance Framework	The Assurance Framework is a set of systems, processes and protocols, which along with standing orders, financial regulations, departmental procedures, and codes of practice is linked in a hierarchy of management and financial control procedures, which clearly define the responsibilities of members and the duties of the CPCA's officers, consultants and partners. – Approved annually.

	Information Governance Update	Bi annual update on governance issues including FOI, Complaints, incidents of fraud and whistleblowing.
Meeting Date	**Item**	**Comment**
27 May 2022	**Combined Authority Board Update**	Standing item on the agenda when a chief officer or by agreement once a year the Mayor for the Combined Authority provides an update on the activities for the authority.
	Minutes of the previous meeting	Standing item on the agenda for the committee to agree the minutes from the last meeting.
	Corporate Risk Register	Standing item by request of the committee to be considered at each meeting.
	Work Programme	Standing item for the committee to consider their upcoming work programme.
	Occurred Meetings – Work Programmes	
19 July 2019 **Fenland District Council**	**Internal Auditors Annual Report**	The Committee considered and endorsed the Annual Report and Opinion from Internal Audit for the year ended 31st March 2019
	Statement of Accounts 2018/19 and External Audit Final Results	The Committee resolved that: i) That the Chief Executive circulate the draft statutory notice to the members of the Audit and Governance Committee prior to publication. ii) That the Chief Executive liaise with all affected constituent Councils and send a letter to government expressing their dissatisfaction with

		the auditors performance and the impacts this has had on each Council. iii) That the Chair of the Audit and Governance Committee write to the Partner leading the Ernst and Young Government and Public Sector Assurance team expressing the Committee extreme disappointment. iv) That the Committee receive and approve, in principle, the final Statement of Accounts. v) That the Committee agree to the additional recommendations below: a) Note that the Combined Authority's external auditors are not able to guarantee that they will have completed their audit of the accounts for 2018/19 before the statutory deadline of 31 July 2019 for the publication of the statement of accounts together with any certificate or opinion from the external auditors; b) Note that if it is not possible to publish the statement of accounts on time the law requires the Combined Authority to publish as soon as reasonably practicable on or after the deadline a notice stating that it has not been able to publish the statement of accounts and its reasons for this; c) Authorise the Chief Finance Officer in consultation with the Chair of Audit and

	Governance Committee, as and when the final Audit Opinion is provided by the external auditors, to make any minor amendments to the statement of accounts arising from the final Audit Opinion and to authorise the Chief Finance Officer and Chair of Audit and Governance to then sign and publish the statement of accounts together with any certificate or opinion from the external auditors; d) In the event that amendments arising from the final Audit Opinion would constitute a “material adjustment” to the final accounts as defined in the external auditor’s final audit plan a further report is to be brought to Committee; and e) That the Committee receive and approve the Annual Governance Statement 2018/19 as included within the statement of accounts.
Chairman’s Annual Audit Report	The Annual Report of the Chair of the Committee be submitted to the Combined Authority Board was approved.
Internal Audit Plan	The Committee considered and endorsed the Annual Report and Opinion from Internal Audit for the year ended 31st March 2019.
Value for Money Report	The Committee noted the Combined Authority’s approach to delivering value for money.
Treasury Management Annual Report	The Committee reviewed the actual performance for the year to 31st Match 2019, against the adopted prudential and treasury indicators.
Human Resources Risk Reduction Update	The Committee noted the update.

	Work Programme	The Committee agreed updates to the work programme and noted the report.
Meeting Date 2019/20	**Item**	**COMMENTS**
27 September 2019 Cambridge City Council	**Audit Results Reports & Statement of Accounts 2018/19**	The Committee received the audit results report for the year ended 31st March 2019.
	Transport Acceleration and Risk Report	The Committee noted the officers' assessment of the impact of the accelerated delivery strategy on project risk and the wider measures put in place by the Authority to manage project risk.
	Medium-Term Financial Plan and Business Plan	The report was noted.
	Combined Authority Board Update	The Committee noted the update.
	Business Board Update	The Committee noted the priorities and objectives of the Business Board.
	Internal Audit Update	The progress report from Internal Audit was considered. Internal Audit would provide timelines and progress indicators in future reports and seek The Committee's approval to any programme changes.
	Governance Review Report	The proposed new governance arrangements for the Combined Authority had been considered and the Committee's Work Programme be amended to include a future report to the Committee reviewing the effectiveness of the proposed new governance arrangements.
	Risk Register and Performance Update	The Committee noted the Performance Reporting processes that are in place for the Combined Authority.

		The Committee requested that the Performance Reporting Dashboard is presented to the Board on a quarterly basis and recommend any proposed changes be noted. The Committee requested that the proposed changes to the Corporate Risk Register be reported to the next Board meeting for approval.
	Report on Freedom of Information, Whistleblowing and Fraud	The Committee would advise how the Combined Authority communicated the Whistleblowing Policy and encouraged its use.
	Response to National Audit Office Consultation	The proposed changes to the Code of Audit practice and the potential impact on reporting to the Committee for local audit work was noted.
	Work Programme	The update was noted.
Meeting Date 2019/20	**Item**	**COMMENTS**
16 December 2019 South Cambridgeshire District Council	**Assurance Framework**	A paper will be produced for Audit & Governance Committee meeting in March 2020. The Committee noted the revised Assurance Framework
	Corporate Risk Register	The proposed revised Strategy and changes to the Corporate Risk Register were recommended.
	Data Protection Policy	An update from the Data Protection Officer be put on Audit & Governance Committee Work Programme for December 2020. That the Combined Authority would keep an eye on implications on data protection after Brexit. The Data Protection Policy report was recommended

	Internal Audit Progress Report	That an update report be brought back to Audit & Governance Committee in March 2020, including a procedure for urgent items. That a reminder email be sent to Members regarding themes for internal auditors for the following year. The Committee noted the report.
	Adult Education Budget and Assurance Programme	An annual insight to be received by the Committee every year. A briefing session to be organised for the Committee in summer/autumn 2020. The Adult Education Budget Audit and Assurance Programme, along with the arrangements, was noted.
	Treasury Management Strategy Update	The update was reviewed by the Committee.
	Combined Authority Board Update	The Committee noted the update.
	Work Programme	The Committee agreed updates to the work programme and noted the report.
Meeting Date 2020/21	**Item**	**COMMENTS**
26 May 2020 Remote Meeting	**Confirmation of Membership of the Audit & Governance Committee**	Membership was the same as in the last municipal year and there had been no changes amongst substitute members. The Committee noted Fenland DC Annual General Meeting was to be held on 17 June, which could signal change in Fenland DC membership of the Committee.
	Combined Authority Board Update	The Committee noted the update.
	Statement of Accounts 2019/20	The statement of accounts to be presented at the 31 July 2020 meeting of the Committee will be

		circulated to members two-weeks in advance of the meeting.
	External Audit Update	A further report will be received at the 31 July 2020 meeting of the Committee.
	Internal Audit Update	The Internal Audit with opinion be received at the 31 July 2020 meeting of the Committee.
	Draft Annual Report of the Chair of the Audit & Governance Committee	The report was approved by the Committee for submission to the CA Board meeting on 5 August 2020, subject to the correction of a typographical error.
	Corporate Risk Register	The Committee recommended climate change is included on the on the Risk Register in future.
	Complaints Procedures	The Committee noted the revised procedures and, with the addition of the contact details of 'street scene' issues for the borough, city and district councils, approve them to the CA Board.
	Treasury Management Strategy	The Committee noted the strategies.
	Trading Companies	A development session on the trading companies be held, possibly in autumn 2020.
	Revised Guide for Project Management	The Committee received and noted the revised guide.
	Work Programme	The Committee requested greater clarity on the work programme for future meetings.
	Urgent Item: Lancaster Way	The Committee responded positively to the request for an independent review. and that this has no impact on the delivery of the project. The Committee is open to an Extraordinary meeting, if necessary, with the proviso that sufficient time is afforded to enable the Committee to have all the background information it requires.

Meeting Date 2020/21	**Item**	**COMMENTS**
31 July 2020 Remote Meeting	**Appointment of a Vice-Chairman of the Audit & Governance Committee**	A Vice-Chairman of the Committee would be appointed at the meeting on 31 July as the Combined Authority Board Annual Meeting was not until 3 June and a decision on a Vice-Chairman appointment would be ratified at that meeting.
	Combined Authority Board Update	Standing item on the agenda when a chief officer or by agreement once a year the Mayor for the Combined Authority provides an update on the activities for the authority.
	Minutes of the previous meeting	Standing item on the agenda for the committee to agree the minutes from the last meeting.
	Corporate Risk Register	Standing item by request of the committee to be considered at each meeting. The report to be presented to the 31 July 2020 meeting of the Committee to include the top three to four risks that are improving/getting worse.
	Work Programme	Standing item for the committee to consider their upcoming work programme.

	Internal Audit 2020/21	A separate paper on how the Combined Authority is to take Internal Audit forward after the Service Level Agreement with Peterborough City Council concludes was requested for this 20 meeting.
	Internal Audit – Annual Report	A report provided by the Internal Auditors on the effectiveness of the Authority's systems of governance; risk management and internal control.
	External Audit Final Results	The Committee receive the audit results report from the external auditors.
	Annual Governance Statement	Explains how the Combined Authority has complied with the Local Code of Governance and meets the requirements of the Accounts and Audit (England) Regulations 2015 Regulation 6.1(b) – usually received along with the Annual Financial Report.
	Draft Financial Statements 2019/20	The Committee receives the report which asks them to: a) approve the audited Statement of Accounts 2017/18 b) Receive and approve the Annual Governance Statement 2017/18
	Independent Commission on Climate Change	Committee to receive a report on the procedures undertaken in the appointment of the Independent Chair of the Commission
Meeting Date 2020/21	**Item**	**COMMENTS**
2 October 2020 Venue: TBA	**Combined Authority Board Update**	Standing item on the agenda when a chief officer or by agreement once a year the Mayor for the Combined Authority provides an update on the

		activities for the authority.
	Minutes of the previous meeting	Standing item on the agenda for the committee to agree the minutes from the last meeting.
	Corporate Risk Register	Standing item by request of the committee to be considered at each meeting.
	Work Programme	Standing item for the committee to consider their upcoming work programme.
	Internal Audit Plan 2020/21	Report from the Internal Auditors on the Internal Audit Plan for the municipal year.
	Financial Statement 2019/20 and External Audit Update	
	Treasury Management Strategy Review	The Committee receive the report which review the current performance against the prudential indicators included within the Treasury Management Strategy.
27 November 2021 Virtual Meeting		
	DEVELOPMENT SESSION	**VALUE FOR MONEY**
	The Mayor of the Combined Authority	Mayor James Palmer will be in attendance
	Combined Authority Board Update	Standing item on the agenda when a chief officer or by agreement once a year the Mayor for the Combined Authority provides an update on the activities for the authority.

	Lancaster Way Update	
	Minutes of the previous meeting	Standing item on the agenda for the committee to agree the minutes from the last meeting.
	Corporate Risk Register	Standing item by request of the committee to be considered at each meeting.
	Work Programme	Standing item for the committee to consider their upcoming work programme.
	Internal Audit: Internal Audit Plan	Report from the Internal Auditors to provide an update on the progress of the current internal audits.
	External Audit and Opinion 2019/20	To receive the External Audit and Opinion from Ernst & young for the previous financial year.
	End of Year Financial Statements 2019/20	
	Adult Education Budget	

Agenda Item No: 6

Internal Audit Progress Report 2021/22

To:	Audit and Governance Committee
Meeting Date:	30th July 2021
Public report:	An appendix to this report contains information which is exempt from publication under Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and it would not be in the public interest for this information to be disclosed - Not for publication by virtue of Paragraphs 3 and 7 of Part 1 of Schedule 12A of the Local Government Act 1972
From:	Jon Alsop, Head of Finance and S73 Officer
Key decision:	Not a key decision
Forward Plan ref:	n/a
Recommendations:	The Audit and Governance Committee is recommended to: a) Receive and note the internal audit progress report for 2021/22 as provided by the Combined Authority's internal auditors, RSM Risk Assurance Services LLP (RSM). Voting arrangements: Note only item, no vote required.

1. Purpose

1.1. The purpose of the report is for the Audit and Governance Committee to:

(a) Receive and note progress being made by RSM against their internal audit plan for 2021/22.

2. Background

Internal Audit Plan 2021/22

2.1. RSM Assurance limited (RSM) presented their internal audit plan for 2021/22 to the Audit and Governance Committee in April 2021.

2.2. The attached report provides an update to the Audit and Governance Committee against the internal audit plan for the year. The attached report contains information which is exempt from publication under Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and it would not be in the public interest for this information to be disclosed - Not for publication by virtue of Paragraphs 3 and 7 of Part 1 of Schedule 12A of the Local Government Act 1972

3. Financial Implications

3.1. Internal audit fees are within those agreed as part of the internal audit service contract.

4. Legal Implications

4.1. No legal implications have been identified.

5. Other Significant Implications

5.1. No other significant implications have been identified.

6. Appendices

6.1. Appendix 1 – Internal Audit update report 2021/22 (RSM)

7. Background Papers

7.1. Internal Audit Plan – A&G Committee April 2021

Internal Audit Plan A&GC April 2021

CAMBRIDGESHIRE AND PETERBOROUGH COMBINED AUTHORITY

Internal Audit Progress Report

30 July 2021

This report is solely for the use of the persons to whom it is addressed.
To the fullest extent permitted by law, RSM Risk Assurance Services LLP
will accept no responsibility or liability in respect of this report to any other party.

RSM

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1 Key messages

The internal audit plan for 2020/21 was approved by the Audit and Governance Committee at the November 2020 meeting, with the internal audit plan for 2021/22 approved at the April 2021 meeting. This report provides an update on progress against that plan and summarises the results of our work to date.

As the developments around Covid-19 will continue to impact on all areas of the organisation's risk profile, we will continue to work closely with management to deliver an internal audit programme which remains flexible and 'agile' to ensure it meets your needs in the current circumstances.

2020/21 Internal Audit Delivery

Three reports have been finalised in relation to:

- Impact of COVID-19 on CPCA delivery of projects;
- [redacted]; and
- COVID-19 Emergency Active Travel Fund (Capital).

[To discuss and note]

2021/22 Internal Audit Plan

The 2021/22 Internal Audit plan was presented to the previous Audit and Governance Committee, and we are in the process of undertaking the planning meetings for the audits identified within the programme for 2021/22. The table of audits, and their planned dates have been included in Appendix B, below.

[To note]

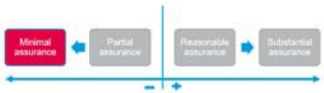
Other Matters

We have also included some sector news in Appendix B which highlights some of the current issues being faced in the sector and the areas that the Combined Authority may wish to consider. **[To note]**

2 Reports

Summary of final reports being presented to this committee

This section summarises the reports that have been finalised since the last meeting.

Assignment	Opinion issued	Actions agreed		
		L	M	H
2020/21 Internal Audit Plan				
Impact of COVID-19 on Project Delivery (2.20/21) Overall, we noted that the Combined Authority has developed an overarching project management approach, with this defined in the 10 Point User Guide and this is supported by training organised by the PMO. We also confirmed project performance is monitored by project managers using highlight reports, containing both financial and operational information as well as relevant project risk information. This is escalated through the governance structure to the Board as appropriate via monthly performance / exceptions reports which provide a strategic overview of key CPCA projects and metrics. In terms of the MTFP, we noted the CPCA conducts a bi-annual refresh exercise, with the latest taking place in June 2020. This considered the impacts of COVID-19 as evidenced through the CPCA's pandemic response section. The Authority has also developed a Local Economic Recovery Strategy (LERS) which sets out the their post-COVID response and we confirmed this aligned to the strategic objectives stipulated on the CPCAs website. However, we noted some areas of weakness in relation to the completion of Project Initiation Documents for business case approved projects. In addition, we identified that highlight report commentary produced by Project Managers did not consistently reflect underlying financial information across a further sample of three projects RAG rated as red and amber. We also noted that the Authority's revised Monitoring and Evaluation Framework had not been published on the CPCA website at the time of our review although management implemented this shortly after our fieldwork debrief.	**Reasonable Assurance** 	3	2	0
[redacted]	**Minimal Assurance** 	[redacted]		

[redacted]

[redacted]

[redacted]

Grants – COVID-19 Emergency Active Travel Fund (Capital) (8.20/21) The result of our work is as follows: ***I am satisfied that CPCA have paid over the sum of £93,553 to CCC and £34,933 to PCC in relation to the Covid-19 Emergency Active Travel Fund Grant No 31/****. We have been advised by the respective Chief Internal Auditors at CCC and PCC that they have carried out the appropriate investigations and checks, to ensure that in their opinion, in all significant respects, the conditions attached to the Covid-19 Emergency Active Travel Fund Grant No 31/**** have been complied with.***	**Final report issued**	0	0	0

Appendix A – Progress against the internal audit plan 2020/21

Assignment	Status / Opinion issued	Actions agreed			Target Audit Committee (as per previous audit	Actual Audit Committee
Risk Management (1.20/21)		L	M	H	January 2021	January 2021
Impact of COVID-19 on Project Delivery (2.20/21)		**3**	**2**	**0**	**Was June 2021, now September 2021**	**July 2021**
Appointments to Boards and Committees including those sponsored by the Combined Authority (3.20/21)		2	2	0	Was April 2021, now June 2021	June 2021
Key Financial Controls – Accounts Payable (4.20/21)		5	3	0	Was April 2021, now June 2021	June 2021
[redacted]		[redacted]	[redacted]	[redacted]	[redacted]	**July 2021**
Follow Up (6.20/21)	Good Progress	0	1	0	June 2021	June 2021
COVID-19 Capital Grants (7.20/21)		1	2	0	June 2021	June 2021
Grants – COVID-19 Emergency Active Travel Fund (Capital) (8.20/21)	**Final report issued**	**0**	**0**	**0**	**July 2021**	**July 2021**

Appendix B – Progress against the internal audit plan 2021/22

Assignment	Timing / Status / Opinion issued	Actions agreed			Target Audit Committee (as per previous audit committee)	Actual Audit Committee
		L	M	H		
Fraud Risk Assessment	August 2021	0	0	0	November 2021	
HR Policies	September 2021	0	0	0	November 2021	
Adult Education Budget	October 2021	0	0	0	January 2022	
Use of Data	November 2021	0	0	0	January 2022	
Subsidiary Governance	January 2022	0	0	0	April 2022	
Key Financial Controls	January 2022	0	0	0	March 2022	
Risk Management	February 2022	0	0	0	March 2022	

Appendix C – Other matters

Annual Opinion 2021/22

The Audit and Governance Committee should note that the assurances given in our audit assignments are included within our Annual Assurance report. In particular the Audit and Governance Committee should note that any negative assurance opinions will need to be noted in the annual report and may result in a qualified or negative annual opinion. We have not finalised any reports to date, but we will provide further updates as the year progresses.

Information briefings and Sector updates

Coronavirus workforce survey

The Local Government Association (LGA) has published the latest findings from its monthly surveys of all councils in England and Wales collecting key workforce data on how the sector is responding to coronavirus. Key findings from the June 2021 survey includes:

• 35 per cent of councils reported recruiting additional staff in the week ending 4 June 2021;
• 84 per cent of councils stated that they were considering 'hybrid working';
• 25 per cent of councils reported that they had furloughed at least one member of staff. In total, responding authorities reported there were 2,682 staff furloughed in the week ending 4 June 2021; and
• councils were asked if they were experiencing significant difficulties recruiting for some posts or not: 114 (61 per cent) said they were.

Independent reviewers appointed for councils requesting financial support

The Ministry of Housing, Communities and Local Government (MHCLG) has appointed independent reviewers to undertake assurance reviews into eight councils, following decisions earlier this year to provide financial support to these authorities. The Chartered Institute of Public Finance and Accountancy (CIPFA) has been appointed to undertake the financial element of these external assurance reviews. The external assurance reviewers will provide a detailed assessment of each councils' financial position and management, making recommendations where necessary of how each council can take action to improve.

Central oversight of arm's-length bodies

The National Audit Office (NAO) has published a report focusing on the role of the centre of government (the Cabinet Office and HM Treasury) in supporting government departments and arm's-length bodies (ALBs). It examines:

• the ALB delivery landscape and the other delivery models available to government;
• the processes in place to support a department as it sets up an ALB;
• how ALBs are overseen by departments and the centre of government; and
• the Cabinet Office's plans for reform of the public bodies landscape.

The report concludes that in 2018/19, ALBs spent £265bn and employed around 300,000 people to deliver the government policies and public services that is dependent on in vital areas such as healthcare, education and housing. The UK's exit from the EU and the coronavirus pandemic have meant the UK government has assumed more responsibility for key functions in areas such as environmental protection and business support.

The flexibility of arm's-length arrangements allows public bodies to develop technical expertise and operational independence, but it is important that ALBs remain accountable, are properly managed and have the necessary support. In some areas the centre of government and departments have improved how they work with, and support, ALBs.

The NAO notes that 'the continuing inconsistency in how ALBs are set up and overseen is a barrier to further improvement.' More needs to be done to share lessons across organisations, identify opportunities to improve the complex systems in which policies and services are delivered, and understand when a delivery model is no longer working effectively.

Appendix C - Key performance indicators (KPIs) for 2020/21 delivery

Delivery				Quality			
	Target	Actual	Notes (ref)		Target	Actual	Notes (ref)
Audits commenced in line with original timescales following scoping	Yes	100%		Conformance with PSIAS and IIA Standards	Yes	Yes	
Draft reports issued within 15 days of debrief meeting	100%	100%		Liaison with external audit to allow, where appropriate and required, the external auditor to place reliance on the work of internal audit	Yes	Yes	
Management responses received within 15 days of draft report	100%	63%	*	Response time for all general enquiries for assistance	2 working days	100%	
Final report issued within 3 days of management response	100%	100%		Response for emergencies and potential fraud	1 working days	N/A	

Notes

* Our first draft report was issued on 11 December 2020 however, due to a combination of the Christmas break responses were not received within 15 days of the draft report.

Two further reports were issued in draft where further internal management discussions regarding the coverage of the review and some wider discussions with stakeholders external to CPCA were required prior to the receipt of formal management responses.

FOR MORE INFORMATION CONTACT

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Jay Desai – Manager

Email: Jay.Desai@rsmuk.com

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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

Our report is prepared solely for the confidential use of Cambridgeshire and Peterborough Combined Authority and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

Agenda Item No: 7

Internal Audit Annual Report 2020/21

To:	Audit and Governance Committee
Meeting Date:	30th July 2021
Public report:	An appendix to this report contains information which is exempt from publication under Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and it would not be in the public interest for this information to be disclosed - Not for publication by virtue of Paragraphs 3 and 7 of Part 1 of Schedule 12A of the Local Government Act 1972
From:	Jon Alsop, Head of Finance and S73 Officer
Key decision:	Not a key decision
Forward Plan ref:	n/a
Recommendations:	The Audit and Governance Committee is recommended to: a) Note and receive the Internal Audit Annual Report for 2020/21

Voting arrangements: Note only item, no vote required.

1. Purpose

1.1. The purpose of the report is for the Audit and Governance Committee to:

(a) Note and receive the Internal Audit Annual Report for 2020/21.

2. Background

2.1. 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

2.2. The Internal Audit Plan for 2020/21 as presented to the Audit and Governance Committee by the Combined Authority's internal auditors (RSM), in November 2020 stated that "As the provider of the internal audit service we are required to provide an annual opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements. The annual opinion will be provided to the organisation by RSM Risk Assurance Services LLP at the financial year end."

2.3. The annual opinion should be used to inform the organisation's annual governance statement.

2.4. The internal audit opinion for Cambridgeshire and Peterborough Combined Authority for 2020/21 is as follows:

2.5. "The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective."

2.6. The full report is attached at appendix 1. The attached report contains information which is exempt from publication under Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and it would not be in the public interest for this information to be disclosed - Not for publication by virtue of Paragraph 7 of Part 1 of Schedule 12A of the Local Government Act 1972

3. Financial Implications

3.1. Internal audit fees are within those agreed as part of the internal audit service contract.

4. Legal Implications

4.1. No legal implications have been identified.

5. Other Significant Implications

5.1. No other significant implications have been identified.

6. Appendices

6.1. Appendix 1: The Internal Auditor's Annual report 2020/21

7. Background Papers

7.1. Outline Audit Plan – A&G Committee November 2020

A&GC Nov 2020 Internal Audit Plan

Item 7

CAMBRIDGESHIRE AND PETERBOROUGH COMBINED AUTHORITY

Annual internal audit report 2020/21

16 July 2021

This report is solely for the use of the persons to whom it is addressed.
To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party.

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

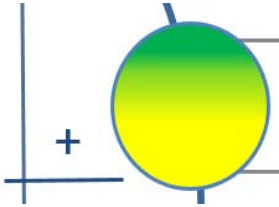
RSM

THE ANNUAL INTERNAL AUDIT OPINION

This report provides an annual internal audit opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes. The opinion should contribute to the organisation's annual governance reporting.

The opinion

For the 12 months ended 31 March 2021, the head of internal audit opinion for Cambridgeshire and Peterborough Combined Authority is as follows:



The organisation has an adequate and effective framework for risk management, governance and internal control.

However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.

Please see appendix A for the full range of annual opinions available to us in preparing this report and opinion.

It remains management's responsibility to develop and maintain a sound system of risk management, internal control and governance, and for the prevention and detection of material errors, loss or fraud. The work of internal audit should not be a substitute for management responsibility around the design and effective operation of these systems.

Scope and limitations of our work

The formation of our opinion is achieved through a risk-based plan of work, agreed with management and approved by the audit and governance committee, our opinion is subject to inherent limitations, as detailed below:

- internal audit has not reviewed all risks and assurances relating to the organisation;
- the opinion is substantially derived from the conduct of risk-based plans generated from a robust and organisation-led assurance framework. The assurance framework is one component that the board takes into account in making its annual governance statement (AGS);
- the opinion is based on the findings and conclusions from the work undertaken, the scope of which has been agreed with management / lead individual;
- where strong levels of control have been identified, there are still instances where these may not always be effective. This may be due to human error, incorrect management judgement, management override, controls being by-passed or a reduction in compliance;
- due to the limited scope of our audits, there may be weaknesses in the control system which we are not aware of, or which were not brought to our attention; and
- our internal audit work for 2020/21 has been undertaken through the substantial operational disruptions caused by the COVID-19 pandemic. In undertaking our audit work, we recognise that there has been a significant impact on both the operations of the organisation and its risk profile, and our annual opinion should be read in this context.

FACTORS AND FINDINGS WHICH HAVE INFORMED OUR OPINION

Our opinion has been informed by seven assurance reviews undertaken during 2020/21. One review concluded with minimal assurance (IT Control Framework Review) and resulted in six high and four medium priority management actions being agreed. We also issued one partial assurance opinion for the Risk Management review.

Five further reviews were undertaken, four of these resulting in reasonable assurance being taken by the Authority for the following reviews:

- Impact of COVID-19 on Project Delivery
- Accounts Payable
- Appointments to Boards and Committees;
- COVID-19 Capital Grants

In addition, our Follow Up review, conducted on a sample of the recommendations from the previous internal auditors concluded that the Authority had made **good progress** in implementing recommendations. We confirmed that seven recommendations had been fully implemented and two had been superseded. We did agree a management action in relation to the monitoring and reporting of management actions agreed, given that this was not formally in place at the time of our review.

We issued one audit where the Authority could take only partial assurance.

For this area, the Authority could take partial assurance that the controls to manage these risks are suitably designed and consistently applied. However, action was needed to strengthen the control framework to manage the identified risks:

Risk Management (1.20.21)

We noted that the Authority was yet to undertake detailed risk management training, specifically in ensuring risks are clear and mitigation plans and actions are specific, measurable, achievable, realistic and time relevant (SMART). In addition, we noted the Authority does not capture evidence of the review and scrutiny of the Corporate Risk Register at an Executive level and had not at the time of the review implemented a reporting framework for risk registers below the Corporate level. We further noted that risk escalation was at the discretion of risk owners and therefore could be subjective and inconsistent.

We also found that minimum frequencies for the review of risks have not been formally documented and noted that as the organisation takes positive steps towards its compliance with the new risk management strategy and processes, it would be equally important to link assurances to individual risks and controls.

Since issuing the final report we have held various meetings with Officers to discuss how CPCA could further develop the risk management control framework and strategy whilst satisfying the issues identified through our review.

We issued one audit where the Authority could take only minimal assurance.

[redacted]

Topics judged relevant for consideration as part of the annual governance statement (AGS)

The Combined Authority should consider including the ‘partial’ and ‘minimal’ assurance opinions in the AGS for the areas identified above together with the actions planned and undertaken to date to improve the weaknesses identified.

The Combined Authority may also wish to consider whether any other significant issues have arisen, including the results of any external reviews, which it might want to consider for inclusion in the AGS. In addition, the current COVID19 pandemic and its impact on the operations of the Combined Authority will obviously need reflecting in the AGS.

THE BASIS OF OUR INTERNAL AUDIT OPINION

As well as those headlines previously discussed, the following areas have helped to inform our opinion. A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

Acceptance of internal audit management actions

Management have agreed actions to address all of the findings reported by the internal audit service during 2020/21.

Implementation of internal audit management actions

Our follow up of the actions agreed to address previous years' internal audit findings shows that the organisation had made **good progress** in implementing the agreed actions.

We undertook one Follow Up reviews in June 2021 and confirmed that from the nine management actions sampled, seven of these (78 per cent), had been fully implemented with the remaining two actions superseded based on changes to working arrangements. However, we agreed a management action in relation to the monitoring and reporting of action progress/implementation, given that this was not formally in place at the time of our review.

Working with other assurance providers

In forming our opinion, we have not placed any direct reliance on other assurance providers.

OUR PERFORMANCE

Wider value adding delivery

Area of work	How has this added value?
Sector Briefings	Issued briefings relating to the sector within our progress reports presented to the AGC to assist officers and committee members in being informed on the latest developments within the sector.
RSM Business Continuity Planning – COVID-19	We provided details of our response to the COVID-19 pandemic, including the focus of the health and welfare of our clients and staff, our ability to support you in all scenarios and delivery of our planned audit reviews.
Coronavirus: Various briefings and webinars	RSM have delivered a number of webinars and client briefings in relation to Coronavirus (ranging from Government financial support for employers, fraud briefings, HR and Legal Support etc).
Audit and Governance Committee attendance	We have attended all AGC's and where appropriate contributed to the wider agenda.
Webinar invitations	Various invitations have been sent to management to attend webinars to inform of any sector and wider sector updates. Examples include VAT, Employment Tax and COVID-19.

Conflicts of interest

RSM has not undertaken any work or activity during 2020/2021 that would lead us to declare any conflict of interest.

Conformance with internal auditing standards

RSM affirms that our internal audit services are designed to conform to the Public Sector Internal Audit Standards (PSIAS).

Under PSIAS, internal audit services are required to have an external quality assessment every five years. Our risk assurance service line commissioned an external independent review of our internal audit services in 2016 to provide assurance whether our approach meets the requirements of the International Professional Practices Framework (IPPF) published by the Global Institute of Internal Auditors (IIA) on which PSIAS is based.

The external review concluded that 'there is a robust approach to the annual and assignment planning processes and the documentation reviewed was thorough in both terms of reports provided to audit committee and the supporting working papers.' RSM was found to have an excellent level of conformance with the IIA's professional standards.

The risk assurance service line has in place a quality assurance and improvement programme to ensure continuous improvement of our internal audit services. Resulting from the programme, there are no areas which we believe warrant flagging to your attention as impacting on the quality of the service we provide to you.

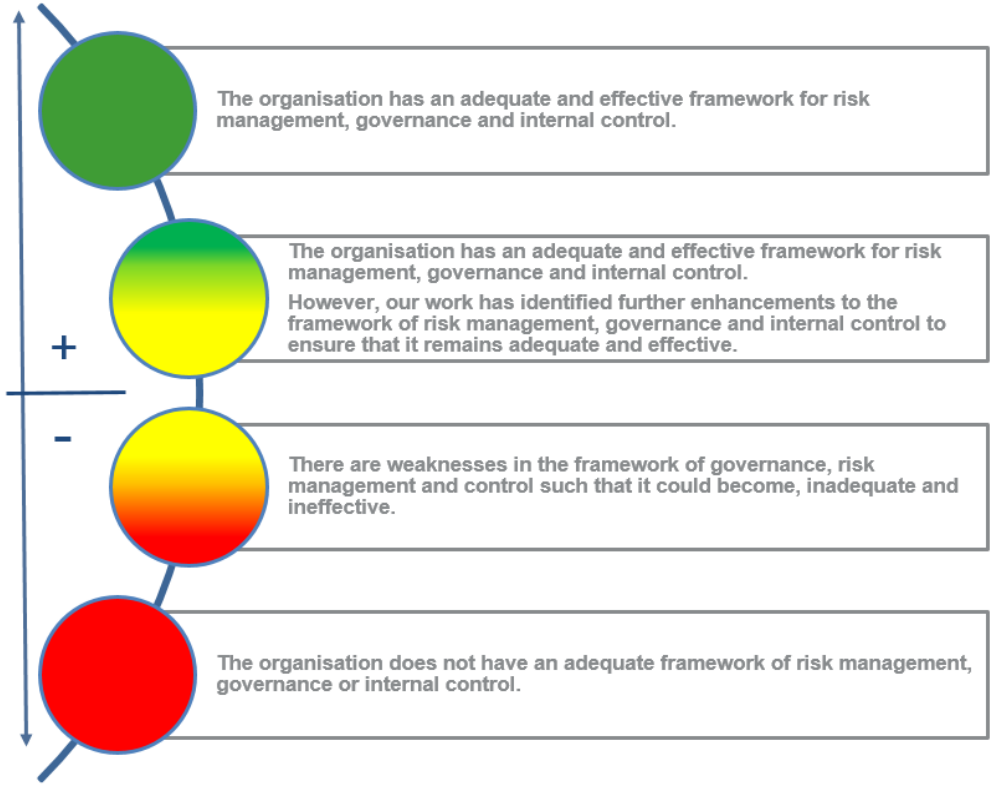
Quality assurance and continual improvement

To ensure that RSM remains compliant with the PSIAS framework we have a dedicated internal Quality Assurance Team who undertake a programme of reviews to ensure the quality of our audit assignments. This is applicable to all Heads of Internal Audit, where a sample of their clients will be reviewed. Any findings from these reviews are used to inform the training needs of our audit teams.

This is in addition to any feedback we receive from our post assignment surveys, client feedback, appraisal processes and training needs assessments.

APPENDIX A: ANNUAL OPINIONS

The following shows the full range of opinions available to us within our internal audit methodology to provide you with context regarding your annual internal audit opinion.

Annual opinions	Factors influencing our opinion
	The factors which are considered when influencing our opinion are: • inherent risk in the area being audited; • limitations in the individual audit assignments; • the adequacy and effectiveness of the risk management and / or governance control framework; • the impact of weakness identified; • the level of risk exposure; and • the response to management actions raised and timeliness of actions taken.

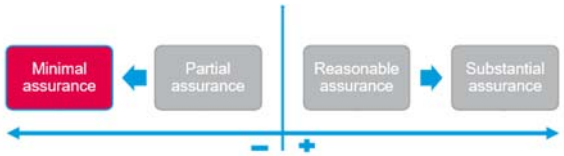
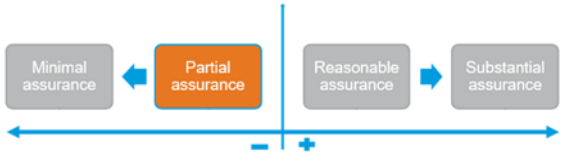
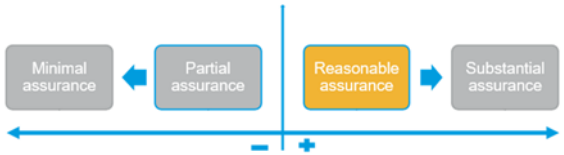
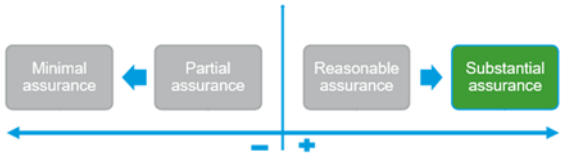
APPENDIX B: SUMMARY OF INTERNAL AUDIT WORK COMPLETED 2020/21

All of the assurance levels and outcomes provided above should be considered in the context of the scope, and the limitation of scope, set out in the individual assignment report.

Assignment	Executive lead	Assurance level	Actions agreed		
			L	M	H
Risk Management 1.20.21 FINAL	Robert Parkin, Chief Legal Officer (Monitoring Officer)	Partial Assurance [●]	1	7	0
Impact of COVID-19 on Project Delivery 2.20.21	Jon Alsop – Head of Finance / Chief Finance Officer	Reasonable Assurance [●]	3	2	0
Appointments to Boards and Committees 3.20.21 FINAL	Robert Parkin, Chief Legal Officer (Monitoring Officer)	Reasonable Assurance [●]	2	2	0
Accounts Payable 4.20.21	Jon Alsop, Chief Finance Officer Robert Emery, Deputy Chief Finance Officer	Reasonable Assurance [●]	5	3	0
[redacted]	[redacted]	Minimal Assurance [●]	[redacted]	[redacted]	[redacted]
Follow Up 6.20.21	Robert Emery – Deputy Chief Finance Officer	Good progress	0	1	0
COVID-19 Capital Grants 7.20.21	Jon Alsop – Chief Finance Officer	Reasonable Assurance [●]	1	2	0

APPENDIX C: OPINION CLASSIFICATION

We use the following levels of opinion classification within our internal audit reports, reflecting the level of assurance the board can take:

	Taking account of the issues identified, the board can take minimal assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Urgent action is needed to strengthen the control framework to manage the identified risk(s).
	Taking account of the issues identified, the board can take partial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Action is needed to strengthen the control framework to manage the identified risk(s).
	Taking account of the issues identified, the board can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective. However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk(s).
	Taking account of the issues identified, the board can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

YOUR INTERNAL AUDIT TEAM

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This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

RSM Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY

Agenda Item No: 8

External Audit Final Results 2021

To:	Audit and Governance Committee
Meeting Date:	30th July 2021
Public report:	Yes
From:	Jon Alsop, Head of Finance and S73 Officer
Key decision:	Not a key decision
Forward Plan ref:	n/a
Recommendations:	The Audit and Governance Committee is recommended to:

a) Receive and approve the Management Representation Letter 2020/21.

b) Receive and note the External Auditors report 2020/21.

1. Purpose

1.1. The purpose of the report is for the Audit and Governance Committee to:

(a) Receive and approve the 2020/21 Management Representation Letter.

(b) Receive and note the External Auditor's report on the Draft Statement of Accounts 2020/21 and draft Annual Governance Statement

2. Background

Audit of the Statement of Accounts 2020/21

2.1. According to their Terms of Reference, the Audit and Governance Committee shall:

No. 3.13 – Consider the annual external audit of the Combined Authority's accounts, including the Annual Audit Letter, assessing the implications and monitoring managers' responses to concerns.
No. 3.15 – Consider any issues arising from the External Auditor's audit of the accounts.

2.2. Ernst & Young LLP (EY) presented their outline audit plan for the 2020/21 CPCA Statement of Accounts to the Audit and Governance Committee in March 2021.

2.3. EY have now substantially completed their audit of the draft CPCA Statement of Accounts for 2020/21 and present their findings to the Audit and Governance Committee. Their statutory report is attached at Appendix 1.

Management Letter of Representation

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

Significant Implications

3. Financial Implications

3.1. The scale fee for the planned audit code work for 2020/21 is £26,950 (2019/20 - £26,950). Additional fees have been incurred to support the following activities as set out in the Fee Analysis in Appendix 1.

- Group Accounts
- Significant risk – C-19 grants accounting
- Significant risk – incorrect capitalisation of revenue expenditure
- IAS 19 audit of pension liability and disclosures
- Impact of COVID-19 including going concern

3.2. All additional code work fees are subject to agreement with the S73 Officer and the Public Sector Audit Appointments Ltd. but the current final expected audit fee for 2020-21 is £39,545.

4. Legal Implications

4.1. None

5. Other Significant Implications

5.1. None

6. Appendices

6.1. Appendix 1: The External Auditor's report on the Draft Statement of Accounts 2020/21

Appendix 2: The Management Letter of Representation

7. Background Papers

7.1. Outline Audit Plan – A&G Committee March 2021

A&GC March 2021 EY Outline Audit Plan

Cambridgeshire and Peterborough Combined Authority

Audit results report

Year ended 30 March 2021

23 July 2021

Building a better working world

23 July 2021

Dear Audit & Governance Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Audit & Governance Committee. This report summarises our preliminary audit conclusion in relation to the audit of Cambridgeshire and Peterborough Combined Authority (the Authority) for 2020/21.

At the date of this report our audit of the Authority's accounts for the year ended 31 March 2020 is substantially complete. However, subject to concluding the outstanding matters listed in our report, we anticipate issuing an unqualified audit opinion on the financial statements in the form at Section 3 of this report. We also expect to have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

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

We would like to thank your staff for their help during the engagement given the additional pressures they have faced responding to the pandemic and working remotely.

We welcome the opportunity to discuss the contents of this report with you at the Audit & Governance Committee meeting on 30 July 2021

Yours faithfully

Suresh Patel

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

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01 Executive Summary

02 Areas of Audit Focus

03 Audit Report

04 Audit Differences

05 Value for Money

06 Other reporting issues

07 Assessment of Control Environment

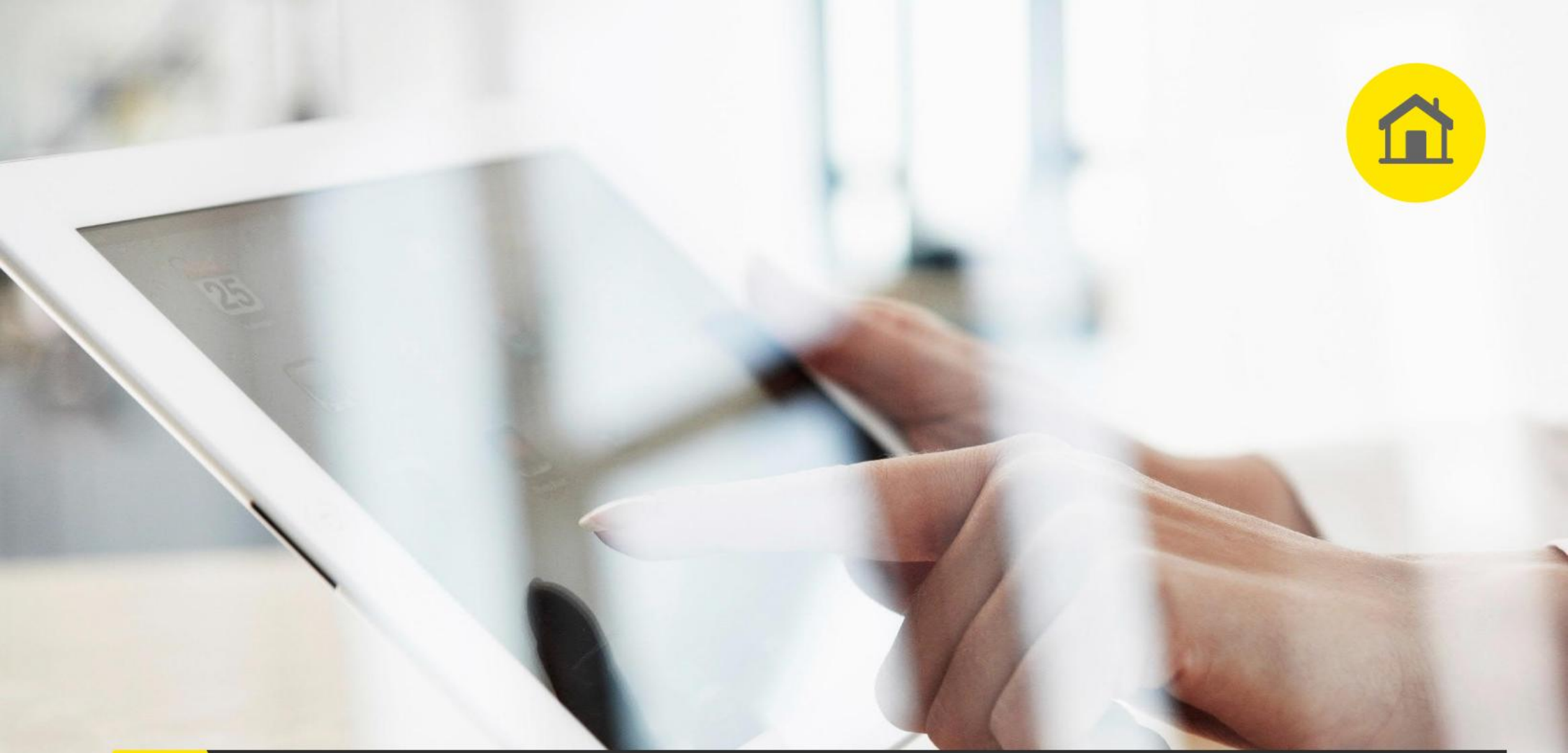
08 Independence

09 Appendices

Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk). This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

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

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



01 Executive Summary

Executive Summary

Scope update

In our Audit Plan dated 11 March 2020, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- Changes in materiality – We updated our planning materiality assessment using the draft statement of accounts and have also reconsidered our risk assessment. Based on our materiality measure of 2% of gross expenditure on provision of services, we have updated our overall materiality assessment to £3.124 million (audit plan - £1.42M). This results in updated performance materiality, at 75% of overall materiality, of £2.343 million, and a threshold for reporting misstatements of £0.156 million.
- Information Produced by the Entity (IPE) – We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Authority's systems. We undertook the following to address this risk:
    - Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
    - Agree IPE to scanned documents or other system screenshots.

As disclosed in the audit plan, additional risks require additional audit input and an associated additional audit fees which will be agreed in advance with S73 officer and then PSAA.

Status of the audit

We have substantially completed our audit of the Cambridgeshire & Peterborough Combined Authority financial statements for the year 31 March 2021 and have performed the procedures outlined in our Audit Plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise. The audit has taken slightly longer than planned to execute, requiring additional time from the audit team particularly in respect of the testing of REFCUS. At the date of this report the outstanding procedures are:

- Related party transactions – we are completing our review of registers of interest received
- Investments – we are awaiting two confirmations from third parties.
- Significant contracts – we are completing our review of 4 contracts received from procurement
- Receiving and evaluation of IAS 19 Assurance Letter from Pension Fund Auditor

In addition we will be completing our final procedures:

- Final audit review processes.
- Reviewing the final version of the financial statements (received 21 July 2021).
- Completing a subsequent events review.
- Requesting, receiving and reviewing the signed management letter of representation.
- Issuing a final version of the Audit Results Report.

Executive Summary

Audit differences

Unadjusted differences

At the date of this report there are no unadjusted differences.

Adjusted differences

There are currently two adjusted differences we wish to highlight from the draft statement of accounts presented for audit on 17 June 2021.

1. Correction of over-statement of a £238,000 VAT amount reclaimed do to rejected return. This adjustment was identified by officers and was corrected for the final statement of accounts.
2. A revised disclosure for related parties with respect to transactions with the Authority's subsidiaries and other interests.
3. Reclassification adjustment in prior period statements from taxation and non-specific grant income to business and skills in the amount of £7.255M relating to the DfE Adult Education budget.

During the audit we have identified some minor disclosure audit amendments in the draft financial statements which management have chosen to adjust. We have judged that these do not warrant flagging to the Audit and Governance Committee in this report.

Areas of audit focus

This report sets out our observations and conclusions on the risks and other areas of audit focus that we outline on the next two pages, and any others identified, in the "Areas of Audit Focus" section of this report. We ask you to review these and any other matters in this report to ensure:

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

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to your attention.

[Continued over]

Executive Summary

Areas of audit focus

Our audit plan identified risks and key areas of focus for our audit of the Authority's financial statements. We summarise below our findings.

Significant risk	Findings & conclusions
Misstatements due to fraud or error – management override	We have completed our testing of journals, sought evidence of bias in material estimates and remained alert to unusual transactions. We have found no indications that management have overridden controls to deliver a desired financial outturn.
Misstatements due to fraud or error – incorrect treatment of capital expenditure as revenue	We have completed our testing of a sample of capital expenditure, including Revenue Expenditure Funded from Capital Under Statute (REFCUS) to verify that revenue costs have not been inappropriately treated as capital. We have also verified that adjustments between the accounting basis and funding basis have been correctly made in accordance with the Code, and reflected appropriately in the Authority's Movement in Reserves Statement (the MiRS). We have found no indications that management have overridden controls to deliver a desired financial outturn.
Misstatements due to fraud or error – accounting for COVID-19 related government grants	We have performed a review of new grants received in 20/21 including management's assessment of principal versus agent. We have agreed the appropriate treatment in the accounts and performed sample testing of individual grants to determinations and to receipt of cash. We have found no indication of management overriding controls to recognize higher revenue.

Area of audit focus	Findings & conclusions
Pension Liability Valuation & Pensions Assets	We are awaiting conclusions from the Cambridge Pension Fund audit to determine any potential impact on the pension liability. We will provide an update to the Audit and Governance Committee once work is completed.
Going concern disclosure	We have reviewed management going concern assessment and disclosure against the requirements of the revised auditing standard and are satisfied that the assessment and disclosure are adequate.
Group Accounts	We reviewed the Authority's assessment of its group boundary and agreed with its judgements about consolidation. Officers provided good working papers to support their consolidation including eliminating intra-group entries and the disclosures in the statements.

Executive Summary

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls. However, from the results of substantive procedures performed we have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statement.

Value for money

Under the Code of Audit Practice 2020 Code we are still required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. However, there is no longer overall evaluation criterion on which we need to conclude. Instead, the 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Authority a commentary against specified reporting criteria (see below) on the arrangements the Authority has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability - How the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance - How the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness - How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

At the end of June 2021 we issued an Update paper to the Committee, reporting that we had completed our VFM risk assessment and had not identified any risk of significant weakness against the three reporting criteria. We have revisited the risk assessment and not identified any new risks. As a result, we have sufficiently completed our planned VFM procedures to confirm that we have no matters to report by exception in the auditor's report (see Section 3). We include our draft VFM commentary as Appendix C and plan to agree the wording with management. We will include the final version in the new Auditor's Annual Report, which we plan to issue when the NAO confirms its arrangements for Whole of Government Accounts (WGA) (see below).

Other reporting issues

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

We are awaiting the National Audit Office (NAO) to confirm the WGA requirements for 2020/21. Until then we cannot certify completion of the audit.

Independence

Please refer to Section 8 for our update on Independence. There are no relationships from 1 April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

02 Areas of Audit Focus

Significant risk

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

What is the risk?

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

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

Significant Risk

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

We performed the following audit procedures:

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

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

What are our conclusions?

We did not identify any material weaknesses in controls or evidence of material management override. We have not identified any instances of inappropriate judgements being applied or management bias. We did not identify any other transactions during our audit which appeared unusual or outside the normal course of business.

Significant risk

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

What is the risk?

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

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

Significant Risk

What judgements are we focused on?

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

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

What did we do?

Our approach focused on:

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

What are our conclusions?

The current year testing saw a significant increase in REFCUS expenditure from £50.737M to £109,943M which in turn resulted in a significant increase in sample size to 130 items (prior year – 93). Our testing involved inspection of board approval for REFCUS project expenditure which presented difficulties for identification within meeting minutes. We also inspected invoices and grant forms to assess the accuracy of amounts and the appropriateness of capitalization.

We have concluded our procedures on the incorrect capitalisation of the revenue expenditure and REFCUS and have found no indication of management override of controls.

Significant risk

Misstatements due to fraud or error – accounting for COVID-19 grants

What is the risk?

The Authority has received a significant level of government funding in relation to COVID-19. Whilst there is no change in the CIPFA Code or accounting standard (IFRS 15) in respect of accounting for grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Authority will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment in the 2020/21 statements.

Significant Risk

What judgements are we focused on?

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

We focused on the Authority's judgement that a grant is principal or agent to determine the recognition of revenue within the statements.

What did we do?

Our approach focused on:

- We obtained managements' assessment of new grants received in the year and reviewed against grant determinations to conclude on treatment as principal or agent. We performed sample testing over grants to supporting documentation and receipt of the grant in the bank statement to assess the accuracy of amounts recorded.

What are our conclusions?

Total grant income in the period amounted to £130.062M our testing providing coverage over £129.477M. Grant income for new COVID-19 grants received in the year totalled £3.659M with spend of £2.926M. We have reviewed the principal versus agent treatment for all new grants received in the period against grant determinations.

We have concluded our procedures over grant income and noted no issues with the recognition of revenue.

Areas of Audit Focus – Other Areas of Audit Focus

Pensions valuations and disclosures – Inherent risk

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.

The Authority's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Authority's balance sheet. At 31 March 2021 this totalled £3.6 million. The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the administering body.

Accounting for this scheme involves significant estimation and judgement.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

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

We have identified a specific risk of misstatement that could affect the balance sheet. We consider the risk applies to the valuation of the pension liability in the balance sheet and supporting disclosure notes. To address this risk we:

- Liaised with the auditors of Cambridge Pension Fund to obtain assurances over the information supplied to the actuary in relation to the Authority;
- Assessed the work of the Pension Fund actuary (Hymans) including the assumptions they used by relying on the work of PwC – Consulting Actuaries commissioned by National Audit Office (NAO) for all Local Government sector auditors, and considering the corresponding reviews performed by the EY actuarial team; and
- Reviewed and tested the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.

What are our conclusions?

We are awaiting receipt of the IAS 19 Assurance Letter from the pension fund auditor to determine if there is any impact on the Authority. We will report to the Audit & Governance Committee once this is concluded.

Areas of Audit Focus

Other Areas of Audit Focus – Going concern disclosure

There is presumption that the Authority will continue as a going concern. However, the current and future uncertainty over government funding and other sources of Authority revenue as a result of Covid-19 increases the need for the Authority to undertake a detailed going concern assessment to support its assertion. In light of the unprecedented nature of Covid-19, its impact on the funding of public sector entities and uncertainty over the form and extent of government support, we requested that management provide a documented consideration to support their assertion regarding the going concern basis. We also reviewed the Authority's subsequent new disclosure note.

Our approach has focused on:

- Assessing the adequacy of disclosures required in 2020/21;
- Discussing with management the going concern assessment and challenging management's underlying assumptions;
- Considering the impact on our audit report, including completing the EY consultation requirements.

Findings and conclusions

We reviewed the assessment, focusing on the reasonableness of the financial impact assessment, cashflow and liquidity forecasts, known outcomes, sensitivities, mitigating actions and key assumptions. We also discussed with management the need to make specific disclosures in the 2020/21 statements.

We have concluded that the assumptions applied are appropriate given the limited impact Covid-19 has had on the Authority given that it does not provide services in the same way other local authorities do. The Authority's income is mainly received via government grant and this is secured for the period of the MTFP. The only impact of Covid-19 is on how and where the Authority spends its monies moving forward.

We have now reviewed the going concern disclosure included in the statement of accounts, and are satisfied that it adequately reflects the Authority's assessment and informs the reader of the limited impact of the pandemic on the Authority's finances.

Areas of Audit Focus

Other Areas of Audit Focus – Group Accounts

The Authority prepared group accounts for the first time in 2020/21. Through group boundary assessments the Authority identified four subsidiaries, two associates, and two joint ventures of which four had material activity during the period (table of details included on next page).

Our approach has focused on:

- Assessing the adequacy of disclosures required in 2020/21;
- Testing the consolidation and eliminating entries to prepare group accounts;
- Reviewing the treatment of intercompany transactions between the Authority and the related parties.

Findings and conclusions

We reviewed the boundary assessment and performed independent scoping procedures to determine material entities for testing. We noted that the majority of activity occurring within subsidiary accounts was transacted by the Authority on their behalf resulting in offsetting debtors, creditors, expense, and revenue balances.

We inspected the Authority's consolidation workbook and reperformed calculations for accuracy.

We have reviewed the group account disclosures included in the statement of accounts, and are satisfied that it adequately reflects the financial position of the group as at 31 March 2021.

Areas of Audit Focus

Other Areas of Audit Focus – Group Accounts

Company	Interest (voting rights if different)	Category	In group accounts
Peterborough HE Property Company Limited	93% (50%)	Associate	Yes - equity
Cambridgeshire and Peterborough Business Growth Company Limited	100%	Subsidiary	Yes – line by line
One Cam Limited	100%	Subsidiary	Yes – line by line
Peterborough R&D Property Company Limited	100%	Subsidiary	Yes – line by line
Angle Holdings Limited	100%	Subsidiary	Not material
Smart Manufacturing	100% (50%)	Joint Venture	Not material
Ascendal	100% (50%)	Joint Venture	Not material
MedTech Accelerator Ltd	20%	Associate	Not material

04 Audit Report

Draft audit report

Our opinion on the financial statements

- Audit report to follow

05 Audit Differences

Audit Differences

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

Summary of adjusted and unadjusted differences

Unadjusted differences

At the date of this report there are no unadjusted differences.

Adjusted differences

At the date of this there are adjusted differences we wish to highlight from the draft statement of accounts presented for audit on 17 June 2021.

1. Correction of over-statement of VAT amount reclaimed do to rejected return in the amount of £238,000. This adjustment was identified by officers and was corrected for the final statement of accounts.
2. A revised disclosure for related parties with respect to transactions with the Authority’s subsidiary companies and other interests.
3. Reclassification adjustment in prior period statements from taxation and non-specific grant income to business and skills in the amount of £7.255M relating to the DfE Adult Education budget.

During the audit we have identified some minor disclosure audit amendments in the draft financial statements which management have chosen to adjust. We have judged that these do not warrant flagging to the Audit & Governance Committee in this report.

06 Value for Money

Value for money

The Authority's responsibilities for value for money (VFM)

The Authority is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

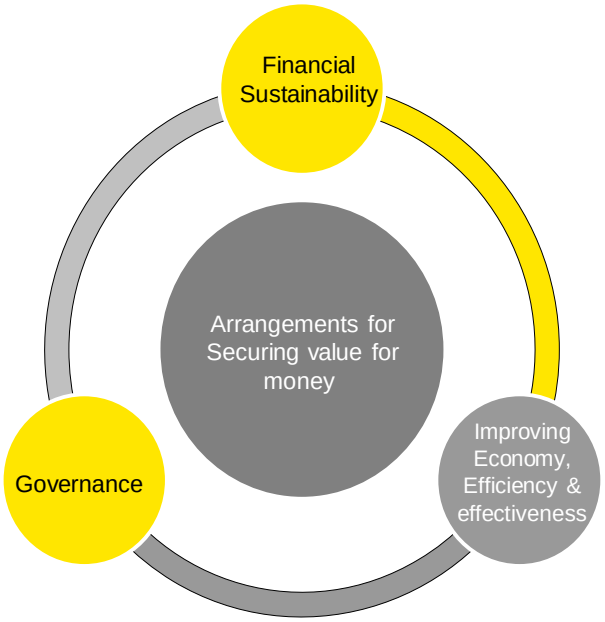
As part of the material published with its financial statements, the Authority is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In doing so the Authority is required to follow the CIPFA/SOLACE framework for local government.

In preparing its governance statement, the Authority tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Risk assessment

We reported to the Committee in late June 2021 the outcome of our assessment of the risk of significant weaknesses in the Authority's VFM arrangements - that we had not identified any risks. We have revisited our risk assessment and have not identified any additional risks.

As a result, we have sufficiently completed our planned VFM procedures to confirm that we have no matters to report by exception in the auditor's report (see Section 3). We include our draft VFM commentary as Appendix C and plan to agree the wording with management. We will include the final version in the new Auditor's Annual Report, which we plan to issue once the NAO confirms the arrangements for WGA.



07 Other reporting issues

Other reporting issues

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

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2020/21 with the audited financial statements. We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2020/21 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements. We have no other matters to report.

Whole of Government Accounts

We are awaiting the NAO to confirm the thresholds for reporting on WGA. In the prior year it was £500m so we are not expecting to be required to carry out any procedures on the Authority's WGA submission but cannot conclude on this item until the NAO confirms the arrangements for 2020/21.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

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

08 Assessment of Control Environment

Assessment of Control Environment

Financial controls

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

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

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

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

10 Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our audit plan dated 26 February 2021.

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

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit & Governance Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit & Governance Committee on 30 July 2021.

We confirm we have not undertaken any non-audit work outside the NAO Code requirements in relation to our work.

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.
There are no relationships from 1 April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The table overleaf includes a summary of the fees that you have paid to us in the year ended 31 March 2021 in line with the disclosures set out in FRC Ethical Standard and in statute.
As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2021.

We confirm that we have not undertaken non-audit work outside the NAO Code requirements. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO.

In our Audit Plan and subsequent reporting to the Audit & Governance Committee, we have communicated our proposal to increase the 2020/21 scale fee and planned fees in March 2020. This proposal is currently being considered by PSAA as part of their national consideration of EY's fee proposals.

	Final Fee 2020/21 (£)	Planned fee 2020/21 (£)	Final Fee 2019/20 (£)
Scale Fee – Code work	26,950	26,950	26,950
Suggest uplift to scale fee	2,695	2,695	-
Additional fees (Note 1)			
- Group Accounts	3,000	TBC	-
- VFMC significant risk	-	TBC	5,909
- Significant Risk – C-19 grants accounting	1,000	TBC	-
- Significant risk – incorrect capitalisation of revenue expenditure and REFCUS	3,300	1,000-2,500	2,480
- IAS 19 audit of pension liability & disclosures	2,500	2,000-4,000	4,004
- Correspondence from the public	-	-	3,297
- Impact of Covid-19	1,000	1,000-2,000	1,755
- Mayor's request in respect of correspondence with MRGLG	-	-	3,912
Total audit fees	39,545	TBC	48,307

All fees exclude VAT

Note 1: We have performed additional work as a result of the risks identified in this audit results report.
These items are outside of the PSAA scale fee and will be subject to agreement with the CFO and then PSAA.

Other communications

EY Transparency Report 2020

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2020:

https://www.ey.com/en_uk/who-we-are/transparency-report-2020

11 Appendices

Required communications with the Audit and Governance Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Audit and Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Outline Audit Plan, March 2021 meeting of the Audit and Governance Committee.
Significant findings from the audit	• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process	Audit Results Report, July 2021 meeting of the Audit and Governance Committee.

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements	Audit Results Report, July 2021 meeting of the Audit and Governance Committee.
Misstatements	• Uncorrected misstatements and their effect on our audit opinion • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management	Audit Results Report, July 2021 meeting of the Audit and Governance Committee.
Subsequent events	• Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	Audit Results Report, July 2021 meeting of the Audit and Governance Committee.
Fraud	• Enquiries of the Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Any other matters related to fraud, relevant to Audit and Governance Committee responsibility.	Audit Results Report, July 2021 meeting of the Audit and Governance Committee.

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	Significant matters arising during the audit in connection with the Authority's related parties including, when applicable: • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the Authority	Audit Results Report, July 2021 meeting of the Audit and Governance Committee.
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.	Outline Audit Plan, March 2021 meeting of the Audit and Governance Committee. Audit Results Report, July 2021 meeting of the Audit and Governance Committee.

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
External confirmations	• Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures.	Audit Results Report, July 2021 meeting of the Audit and Governance Committee.
Consideration of laws and regulations	• Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur • Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	Audit Results Report, July 2021 meeting of the Audit and Governance Committee.
Significant deficiencies in internal controls identified during the audit	• Significant deficiencies in internal controls identified during the audit.	Audit Results Report, July 2021 meeting of the Audit and Governance Committee.

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Group Audits	• An overview of the type of work to be performed on the financial information of the components • An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components • Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work • Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted • Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.	Audit Results Report, July 2021 meeting of the Audit and Governance Committee.
Written representations we are requesting from management and/or those charged with governance	• Written representations we are requesting from management and/or those charged with governance	Assurance Letter to be received shortly after year-end
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	• Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report, July 2021 meeting of the Audit and Governance Committee.
Auditors report	• Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report, July 2021 meeting of the Audit and Governance Committee.
Fee Reporting	• Breakdown of fee information when the audit planning report is agreed • Breakdown of fee information at the completion of the audit • Any non-audit work	Outline Audit Plan, March 2021 meeting of the Audit and Governance Committee. Audit Results Report, July 2021 meeting of the Audit and Governance Committee.

Management representation letter

Management Rep Letter

[To be prepared on the entity's letterhead]

23 July 2021

Suresh Patel
Associate Partner
Ernst & Young LLP
One Cambridge Business Park
Cowley Road
Cambridge
CB4 0WZ

Dear Suresh

This letter of representations is provided in connection with your audit of the consolidated and council financial statements of Cambridgeshire & Peterborough Combined Authority ("the Group and Authority") for the year ended *31 March 2021*. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and council financial statements give a true and fair view of the Group and Authority financial position of Cambridgeshire & Peterborough Combined Authority as of *31 March 2021*and of its financial performance (or operations) and its cash flows for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom *2020/21.*/

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and Authority the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

2. We acknowledge, as members of management of the Group and Authority, our responsibility for the fair presentation of the consolidated and council financial statements. We believe the consolidated and authority financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21and are free of material misstatements, including omissions. We have approved the consolidated and council financial statements

3. The significant accounting policies adopted in the preparation of the Group and Authority financial statements are appropriately described in the Group and Authority financial statements.

4. As members of management of the Group and Authority, we believe that the Group and Authority have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 for both the Group and the Authority that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.

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

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

1. We acknowledge that we are responsible for determining that the Group and Authority's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. We have disclosed to you the results of our assessment of the risk that the consolidated and Authority financial statements may be materially misstated as a result of fraud.

4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Group or Authority (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

   - involving financial statements;
   - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or Authority's financial statements;
   - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group or Authority's activities, its ability to continue to operate, or to avoid material penalties;

Management representation letter

Management Rep Letter

- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
   - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
   - Additional information that you have requested from us for the purpose of the audit; and
   - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the consolidated and authority financial statements, including those related to the COVID-19 pandemic.
3. We have made available to you all minutes of the meetings of the Authority and Audit & Governance Committee held through the year to the most recent meeting on 30 June 2021.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and authority financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Group and Authority has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and authority financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate

D. Liabilities and Contingencies

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

E. Subsequent Events

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

F. Group audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst authority, subsidiary undertakings and associated undertakings.

G. Other information

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

H. Reserves

1. We have properly recorded or disclosed in the consolidated and authority financial statements the useable and unusable reserves.

Management representation letter

Management Rep Letter

I. Use of the Work of a Specialist

When the Group or Authority has used the work of a specialist, we may include the following representation:

1. We agree with the findings of the specialists that we engaged to evaluate the *Valuation of Pension Liabilities* and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and authority financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

J. Estimates - Valuation of Pension Liabilities

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context *of* CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
2. We confirm that the significant assumptions used in making the valuation of the pension liability*]* appropriately reflect our intent and ability to carry out *the pension* on behalf of the entity.
3. We confirm that the disclosures made in the consolidated and authority financial statements with respect to the accounting estimate(s) are complete and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and authority financial statements due to subsequent events.

K. **Retirement benefits**

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

_____

Chief Financial Officer

_____

Chair of the Audit & Governance Committee

VFM Commentary

VFM Commentary

Cambridgeshire and Peterborough Combined Authority 2020/21

Draft VFM commentary at 26 July 2021

Financial sustainability

For 2020/21 the Authority has had the expected arrangements in place to plan and manage its resources to ensure it can continue to deliver services

How the Authority ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

The Board receives and reviews a bi-monthly Budget Monitoring Report, and a quarterly Performance Monitoring Report, which provide oversight over the financial performance of the Authority. The Audit and Governance Committee (A&GC) also receives quarterly Performance Reporting identifying projects that are not performing as expected against budgeted spend and key performance indicators. The A&GC consider this reporting and challenge officers as to the actions being taken to address the under performance and officers then consider the impact on the Corporate Risk Register.

How the Authority plans to bridge its funding gaps and identifies achievable savings

For 2020/21 the Authority has had no funding gaps and due to the way it is funded it does not currently have any need to identify savings. It uses a 'Single Pot' funding approach which is backed by the Devolution Deal signed by the member councils committing significant funding to the ambitions and priorities of the Mayor and Authority. The Authority employs a Treasury Management Strategy which can leverage the future guaranteed funding to obtain current borrowing to meet short term funding gaps of which none are currently identified.

How the Authority plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Authority does not deliver services directly (for 2021/22 it will provide passenger transport services), but its strategic and statutory priorities are clearly laid out in its Annual Report and Business Plan which is approved by the Board.

The long-term priorities of the Authority are set out by the Devolution Deal which identifies the specific projects the Combined Authority and member councils aim to complete over the 30-year period of the Deal. The Authority has a vision and 4-year business plan which articulates how it will deliver on its strategic and statutory priorities in the medium term. The current business plan was established drawing on the findings of specially commissioned independent economic review of the region. Initiatives and services established in the plan are translated into a Medium-Term Financial Plan which is approved annually by the Board.

How the Authority ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

The Authority has established Strategic Plans based on the key performance indicators established through the Cambridgeshire and Peterborough Independent Economic Review. These Strategic Plans are used in the development of the Medium-Term Financial Plan and the 2020/21 Business Plan to ensure financial alignment with strategic initiatives.

Monitoring is performed on a monthly basis through performance reporting which assesses how identified key projects are performing against the key performance indicators. The Board has a quarterly performance report which summarises the monthly performance reporting.

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Projects funded by the Authority must implement the Monitoring and Evaluation Framework. Project managers report monthly on budget spend, performance against key metrics, and risk registers. A corporate risk register is reviewed monthly by the Directors of the Authority and reviewed quarterly by the AG&C. The AG&C provides recommendations to the Board for consideration on the management of risks identified on an ad hoc basis with respect to the Authority's management of risks and on any concerns that risks being accepted by the Authority may be unacceptable.

Governance

For 2020/21 the Authority had the expected arrangements in place to ensure that it made informed decisions and properly managed its risks

How the Authority monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Authority maintains a corporate risk register which is reviewed quarterly by the A&GC. Corporate level risks are assigned to a corporate risk owner who is assigned responsibility for developing the management strategy for the risk. The corporate risk owner ensures that mitigation actions are undertaken by appropriate level of staff and monitors outcomes for updating the Corporate Risk Register.

The Authority has an internal audit service to help gain assurance over the effective operation of internal controls. Internal audit also undertakes a Corporate Fraud Risk Assessment and liaises with officers to assist with the identification of fraud risks and development of mitigations to a desired level. The Internal Audit plan will include proactive testing of areas where a risk of fraud is identified. The Chief Finance Officer (CFO) is responsible for the adequacy of the internal audit coverage and the A&GC review and approve the annual internal audit plan.

How the Authority approaches and carries out its annual budget setting process

The annual budgets are prepared by officers engaging and submitted to the Board by the end of December with a consultation period of no less than 4 weeks with Constituent Authorities, the Business Board, and the Overview and Scrutiny Committee. It is then presented to the Board for approval.

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed.

All projects funded from the 'Single Pot' and are subject to the Assurance Framework and the Monitoring and Evaluation Framework. The CFO and Monitoring Officer review all

VFM Commentary

VFM Commentary

proposed funding decisions for business cases on a weekly basis. Approved projects are captured within the Business Plan and the Medium-Term Financial Plan.

The Mayor and CFO report monthly to the Board a Budget Monitor Update which presents the financial position of the for the year to date and seeks Board approval for major amendments to the budget. In addition, the Mayor and Director of Delivery & Strategy report a performance dashboard to the Board to support non-financial performance monitoring.

The CFO oversees the adoption and operation of the Authority's Standing Financial Instructions including the rules relating to budgetary control, procurement, banking, losses and controls over income and expenditure transactions.

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee

The effective operation of the Board, supported with regular, clear and relevant information, is the Authority's key tool for ensuring that it makes properly informed decisions. Published board papers and minutes evidence the challenge made by Members and the transparency in decision making.

The A&GC meets quarterly, is chaired by an independent person, is comprised of appropriately skilled and experienced members, has clear terms of reference which emphasises the Committee's role in providing effective challenge and has an annual work plan to help ensure that it focus on the relevant aspects of governance, internal control, and financial reporting.

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).

The Authority has policies and procedures in place to ensure that staff operate in accordance with relevant legislative and regulatory requirements as set out in the Authority's Constitution under Annex 1 - Code of Conduct. The Authority has an established complaints process with complaints being addressed by the Monitoring Officer. Any gifts and hospitality received are declared under the relevant members name and published on the Authority's the website. Additionally, all offers of gifts and hospitality of £50.00 or more, whether accepted or not, must be recorded within 28 days. Reminders are sent monthly to members to update declarations.

The Authority has policies and procedures in place to ensure that staff operate in accordance with relevant legislative and regulatory requirements. These policies and procedures are reviewed and revised regularly - this is overseen by the Monitoring Officer.

Improving economy, efficiency and effectiveness

For 2020/21 the Authority has had the expected arrangements in place for using information about its costs and performance to improve the way it manages and delivers services

How financial and performance information has been used to assess performance to identify areas for improvement

Each month officers are required for all projects funded by the Authority to prepare a highlight performance report updating budgeted spend, performance against key milestones, and outputs/outcomes. These reports also include risk registers to track key risks and assign individuals to monitor the risk throughout the project life cycle. The highlight reports are consolidated into a monthly dashboard and reviewed by the Directors of the Authority. On a quarterly basis the Board receive the Performance Monitoring Reports with identification of projects that are underperforming.

How the Authority evaluates the services it provides to assess performance and identify areas for improvement

The Authority did not provide services in 2020/21. It does engage in projects to deliver key initiatives focused on Gross Value Added, Jobs Growth, and Affordable Housing. These key initiatives are established under the Devolution Deal and the Board receives monthly performance dashboard reports to help evaluate performance and seek assurances that improvements are being made where relevant.

How the Authority ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

The Authority's main partnerships are with each constituent Council and the Business Board. The constituent Councils each appoint one member to the Board to act on the Council's behalf in the execution of the Strategic Initiatives identified as part of the Devolution Deal. In addition, the Board has a voting representative from the Business Board and non-voting, co-opted members from Cambridgeshire and Peterborough Clinical Commissioning Group, the Cambridgeshire and Peterborough Fire Authority, and the Police and Crime Commissioner. Each quarter members of the Board receive Performance Reporting against key performance indicators. The Business Board has co-adopted the management and evaluation framework alongside the Authority and provides performance reporting in a similar manner.

Where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

The Authority employs a Procurement and Contracting Manager responsible for the design, implementation, and management of the Procurement Gateway Process. The Procurement and Contracting Manager in partnership with the Monitoring Officer ensures that the Procurement Gateway Process is aligned with all relevant legislation, professional standards, and internal policies. All contracts require signature from the Procurement and Contracting Manager, CFO, Monitoring Officer, and Directors. Following the awarding of contracts the contract owner must hold performance management meetings at appropriate intervals to ensure that expected benefits are being realised and if not that appropriate action is taken.

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ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com

XX July 2021

Suresh Patel
Associate Partner
Ernst & Young LLP
One Cambridge Business Park
Cowley Road
Cambridge
CB4 0WZ

Dear Suresh

This letter of representations is provided in connection with your audit of the consolidated and council financial statements of Cambridgeshire & Peterborough Combined Authority ("the Group and Authority") for the year ended *31 March 2021*. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and council financial statements give a true and fair view of the Group and Authority financial position of Cambridgeshire & Peterborough Combined Authority as of *31 March 2021*and of its financial performance (or operations) and its cash flows for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2*020/21.*

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and Authority the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

2. We acknowledge, as members of management of the Group and Authority, our responsibility for the fair presentation of the consolidated and council financial statements. We believe the consolidated and authority financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 20*20/21*and are free of material

misstatements, including omissions. We have approved the consolidated and council financial statements

3. The significant accounting policies adopted in the preparation of the Group and Authority financial statements are appropriately described in the Group and Authority financial statements.

4. As members of management of the Group and Authority, we believe that the Group and Authority have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 20*20/21* for both the Group and the Authority that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.

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

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

1. We acknowledge that we are responsible for determining that the Group and Authority's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. We have disclosed to you the results of our assessment of the risk that the consolidated and Authority financial statements may be materially misstated as a result of fraud.

4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Group or Authority (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

    - involving financial statements;

    - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or Authority's financial statements;

    - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group or Authority's activities, its ability to continue to operate, or to avoid material penalties;

    - involving management, or employees who have significant roles in internal controls, or others; or

- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

   - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

   - Additional information that you have requested from us for the purpose of the audit; and

   - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the consolidated and authority financial statements, including those related to the COVID-19 pandemic.

3. We have made available to you all minutes of the meetings of the Authority and Audit & Governance Committee held through the *year* to the most recent meeting on 30 June 2021.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and authority financial statements.

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. We have disclosed to you, and the Group and Authority has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and authority financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

7. From the date of our last management representation letter through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely

to have a material impact to the financial statements, in each case or in the aggregate

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and authority financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note *[X]* to the consolidated and authority financial statements all guarantees that we have given to third parties.

E. Subsequent Events

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

F. Group audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.

2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst authority, subsidiary undertakings and associated undertakings.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and the Annual Governance Statement

2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Reserves

1. We have properly recorded or disclosed in the consolidated and authority financial statements the useable and unusable reserves.

I. Use of the Work of a Specialist

When the Group or Authority has used the work of a specialist, we may include the following representation:

1. We agree with the findings of the specialists that we engaged to evaluate the *Valuation of Pension Liabilities* and have adequately considered the

qualifications of the specialists in determining the amounts and disclosures included in the consolidated and authority financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

J. Estimates - Valuation of Pension Liabilities

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context *of* CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

2. We confirm that the significant assumptions used in making the valuation of the pension liability*]* appropriately reflect our intent and ability to carry out *the pension* on behalf of the entity.

3. We confirm that the disclosures made in the consolidated and authority financial statements with respect to the accounting estimate(s) are complete and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and authority financial statements due to subsequent events.

K. **Retirement benefits**

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

_____

Chief Financial Officer

_____

Chair of the Audit & Governance Committee

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY

Agenda Item No: 9

Audited Statement of Accounts 2020/21 and Annual Governance Statement

To:	Audit and Governance Committee
Meeting Date:	30th July 2021
Public report:	Yes
From:	Jon Alsop, Head of Finance and S73 Officer
Key decision:	Not a key decision
Forward Plan ref:	
Recommendations:	The Audit and Governance Committee is recommended to:

a) Receive and approve the final Statement of Accounts 2020/21

b) Receive and approve the Annual Governance Statement 2020/21.

Voting arrangements: A simple majority of all Members

1. Purpose

1.1. The purpose of the report is for the Audit and Governance Committee to:

(a) Receive and approve the final Statement of Accounts 2020/21
(b) Receive and approve the final Annual Governance Statement 2020/21

2. Background

Review of the Statement of Accounts 2020/21

2.1. According to their Terms of Reference, the Audit and Governance Committee shall:

No. 3.4 - Review the Annual Governance Statement prior to approval to ensure it properly reflects the risk environment and supporting assurances.
No. 3.12 – Review the annual accounts.
No. 3.14 – Consider whether accounting policies were appropriately followed and any need to report concerns to the Combined Authority Board.

2.2. At the meeting on the 25th June 2021, the Committee reviewed the draft Statement of Accounts. The Committee suggested a number of changes be made to the statement of accounts before they were finalised. These changes, per the action log from the 25th June meeting, have been considered and all have been implemented.

2.3. Since the publication of the draft Statement of Accounts three adjustments have been made to the figures included in the accounts: one to adjust the value of OneCAM in light of its inability to reclaim VAT, reclassification of the AEB grant received in 2019-20, and an immaterial update to the current value of Prop Co1.

2.4. There have been two major changes to the presentation of the accounts: first group movement in reserves (MIRS) table was expanded to present the subsidiaries useable reserves by company rather than combined and, second, a table setting out the inter-company debtors and creditors was added to the related parties note. Beyond this a number of minor formatting changes and transposition errors have been corrected. As requested by the Committee this report contains both the revised Statement of Accounts, and a version with all changes between the current version and the draft seen by the Committee in June tracked.

2.5. The period for the exercise of public rights ends on the 29th July, as of the publication of this report no-one has exercised their rights during the period.

2.6. As the audit cannot be formally concluded, and the audit opinion signed off by our external auditors, until the inspection period has closed a signed opinion is not included in the accounts appended to this report at publication. It is anticipated that a signed opinion will be provided to the Committee on the day of the meeting (item 8 on the agenda) and a Partner from Ernst & Young (EY) will be at the meeting to present this to the Committee.

2.7. In accordance with the Accounts and Audit (2015) Regulations and the Committee's terms of reference, following the conclusion of the audit, the Committee must approve the Final

Statement of Accounts and Annual Governance Statement ahead of their publication, which must be by the 30th September.

2.8. At the time of publication of papers for this meeting, the audit is substantially complete. In the event that any changes are required to the accounts between the meeting and the publication deadline, delegated authority will need to be given to the Audit and Governance Committee Chair to approve these changes if the publication deadline is to be met.

Significant Implications

3. Financial Implications

3.1. The scale fee for the planned audit code work for 2020/21 is £26,950 (2019/20 - £26,950). Additional fees will be incurred to support the following activities as set out in EY's Outline Audit Plan which was presented to the Committee in March.

- Group Accounts
- VFMC significant risk
- Significant risk – C-19 grants accounting
- Significant risk – incorrect capitalisation of revenue expenditure
- IAS 19 audit of pension liability and disclosures
- Impact of COVID-19 including going concern

3.2. The total audit fee for 2019/20 was £48,307.

3.3. All additional code work fees are subject to agreement with the S73 Officer and the Public Sector Audit Appointments Ltd.

4. Legal Implications

4.1. None

5. Other Significant Implications

5.1. None

6. Appendices

6.1. Appendix 1: Statement of Accounts 2020/21 including the Draft Annual Governance Statement 2020/21 clean

6.2 Appendix 2: Statement of Accounts 2020/21 including the Draft Annual Governance Statement 2020/21 tracked changes

7. Background Papers

7.1. None

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY

Statement of Accounts

2020/21

Draft – Subject to Audit

Cambridgeshire and Peterborough Combined Authority

Statement of Accounts 2020/21

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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 and 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 and Peterborough Combined Authority's financial statements for the year ended 31 March 2021.

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

The Business Board 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 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 and Peterborough Combined Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Combined Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.
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 Ministry of Housing, Communities and Local Government (MHCLG) 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.

4. Operational Model

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

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

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

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 immediate response was to remain ‘open for business’ with the Combined Authority’s workforce being fully mobilised to work from home, meetings taking place virtually, and the Mayor’s general power of competence being relied upon to make decisions.

During 2020/21, innovations to support local businesses affected by COVID-19 included:

- The re-design and re-purpose of resources towards growth coaching, advice, grants and equity investments, to provide a rapid response to support businesses.
- Supporting clients to access information regarding the Central Government Support Packages and to provide signposting to appropriate local sector Business networks.
- Allocate grant funding for short term support grants to COVID recovery and regrowth strategies for local firms.

The Combined Authority conducted a review of all priorities to focus on those which would support economic recovery following the impact of the pandemic. This review led to a refreshed budget and Medium-Term Financial plan (MTFP) being approved by the Board in June 2020.

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 has been 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 are contained within the Business plan remain affordable within the expected funding envelope across the lifetime of the MTFP, whilst maintaining a £1m Contingency Reserve.

Administration of COVID grants

The Combined Authority's COVID-19 response refocussed about £6m of resources to support small businesses and microbusiness with COVID capital grants.

The micro-grant scheme provided 128 grants to businesses, whilst the COVID-19 capital grant scheme funded 132 grants estimated to create or protect over 800 jobs.

The Combined Authority also worked closely with Constituent Authorities and Public Transport providers to support recovery, being the accountable body for funding to develop 'active travel' schemes, COVID related bus subsidies, and for providing additional 'home to school' travel.

Our Growth Ambition

The Combined Authority has a Growth Ambition Statement to summarise it's strategy and response to the Cambridgeshire & Peterborough Independent Economic Review (CPIER).

The CPIER endorsed the Devolution Deal ambition of doubling GVA over 25 years and said that growth is of strategic importance for the future global competitiveness of Britain. It emphasised the diversity of our economy and the difference between the challenges the strongly-growing large cities and other parts of the area face.

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

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

New homes need to be affordable. The Combined Authority's Housing Strategy aims to exceed the 2,500 affordable homes committed to in the Devolution Deal. We will also use the new Spatial Framework and direct investment in new settlements to

encourage extra affordable housing provision, including by developing homes for first time buyers with a price target based on earnings.

In striking a balance between the different possible patterns for future settlements through the Spatial Framework, the Combined Authority will encourage development, where good transport can be provided, including along transport corridors and new garden villages. By linking the Spatial Framework and Local Transport Plan, this approach will be based on ensuring that transport and other infrastructure investment precedes housing development.

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

Responding to the growth challenge means public sector interventions to help firms raise their productivity, especially outside the Greater Cambridge area. Our Local Industrial Strategy (LIS) reflects the CPIER's recommendations about key sectors and the drivers of productivity. It recognises the different economic roles that different towns play and will be about targeting support to businesses in areas that need it. It will focus on improving productivity, encouraging exporting and supporting digital connectivity for businesses.

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

The CPIER recognised that growing our economy is not just about our two large cities and emphasised the role of Market Towns. We will continue to support the Market Town Masterplans and, this year, we have started to enable delivery of the proposals that have evolved from those masterplans.

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

6. Strategy and Resource allocation

THE LOCAL ECONOMIC RECOVERY STRATEGY (LERS)

In the first half of 2020/21, the Combined Authority engaged in a collaborative process through significant co-ownership and broader business community, education and public consultation to produce a Local Economic Recovery Strategy. It was a product of the Covid-19 Local Economic Recovery Sub-Group, consisting of Local Authority economic development officers in partnership with representatives of all the key local business organisations. The strategy was recommended for adoption by the Business Board as its Covid-19 adapted version of the Local Industrial Strategy and was ratified by the CPCA main Board on the 30th September.

The Covid-19 Economic Recovery Strategy Mission is:

"To lead the nation out of recession - by accelerating the recovery, rebound and renewal of our economy and achieving our ambition to double GVA in a new and more digitally enabled, greener, healthier and more inclusive way than ever before.

The recovery strategy reflects our commitment to respond effectively to the specific needs of Greater Peterborough, the Fens, and Greater Cambridge – whilst building the connections and relationships that will unlock the full economic potential of the whole region.

LOCAL INDUSTRIAL STRATEGY

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

STRATEGIC SPATIAL FRAMEWORK

As part of the Devolution Deal, the Combined Authority has a commitment to produce a non-statutory spatial framework for Cambridgeshire and Peterborough, which will link to the other Combined Authority strategies. It will align essential infrastructure, housing and job growth, and set out how growth can be delivered. Phase 1 of the Framework was completed in 2018. Phase 2 is planned for 2021/22 which will include developing and maintaining a suitable evidence-base.

SKILLS STRATEGY

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

LOCAL TRANSPORT PLAN

Following devolution, the Combined Authority is now the Local Transport Authority with strategic transport powers. The Local Transport Plan (LTP) provides an overview of the area's aims and objectives, its strategies to address challenges and summarises the major transport schemes required to achieve targeted growth and place-making across the Combined Authority geography. The LTP was published in February 2020 but in order to reflect on the impacts of the COVID pandemic and any potential changes resulting from a number of councils' local plans being updated, it is anticipated that the LTP will be refreshed in 2021/22. There are a number of key, underpinning sub-strategies to the LTP that will also be updated to ensure they are aligned with emerging central and local government policy

7. Outlook

Performance against the Combined Authority's 2017 devolution deal commitment, to double GVA over 25 years, is reported quarterly to the Combined Authority Board. GVA data from the Office of National Statistics has a significant publication time lag so the most recent data reported to the Board is only to the end of December 2018. As this is less than a year after the Combined Authority was set up it is too early to see the effect of the Combined Authority's interventions in the figures. The Combined Authority is still committed to doubling GVA and recognise that this will require action and investment by both the public and private sectors. It is the role of the Combined Authority to lead and to convene partners in order to make that happen.

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

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

The Business and Skills Directorate and the Business Board, for which it supplies the executive support, is focused on the Combined Authority's vision to double our economy. Its strategic approach in achieving this is to:

- **Improve the long-term capacity for growth in Greater Cambridge** to support the expansion of this innovation powerhouse and, crucially, reduce the risk of any stalling in the long-term high growth rates that have been enjoyed for several decades.
- **Increase sustainability and broaden the base of local economic growth**, by identifying opportunities for high growth companies to accelerate business growth where there is greater absorptive capacity, beyond the current bottlenecks to growth in Greater Cambridge.
- **Do this by expanding and building upon the clusters and networks** that have enabled Cambridge to become a global leader in innovative growth, creating an economy-wide business support eco-system to promote inclusive business growth.

The Delivery and Strategy Directorate promotes the Mayor and Combined Authority's growth ambition by:

- Supporting their role as the Transport Authority, developing and overseeing the delivery of new transport schemes, developing the Local Transport Plan, and ensuring the provision of subsidised public transport by delivery partners;
- Supporting Local Planning Authorities by developing an overall spatial framework for the area;
- Providing programme and performance management to ensure successful delivery of Combined Authority projects; and
- Supporting the Mayor and Combined Authority's role in public service reform.

The Combined Authority Board established the Cambridgeshire and Peterborough Independent Commission on Climate (CPICC) to examine the challenges facing the area from climate change. It was tasked to produce recommendations on how the area can mitigate the emissions of greenhouse gases and adapt to climate change impacts already happening. The Commission focused on transport, buildings, energy and peat topics for its initial recommendations report, with a further report due in late Summer 2021. In March 2021, the Combined Authority received CPICC's 'Initial Recommendations Report' and agreed to develop a response to the Commission's recommendations.

The Housing and Development Team at the Combined Authority is working with officers in all partner local authorities to identify new schemes to come forward for support from the Affordable Housing Programme. The Team is also building relationships with landowners, developers and housing providers to seek opportunities to influence, enable and accelerate delivery of new affordable housing across the Combined Authority area.

The Housing Strategy recognises that there is a need to deliver genuinely affordable housing across the Combined Authority Area. It further recognises that there is a gap in the market that provides for those who do not qualify for traditional affordable housing and for whom open market housing is out of reach.

The Combined Authority vision for Cambridgeshire and Peterborough is to have the most advanced community-led housing sector in the UK, where local people in confident, and resilient communities have access to the skills and expertise to create attractive local homes that they can genuinely afford.

At the local elections in May 2021 the people of Cambridgeshire and Peterborough elected a new Mayor, along with 2 other changes to the Membership of the Combined Authority Board. In addition, a new Chief Executive Officer was appointed by the Board to start in the Autumn. While the full scope of the effect of these changes to the leadership of the Combined Authority will not be known for some time, this is the start of a new era for the Combined Authority where strategies and policies will be viewed in the light of the new Mayor's commitment to the 3 Cs: Compassion, Cooperation and Community.

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 2020/21. 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 2021.
- 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.

Jon Alsop
Chief Finance Officer (S73)

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

This report will be provided after the audit of the Authority's accounts is completed

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 3 to 70 present a true and fair view of the financial position of the Combined Authority at 31 March 2021 and its income and expenditure for the year ended 31 March 2021.

Jon Alsop

Chief Finance Officer and
Section 73 Officer:

Date:

Approval of the Statement of Accounts

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

Chair of the Audit Committee:
Date:

Comprehensive Income and Expenditure Statement (Group and Single)

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 2020-21.

CPCA 19/20 restated					Group 20/21			CPCA 20/21		
Gross Exp	**Gross Inc**	**Net exp**		**Note**	**Gross Exp**	**Gross Inc**	**Net exp**	**Gross Exp**	**Gross Inc**	**Net exp**
£000	£000	£000			£000	£000	**£000**	£000	£000	**£000**
4,125	0	4,125	Combined Authority Staffing Costs		4,134	0	**4,134**	4,134	0	**4,134**
333	0	333	Externally Commissioned Support Services		319	(2)	**317**	319	(2)	**317**
806	0	805	Corporate Overheads		631	0	**631**	631	0	**631**
17	0	17	Governance Costs		49	0	**49**	49	0	**49**
370	0	370	Mayor's Office		458	0	**458**	458	0	**458**
77	(328)	(251)	Other Corporate Budgets		254	(38)	**216**	254	(38)	**216**
13,415	(12,369)	1,046	Business and Skills		46,618	(44,071)	**2,547**	47,454	(47,042)	**412**
39,377	(35,656)	3,721	Delivery and Strategy		75,121	(63,451)	**11,670**	74,883	(64,753)	**10,130**
12,561	(524)	12,037	Housing		23,502	(453)	**23,049**	23,502	(453)	**23,049**
71,080	**(48,877)**	**22,203**	**Net Cost of Services**		**151,086**	**(108,015)**	**43,071**	**151,684**	**(112,288)**	**39,396**
0	0	0	Other Operating Income & Expenditure	8	455	(361)	**94**	455	(361)	**94**
37	(1,646)	(1,609)	Financing and Investment Income and Expenditure	9	908	(809)	**99**	4,429	(809)	**3,620**
0	(31,894)	(31,894)	Taxation and Non Specific Grant Income	10	0	(26,187)	**(26,187)**	0	(26,187)	**(26,187)**
71,117	**(82,417)**	**(11,300)**	**(Surplus) / Deficit on Provision of Services**		**152,447**	**(135,372)**	**17,077**	**156,568**	**(139,645)**	**16,923**
		76	Loss from investments in equity instruments designated at FVOCI				**57**			**57**
		1,028	Actuarial (Gains) / Losses on Pension Assets / Liabilities	7			**1,542**			**1,542**
		1,104	**Other Comprehensive Income & Expenditure**				**1,599**			**1,599**
		(10,196)	**Total Comprehensive Income & Expenditure**				**18,676**			**18,522**

* restated to reflect 2020/21 management reporting headings

Movement in Reserves Statement (Group and Single)

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.

Combined Authority Single 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**
		£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2019		**(11,185)**	**(2,547)**	**(130,979)**	**(11,136)**	**(155,847)**	**(4,670)**	**(160,517)**
Total Comprehensive Income & Expenditure		(11,300)	0	0	0	(11,300)	1,104	(10,196)
Adjustments between accounting basis & funding basis under regulations	14	7,995	0	26,087	128	34,210	(34,210)	0
Net Increase before Transfers to Earmarked Reserves		**(3,305)**	**0**	**26,087**	**128**	**22,910**	**(33,106)**	**(10,196)**
Transfers to / (from) Reserves		554	(554)	0	0	0	0	0
Increase / (Decrease) in 2019/20		**(2,751)**	**(554)**	**26,087**	**128**	**22,910**	**(33,106)**	**(10,196)**
Balance at 31 March 2020 Carried Forward		**(13,936)**	**(3,101)**	**(104,892)**	**(11,008)**	**(132,937)**	**(37,776)**	**(170,713)**
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	0	0	0	16,599	1,599	18,522
Adjustments between accounting basis & funding basis under regulations	14	(14,136)	0	45,967	1,787	33,618	(33,618)	0
Net Increase before Transfers to Earmarked Reserves		**2,787**	**0**	**45,967**	**1,787**	**50,541**	**(32,019)**	**18,522**
Transfers to / (from) Reserves		3,347	(3,347)	0	0	0	0	0
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)**

Combined Authority Group Movement in Reserves Statement	**Note**	Combined Authority Usable Reserves	Cambridgeshire and Peterborough Business Growth Company Limited Usable Reserves	One Cam Limited Usable Reserves	Peterborough R&D Property Company Limited Usable Reserves	Peterborough HE Property Company Limited Usable Reserves	**Total Usable Reserves**	Combined Authority Unusable Reserves[1]	**Total Group Reserves**
		£000	£000	£000	£000	£000	**£000**	£000	**£000**
Balance at 1 April 2020		**(132,937)**	**0**	**0**	**0**	**0**	**(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 accounts[2]		(385)	(1,973)	(1,302)	(154)	0	**(3,813)**	0	**(3,813)**
Net Increase/decrease before transfers		**16,538**	**9**	**238**	**0**	**292**	**17,077**	**1,599**	**18,676**
Adjustments between accounting basis & funding basis under regulations	14	37,431	0	0	0	0	**37,431**	(37,431)	**0**
Increase / (Decrease) in 2020/21		**53,969**	**9**	**238**	**0**	**292**	**54,508**	**(35,832)**	**18,676**
Balance at 31 March 2021 Carried Forward		**(78,968)**	**9**	**238**	**0**	**292**	**(78,429)**	**(73,608)**	**(152,037)**

As group accounts were not produced for 19/20 there is no comparator information provided, the figures would be identical to those in single entity accounts, above.

1. None of the companies had unusable reserves during the period.

2. This is the elimination of intragroup transactions, see note 11 for further details. For CPCA this adjustment is offset by the removal of the loss in fair value of CPCAs investment in the companies.

Balance Sheet (Group and Single)

CPCA	Balance Sheet		Group	CPCA
31 Mar 20		**Notes**	**31 Mar 21**	**31 Mar 21**
£000			**£000**	**£000**
544	Property, Plant & Equipment	22	782	80
133	Long Term Investments	25,26	37,178	41,059
19,677	Long Term Debtors	25,26,28	22,469	22,469
20,354	**Long Term Assets**		**60,429**	**63,608**
80,699	Short Term Investments	25,26	138,100	138,100
26,434	Short Term Debtors	25,26,28	34,738	39,011
80,565	Cash and Cash Equivalents	25,26,33	86,696	83,697
187,698	**Current Assets**		**259,534**	**260,808**
(21,407)	Short Term Creditors	25,26,29	(55,973)	(60,272)
0	Short Term Provisions	30	(226)	(226)
(21,407)	**Current Liabilities**		**(56,199)**	**(60,498)**
(1,554)	Other Long Term Liabilities	7	(3,644)	(3,644)
(14,378)	Capital Grants Receipts in Advance	31	(108,083)	(108,083)
(15,932)	**Long Term Liabilities**		**(111,727)**	**(111,727)**
170,713	**Net Assets**		**152,037**	**152,515**
(132,937)	Usable Reserves	14	(78,429)	(82,396)
(37,776)	Unusable Reserves	14	(73,608)	(69,795)
(170,713)	**Total Reserves**		**(152,037)**	**(152,191)**

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'.

Chief Finance Officer and Section 73 Officer:

Date:

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Combined Authority during the reporting period. The statement shows how the Combined Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Combined Authority are funded by way of taxation and grant income or from the recipients of services provided by the Combined Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Combined Authority's future service delivery.

CPCA	**Cash Flow Statement**		**Group**	**CPCA**
2019/20		**Notes**	2020/21	2020/21
£000			**£000**	£000
(11,300)	**Net (Surplus) / Deficit on the Provision of Services**		**17,077**	**16,923**
(17,880)	Adjust net (Surplus)/Deficit on the Provision of the Services for non cash movements*		(104,081)	(103,927)
(29,180)	**Net Cash Flows from Operating activities**		**(87,004)**	**(87,004)**
58,373	Investing activities	32	80,873	83,872
0	Financing activities		0	0
29,193	**Net (Increase)/Decrease in Cash & cash Equivalent**		**(6,131)**	**(3,132)**
109,758	**Cash & Cash Equivalent at the beginning of the Reporting Period**		**80,565**	**80,565**
(29,193)	Increase / (Decrease) in Cash and Cash Equivalents		6,131	3,132
80,565	**Cash & Cash Equivalents at the end of the Reporting Period**	33	**86,696**	**83,697**

* The adjustment of net (surplus) deficit on the provision of Services for non cash movements contains £109,729k for the movement in creditors which largely relates to Capital Grants Received in Advance, see not 31 for further details .

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 19/20	Profit / Loss 19/20	Net Assets 19/20	Turnover 20/21	Profit / (Loss) 20/21	Net Assets 20/21
Peterborough HE Property Company Limited	**93% (50%)**	Associate	Yes - equity	0	0	0	0	(314)	26,356
Cambridgeshire and Peterborough Business Growth Company Limited	**100%**	Subsidiary	Yes – line by line	0	0	0	143	(1,981)	3,426
One Cam Limited	**100%**	Subsidiary	Yes – line by line	0	0	0	0	(1,540)	455
Peterborough R&D Property Company Limited	**100%**	Subsidiary	Yes – line by line	0	0	0	0	(154)	(154)
Angle Holdings Limited	**100%**	Subsidiary	Not material	0	(2)	(2)	0	(12)	(14)
Smart Manufacturing	**100% (50%)**	Joint Venture	Not material	0	0	0	0	(45)	670
Ascendal	**100% (50%)**	Joint Venture	Not material	0	0	0	0	(313)	652
MedTech Accelerator Ltd	**20%**	Associate	Not material	0	(339)	568	0	(191)	377*

*MedTech Accelerator Ltd accounts are prepared to 30 June, 20/21 figures are year to 31 March 21.

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.
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. As at 31 March 2021 the shareholders agreement hadn't been finalised and no equity investment had been made.
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 six 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 2020/21 financial year and its position at the year-end 31 March 2021. 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 2020/21, 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 reporting date 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 Northamptonshire County Council (until 31 March 2021)

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.

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 2020/21, 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

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

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.

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 (ie 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 2020/21.

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 2020-21 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 2020/21 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 £74.1 million at 31 May 2021 and forecast cash balances of £39.5 million at 31 August 2022, 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.

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

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

The above changes in accounting requirements which have been introduced by the 2021/22 code are not anticipated to have a material impact on the authority's financial performance or financial position.

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).

2019/20 restated*	External Audit Costs	2020/21
£000		£000
48	Fees payable with regard to external audit services carried out by the appointed auditor	**45**
(3)	PSAA audit refund	**0**
45	Total	**45**

*estimate replaced with actual costs following completion of audit.

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.

	Allowances		**Expenses**		**Total**	
Role	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
Mayor	£75,000	£75,000	£4,471	£1,410	£79,471	£76,410
Chair of the Business Board	£18,204	£24,000	£2,585	£0	£20,789	£24,000
Chair of Audit and Governance Committee	£1,534	£1,534	£0	£0	£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

Senior employees whose salary is £50,000 or more, but less than £150,000, are required to be listed individually by way of job title. Employees whose salary is £150,000 or more must also be identified by name. In this context, a senior employee is identified as follows:

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

Total Remuneration including Employer Pension Contributions £000				Post	**Name(s) of post holders**	**Total Remuneration including Employer Pension Contributions £000**			
2019/20						**2020/21**			
Pay	Pension	3rd Party Payments[4]	Total			**Pay**	**Pension**	**3rd Party Payments[4]**	**Total**
-	-	129	129	Co-Chief Executive[1]	**John Hill**	-	-	133	**133**
82	13	-	95	Co-Chief Executive[1,2]	**Kim Sawyer**	85	17	-	**102**
82	13	-	95	Director of Corporate Resources[2]		85	17	-	**102**
2	-	-	2	Monitoring Officer	**Robert Parkin**	87	16	-	**103**
-	-	156	156		**Dermot Pearson**	-	-	-	**-**
-	-	35	35		**Howard Norris**	-	-	-	**-**
77	12	-	89	Chief Finance Officer	**Jon Alsop**	100	18	-	**118**
-	-	46	46		**Noel O'Neill**	-	-	-	**-**
148	-	-	148	Director of Business and Skills	**John T Hill**	152	-	-	**152**
135	22	-	157	Director of Delivery and Strategy	**Paul Raynes**	138	25	-	**163**
135	22	-	157	Director of Housing	**Roger Thompson**	138	25	-	**163**
-	-	65	65	Director of Transport[3]	**N/A**	-	-	-	**-**
661	82	431	1,174	**Total**		**785**	**117**	**133**	**1,035**

1. CPCA has two joint CEOs (Kim Sawyer and John Hill) who have been in post since 26th September 2018. Prior to this the CPCA had a single Chief Executive
2. Kim Sawyer covers both the role of Director of Corporate Resources and Co-Chief Executive thus the costs are split across both budgets
3. Director of Transport post was removed as a result of restructure in 19/20.
   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 Banding	2019-20	2020-21
£50,000-£54,999	6	5
£55,000-£59,999	3	3
£60,000-£64,999	3	0
£65,000-£69,999	0	4
£70,000-£74,999	1	3
£75,000-£79,999	3	2
£80,000-£84,999	0	4
£85,000-£89,999	0	1
£90,000-£94,999	1	0
£100,000-£104,999	0	1
£110,000-£114,999	0	1
£135,000-£139,999	2	2
£150,000-£154,999	1	1
£165,000-£169,999	1	0
£170,000-£174,999	0	1
Total	**21**	**28**

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.

	Number of compulsory redundancies		Number of other departures with exit packages		Total number of exit packages	
	2019/20	**2020/21**	**2019/20 restated**	**2020/21**	**2019/20 restated**	2020/21
£0-£20,000	-	3	2	-	2	3
£200,000 - £250,000	1	-	-	-	1	-
Totals	**1**	**3**	**2**	**0**	**3**	**3**

The restatement of 2019-20 figures was due to an addition of one exit package that was the result of a decision made in 2019-20 but the final value of the package was not known until 2020-21

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 2020-21 the Combined Authority's pay ratio was 3.58 (19/20 3.74).

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 £1,351k. This is not a real cost to the General Fund and has no impact on the funding calculation.

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 (https://pensions.cambridgeshire.gov.uk/app/uploads/2019/04/Investment-Strategy-Statement.pdf) which manages risks with diversification of asset classes, geography and asset managers.

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.

2019/20	**Comprehensive Income and Expenditure Statement**	2020/21
£000		£000
	Cost of Services:	
	Service cost comprising**:**	
975	Current Service Cost	1,175
105	Past Service Costs Including Curtailments	0
0	(Gain)/ Loss from Settlements	0
	Financing & Investment Income & Expenditure	
37	Net Interest Expense	41
1,117	**Total Post Employment Benefit Charged to the (Surplus)/Deficit on the Provision of Services**	**1,216**
	Other post-Employment Benefits Charged to the Comprehensive Income & Expenditure Statement	
	Remeasurement of the net Defined Benefit Liability Comprising:	
1,351	Recognition of net Defined Benefit Liability on transfer on IAS19 basis	0
289	Return on Plan Assets (excluding amounts included in net interest)	(700)
-	Actuarial (Gains)/Losses Arising on Changes in Demographic Assumptions	106
(588)	Actuarial (Gains)/Losses Arising on Changes in Financial Assumptions	2,186
	Difference between actual employers' contributions and estimate in Actuary's report	4
(24)	Other	(54)
2,145	**Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement**	**2,758**
	Movement in Reserves Statement	
(2,145)	Reversal of net charges made to the (Surplus)/Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(2,758)
	Actual Amount charged against the General Fund Balance for pensions in the year:	
591	Employers' contributions payable to scheme	668
(1,554)	**Retirement benefits payable to pensioners**	**(2,090)**

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:

31-Mar-20	**Pension Assets & Liabilities Recognised in the Balance Sheet**	**31-Mar-21**
£000		£000
(4,404)	Present value of the defined benefit obligation	(8,251)
2,850	Fair Value of Plan Assets	4,607
(1,554)		**(3,644)**

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

31-Mar-20	**Reconciliation of the Movements in the Fair Value of the Scheme (plan) Assets**	**31-Mar-21**
£000		£000
2,271	Opening Fair Value of Scheme Assets at transfer 1st May 2019	2,850
61	Interest Income	77
	Remeasurement Gain/(Loss)	
(289)	Return on Plan Assets, excluding amounts included in the net interest expense	700
591	Contributions from employer	668
	Difference between actual employers' contributions and estimate in Acturay's report	(4)
216	Contributions from employees into the scheme	318
-	Benefits Paid	(2)
2,850	**Closing Fair Value of Scheme Assets**	**4,607**

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

31-Mar-20	**Reconciliation of Present Value of the Scheme Liabilities (defined benefit obligation)**	**31-Mar-21**
£000		£000
3,622	Opening balance at transfer 1st May 2019	4,404
975	Current Service Cost	1,175
98	Interest Cost	118
216	Contributions from Scheme Participants	318
	Remeasurement (Gains) & Losses	
-	Actuarial (Gains)/Losses Arising from Changes in Demographic Assumptions	106
(588)	Actuarial (Gains)/Losses Arising from Changes in Financial Assumptions	2,186
(24)	Other	(54)
105	Past Service Cost	-
-	Benefits Paid	(2)
4,404	**Closing balance at 31 March**	**8,251**

Local Government Pension Scheme assets comprised

	Period Ended 31st March 2020				**Period Ended 31st March 2021**			
	Quoted Prices in Active Markets	*Quoted Prices not in Active Markets*	*Total*	*Percent of Total Assets*	**Quoted Prices in Active Markets**	**Quoted Prices not in Active Markets**	**Total**	**Percent of Total Assets**
	£000	£000	£000		**£000**	**£000**	**£000**	
Debt Securities								
UK Government	-	147.5	147.5	5%	-	205.7	205.7	4%
Private Equity								
All	-	233.8	233.8	8%	-	347.1	347.1	8%
Real Estate								
UK Property	-	213.3	213.3	7%	-	283.4	283.4	6%
Overseas Property						0.1	0.1	0%
Investment Funds & Unit Trusts								
Equities	-	1,727.4	1,727.4	61%	-	2,767.0	2,767.0	60%
Bonds	-	193.3	193.3	7%	-	534.6	534.6	12%
Infrastructure	-	257.0	257.0	9%	-	417.0	417.0	9%
Total Investment Funds & Unit Trusts	-	2,177.7	2,177.7	77%	-	3,718.6	3,718.6	81%
Derivatives								
Other	-	34.7	34.7	1%	-	(19.0)	(19.0)	0%
Cash & Cash Equivalents								
All	43.0	-	43.0	2%	71.1	-	71.1	2%
Total Assets	43.0	2,807.0	2,850.0	100%	**71.1**	**4,535.8**	**4,606.9**	**101%**

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-20	**Basis for Estimating Assets & Liabilities**	**31-Mar-21**
	Mortality Assumptions	
	Longevity at 65 for Current Pensioners:	
22.0 years	Men	**22.2 years**
24.0 years	Women	**24.4 years**
	Longevity at 65 for Future Pensioners:	
22.7 years	Men	**23.2 years**
25.5 years	Women	**26.2 years**
	Financial Assumptions	
1.8%	Rate of inflation	**2.8%**
2.3%	Rate of increase in salaries	**3.3%**
1.8%	Rate of increase in pensions	**2.8%**
2.3%	Rate for discounting scheme liabilities	**2.1%**
25%	Take-up of option to convert annual pension into retirement lump sum for Pre-April 2008 service	**25.0%**
64%	Take-up of option to convert annual pension into retirement lump sum for Post-April 2008 service	**64.0%**

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.

Changes in Assumptions at 31 March 2021	**Approximate % Increase to Defined Benefit Obligation**	**Approximate Monetary Amount £000**
0.5% Decrease in Real Discount Rate	13%	**1,099**
0.5% Increase in the Salary Increase Rate	2%	**138**
0.5% Increase in the Pension Increase Rate	11%	**937**
1 Year Increase in Member Life Expectancy	3-5%	**248-413**

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 £664k expected contributions to the scheme in 2021/2022 (£505k 20/21).

8 Comprehensive Income and Expenditure Statement – Other Operating Income and Expenditure

19/20	**Other Operating Income and Expenditure**	**20/21**
£000		£000
0	Gains/losses on the disposal of non-current assets	94
0	**Total Other Operating Income and Expenditure**	**94**

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

CPCA 19/20	Financing and Investment Income	Group 20/21	CPCA 20/21
£000		£000	£000
(1,646)	Interest Receivable	(809)	(809)
37	IAS 19 - Pension Interest & Return on Assets	41	41
0	Loss in Fair Value of Investments held at Fair Value Profit and Loss	575	4,388
0	Share of Loss of Prop Co 1	292	0
(1,609)	**Total Financing and Investment Income**	**99**	**3,620**

10 Comprehensive Income & Expenditure Statement – Non Specific Grant Income

Restated* CPCA 19/20	Taxation and Non-Specific Grant Income	CPCA 20/21
£000		£000
	Non -Specific Government Grants	
(8,000)	Gain Share - Revenue	(8,000)
(1,904)	other	(1,559)
(9,904)	**Total Non-Specific Grants**	**(9,559)**
	Capital Grants & Contributions	
(9,946)	Gain Share - Capital	(11,979)
(12,044)	Growth Deal	(4,535)
0	Other	(114)
(21,990)	**Total Capital Grants & Contributions**	**(16,628)**
(31,894)	**Total Taxation and Non Specific Grant Income**	**(26,187)**

*19/20 Restated to show in DfE -Adult Education in Budget in costs of services.

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.

a) Central Government

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

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

2019/20 restated*		2020/21
£000		£000
(9,918)	MHCLG - revenue grants	(9,040)
(12,000)	MHCLG - capital grants	(12,000)
(43,658)	DfT - capital grants	(61,691)
0	DfT - revenue grants	(2,030)
(4,966)	BIES - revenue grants	(1,266)
(17,199)	BEIS - capital grants	(122,388)
(1,400)	DWP - career and pay progression	0
(7,255)	DfE revenue grants	(13,283)
(96,396)	**Total Income**	**(221,698)**

*restated to split out BEIS and MHCLG grants

b) Cambridgeshire and Peterborough Constituent Councils

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

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

2019/20		2020/21
£000		£000
	Expenditure	
	Expenditure with councils	
12,654	Cambridgeshire City Council	4,133
23,093	Cambridgeshire County Council	37,451
286	East Cambridgeshire District Council	290
556	Fenland District Council	1,499
265	Huntingdonshire District Council	185
5,873	Peterborough City Council	14,254
(210)	South Cambridgeshire District Council	(226)
42,537		**57,586**
	Creditors	
	General Creditors with councils	
(5,459)	Cambridgeshire City Council	(9,100)
3,953	Cambridgeshire County Council	(4,053)
0	East Cambridgeshire District Council	(18)
(506)	Fenland District Council	878
(50)	Huntingdonshire District Council	(51)
(2,643)	Peterborough City Council	(216)
0	South Cambridgeshire District Council	0
(4,705)		**(12,560)**

c) 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 2020/21.

CPCA 19/20	Company	Reason for Funding	Related Party	CPCA 20/21
£000				£000
75	Cross Keys Homes	Grants for affordable housing	Cllr Holdich / Cllr Fitzgerald	1,470
1,033	City College Peterborough	Adult Education provision and the Health and Social Care Work Academy project	Cllr Holdich	2,281
0	Stainless Metalcraft	Local Growth Fund project – Advanced Manufacturing Centre	Austen Adams	181
42	NIAB	Local Growth Fund projects – Agri-Tech Start-up Incubator and Agri-gate Hasse Fen extension Eastern Agri-tech programme project	Tina Barsby	3,358
0	University of Cambridge	Local Growth Fund project – West Cambs Innovation Park	Professor Andy Neely	3,000
9	Cambridgeshire Chambers of Commerce	Payment for support services in administering grant programmes	Faye Holland	115
0	TWI Ltd	Local Growth Fund project – Ecosystem Innovation Centre	Aamir Khalid	1,230
0	Start Codon Ltd	Local Growth Fund project – Life Sciences Accelerator	Jason Mellad	890

d) 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.

e) 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 2021.

Company	Due from CPCA 20/21 £000	Due to CPCA 20/21 £000
		£000
Peterborough HE Property Company Limited	0	3,350
Cambridgeshire and Peterborough Business Growth Company Limited	143	2,116
One Cam Limited	0	1,302
Peterborough R&D Property Company Limited	0	855
Angle Developments Limited	0	12

12 Expenditure and Income Analysed by Nature

CPCA 19/20	Expenditure and Income Analysed by Nature	CPCA 20/21
£000		£000
	Expenditure	
5,193	Employee Expenses - Contracts held by CPCA	6,708
181	Employee Expenses - Contracts held by PCC	0
50,737	Capital Grants made treated as REFCUS	109,943
52	Depreciation	37
14,954	Other Service Expenses	39,880
71,117	**Total Expenditure**	**156,568**
	Income	
(2,226)	Interest & Investment Income	(1,447)
(79,471)	Government Grants & Contributions	(130,062)
(720)	Other Income	(8,136)
(82,417)	**Total Income**	**(139,645)**
(11,300)	**Deficit / (Surplus) on the Provision of Services**	**16,923**

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).

2019/20 restated*				2020/21		
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 the Funding and Accounting Basis**	**Net exp in the CIES**
£000	£000	£000		£000	£000	**£000**
3,654	471	4,125	Combined Authority Staffing Costs	3,539	595	4,134
333	0	333	Externally Commissioned Support Services	317	0	317
753	52	805	Corporate Overheads	500	131	631
17	0	17	Governance Costs	49	0	49
352	18	370	Mayor's Office	421	37	458
(251)	0	(251)	Other Corporate Budgets	216	0	216
1,297	(251)	1,046	Business and Skills	411	1	412
3,147	574	3,721	Delivery and Strategy	8,386	1,744	10,130
420	11,617	12,037	Housing	539	22,510	23,049
9,722	**12,481**	**22,203**	**Net Cost of Services**	**14,378**	**25,018**	**39,396**
(13,027)	(20,476)	(33,503)	Other Income & Expenditure	(11,591)	(10,882)	(22,473)
(3,305)	**(7,995)**	**(11,300)**	**(Surplus) / Deficit on Provision of Services**	**2,787**	**14,136**	**16,923**
(13,732)			Opening General Fund Balance	(17,037)		
(3,305)			Less/plus surplus or (deficit) on General Fund balance in year	2,787		
(17,037)			**Closing General Fund Balance**	**(14,250)**		

* restated to reflect 2020/21 management reporting headings

Adjustments between funding and accounting basis:

2019/20 restated*					2020/21			
Adjustments for Capital Purposes[1]	**Net Change for Pensions Adjustments[2]**	**Other Differences[3]**	**Total Adjustments**		**Adjustments for Capital Purposes[1]**	**Net Change for Pensions Adjustments[2]**	**Other Differences[3]**	**Total Adjustments**
£000	£000	£000	£000		£000	£000	£000	**£000**
0	471	0	471	Combined Authority Staffing Costs	0	483	112	595
0	0	0	0	External Support Services	0	0	0	0
52	0	0	52	Corporate Overheads	131	0	0	131
0	0	0	0	Governance Costs	0	0	0	0
0	18	0	18	Mayor's Office	0	24	13	37
0	0	0	0	Other Corporate Budgets	0	0	0	0
(251)	0	0	(251)	Business and Skills	1	0	0	1
574	0	0	574	Delivery and Strategy	1,744	0	0	1,744
11,617	0	0	11,617	Housing	22,510	0	0	22,510
11,992	**489**	**0**	**12,481**	**Net Cost of Services**	**24,386**	**507**	**125**	**25,018**
(20,500)	37	(13)	(20,476)	Other Income & Expenditure	(10,908)	41	(15)	(10,882)
(8,508)	**526**	**(13)**	**(7,995)**	**Difference between general fund surplus or deficit and CIES surplus or deficit on the provision of services**	**13,478**	**548**	**110**	**14,136**

* restated to reflect 2020/21 management reporting headings

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

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

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

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

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

Adjustments between Accounting Basis and Funding Basis under Regulations 2020/21	Usable Reserves			Movement in Unusable Reserves
	General Fund	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the CIES:				
Depreciation & impairment of non-current assets	(37)			37
Capital grants and contributions	89,400			(89,400)
Reversal of Expected credit loss on capital loans	18			(18)
Revenue expenditure funded from capital under statute	(109,943)			109,943
Loss for Interest foregone on capital loan	(76)			76
Loss in Fair Value of capital investments	(4,342)			4,342
Reversal of asset derecognition	(455)			455
Reversal of proceeds from asset disposal	361			(361)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants & contributions unapplied from the CIES	11,596		(11,596)	0
Application of grants to capital financing transferred to the Capital Adjustment Account			57,563	(57,563)
Adjustments involving the Capital Receipts Reserve:				
Redemption of Financial Assets (Loans)		(3,171)		3,171
Application of capital receipts to capital financing transferred to the Capital Adjustment Account		4,958		(4,958)
Adjustments involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	(548)			548
Adjustments involving the Accumulated Absences account				
Adjustments for Short term absences	(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)
Total Adjustments	**(14,136)**	**1,787**	**45,967**	**(33,618)**
For group accounts remove Loss in Fair Value of capital investments for group companies consolidated on line by line basis	**3,813**			**(3,813)**
Total Adjustments for Group Accounts	**(10,323)**	**1,787**	**45,967**	**(37,431)**

Adjustments between Accounting Basis and Funding Basis under Regulations 2019/20	Usable Reserves			Movement in Unusable Reserves
	General Fund	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000		**£000**
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the CIES:				
Depreciation & impairment of non-current assets	(52)			52
Capital grants and contributions	38,797			(838,797)
Reversal of Expected credit loss on capital loans	(643)			643
Revenue expenditure funded from capital under statute	(50,720)			50,720
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants & contributions unapplied from the CIES	21,673		(21,673)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	(547)		47,760	(47,213)
Adjustments involving the Capital Receipts Reserve:				
Redemption of Financial Assets (Loans)		(254)		254
Application of capital receipts to capital financing transferred to the Capital Adjustment Account		382		(382)
Adjustments involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	(526)			526
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.	13			(13)
Total Adjustments	**7,995**	**128**	**26,087**	**34,210**

- **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-19	Movement	31-Mar-20		01-Apr-20	Movement	31-Mar-21
£000	£000	£000		£000	£000	**£000**
(11,185)	(2,751)	(13,936)	General Fund Balance	(13,936)	6,134	(7,802)
(2,547)	(554)	(3,101)	Specific Earmarked Reserves	(3,101)	(3,347)	(6,448)
(11,136)	128	(11,008)	Capital Receipts Reserve	(11,008)	1,787	(9,221)
(130,979)	26,087	(104,892)	Capital Grants Unapplied	(104,892)	45,967	(58,925)
(155,847)	**22,910**	**(132,937)**	**Total Usable Reserves**	**(132,937)**	**50,541**	**(82,396)**
			Unusable Reserves			
(4,859)	(34,723)	(39,582)	Capital Adjustment Account	(39,582)	(34,276)	(73,858)
57	(13)	44	Financial Instruments Adjustment Account	44	(15)	29
132	76	208	Financial Instruments Revaluation Reserve	208	57	265
0	0	0	Accumulated Absences Account	0	125	125
0	1,554	1,554	Pensions Fund Reserve	1,554	2,090	3,644
(4,670)	**(33,106)**	**(37,776)**	**Total Unusable Reserves**	**(37,776)**	**(32,019)**	**(69,795)**
(160,517)	**(10,196)**	**(170,713)**	**Total Usable and Unusable Reserves**	**(170,713)**	**18,522**	**(152,191)**

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

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

	01-Apr-20	Trf. Out	Trf. In	Movement	31-Mar-21	Purpose of the Earmarked Reserve
	£000	£000	£000	£000	£000	
Revenue Reserve	1,000	0	0	0	1,000	This reserve provides a working balance to cover risks to the revenue budget.
Elections Costs Reserve	520	0	260	260	780	This reserve smooths the impact on the revenue budget of the Mayoral elections which take place every four years.
AEB Reserve	659	0	1,189	1,189	1,848	This reserve holds the balance of adult education budget funding to maintain a locally determined ringfence between financial years.
Business Board Strategic Revenue Reserves	0	(46)	774	728	728	This reserve holds un-ringfenced revenue funds which are received by the Combined Authority as the Accountable Body for the Business Board.
Departmental Reserves	922	0	1,170	1,170	2,092	These represent unspent grant funding and other income which does not require repayment, but is earmarked for projects in future years.
Total Reserves	**3,101**	**(46)**	**3,393**	**3,347**	**6,448**	

16 Capital Grants Unapplied Reserve

	01-Apr-20	Trf. Out	Trf. In	31-Mar-21
	£000	£000	£000	£000
Gain Share - Capital	43,344		11,952	55,296
Housing Grant - General	16,387	(12,758)		3,629
Housing Grant - Cambridge	13,979	(13,979)		0
Local Growth Fund	31,183	(31,183)		0
Total Capital Grants Unapplied	**104,893**	**(57,920)**	**11,952**	**58,925**

In March 2021 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

2019/20	Capital Adjustment Account	2020/21
£000		£000
(4,859)	Balance Brought Forward	(39,582)
	Reversal of Items Debited or Credited to the Comprehensive Income & Expenditure Statement:	
(38,797)	Capital Grants & Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to Capital Financing	(89,400)
50,720	Revenue Expenditure Funded from Capital under Statute	109,943
254	Redemption of financial assets (loans)	3,171
(382)	transfer from usable capital receipts	(4,958)
52	charges for depreciation	37
0	Asset derecognition	455
0	Proceeds from asset disposal	(361)
0	Loss for Interest foregone on capital loan	76
0	Loss in Fair Value of capital investments	4,342
643	charges for expected credit loss relating to capital loans	(18)
(35,284)	Application of grants to finance capital loans from the Capital Grants Unapplied Accounts	(4,267)
(11,929)	Application of Grants to Capital Financing from the Capital Grants Unapplied Account	(53,296)
(39,582)	Balance Carried Forward	(73,858)

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.

2019/20	Financial Instruments Adjustment Account	2020/21
£000		£000
57	Balance Brought Forward	44
(13)	Amounts arising from timing differences associated with certain financial instruments	(15)
44	**Balance Carried Forward**	**29**

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.

2019/20	Financial Instruments Revaluation Reserve	2020/21
£000		£000
132	Balance Brought Forward	208
76	Impairment of Equity Instrument	57
208	**Balance Carried Forward**	**265**

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.

2019/20	Accumulated Absences Account	2020/21
£000		£000
0	Balance Brought Forward	0
0	Amounts Accrued at the end of the current year	125
0	**Balance Carried Forward**	**125**

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.

2019/20	**Pensions Reserve**	**2020/21**
£000		£000
0	Balance Brought Forward	1,554
1,351	Recognition of net Defined Benefit Liability on transfer in IAS19 basis	0
(323)	Remeasurements of the net defined benefit liability	1,542
1,117	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	1,216
(591)	Employer's pensions contributions and direct payments to pensioners payable in the year	(668)
1,554	**Balance Carried Forward**	**3,644**

22 Property, Plant and Equipment

	Group			CPCA		
	Vehicle, Plant, furniture & equipment	**Assets under construction**	**Total Property, Plant & Equipment**	**Vehicle, Plant, furniture & equipment**	**Assets under construction**	**Total Property, Plant & Equipment**
	£000	£000	**£000**	£000	£000	**£000**
Cost or valuation						
At 01 April 2020	287	361	**648**	287	361	**648**
Additions	28	702	**730**	28		**28**
Disposals	(156)	(361)	**(517)**	(156)	(361)	**(517)**
At 31 March 2021	**159**	**702**	**861**	**159**	**0**	**159**
Accumulated Depreciation & Impairments						
At 01 April 2020	104	0	**104**	104	0	**104**
Depreciation Charge	37	0	**37**	37	0	**37**
Disposals	(62)	0	**(62)**	(62)	0	**(62)**
At 31 March 2021	**79**	**0**	**79**	**79**	**0**	**79**
Net Book Value						
At 31 March 2021	**80**	**702**	**782**	**80**	**0**	**80**
At 31 March 2020	183	361	**544**	183	361	**544**

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.

2019/20	**Capital Financing Requirement**	**2020/21**
£000		**£000**
0	**Opening Capital Financing Requirement**	0
	Capital Investment	
50,720	Revenue Expenditure Funded from Capital Under Statute	109,943
388	Property Plant and Equipment	28
0	Equity Instruments	34,282
35,284	Capital loans	8,029
	Sources of Finance	
(382)	Usable Capital receipts	(5,319)
(47,213)	Capital grants unapplied	(57,563)
(38,797)	Capital Grants & Contributions	(89,400)
0	**Closing Capital Financing Requirement**	0

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. The amount charged to Costs of Services in the Comprehensive Income and Expenditure Statement during the year was £170k (£174k 19/20).

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:

2019/20		2020/21
£000		£000
(1,637)	Interest Income - Treasury Management	(794)
(589)	Interest Income - Service Loans	(803)
0	Reduction in carrying amount of Service Loans due to interest foregone	150
643	movement in expected credit loss allowances	(18)
0	loss from changes in Fair Value (FVPL assets)	4,389
(1,583)	**Net impact on surplus/deficit on provision of services**	**2,924**
76	loss from changes in Fair Value (FVOCI assets)	57
76	**Impact on Other Comprehensive income**	**57**
(1,507)	**Net (gain)/loss for the year**	**2,981**

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

31-Mar-20			31-Mar-21	
Long Term	**Current (restated)**		**Long Term**	**Current**
£000	£000		£000	£000
		Assets at Amortised Cost:		
0	80,699	Investments - Amortised Cost	10,000	138,100
0	80,565	Cash & Cash Equivalents	0	83,697
19,677	0	Debtors - Service Loans	22,469	21,308
0	20,377	Debtors - Other	0	10,760
		Assets at Fair Value:		
		Investments at Fair Value Profit and Loss	30,984	0
133		Medtech Shares - Designated FVOCI	75	0
19,810	**181,641**	**Total Financial Assets**	**63,528**	**253,865**
		Liabilities at Amortised Cost:		
0	(12,955)*	Creditors	0	(52,398)
0	**(12,955)**	**Total Financial Liabilities**	**0**	**(52,398)**

*Restated to exclude receipts in advance as not financial instrument.

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 2021, 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-20				31-Mar-21	
Carrying Amount (restated)	**Fair Value**		**Fair Value Level**	**Carrying Amount**	**Fair Value**
£000	£000			£000	£000
		Assets at Amortised Cost:			
0	0	LT Investments - Amortised Cost	2	10,000	10,053
39,019	40,127	Debtors - Service Loans	2	43,777	43,965
		Assets at Fair Value:			
0	0	Investments at Fair Value Profit and Loss	3	30,984	30,984
133	133	Medtech Shares - Designated FVOCI	3	75	75
39,152	**40,260**	**Total**		**84,836**	**85,077**
		Assets for which Fair Value is not disclosed:			
80,699		ST Investments - Amortised Cost		138,100	
80,565		Cash & Cash Equivalents		83,697	
1,035*		Debtors - Other		10,760	
201,451		**Total Financial Assets**		**317,393**	
		Liabilities for which Fair Value is not disclosed:			
(12,955)**		Creditors		(52,398)	
(12,955)		**Total Financial Liabilities**		**(52,398)**	

*Restated due to error in calculation.

**Restated to exclude receipts in advance as not financial instrument.

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.

Combined Authority had a total of £231.0m deposited with the Debt Management Office (DMO), other local authorities, UK banks and CCLA at 31 March 2021. 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 2021 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 particularly relating to COVID 19.

Expected Credit Loss calculations on service loans outstanding at year end have been adjusted for the expected impact of COVID-19 across the relevant sector.

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 2021, 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 one future agreement for equity which will be denominated in a foreign currency however it's total value will be £100k on the date of maturity thus there is no material risk arising from movements in exchange rates.

28 Debtors

CPCA 31-Mar-20	Short Term Debtors	Group 31-Mar-21	CPCA 31-Mar-21
£000		£000	£000
616	Central government bodies	1,620	1,620
226	Other local authorities	993	993
19,535	Other entities and individuals	21,772	21,772
0	Group Companies	3,362	7,635
6,057	Prepayments	6,991	6,991
26,434	**Total Short Term Debtors**	**34,738**	**39,011**

Restated* CPCA 31-Mar-20	Long Term Debtors	CPCA 31-Mar-21
£000		£000
19,091	Other entities and individuals	21,868
586	Other local authorities	601
19,677	**Total Long Term Debtors**	**22,469**

*****31 March 20 restated to split out Other local authorities' balance.

'Other' includes loans of £24.0m to East Cambs Trading Company, £14.0m to other housing developers, and £5.8m of Growth Fund loans which are split across both short- and long-term debtors (19/20 £26.3m ECTC, £6.8m other housing and £5.9m of Growth Fund Loans).

29 Creditors

CPCA 31-Mar-20	Short Term Creditors	Group 31-Mar-21	CPCA 31-Mar-21
£000		£000	£000
(8,652)	Central government bodies	(9,565)	(9,327)
(4,704)	Other local authorities	(19,625)	(19,625)
(8,051)	Other entities and individuals	(8,344)	(8,335)
0	Group Companies	(18,439)	(22,985)
(21,407)	**Total Short Term Creditors**	**(55,973)**	**(60,272)**

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.

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:

CPCA 31-Mar-20	Capital Grants Received in Advance	CPCA 31-Mar-21
£000		£000
(13,268)	Transforming Cities Fund	(25,772)
(1,110)	National Productivity Infrastructure Fund	0
0	Pothole and Flood Resistance	(3,075)
0	Green Homes LAD 2 Energy Grant	(79,236)
(14,378)	**Total Capital Grants Received in Advance**	**(108,083)**

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

CPCA	Cash Flow Statement – Investing Activities	Group	CPCA
2019/20		**2020/21**	**2020/21**
£000		**£000**	**£000**
22,956	Purchase of Short & Long-Term Investments	76,571	79,570
387	Purchase of Property, Plant & Equipment	27	27
35,284	Cash advanced for capital loans	7,140	7,140
(254)	Proceeds from loan repayments	(2,865)	(2,865)
58,373	**Net Cash flows from investing activities**	**80,873**	**83,872**

33 Cash Flow Statement – Cash and Cash Equivalents

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

CPCA	Cash Flow Statement - Cash & Cash Equivalents	Group	CPCA
2019/20		**2020/21**	**2020/21**
£000		**£000**	**£000**
79,921	Short Term Cash Investments	83,131	83,131
644	Bank Accounts	3,565	566
80,565		**86,696**	**83,697**

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Movement in Reserves Statement or MIRS – This statement shows the movement in the year on the different reserves held by the Combined Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves.

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

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

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

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

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

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

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

Draft Annual Governance Statement

For the year ended 31 March 2021

Cambridgeshire and Peterborough Combined Authority
Annual Governance Statement – 2020/21

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 Energy 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 of and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

The Governance Framework

Context

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

The Cities and Local Government Devolution Act 2016 came into force on 28 March 2016, making Cambridgeshire and Peterborough local authorities amongst the first to establish a combined authority for its area under these new provisions. Following the making of the Order, the Authority's first directly elected Mayor was elected on 4 May 2017 for a four-year term of office. The Authority's second mayoral election was held on 6 May 2021.

The powers which have been 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 includes affordable, rented and shared ownership housing.
- Responsibility for chairing an area-based review of 16+ skills provision.
- Responsibility to develop a more effective joint working with the Department for International Trade to boost trade and investment through agreement of a Joint Export Plan
- Powers devolved to the Mayor as part of the devolution plan include:
  - Responsibility for a multi-year, consolidated and devolved transport budget.
  - Responsibility for an identified Key Route Network of local authority roads.
  - Powers over strategic planning and the responsibility to create a non-statutory spatial framework for Cambridgeshire and Peterborough and to develop with Government a Land Commission.

Further secondary legislation has 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. 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 the high-profile issues that have come to light following Croydon Council's S114 notice and CIPFA will be publishing new guidance on governance of Local Authority Trading Companies (LATC) to address this. The Combined Authority will review its LATC governance arrangements once the guidance has been published, to ensure they are appropriate and effective.
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.

There has been investment in the capability of company oversight and management, with a dedicate company secretariat/governance lead officer and regular meetings to review the regulatory compliance, and finance standing of the companies.

In addition, 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; and
- South Cambridgeshire District Council.

In addition, the Authority co-opts the Police and Crime Commissioner, a representative of the 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.

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 board.

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

The 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.

As of the local elections in May 2021 the Combined Authority Board has 3 new Board Members, including a new Mayor. This change in leadership is likely to result in a change in portfolio responsibilities and strategic direction of the Authority as a whole, but it is too early to say what these changes will be with certainty as the new administration has only been in post for a short time.

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, who are also the Leaders of their councils.

- 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. A review is due to take place in the summer and autumn of 2021.

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 committee has set up two task and finish groups, one to consider the Cambridgeshire Autonomous Metro project and one to consider the Authority's Bus Review. The Mayor and Chief Executive attend meetings at least quarterly to update the committee and to answer any questions. The committee has also responded to the change in the Authority's governance arrangements by revising its own arrangements for pre-scrutiny to allow lead members appointed by the Committee to formulate questions for the Executive Committees.

In order to support its future work and the development of its role the Overview and Scrutiny Committee sought, through the Combined Authority Board a review of their working arrangements. This was carried out by CfGS (The Centre for Governance and Scrutiny), and is due to report at the time this statement is being prepared.

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 Committee in April 2021 for consideration before being presented to the Combined Authority Board in June. 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 Portfolio Holder 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 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 Authority continues to make good progress in developing its strategic direction.

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

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

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

- People
- Ideas
- Business Environment
- Infrastructure
- Place

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

- Greater Cambridge
- Greater Peterborough
- The Fens

Investments will only be made if they can demonstrate that they will support the delivery of the Growth Ambition Statement and the Local

Industrial Strategy, and the more detailed place and sector strategies (where they are in place).

4. 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 Combined Authority continues to develop its detailed strategies for key areas of activity including:

    - Housing Strategy
    - Local Industrial Strategy
    - Local Transport Plan
    - Non-statutory spatial plan

5. 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 and might not be feasible, others are further advanced. The Business Plan and the Medium-Term Financial Plan are not intended to be an exhaustive list of activity as new opportunities will arise during the period, but it identifies the key activities that are transformational and will need investment during the plan period to unlock the opportunities they could bring. Prioritisation has been undertaken to ensure that our investment goes into projects that will unlock transformational anchor projects that will have a significant impact on growing the whole Cambridgeshire and Peterborough economy.

    The Business Plan aligns with the approach to performance management which the Authority has already adopted and the Authority's quarterly performance reports 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

In November 2019, the Combined Authority Board and the Business Board agreed a revised joint Assurance Framework. The latest version of 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) published in January 2019. The Assurance Framework sets out:

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

(b) The respective roles and responsibilities of the Combined Authority, the 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

In January 2021, the Authority approved an update to its monitoring and evaluation framework. The framework provides assurance to the Combined Authority Board and to Central Government through robust monitoring and evaluation arrangements for each of the commissioned projects. Monitoring and evaluation (M&E) is a critical component of an effective performance management regime. Monitoring supports the effective tracking of a scheme or series of policy interventions ensuring that intended outputs are being achieved. Evaluation quantifies and assesses outcomes, including how schemes were delivered and whether the investment generated had the intended impact and ultimately delivered value for money.

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, whilst adhering to government guidance and legislation during the COVID-19 pandemic.

Following the ending of the legislation allowing for remote meetings, meetings are again held in person - but are run in accordance with public health guidelines.

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 at each Combined Authority Board meeting to provide information on income and expenditure for the year to date against the approved budget and to provide an analysis of any variances between actuals and budget for both Revenue Funds and the Capital Programme.

While not in force for the year ended the 31st March 2021, the Combined Authority is required to adhere to the CIPFA Financial Management Code from April 2021. As such a review of the Authorities Financial Management arrangements against the requirements of the code was undertaken and the following key actions that will be addressed in 2021-22 were identified:

- A formal timeline for the creation of the Annual Governance Statement will be established.
- Regular budget holder and project manager training will be implemented to reinforce the responsibilities associated with those roles.
- The Authority will carry out a financial resilience assessment.
- Regular financial reporting to Corporate Management Team, Committees and Boards will include key balance sheet items.

Developing Capacity
The member structure is well-defined and a permanent staffing structure is now in place. Staffing and resources levels are regularly checked to ensure that the Combined Authority can deliver.

Internal Audit
RSM Assurance Limited were appointed as the Combined Authority's new internal auditors in September 2020. RSM provide the Chief Internal Auditor function for the Combined Authority and presented the audit plan for approval to the Audit & Governance Committee in November 2020 and has provided the Committee with regular updates since then.

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

Risk Management
The Authority's Audit and Governance Committee is responsible for overseeing the Authority's risk management strategy and corporate risk register. The Risk Strategy was adopted by the Combined Authority Board in January 2020 and will be updated in 2021/22 following a review by officers working with the internal auditors.

Corporate and project risks are identified, recorded and monitored by the Corporate Management Team and the Audit & Governance Committee, and 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. 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 the high-profile issues that have come to light following Croydon Council's S114 notice and CIPFA will be publishing new guidance on governance of Local Authority Trading Companies (LATC) to address this. The Combined Authority will review its LATC governance arrangements once the guidance has been published, to ensure they are appropriate and effective.

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 adequacy and effectiveness of the organisation's risk management, control and governance processes.

For the 12 months ended 31 March 2021, the head of internal audit opinion for Cambridgeshire and Peterborough Combined Authority is as follows:

"The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective."

"Factors and Findings which have informed our opinion

Our opinion has been informed by seven assurance reviews undertaken during 2020/21. One review concluded with minimal assurance, and agreed six high and four medium priority management actions. We also issued one partial assurance opinion for the Risk Management review.

Five further reviews were undertaken, four of these resulting in reasonable assurance being taken by the Authority for the following reviews:

- Impact on COVID-19 on Project Delivery
- Accounts Payable
- Appointments to Boards and Committees
- COVID-19 Capital Grants

In addition, our Follow Up review, conducted on a sample of the recommendations from the previous internal auditors concluded that the Authority had made **good progress** in implementing recommendations. We confirmed that seven recommendations had been fully implemented and two had been superseded. We did agree a management action in relation to the monitoring of management actions agreed, given that this was not formally in place at the time of our review.

We issued one audit where the Authority could take only partial assurance.

For this area, the Board could take partial assurance that the controls to manage these risks are suitably designed and consistently applied. However, action was needed to strengthen the control framework to manage the identified risks.

Risk Management

We noted that the Authority was yet to undertake detailed risk management training, specifically in ensuring risks are clear and mitigation plans and actions are specific, measurable, achievable, realistic and Time relevant (SMART). In addition, we noted the Authority does not capture evidence of the review and scrutiny of the Corporate Risk Register at an Executive Level and had not at the time of the review implemented a reporting framework for risk registers below the Corporate level. We further noted that risk escalation was at the discretion of risk owners and therefore could be subjective and inconsistent.

We also found that minimum frequencies for the review of risks have not been formally documented and noted that as the organisation takes positive steps towards its compliance with the new risk management strategy and processes, it would be equally important to link assurances to individual risks and controls.

Since issuing the final report we have held various meetings with Officers to discuss how CPCA could further develop the risk management control framework and strategy whilst satisfying the issues identified through our review.

We issued one audit where the Authority could take only minimal assurance."

The opinion then set out actions which were planned and underway to improve the weaknesses that were identified on those areas which received 'minimal' and 'partial' assurance including reviews of the risk management strategy and a review of IT requirements of the organisation.

Impact of Covid-19 on the CPCA's Governance Arrangements

While the COVID-19 pandemic has caused significant disruption across the Country, the Combined Authority has maintained its governance systems in line with business as usual - the same governance processes have operated throughout including authorisation limits, required sign off by statutory officers and reporting to Boards. Prior to the enactment of legislation which formally allowed for local authority meetings to take place virtually, the CPCA ran meetings in public, which enabled relevant matters appropriate to the Mayoral general power to be made in a public setting, and for other matters to be debated. This balanced the need to maintain a continuity of business, with the need to maintain transparency and inclusion in decision making.

In line with legal requirements, from June 2021, the Combined Authority's meetings are once again being held in-person however live-streaming technology is being utilised both to lower the risk of COVID transmission and to enhance accessibility.

During 2020/21, RSM conducted a review of project delivery arrangements at the Combined Authority in relation to the robustness of project approvals and monitoring during COVID-19 (COVID). The report found that "the Board can take reasonable assurance that the controls upon which the organisation relies to manage this area are suitably designed and consistently applied.

Conclusion

The Combined Authority recognises its responsibilities for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively, alongside a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised.

The Authority has made good progress during 2020/21 and we are committed to making continued improvements during 2021/22.

Certification

As Mayor and Chief Executive Officers, 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.

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

Signed:

Dr Nik Johnson, Mayor of Cambridgeshire and Peterborough Combined Authority

Date:

Signed:

Kim Sawyer, Joint Chief Executive Officer of Cambridgeshire and Peterborough Combined Authority

Date:

Signed:

John Hill, Joint Chief Executive Officer of Cambridgeshire and Peterborough Combined Authority

Date:

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY

Statement of Accounts

2020/21

Draft – Subject to Audit

Cambridgeshire and Peterborough Combined Authority

Statement of Accounts 2020/21

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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 and 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 and Peterborough Combined Authority's financial statements for the year ended 31 March 2021.

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

The Business Board 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 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 and Peterborough Combined Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Combined Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.
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 Ministry of Housing, Communities and Local Government (MHCLG) 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.

4. Operational Model

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

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

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

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 immediate response was to remain 'open for business' with the Combined Authority's workforce being fully mobilised to work from home, meetings taking place virtually, and the Mayor's general power of competence being relied upon to make decisions.

During 2020/21, innovations to support local businesses affected by COVID-19 included:

- The re-design and re-purpose of resources towards growth coaching, advice, grants and equity investments, to provide a rapid response to support businesses.
- Supporting clients to access information regarding the Central Government Support Packages and to provide signposting to appropriate local sector Business networks.
- Allocate grant funding for short term support grants to COVID recovery and regrowth strategies for local firms.

The Combined Authority conducted a review of all priorities to focus on those which would support economic recovery following the impact of the pandemic. This review led to a refreshed budget and Medium-Term Financial plan (MTFP) being approved by the Board in June 2020.

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 has been 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 are contained within the Business plan remain affordable within the expected funding envelope across the lifetime of the MTFP, whilst maintaining a £1m Contingency Reserve.

Administration of COVID grants

The Combined Authority's COVID-19 response refocussed about £6m of resources to support small businesses and microbusiness with COVID capital grants.

The micro-grant scheme provided 128 grants to businesses, whilst the COVID-19 capital grant scheme funded 132 grants estimated to create or protect over 800 jobs.

The Combined Authority also worked closely with Constituent Authorities and Public Transport providers to support recovery, being the accountable body for funding to develop 'active travel' schemes, COVID related bus subsidies, and for providing additional 'home to school' travel.

Our Growth Ambition

The Combined Authority has a Growth Ambition Statement to summarise it's strategy and response to the Cambridgeshire & Peterborough Independent Economic Review (CPIER).

The CPIER endorsed the Devolution Deal ambition of doubling GVA over 25 years and said that growth is of strategic importance for the future global competitiveness of Britain. It emphasised the diversity of our economy and the difference between the challenges the strongly-growing large cities and other parts of the area face.

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

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

New homes need to be affordable. The Combined Authority's Housing Strategy aims to exceed the 2,500 affordable homes committed to in the Devolution Deal. We will also use the new Spatial Framework and direct investment in new settlements to

encourage extra affordable housing provision, including by developing homes for first time buyers with a price target based on earnings.

In striking a balance between the different possible patterns for future settlements through the Spatial Framework, the Combined Authority will encourage development, where good transport can be provided, including along transport corridors and new garden villages. By linking the Spatial Framework and Local Transport Plan, this approach will be based on ensuring that transport and other infrastructure investment precedes housing development.

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

Responding to the growth challenge means public sector interventions to help firms raise their productivity, especially outside the Greater Cambridge area. Our Local Industrial Strategy (LIS) reflects the CPIER's recommendations about key sectors and the drivers of productivity. It recognises the different economic roles that different towns play and will be about targeting support to businesses in areas that need it. It will focus on improving productivity, encouraging exporting and supporting digital connectivity for businesses.

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

The CPIER recognised that growing our economy is not just about our two large cities and emphasised the role of Market Towns. We will continue to support the Market Town Masterplans and, this year, we have started to enable delivery of the proposals that have evolved from those masterplans.

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

6. Strategy and Resource allocation

THE LOCAL ECONOMIC RECOVERY STRATEGY (LERS)

In the first half of 2020/21, the Combined Authority engaged in a collaborative process through significant co-ownership and broader business community, education and public consultation to produce a Local Economic Recovery Strategy. It was a product of the Covid-19 Local Economic Recovery Sub-Group, consisting of Local Authority economic development officers in partnership with representatives of all the key local business organisations. The strategy was recommended for adoption by the Business Board as its Covid-19 adapted version of the Local Industrial Strategy and was ratified by the CPCA main Board on the 30th September.

The Covid-19 Economic Recovery Strategy Mission is:

"To lead the nation out of recession - by accelerating the recovery, rebound and renewal of our economy and achieving our ambition to double GVA in a new and more digitally enabled, greener, healthier and more inclusive way than ever before.

The recovery strategy reflects our commitment to respond effectively to the specific needs of Greater Peterborough, the Fens, and Greater Cambridge – whilst building the connections and relationships that will unlock the full economic potential of the whole region.

LOCAL INDUSTRIAL STRATEGY

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

STRATEGIC SPATIAL FRAMEWORK

As part of the Devolution Deal, the Combined Authority has a commitment to produce a non-statutory spatial framework for Cambridgeshire and Peterborough, which will link to the other Combined Authority strategies. It will align essential infrastructure, housing and job growth, and set out how growth can be delivered. Phase 1 of the Framework was completed in 2018. Phase 2 is planned for 2021/22 which will include developing and maintaining a suitable evidence-base.

SKILLS STRATEGY

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

LOCAL TRANSPORT PLAN

Following devolution, the Combined Authority is now the Local Transport Authority with strategic transport powers. The Local Transport Plan (LTP) provides an overview of the area's aims and objectives, its strategies to address challenges and summarises the major transport schemes required to achieve targeted growth and place-making across the Combined Authority geography. The LTP was published in February 2020 but in order to reflect on the impacts of the COVID pandemic and any potential changes resulting from a number of councils' local plans being updated, it is anticipated that the LTP will be refreshed in 2021/22. There are a number of key, underpinning sub-strategies to the LTP that will also be updated to ensure they are aligned with emerging central and local government policy

7. Outlook

~~The Combined Authority restates its 2017 devolution deal commitment to double GVA over 25 years. We~~Performance against the Combined Authority's 2017 devolution deal commitment, to double GVA over 25 years, is reported quarterly to the Combined Authority Board. GVA data from the Office of National Statistics has a significant publication time lag so the most recent data reported to the Board is only to the end of December 2018. As this is less than a year after the Combined Authority was set up it is too early to see the effect of the Combined Authority's interventions in the figures. The Combined Authority is still committed to doubling GVA and recognise that this will require action and investment by both the public and private sectors. It is the role of the Combined Authority to lead and to convene partners in order to make that happen.

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

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

The Business and Skills Directorate and the Business Board, for which it supplies the executive support, is focused on the Combined Authority's vision to double our economy. Its strategic approach in achieving this is to:

- **Improve the long-term capacity for growth in Greater Cambridge** to support the expansion of this innovation powerhouse and, crucially, reduce the risk of any stalling in the long-term high growth rates that have been enjoyed for several decades.
- **Increase sustainability and broaden the base of local economic growth**, by identifying opportunities for high growth companies to accelerate business growth where there is greater absorptive capacity, beyond the current bottlenecks to growth in Greater Cambridge.
- **Do this by expanding and building upon the clusters and networks** that have enabled Cambridge to become a global leader in innovative growth, creating an economy-wide business support eco-system to promote inclusive business growth.

The Delivery and Strategy Directorate promotes the Mayor and Combined Authority's growth ambition by:

- Supporting their role as the Transport Authority, developing and overseeing the delivery of new transport schemes, developing the Local Transport Plan, and ensuring the provision of subsidised public transport by delivery partners;
- Supporting Local Planning Authorities by developing an overall spatial framework for the area;
- Providing programme and performance management to ensure successful delivery of Combined Authority projects; and
- Supporting the Mayor and Combined Authority's role in public service reform.

The Combined Authority Board established the Cambridgeshire and Peterborough Independent Commission on Climate (CPICC) to examine the challenges facing the area from climate change. It was tasked to produce recommendations on how the area can mitigate the emissions of greenhouse gases and adapt to climate change impacts already happening. The Commission focused on transport, buildings, energy and peat topics for its initial recommendations report, with a further report due in late Summer 2021. In March 2021, the Combined Authority received CPICC's 'Initial Recommendations Report' and agreed to develop a response to the Commission's recommendations.

The Housing and Development Team at the Combined Authority is working with officers in all partner local authorities to identify new schemes to come forward for support from the Affordable Housing Programme. The Team is also building relationships with

landowners, developers and housing providers to seek opportunities to influence, enable and accelerate delivery of new affordable housing across the Combined Authority area.

The Housing Strategy recognises that there is a need to deliver genuinely affordable housing across the Combined Authority Area. It further recognises that there is a gap in the market that provides for those who do not qualify for traditional affordable housing and for whom open market housing is out of reach.

The Combined Authority vision for Cambridgeshire and Peterborough is to have the most advanced community-led housing sector in the UK, where local people in confident, and resilient communities have access to the skills and expertise to create attractive local homes that they can genuinely afford.

At the local elections in May 2021 the people of Cambridgeshire and Peterborough elected a new Mayor, along with 2 other changes to the Membership of the Combined Authority Board. In addition, a new Chief Executive Officer was appointed by the Board to start in the Autumn. While the full scope of the effect of these changes to the leadership of the Combined Authority will not be known for some time, this is the start of a new era for the Combined Authority where strategies and policies will be viewed in the light of the new Mayor's commitment to the 3 Cs: Compassion, Cooperation and Community.

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 2020/21. 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 2021.

- 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.

Jon Alsop
Chief Finance Officer (S73)

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

This report will be provided after the audit of the Authority's accounts is completed

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.

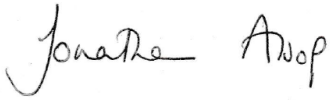
The Section 73 Officer has also:

- 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 3 to 70 present a true and fair view of the financial position of the Combined Authority at 31 March 2021 and its income and expenditure for the year ended 31 March 2021.

Jon Alsop
Chief Finance Officer and Section 73 Officer:
Date: ~~17 June 2021~~



Approval of the Statement of Accounts

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

Chair of the Audit Committee:
Date:

Comprehensive Income and Expenditure Statement (Group and Single)

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 2020-21.

CPCA 19/20 restated					Group 20/21			CPCA 20/21		
Gross Exp	**Gross Inc**	**Net exp**		**Note**	**Gross Exp**	**Gross Inc**	**Net exp**	**Gross Exp**	**Gross Inc**	**Net exp**
£000	£000	£000			£000	£000	**£000**	£000	£000	**£000**
4,125	0	4,125	Combined Authority Staffing Costs		4,134	0	**4,134**	4,134	0	**4,134**
333	0	333	Externally Commissioned Support Services		319	(2)	**317**	319	(2)	**317**
806	0	805	Corporate Overheads		631	0	**631**	631	0	**631**
17	0	17	Governance Costs		49	0	**49**	49	0	**49**
370	0	370	Mayor's Office		458	0	**458**	458	0	**458**
77	(328)	(251)	Other Corporate Budgets		254	(38)	**216**	254	(38)	**216**
13,415	(~~5,114~~12,369)	~~8,301~~1,046	Business and Skills		46,~~617~~618	(44,071)	**2,~~546~~547**	47,454	(47,042)	**412**
39,377	(35,656)	3,721	Delivery and Strategy		~~74,883~~75,121	(63,451)	**11,~~432~~670**	74,883	(64,753)	**10,130**
12,561	(524)	12,037	Housing		23,502	(453)	**23,049**	23,502	(453)	**23,049**
71,080	**(~~41,622~~48,877)**	**~~29,458~~22,203**	**Net Cost of Services**		**~~150,847~~151,086**	**(108,015)**	**~~42,832~~43,071**	**151,684**	**(112,288)**	**39,396**
0	0	0	Other Operating Income & Expenditure	8	455	(361)	**94**	455	(361)	**94**
37	(1,646)	(1,609)	Financing and Investment Income and Expenditure	9	~~822~~908	(809)	**~~13~~99**	4,~~105~~429	(809)	**3,~~296~~620**
0	(~~39,149~~31,894)	(~~39,149~~31,894)	Taxation and Non Specific Grant Income	10	0	(26,187)	**(26,187)**	0	(26,187)	**(26,187)**
71,117	**(82,417)**	**(11,300)**	**(Surplus) / Deficit on Provision of Services**		**152,~~124~~447**	**(135,372)**	**~~16,752~~17,077**	**156,~~244~~568**	**(139,645)**	**16,~~599~~923**
		76	Loss from investments in equity instruments designated at FVOCI				**57**			**57**
		1,028	Actuarial (Gains) / Losses on Pension Assets / Liabilities	7			**1,542**			**1,542**
		1,104	**Other Comprehensive Income & Expenditure**				**1,599**			**1,599**

		(10,196)	**Total Comprehensive Income & Expenditure**				**18,~~3516~~76**			**18,~~1985~~22**

* restated to reflect 2020/21 management reporting headings

16

Movement in Reserves Statement (Group and Single)

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.

Combined Authority Single 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
		£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2019		**(11,185)**	**(2,547)**	**(130,979)**	**(11,136)**	**(155,847)**	**(4,670)**	**(160,517)**
Total Comprehensive Income & Expenditure		(11,300)	0	0	0	(11,300)	1,104	(10,196)
Adjustments between accounting basis & funding basis under regulations	14	7,995	0	26,~~807~~087	128	34,210	(34,210)	0
Net Increase before Transfers to Earmarked Reserves		**(3,305)**	**0**	**26,~~807~~087**	**128**	**22,910**	**(33,106)**	**(10,196)**
Transfers to / (from) Reserves		554	(554)	0	0	0	0	0
Increase / (Decrease) in 2019/20		**(2,751)**	**(554)**	**26,~~807~~087**	**128**	**22,910**	**(33,106)**	**(10,196)**
Balance at 31 March 2020 Carried Forward		**(13,936)**	**(3,101)**	**(104,892)**	**(11,008)**	**(132,937)**	**(~~33~~37,776)**	**(170,713)**
Balance at 1 April 2020		**(13,936)**	**(3,101)**	**(104,892)**	**(11,008)**	**(132,937)**	**(37,776)**	**(170,713)**
Total Comprehensive Income & Expenditure		16,~~599~~923	0	0	0	16,599	1,599	18,~~198~~522
Adjustments between accounting basis & funding basis under regulations	14	(~~13,812~~14,136)	0	45,967	1,787	33,~~942~~618	(33,~~942~~618)	0
Net Increase before Transfers to Earmarked Reserves		**2,787**	**0**	**45,967**	**1,787**	**50,541**	**(32,~~343~~019)**	**18,~~198~~522**
Transfers to / (from) Reserves		3,347	(3,347)	0	0	0	0	0
Increase / (Decrease) in 2020/21		**6,134**	**(3,347)**	**45,967**	**1,787**	**50,541**	**(32,~~343~~019)**	**18,~~198~~522**
Balance at 31 March 2021 Carried Forward		**(7,802)**	**(6,448)**	**(58,925)**	**(9,221)**	**(82,396)**	**(~~70,119~~69,795)**	**(152,~~515~~191)**

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Combined Authority Group Movement in Reserves Statement	Note	Combined Authority Usable Reserves	Cambridgeshire and Peterborough Business Growth Company Limited Usable Reserves	~~Total~~One Cam Limited Usable Reserves	~~Combined Authority Unusable~~Peterborough R&D Property Company Limited Usable Reserves	Peterborough HE Property Company ~~Unusable~~Limited Usable Reserves	Total ~~Unusable~~Usable Reserves	Combined Authority Unusable Reserves[1]			Total Group Reserves		
		£000	£000	£000	£000	£000	£000	£000			£000		
Balance at 1 April 2020		**(132,937)**	**0**	**0**	**0**	**0**	**(132,937)**	**(37,776)**	**0**	**(37,776)**	**(170,713)**		
Total Comprehensive Income & Expenditure		16,~~599~~923	~~3,642~~1,981	1,540	154	292	**20,~~241~~890**	1,599			~~0~~22,489	~~1,599~~	~~21,840~~
Adjustments between group accounts and authority ~~accounts~~accounts[2]		(~~61~~385)	(~~3,428~~1,973)	(1,302)	(154)	0	**(3,~~489~~813)**	0	~~0~~	~~0~~	**(3,~~489~~813)**		
Net Increase/decrease before transfers		**16,538**	~~2149~~	~~16,752~~238	**0**	**292**	**17,077**	**1,599**	~~0~~	~~5,088~~	**18,~~351~~676**		
Adjustments between accounting basis & funding basis under regulations	14	37,431	0	0	0	0	**37,431**	(37,431)			**0**	~~(37,431)~~	~~0~~
Increase / (Decrease) in 2020/21		**53,969**	~~2149~~	**238**	**0**	**292**	**54,~~183~~508**	**(35,832)**	~~0~~	~~(35,832)~~	**18,~~351~~676**		
Balance at 31 March 2021 Carried Forward		**(78,968)**	~~2149~~	**238**	**0**	**292**	**(78,~~754~~429)**	**(73,608)**	~~0~~	~~(73,608)~~	**(152,~~362~~037)**		

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As group accounts were not produced for 19/20 there is no comparator information provided, the figures would be identical to those in single entity accounts, above.

1. None of the companies had unusable reserves during the period.

2. This is the elimination of intragroup transactions, see note 11 for further details. For CPCA this adjustment is offset by the removal of the loss in fair value of CPCAs investment in the companies.

Chief Finance Officer and Section 73 Officer:

Date: ~~17 June 2021~~

Balance Sheet (Group and Single)

CPCA	Balance Sheet		Group	CPCA
31 Mar 20		**Notes**	**31 Mar 21**	**31 Mar 21**
£000			**£000**	**£000**
544	Property, Plant & Equipment	22	782	80
133	Long Term Investments	25,26	37,~~264~~178	41,~~383~~059
19,677	Long Term Debtors	25,26,28	22,469	22,469
20,354	**Long Term Assets**		**60,~~515~~429**	**~~67,421~~63,608**
80,699	Short Term Investments	25,26	138,100	138,100
26,434	Short Term Debtors	25,26,28	34,738	39,011
80,565	Cash and Cash Equivalents	25,26,33	86,696	83,697
187,698	**Current Assets**		**259,534**	**260,808**
(21,407)	Short Term Creditors	25,26,29	(55,~~734~~973)	(60,272)
0	Short Term Provisions	30	(226)	(226)
(21,407)	**Current Liabilities**		**(~~55,960~~56,199)**	**(60,~~462~~498)**
(1,554)	Other Long Term Liabilities	7	(3,644)	(3,644)
(14,378)	Capital Grants Receipts in Advance	31	(108,083)	(108,083)
(15,932)	**Long Term Liabilities**		**(111,727)**	**(111,727)**
170,713	**Net Assets**		**152,~~362~~037**	**152,515**
(132,937)	Usable Reserves	14	(78,~~754~~429)	(82,396)
(37,776)	Unusable Reserves	14	(73,608)	(~~70,119~~69,795)
(170,713)	**Total Reserves**		**(152,~~362~~037)**	**(152,~~515~~191)**

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'.

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.

CPCA	**Cash Flow Statement**		**Group**	**CPCA**
2019/20		**Notes**	2020/21	2020/21
£000			**£000**	£000
(11,300)	**Net (Surplus) / Deficit on the Provision of Services**		**~~16,752~~17,077**	**16,~~599~~923**
(17,880)	Adjust net (Surplus)/Deficit on the Provision of the Services for non cash movements*		(~~103,756~~104,081)	(103,~~603~~927)
(29,180)	**Net Cash Flows from Operating activities**		**(87,004)**	**(87,004)**
58,373	Investing activities	32	80,873	83,872
0	Financing activities	~~33~~	0	0
29,193	**Net (Increase)/Decrease in Cash & cash Equivalent**		**(6,131)**	**(3,132)**
109,758	**Cash & Cash Equivalent at the beginning of the Reporting Period**		**80,565**	**80,565**
(29,193)	Increase / (Decrease) in Cash and Cash Equivalents		6,131	3,132
80,565	**Cash & Cash Equivalents at the end of the Reporting Period**	33	**86,696**	**83,697**

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* The adjustment of net (surplus) deficit on the provision of Services for non cash movements contains £109,729k for the movement in creditors which largely relates to Capital Grants Received in Advance, see not 31 for further details .

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 19/20	Profit / Loss 19/20	Net Assets 19/20	Turnover 20/21	Profit / (Loss) 20/21	Net Assets 20/21
Peterborough HE Property Company Limited	**93% (50%)**	Associate	Yes - equity	0	0	0	0	(~~221~~314)	26,~~448~~356
Cambridgeshire and Peterborough Business Growth Company Limited	**100%**	Subsidiary	Yes – line by line	0	0	0	143	(1,981)	3,426
One Cam Limited	**100%**	Subsidiary	Yes – line by line	0	0	0	0	(1,~~302~~540)	~~693~~455
Peterborough R&D Property Company Limited	**100%**	Subsidiary	Yes – line by line	0	0	0	0	(154)	(154)
Angle Holdings Limited	**100%**	Subsidiary	Not material	0	(2)	(2)	0	(12)	(14)
Smart Manufacturing	**100% (50%)**	Joint Venture	Not material	0	0	0	0	(45)	670
Ascendal	**100% (50%)**	Joint Venture	Not material	0	0	0	0	(313)	652
MedTech Accelerator Ltd	**20%**	Associate	Not material	0	(339)	568	0	(191)	377*

*MedTech Accelerator Ltd accounts are prepared to 30 June, 20/21 figures are year to 31 March 21.

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.
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. As at 31 March 2021 the shareholders agreement hadn't been finalised and no equity investment had been made.
Angle Holdings Limited and its subsidiary Angle ~~Development~~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 six 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 2020/21 financial year and its position at the year-end 31 March 2021. 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 2020/21, 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 reporting date 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 Northamptonshire County Council (until 31 March 2021)

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.

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 2020/21, 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

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

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.

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 (ie 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 2020/21.

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 2020-21 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 2020/21 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. ~~The CPCA~~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 £74.1 million at 31 May 2021 and forecast cash balances of £39.5 million at 31 August 2022, 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.

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

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

The above changes in accounting requirements which have been introduced by the 2021/22 code are not anticipated to have a material impact on the authority's financial performance or financial position.

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).

2019/20 restated*	External Audit Costs	2020/21
£000		£000
48	Fees payable with regard to external audit services carried out by the appointed auditor	**45**
(3)	PSAA audit refund	**0**
45	Total	**45**

*estimate replaced with actual costs following completion of audit.

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.

	Allowances		Expenses		Total	
Role	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
Mayor	£75,000	£75,000	£4,471	£1,410	£79,471	£76,~~471~~410
Chair of the Business Board	£18,204	£24,000	£2,585	£0	£20,789	£24,000
Chair of Audit and Governance Committee	£1,534	£1,534	£0	£0	£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

Senior employees whose salary is £50,000 or more, but less than £150,000, are required to be listed individually by way of job title. Employees whose salary is £150,000 or more must also be identified by name. In this context, a senior employee is identified as follows:

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

Total Remuneration including Employer Pension Contributions £000				2019-20 Comparator by total post remuneration Post£000		Name(s) of post holders in 2020-21	Total Remuneration including Employer Pension Contributions £000			
7 2019/20							2020/21			
Pay	Pension	3rd Party Payments[4]	Total				Pay	Pension	3rd Party Payments[4]	Total
-	-	129	129	Co-Chief Executive[1]	224	John Hill	-	-	133	133
82		-	95	Co-Chief Executive[1,2]		Kim Sawyer	85	17	-	102
82	13	-	95	Director of Corporate Resources[2]		95	85	17	-	102
2	-	-	2	Monitoring Officer	193	Robert Parkin	87	16	-	103
-	-	156	156			Dermot Pearson	-	-	-	-
-	-	35	35			Howard Norris	-	-	-	-
77	12	-	89	Chief Finance Officer	135	Jon Alsop	100	18	-	118
-	-	46	46			Noel O'Neill	-	-	-	-
148	-	-	148	Director of Business and Skills	148	John T Hill	152	-	-	152
135	22	-	157	Director of Delivery and Strategy	157	Paul Raynes	138	25	-	163

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135	22	-	157	Director of Housing	157	**Roger Thompson**		138	25	-	**163**
-	-	65	65	Director of Transport[3]	65	**N/A**		-	-	-	**-**
661	82	431	1,174	**Total**		**1,235**	-	**785**	**117**	**133**	**1,035**

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1. CPCA has two joint CEOs (Kim Sawyer and John Hill) who have been in post since 26th September 2018. Prior to this the CPCA had a single Chief Executive
2. Kim Sawyer covers both the role of Director of Corporate Resources and Co-Chief Executive thus the costs are split across both budgets
3. Director of Transport post was removed as a result of restructure in 19/20.
4. 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 Banding	2019-20	2020-21
£50,000-£54,999	6	5
£55,000-£59,999	3	3
£60,000-£64,999	3	0
£65,000-£69,999	0	4
£70,000-£74,999	1	3
£75,000-£79,999	3	2
£80,000-£84,999	0	4
£85,000-£89,999	0	1
£90,000-£94,999	1	0
£100,000-£104,999	0	1
£110,000-£114,999	0	1
£135,000-£139,999	2	2
£150,000-£154,999	1	1
£165,000-£169,999	1	0
£170,000-£174,999	0	1
Total	**21**	**28**

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.

	Number of compulsory redundancies		Number of other departures with exit packages		Total number of exit packages	
	2019/20	**2020/21**	**2019/20 restated**	**2020/21**	**2019/20 restated**	2020/21
£0-£20,000	-	3	2	-	2	3
£200,000 - £250,000	1	-	-	-	1	-
Totals	**1**	**3**	**2**	**0**	**3**	**3**

The restatement of 2019-20 figures was due to an addition of one exit package that was the result of a decision made in 2019-20 but the final value of the package was not known until 2020-21

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 2020-21 the Combined Authority's pay ratio was 3.58 (19/20 3.74).

~~8~~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 £1,351k. This is not a real cost to the General Fund and has no impact on the funding calculation.

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 (https://pensions.cambridgeshire.gov.uk/app/uploads/2019/04/Investment-Strategy-Statement.pdf) which manages risks with diversification of asset classes, geography and asset managers.

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.

2019/20	**Comprehensive Income and Expenditure Statement**	2020/21
£000		£000
	Cost of Services:	
	Service cost comprising**:**	
975	Current Service Cost	1,175
105	Past Service Costs Including Curtailments	0
0	(Gain)/ Loss from Settlements	0
	Financing & Investment Income & Expenditure	
37	Net Interest Expense	41
1,117	**Total Post Employment Benefit Charged to the (Surplus)/Deficit on the Provision of Services**	**1,216**
	Other post-Employment Benefits Charged to the Comprehensive Income & Expenditure Statement	
	Remeasurement of the net Defined Benefit Liability Comprising:	
1,351	Recognition of net Defined Benefit Liability on transfer on IAS19 basis	0
289	Return on Plan Assets (excluding amounts included in net interest)	(700)
-	Actuarial (Gains)/Losses Arising on Changes in Demographic Assumptions	106
(588)	Actuarial (Gains)/Losses Arising on Changes in Financial Assumptions	2,186
	Difference between actual employers' contributions and estimate in Actuary's report	4
(24)	Other	(54)
2,145	**Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement**	**2,758**
	Movement in Reserves Statement	
(2,145)	Reversal of net charges made to the (Surplus)/Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(2,758)
	Actual Amount charged against the General Fund Balance for pensions in the year:	
591	Employers' contributions payable to scheme	668
(1,554)	**Retirement benefits payable to pensioners**	**(2,090)**

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:

31-Mar-20	**Pension Assets & Liabilities Recognised in the Balance Sheet**	**31-Mar-21**
£000		£000
(4,404)	Present value of the defined benefit obligation	(8,251)
2,850	Fair Value of Plan Assets	4,607
(1,554)		**(3,644)**

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

31-Mar-20	**Reconciliation of the Movements in the Fair Value of the Scheme (plan) Assets**	**31-Mar-21**
£000		£000
2,271	Opening Fair Value of Scheme Assets at transfer 1st May 2019	2,850
61	Interest Income	77
	Remeasurement Gain/(Loss)	
(289)	Return on Plan Assets, excluding amounts included in the net interest expense	700
591	Contributions from employer	668
	Difference between actual employers' contributions and estimate in Acturay's report	(4)
216	Contributions from employees into the scheme	318
-	Benefits Paid	(2)
2,850	**Closing Fair Value of Scheme Assets**	**4,607**

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

31-Mar-20	**Reconciliation of Present Value of the Scheme Liabilities (defined benefit obligation)**	**31-Mar-21**
£000		£000
3,622	Opening balance at transfer 1st May 2019	4,404
975	Current Service Cost	1,175
98	Interest Cost	118
216	Contributions from Scheme Participants	318
	Remeasurement (Gains) & Losses	
-	Actuarial (Gains)/Losses Arising from Changes in Demographic Assumptions	106
(588)	Actuarial (Gains)/Losses Arising from Changes in Financial Assumptions	2,186
(24)	Other	(54)
105	Past Service Cost	-
-	Benefits Paid	(2)
4,404	**Closing balance at 31 March**	**8,251**

Local Government Pension Scheme assets comprised

	Period Ended 31st March 2020				**Period Ended 31st March 2021**			
	Quoted Prices in Active Markets	*Quoted Prices not in Active Markets*	*Total*	*Percent of Total Assets*	**Quoted Prices in Active Markets**	**Quoted Prices not in Active Markets**	**Total**	**Percent of Total Assets**
	£000	£000	£000		**£000**	**£000**	**£000**	
Debt Securities								
UK Government	-	147.5	147.5	5%	-	205.7	205.7	4%
Private Equity								
All	-	233.8	233.8	8%	-	347.1	347.1	8%
Real Estate								
UK Property	-	213.3	213.3	7%	-	283.4	283.4	6%
Overseas Property						0.1	0.1	0%
Investment Funds & Unit Trusts								
Equities	-	1,727.4	1,727.4	61%	-	2,767.0	2,767.0	60%
Bonds	-	193.3	193.3	7%	-	534.6	534.6	12%
Infrastructure	-	257.0	257.0	9%	-	417.0	417.0	9%
Total Investment Funds & Unit Trusts	-	2,177.7	2,177.7	77%	-	3,718.6	3,718.6	81%
Derivatives								
Other	-	34.7	34.7	1%	-	(19.0)	(19.0)	0%
Cash & Cash Equivalents								
All	43.0	-	43.0	2%	71.1	-	71.1	2%
Total Assets	43.0	2,807.0	2,850.0	100%	**71.1**	**4,535.8**	**4,606.9**	**101%**

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-20	**Basis for Estimating Assets & Liabilities**	**31-Mar-21**
	Mortality Assumptions	
	Longevity at 65 for Current Pensioners:	
22.0 years	Men	**22.2 years**
24.0 years	Women	**24.4 years**
	Longevity at 65 for Future Pensioners:	
22.7 years	Men	**23.2 years**
25.5 years	Women	**26.2 years**
	Financial Assumptions	
1.8%	Rate of inflation	**2.8%**
2.3%	Rate of increase in salaries	**3.3%**
1.8%	Rate of increase in pensions	**2.8%**
2.3%	Rate for discounting scheme liabilities	**2.1%**
25%	Take-up of option to convert annual pension into retirement lump sum for Pre-April 2008 service	**25.0%**
64%	Take-up of option to convert annual pension into retirement lump sum for Post-April 2008 service	**64.0%**

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.

Changes in Assumptions at 31 March 2021	Approximate % Increase to Defined Benefit Obligation	Approximate Monetary Amount £000
0.5% Decrease in Real Discount Rate	13%	**1,099**
0.5% Increase in the Salary Increase Rate	2%	**138**
0.5% Increase in the Pension Increase Rate	11%	**937**
1 Year Increase in Member Life Expectancy	3-5%	**248-413**

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 £664k expected contributions to the scheme in 2021/2022 (£505k 20/21).

~~9~~8 Comprehensive Income and Expenditure Statement – Other Operating Income and Expenditure

19/20	Other Operating Income and Expenditure	20/21
£000		£000
0	Gains/losses on the disposal of non-current assets	94
0	**Total Other Operating Income and Expenditure**	**94**

~~10~~9 Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure

CPCA 19/20	Financing and Investment Income	Group 20/21	CPCA 20/21
£000		£000	£000
(1,646)	Interest Receivable	(809)	(809)
37	IAS 19 - Pension Interest & Return on Assets	41	41
0	Loss in Fair Value of Investments held at Fair Value Profit and Loss	575	4,~~122~~388
0	Share of Loss of Prop Co 1	~~206~~292	0
(1,609)	**Total Financing and Investment Income**	**~~13~~99**	**3,~~296~~620**

~~11~~10 Comprehensive Income & Expenditure Statement – Non Specific Grant Income

Restated* CPCA 19/20	Taxation and Non-Specific Grant Income	CPCA 20/21
£000		£000
	Non -Specific Government Grants	
(8,000)	Gain Share - Revenue	(8,000)
(1,904)	other	(1,559)
(9,904)	**Total Non-Specific Grants**	**(9,559)**
	Capital Grants & Contributions	
(9,946)	Gain Share - Capital	(11,979)
(12,044)	Growth Deal	(4,535)
0	Other	(114)
(21,990)	**Total Capital Grants & Contributions**	**(16,628)**
(~~39,149~~31,894)	**Total Taxation and Non Specific Grant Income**	**(26,187)**

*19/20 Restated to show in DfE -Adult Education in Budget in costs of services.

~~12~~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.

a) Central Government

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

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

2019/20 restated*		2020/21
£000		£000
(9,918)	MHCLG - revenue grants	(9,040)
(12,000)	MHCLG - capital grants	(12,000)
(43,658)	DfT - capital grants	(61,691)
0	DfT - revenue grants	(2,030)
(4,966)	BIES - revenue grants	(1,266)
(17,199)	BEIS - capital grants	(122,388)
(1,400)	DWP - career and pay progression	0
(7,255)	DfE revenue ~~rants~~grants	(13,283)
(96,396)	**Total Income**	**(221,698)**

*restated to split out BEIS and MHCLG grants

b) Cambridgeshire and Peterborough Constituent Councils

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

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

2019/20		2020/21
£000		£000
	Expenditure	
	Expenditure with councils	
12,654	Cambridgeshire City Council	4,133
23,093	Cambridgeshire County Council	37,451
286	East Cambridgeshire District Council	290
556	Fenland District Council	1,499
~~285~~265	Huntingdonshire District Council	185
5,873	Peterborough City Council	14,254
(210)	South Cambridgeshire District Council	(226)
42,537		**57,586**
	Creditors	
	General Creditors with councils	
(5,459)	Cambridgeshire City Council	(9,100)
3,953	Cambridgeshire County Council	(4,053)
0	East Cambridgeshire District Council	(18)
(506)	Fenland District Council	878
(50)	Huntingdonshire District Council	(51)
(2,643)	Peterborough City Council	(216)
0	South Cambridgeshire District Council	0
(4,705)		**(12,560)**

c) 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 2020/21.

CPCA 19/20	Company	Reason for Funding	Related Party	CPCA 20/21
£000				£000
75	Cross Keys Homes	Grants for affordable housing	Cllr Holdich / Cllr Fitzgerald	1,470
1,033	City College Peterborough	Adult Education provision and the Health and Social Care Work Academy project	Cllr Holdich	2,281
0	Stainless Metalcraft	Local Growth Fund project – Advanced Manufacturing Centre	Austen Adams	~~241~~181
42	NIAB	Local Growth Fund projects – Agri-Tech Start-up Incubator and Agri-gate Hasse Fen extension Eastern Agri-tech programme project	Tina Barsby	3,358
0	University of Cambridge	Local Growth Fund project – West Cambs Innovation Park	Professor Andy Neely	3,000
9	Cambridgeshire Chambers of Commerce	Payment for support services in administering grant programmes	Faye Holland	115
0	TWI Ltd	Local Growth Fund project – Ecosystem Innovation Centre	Aamir Khalid	1,230
0	Start Codon Ltd	Local Growth Fund project – Life Sciences Accelerator	Jason Mellad	890

d) 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.

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e) 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 2021.

Company	Due from CPCA 20/21 £000	Due to CPCA 20/21 £000
		£000
Peterborough HE Property Company Limited	0	3,350
Cambridgeshire and Peterborough Business Growth Company Limited	143	2,116
One Cam Limited	0	1,302
Peterborough R&D Property Company Limited	0	855
Angle Developments Limited	0	12

~~13~~12 Expenditure and Income Analysed by Nature

CPCA 19/20	Expenditure and Income Analysed by Nature	CPCA 20/21
£000		£000
	Expenditure	
5,193	Employee Expenses - Contracts held by CPCA	6,708
181	Employee Expenses - Contracts held by PCC	0
50,737	Capital Grants made treated as REFCUS	109,943
52	Depreciation	37
14,954	Other Service Expenses	39~~,556~~,880
71,117	**Total Expenditure**	**156,~~244~~568**
	Income	
(2,226)	Interest & Investment Income	(1,447)
(79,471)	Government Grants & Contributions	(130,062)
(720)	Other Income	(8,136)
(82,417)	**Total Income**	**(139,645)**
(11,300)	**Deficit / (Surplus) on the Provision of Services**	**16,~~599~~923**

~~14~~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).

2019/20 restated*				2020/21		
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 the Funding and Accounting Basis**	**Net exp in the CIES**
£000	£000	£000		£000	£000	**£000**
3,654	471	4,125	Combined Authority Staffing Costs	3,539	595	4,134
333	0	333	Externally Commissioned Support Services	317	0	317
753	52	805	Corporate Overheads	500	131	631
17	0	17	Governance Costs	49	0	49
352	18	370	Mayor's Office	421	37	458
(251)	0	(251)	Other Corporate Budgets	216	0	216
~~8,552~~1,297	(251)	~~8,301~~1,046	Business and Skills	411	1	412
3,147	574	3,721	Delivery and Strategy	8,386	1,744	10,130
420	11,617	12,037	Housing	539	22,510	23,049
~~16,977~~9,722	**12,481**	**~~29,458~~22,203**	**Net Cost of Services**	**14,378**	**25,018**	**39,396**
(~~20,282~~13,027)	(20,476)	(~~40,758~~33,503)	Other Income & Expenditure	(11,591)	(~~11,206~~10,882)	(22,~~797~~473)
(3,305)	**(7,995)**	**(11,300)**	**(Surplus) / Deficit on Provision of Services**	**2,787**	**~~13,812~~14,136**	**16,~~599~~923**
(13,732)			Opening General Fund Balance	(17,037)		
(3,305)			Less/plus surplus or (deficit) on General Fund balance in year	2,787		
(17,037)			**Closing General Fund Balance**	**(14,250)**		

* restated to reflect 2020/21 management reporting headings

Adjustments between funding and accounting basis:

2019/20 restated*					2020/21			
Adjustments for Capital Purposes[1]	**Net Change for Pensions Adjustments[2]**	**Other Differences[3]**	**Total Adjustments**		**Adjustments for Capital Purposes[1]**	**Net Change for Pensions Adjustments[2]**	**Other Differences[3]**	**Total Adjustments**
£000	£000	£000	£000		£000	£000	£000	**£000**
0	471	0	471	Combined Authority Staffing Costs	0	483	112	595
0	0	0	0	External Support Services	0	0	0	0
52	0	0	52	Corporate Overheads	131	0	0	131
0	0	0	0	Governance Costs	0	0	0	0
0	18	0	18	Mayor's Office	0	24	13	37
0	0	0	0	Other Corporate Budgets	0	0	0	0
(251)	0	0	(251)	Business and Skills	1	0	0	1
574	0	0	574	Delivery and Strategy	1,744	0	0	1,744
11,617	0	0	11,617	Housing	22,510	0	0	22,510
11,992	**489**	**0**	**12,481**	**Net Cost of Services**	**24,386**	**507**	**125**	**25,018**
(20,500)	37	(13)	(20,476)	Other Income & Expenditure	(~~11,232~~10,908)	41	(15)	(~~11,206~~10,882)
(8,508)	**526**	**(13)**	**(7,995)**	**Difference between general fund surplus or deficit and CIES surplus or deficit on the provision of services**	**13,~~1544~~478**	**548**	**110**	**~~13,812~~14,136**

* restated to reflect 2020/21 management reporting headings

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.

~~15~~14 Movement in Reserves Statement – Adjustments between Accounting Basis and Funding Basis under Regulations

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

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

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

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

5 Adjustments between Accounting Basis and Funding Basis under Regulations 2020/21	Usable Reserves			6 Movement in Unusable Reserves
	General Fund	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the CIES:				
Depreciation & impairment of non-current assets	(37)			37
Capital grants and contributions	89,400			(89,400)
Reversal of Expected credit loss on capital loans	18			(18)
Revenue expenditure funded from capital under statute	(109,943)			109,943
Loss for Interest foregone on capital loan	(76)			76
Loss in Fair Value of capital investments	(4,~~018~~342)			4,~~018~~342
Reversal of asset derecognition	(455)			455
Reversal of proceeds from asset disposal	361			(361)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants & contributions unapplied from the CIES	11,596		(11,596)	0
Application of grants to capital financing transferred to the Capital Adjustment Account			57,563	(57,563)
Adjustments involving the Capital Receipts Reserve:				
Redemption of Financial Assets (Loans)		(3,171)		3,171
Application of capital receipts to capital financing transferred to the Capital Adjustment Account		4,958		(4,958)
Adjustments involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	(548)			548
Adjustments involving the Accumulated Absences account				
Adjustments for Short term absences	(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	~~0~~	~~0~~	(15)
Total Adjustments	**(~~13,812~~14,136)**	**1,787**	**45,967**	**(33,~~942~~618)**
For group accounts remove Loss in Fair Value of capital investments for group companies consolidated on line by line basis	**3,813**			**(3,813)**

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Total Adjustments for Group Accounts	**(10,323)**	**1,787**	**45,967**	**(37,431)**

7 Adjustments between Accounting Basis and Funding Basis under Regulations 2019/20	Usable Reserves			8 Movement in Unusable Reserves
	General Fund	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000		**£000**
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the CIES:				
Depreciation & impairment of non-current assets	(52)			52
Capital grants and contributions	38,797			(~~89,400~~838,797)
Reversal of Expected credit loss on capital loans	(643)			643
Revenue expenditure funded from capital under statute	(50,720)			50,720
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants & contributions unapplied from the CIES	21,673		(21,673)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	(547)		47,760	(47,213)
Adjustments involving the Capital Receipts Reserve:				
Redemption of Financial Assets (Loans)		(254)		254
Application of capital receipts to capital financing transferred to the Capital Adjustment Account		382		(382)
Adjustments involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	(526)			526
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.	13			(13)
Total Adjustments	**7,995**	**128**	**26,087**	**34,210**

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- **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-19	Movement	31-Mar-20		01-Apr-20	Movement	31-Mar-21
£000	£000	£000		£000	£000	**£000**
(11,185)	(2,751)	(13,936)	General Fund Balance	(13,936)	6,134	(7,802)
(2,547)	(554)	(3,101)	Specific Earmarked Reserves	(3,101)	(3,347)	(6,448)
(11,136)	128	(11,008)	Capital Receipts Reserve	(11,008)	1,787	(9,221)
(130,979)	26,087	(104,892)	Capital Grants Unapplied	(104,892)	45,967	(58,925)
(155,847)	**22,910**	**(132,937)**	**Total Usable Reserves**	**(132,937)**	**50,541**	**(82,396)**
			Unusable Reserves			
(4,859)	(34,723)	(39,582)	Capital Adjustment Account	(39,582)	(34,~~600~~276)	(~~74,182~~73,858)
~~47~~57	(13)	44	Financial Instruments Adjustment Account	44	(15)	29
132	76	208	Financial Instruments Revaluation Reserve	208	57	265
0	0	0	Accumulated Absences Account	0	125	125
0	1,554	1,554	Pensions Fund Reserve	1,554	2,090	3,644
(4,670)	**(33,106)**	**(37,776)**	**Total Unusable Reserves**	**(37,776)**	**(32,~~343~~019)**	**(~~70,119~~69,795)**
(160,517)	**(10,196)**	**(170,713)**	**Total Usable and Unusable Reserves**	**(170,713)**	**18,~~198~~522**	**(152,~~515~~191)**

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

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

	01-Apr-20	Trf. Out	Trf. In	Movement	31-Mar-21	Purpose of the Earmarked Reserve
	£000	£000	£000	£000	£000	
Revenue Reserve	1,000	0	0	0	1,000	This reserve provides a working balance to cover risks to the revenue budget.
Elections Costs Reserve	520	0	260	260	780	This reserve smooths the impact on the revenue budget of the Mayoral elections which take place every four years.
AEB Reserve	659	0	1,189	1,189	1,848	This reserve holds the balance of adult education budget funding to maintain a locally determined ringfence between financial years.
Business Board Strategic Revenue Reserves	0	(46)	774	728	728	This reserve holds un-ringfenced revenue funds which are received by the Combined Authority as the Accountable Body for the Business Board.
Departmental Reserves	922	0	1,170	1,170	2,092	These represent unspent grant funding and other income which does not require repayment, but is earmarked for projects in future years.
Total Reserves	**3,101**	**(46)**	**3,393**	**3,347**	**6,448**	

16 Capital Grants Unapplied Reserve

	01-Apr-20	Trf. Out	Trf. In	31-Mar-21
	£000	£000	£000	£000
Gain Share - Capital	43,344		11,952	55,296
Housing Grant - General	16,387	(12,758)		3,629
Housing Grant - Cambridge	13,979	(13,979)		0
Local Growth Fund	31,183	(31,183)		0
Total Capital Grants Unapplied	**104,893**	**(57,920)**	**11,952**	**58,925**

In March 2021 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

2019/20	Capital Adjustment Account	2020/21
£000		£000
(4,859)	Balance Brought Forward	**(39,582)**
	Reversal of Items Debited or Credited to the Comprehensive Income & Expenditure Statement:	
(38,797)	Capital Grants & Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to Capital Financing	**(89,400)**
50,720	Revenue Expenditure Funded from Capital under Statute	**109,943**
254	Redemption of financial assets (loans)	**3,171**
(~~3,82~~382)	transfer from usable capital receipts	**(4,958)**
52	charges for depreciation	**37**
0	Asset derecognition	**455**
0	Proceeds from asset disposal	**(361)**
0	Loss for Interest foregone on capital loan	**76**
0	Loss in Fair Value of capital investments	**4,~~018~~342**
643	charges for expected credit loss relating to capital loans	**(18)**
(35,284)	Application of grants to finance capital loans from the Capital Grants Unapplied Accounts	**(4,267)**
(11,929)	Application of Grants to Capital Financing from the Capital Grants Unapplied Account	**(53,296)**
(39,582)	Balance Carried Forward	**(~~74,182~~73,858)**

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.

2019/20	Financial Instruments Adjustment Account	2020/21
£000		£000
57	Balance Brought Forward	44
(13)	Amounts arising from timing differences associated with certain financial instruments	(15)
44	**Balance Carried Forward**	**29**

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.

2019/20	Financial Instruments Revaluation Reserve	2020/21
£000		£000
132	Balance Brought Forward	208
76	Impairment of Equity Instrument	57
208	**Balance Carried Forward**	**265**

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.

2019/20	Accumulated Absences Account	2020/21
£000		£000
0	Balance Brought Forward	0
0	Amounts Accrued at the end of the current year	125
0	**Balance Carried Forward**	**125**

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.

2019/20	**Pensions Reserve**	**2020/21**
£000		£000
0	Balance Brought Forward	1,554
1,351	Recognition of net Defined Benefit Liability on transfer in IAS19 basis	0
(323)	Remeasurements of the net defined benefit liability	1,542
1,117	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	1,216
(591)	Employer's pensions contributions and direct payments to pensioners payable in the year	(~~688~~668)
1,554	**Balance Carried Forward**	**3,644**

22 Property, Plant and Equipment

	Group			CPCA		
	Vehicle, Plant, furniture & equipment	**Assets under construction**	**Total Property, Plant & Equipment**	**Vehicle, Plant, furniture & equipment**	**Assets under construction**	**Total Property, Plant & Equipment**
	£000	£000	**£000**	£000	£000	**£000**
Cost or valuation						
At 01 April 2020	287	361	**648**	287	361	**648**
Additions	28	702	**730**	28		**28**
Disposals	(156)	(361)	**(517)**	(156)	(361)	**(517)**
At 31 March 2021	**159**	**702**	**861**	**159**	**0**	**159**
Accumulated Depreciation & Impairments						
At 01 April 2020	104	0	**104**	104	0	**104**
Depreciation Charge	37	0	**37**	37	0	**37**
Disposals	(62)	0	**(62)**	(62)	0	**(62)**
At 31 March 2021	**79**	**0**	**79**	**79**	**0**	**79**
Net Book Value						
At 31 March 2021	**80**	**702**	**782**	**80**	**0**	**80**
At 31 March 2020	183	361	**544**	183	361	**544**

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.

2019/20	**Capital Financing Requirement**	**2020/21**
£000		**£000**
0	**Opening Capital Financing Requirement**	0
	Capital Investment	
50,720	Revenue Expenditure Funded from Capital Under Statute	109,~~493~~943
388	Property Plant and Equipment	28
0	Equity Instruments	34,282
35,284	Capital loans	8,029
	Sources of Finance	
(382)	Usable Capital receipts	(5,319)
(47,213)	Capital grants unapplied	(57,563)
(38,797)	Capital Grants & Contributions	(89,400)
0	**Closing Capital Financing Requirement**	0

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. The amount charged to Costs of Services in the Comprehensive Income and Expenditure Statement during the year was £170k (£174k 19/20).

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:

2019/20		2020/21
£000		£000
(1,637)	Interest Income - Treasury Management	(794)
(589)	Interest Income - Service Loans	(803)
0	Reduction in carrying amount of Service Loans due to interest foregone	150
643	movement in expected credit loss allowances	(18)
0	loss from changes in Fair Value (FVPL assets)	~~4065~~4,389
(1,583)	**Net impact on surplus/deficit on provision of services**	**2,~~600~~924**
76	loss from changes in Fair Value (FVOCI assets)	57
76	**Impact on Other Comprehensive income**	**57**
(1,507)	**Net (gain)/loss for the year**	**2,~~657~~981**

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

31-Mar-20			31-Mar-21	
Long Term	**Current (restated)**		**Long Term**	**Current**
£000	£000		£000	£000
		Assets at Amortised Cost:		
0	80,699	Investments - Amortised Cost	10,000	138,100
0	80,565	Cash & Cash Equivalents	0	83,697
19,677	0	Debtors - Service Loans	22,469	21,308
0	20,377	Debtors - Other	0	10,760
		Assets at Fair Value:		
		Investments at Fair Value Profit and Loss	~~31,308~~30,984	0
133		Medtech Shares - Designated FVOCI	75	0
19,810	**181,641**	**Total Financial Assets**	**63,~~852~~ 528**	**253,865**
		Liabilities at Amortised Cost:		
0	(12,955~~)~~)*	Creditors	0	(52,398)
0	**(12,955)**	**Total Financial Liabilities**	**0**	**(52,398)**

*Restated to exclude receipts in advance as not financial instrument.

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 2021, 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-20				31-Mar-21	
Carrying Amount (restated)	**Fair Value**		**Fair Value Level**	**Carrying Amount**	**Fair Value**
£000	£000			£000	£000
		Assets at Amortised Cost:			
0	0	LT Investments - Amortised Cost	2	10,000	10,053
39,019	40,127	Debtors - Service Loans	2	43,777	43,965
		Assets at Fair Value:			
0	0	Investments at Fair Value Profit and Loss	3	~~31,308~~30,984	~~31,308~~30,984
133	133	Medtech Shares - Designated FVOCI	3	75	75
39,152	**40,260**	**Total**		**~~88,649~~84,836**	**85,~~417~~077**
		Assets for which Fair Value is not disclosed:			
80,699		ST Investments - Amortised Cost		138,100	
80,565		Cash & Cash Equivalents		83,697	
1,035-*		Debtors - Other		10,760	
201,451		**Total Financial Assets**		**~~321,206~~317,393**	
		Liabilities for which Fair Value is not disclosed:			
(12,955))**		Creditors		(52,398)	
(12,955)		**Total Financial Liabilities**		**(52,398)**	

*Restated due to error in calculation.

**Restated to exclude receipts in advance as not financial instrument.

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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.

Combined Authority had a total of £231.0m deposited with the Debt Management Office (DMO), other local authorities, UK banks and CCLA at 31 March 2021. 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 2021 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 particularly relating to COVID 19.

Expected Credit Loss calculations on service loans outstanding at year end have been adjusted for the expected impact of COVID-19 across the relevant sector.

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 2021, 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 one future agreement for equity which will be denominated in a foreign currency however it's total value will be £100k on the date of maturity thus there is no material risk arising from movements in exchange rates.

28 Debtors

CPCA 31-Mar-20	Short Term Debtors	Group 31-Mar-~~20~~21	CPCA 31-Mar-21
£000		£000	£000
616	Central government bodies	1,620	1,620
226	Other local authorities	993	993
19,535	Other entities and individuals	21,772	21,772
0	Group Companies	3,362	7,635
6,057	Prepayments	6,991	6,991
26,434	**Total Short Term Debtors**	**34,738**	**39,011**

Restated* CPCA 31-Mar-20	Long Term Debtors	CPCA 31-Mar-21
£000		£000
19,091	Other entities and individuals	21,868
586	Other local authorities	601
19,~~091~~677	**Total Long Term Debtors**	**22,469**

*****31 March 20 restated to split out Other local authorities' balance.

'Other' includes loans of £24.0m to East Cambs Trading Company, £14.0m to other housing developers, and £5.8m of Growth Fund loans which are split across both short- and long-term debtors (19/20 £26.3m ECTC, £6.8m other housing and £5.9m of Growth Fund Loans).

29 Creditors

CPCA 31-Mar-20	Short Term Creditors	Group 31-Mar-~~20~~21	CPCA 31-Mar-21
£000		£000	£000
(8,652)	Central government bodies	(9,~~327~~565)	(9,327)
(4,704)	Other local authorities	(19,625)	(19,625)
(8,051)	Other entities and individuals	(8,~~343~~344)	(8,335)
0	Group Companies	(18,439)	(22,985)

(21,407)	**Total Short Term Creditors**	**(55,~~734~~973)**	**(60,272)**

74

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.

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:

CPCA 31-Mar-20	Capital Grants Received in Advance	CPCA 31-Mar-21
£000		£000
(13,268)	Transforming Cities Fund	(25,772)
(1,110)	National Productivity Infrastructure Fund	0
0	Pothole and Flood Resistance	(3,075)
0	Green Homes LAD 2 Energy Grant	(79,236)
(14,378)	**Total Capital Grants Received in Advance**	**(108,083)**

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

CPCA	Cash Flow Statement – Investing Activities	Group	CPCA
2019/20		**2020/21**	**2020/21**
£000		**£000**	**£000**
22,956	Purchase of Short & Long-Term Investments	76,571	79,570
387	Purchase of Property, Plant & Equipment	27	27
35,284	Cash advanced for capital loans	7,140	7,140
(254)	Proceeds from loan repayments	(2,865)	(2,865)
58,373	**Net Cash flows from investing activities**	**80,873**	**83,872**

33 Cash Flow Statement – Cash and Cash Equivalents

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

CPCA	Cash Flow Statement - Cash & Cash Equivalents	Group	CPCA
2019/20		**2020/21**	**2020/21**
£000		**£000**	**£000**
79,921	Short Term Cash Investments	83,131	83,131
644	Bank Accounts	3,565	566
80,565		**86,696**	**83,697**

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Movement in Reserves Statement or MIRS – This statement shows the movement in the year on the different reserves held by the Combined Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves.

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

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

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

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

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

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

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

Draft Annual Governance Statement

For the year ended 31 March 2021

Cambridgeshire and Peterborough Combined Authority
Annual Governance Statement – 2020/21

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 Energy 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 of and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

The Governance Framework

Context

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

The Cities and Local Government Devolution Act 2016 came into force on 28 March 2016, making Cambridgeshire and Peterborough local authorities amongst the first to establish a combined authority for its area under these new provisions. Following the making of the Order, the Authority's first directly elected Mayor was elected on 4 May 2017 for a four-year term of office. The Authority's second mayoral election was held on 6 May 2021.

The powers which have been 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 includes affordable, rented and shared ownership housing.
- Responsibility for chairing an area-based review of 16+ skills provision.
- Responsibility to develop a more effective joint working with the Department for International Trade to boost trade and investment through agreement of a Joint Export Plan
- Powers devolved to the Mayor as part of the devolution plan include:
  - Responsibility for a multi-year, consolidated and devolved transport budget.
  - Responsibility for an identified Key Route Network of local authority roads.
  - Powers over strategic planning and the responsibility to create a non-statutory spatial framework for Cambridgeshire and Peterborough and to develop with Government a Land Commission.

Further secondary legislation has 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 ~~strategic in nature. The Authority has adopted~~while it has been strategic in nature, it is also an operational delivery body for functions including the provision of bus services. 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.

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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 the high-profile issues that have come to light following Croydon Council's S114 notice and CIPFA will be publishing new guidance on governance of Local Authority Trading Companies (LATC) to address this. The Combined Authority will review its LATC governance arrangements once the guidance has been published, to ensure they are appropriate and effective.
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.

There has been investment in the capability of company oversight and management, with a dedicate company secretariat/governance lead officer and regular meetings to review the regulatory compliance, and finance standing of the companies.

In addition, 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; and
- South Cambridgeshire District Council.

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

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

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

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

Board

Each of the Constituent Councils appoints a nominated representative to be a Member of the Combined Authority and another Member to act in his or her absence. The Business Board (LEP) 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 board.

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

The 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.

As of the local elections in May 2021 the Combined Authority Board has 3 new Board Members, including a new Mayor. This change in leadership is likely to result in a change in portfolio responsibilities and strategic direction of the Authority as a whole, but it is too early to say what these changes will be with certainty as the new administration has only been in post for a short time.

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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, who are also the Leaders of their councils.

- 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 ~~will be~~is kept under review by the Authority's Audit & Governance Committee. A review is due to take place in the summer and autumn of 2021.

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 committee has set up two task and finish groups, one to consider the Cambridgeshire Autonomous Metro project and one to consider the Authority's Bus Review. The Mayor and Chief Executive attend meetings at least quarterly to update the committee and to answer any questions. The committee has also responded to the change in the Authority's governance arrangements by revising its own arrangements for pre-scrutiny to allow lead members appointed by the Committee to formulate questions for the Executive Committees.

In order to support its future work and the development of its role the Overview and Scrutiny Committee sought, through the Combined Authority Board a review of their working arrangements. This was carried out by CfGS (The Centre for Governance and Scrutiny), and is due to report at the time this statement is being prepared.

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 Committee in April 2021 for consideration before being presented to the Combined Authority Board in June. 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 Portfolio Holder 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 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 Authority continues to make good progress in developing its strategic direction.

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

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

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

- People
- Ideas
- Business Environment
- Infrastructure
- Place

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

- Greater Cambridge
- Greater Peterborough
- The Fens

Investments will only be made if they can demonstrate that they will support the delivery of the Growth Ambition Statement and the Local

Industrial Strategy, and the more detailed place and sector strategies (where they are in place).

4. 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 Combined Authority continues to develop its detailed strategies for key areas of activity including:

    - Housing Strategy
    - Local Industrial Strategy
    - Local Transport Plan
    - Non-statutory spatial plan

5. 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 and might not be feasible, others are further advanced. The Business Plan and the Medium-Term Financial Plan are not intended to be an exhaustive list of activity as new opportunities will arise during the period, but it identifies the key activities that are transformational and will need investment during the plan period to unlock the opportunities they could bring. Prioritisation has been undertaken to ensure that our investment goes into projects that will unlock transformational anchor projects that will have a significant impact on growing the whole Cambridgeshire and Peterborough economy.

    The Business Plan aligns with the approach to performance management which the Authority has already adopted and the Authority's quarterly performance reports 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

In November 2019, the Combined Authority Board and the Business Board agreed a revised joint Assurance Framework. The latest version of 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) published in January 2019. The Assurance Framework sets out:

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

(b) The respective roles and responsibilities of the Combined Authority, the 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

In January 2021, the Authority approved an update to its monitoring and evaluation framework. The framework provides assurance to the Combined Authority Board and to Central Government through robust monitoring and evaluation arrangements for each of the commissioned projects. Monitoring and evaluation (M&E) is a critical component of an effective performance management regime. Monitoring supports the effective tracking of a scheme or series of policy interventions ensuring that intended outputs are being achieved. Evaluation quantifies and assesses outcomes, including how schemes were delivered and whether the investment generated had the intended impact and ultimately delivered value for money.

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, whilst adhering to government guidance and legislation during the COVID-19 pandemic.

Following the ending of the legislation allowing for remote meetings, meetings are again held in person - but are run in accordance with public health guidelines.

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.

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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 at each Combined Authority Board meeting to provide information on income and expenditure for the year to date against the approved budget and to provide an analysis of any variances between actuals and budget for both Revenue Funds and the Capital Programme.

While not in force for the year ended the 31st March 2021, the Combined Authority is required to adhere to the CIPFA Financial Management Code from April 2021. As such a review of the Authorities Financial Management arrangements against the requirements of the code was undertaken and the following key actions that will be addressed in 2021-22 were identified:

- A formal timeline for the creation of the Annual Governance Statement will be established.
- Regular budget holder and project manager training will be implemented to reinforce the responsibilities associated with those roles.
- The Authority will carry out a financial resilience assessment.
- Regular financial reporting to Corporate Management Team, Committees and Boards will include key balance sheet items.

Developing Capacity
The member structure is well-defined and a permanent staffing structure is now in place. Staffing and resources levels are regularly checked to ensure that the Combined Authority can deliver.

Internal Audit
RSM Assurance Limited were appointed as the Combined Authority's new internal auditors in September 2020. RSM provide the Chief Internal Auditor function for the Combined Authority and presented the audit plan for approval to the Audit & Governance Committee in November 2020 and has provided the Committee with regular updates since then.

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

Risk Management
The Authority's Audit and Governance Committee is responsible for overseeing the Authority's risk management strategy and corporate risk register. The Risk Strategy was adopted by the Combined Authority Board in January 2020 and will be updated in 2021/22 following a review by officers working with the internal auditors.

Corporate and project risks are identified, recorded and monitored by the Corporate Management Team and the Audit & Governance Committee, and 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. 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 the high-profile issues that have come to light following Croydon Council's S114 notice and CIPFA will be publishing new guidance on governance of Local Authority Trading Companies (LATC) to address this. The Combined Authority will review its LATC governance arrangements once the guidance has been published, to ensure they are appropriate and effective.

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 adequacy and effectiveness of the organisation's risk management, control and governance processes.

For the 12 months ended 31 March 2021, the head of internal audit opinion for Cambridgeshire and Peterborough Combined Authority is as follows:

"The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective."

"Factors and Findings which have informed our opinion

Our opinion has been informed by seven assurance reviews undertaken during 2020/21. One review concluded with minimal assurance, and agreed six high and four medium priority management actions. We also issued one partial assurance opinion for the Risk Management review.

Five further reviews were undertaken, four of these resulting in reasonable assurance being taken by the Authority for the following reviews:

- Impact on COVID-19 on Project Delivery
- Accounts Payable
- Appointments to Boards and Committees
- COVID-19 Capital Grants

In addition, our Follow Up review, conducted on a sample of the recommendations from the previous internal auditors concluded that the Authority had made **good progress** in implementing recommendations. We confirmed that seven recommendations had been fully implemented and two had been superseded. We did agree a management action in relation to the monitoring of management actions agreed, given that this was not formally in place at the time of our review.

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We issued one audit where the Authority could take only partial assurance.

For this area, the Board could take partial assurance that the controls to manage these risks are suitably designed and consistently applied. However, action was needed to strengthen the control framework to manage the identified risks.

Risk Management

We noted that the Authority was yet to undertake detailed risk management training, specifically in ensuring risks are clear and mitigation plans and actions are specific, measurable, achievable, realistic and Time relevant (SMART). In addition, we noted the Authority does not capture evidence of the review and scrutiny of the Corporate Risk Register at an Executive Level and had not at the time of the review implemented a reporting framework for risk registers below the Corporate level. We further noted that risk escalation was at the discretion of risk owners and therefore could be subjective and inconsistent.

We also found that minimum frequencies for the review of risks have not been formally documented and noted that as the organisation takes positive steps towards its compliance with the new risk management strategy and processes, it would be equally important to link assurances to individual risks and controls.

Since issuing the final report we have held various meetings with Officers to discuss how CPCA could further develop the risk management control framework and strategy whilst satisfying the issues identified through our review.

We issued one audit where the Authority could take only minimal assurance."

The opinion then set out actions which were planned and underway to improve the weaknesses that were identified on those areas which received 'minimal' and 'partial' assurance including reviews of the risk management strategy and a review of IT requirements of the organisation.

Impact of Covid-19 on the CPCA's Governance Arrangements

While the COVID-19 pandemic has caused significant disruption across the Country, the Combined Authority has maintained its governance systems in line with business as usual - the same governance processes have operated throughout including authorisation limits, required sign off by statutory officers and reporting to Boards. Prior to the enactment of legislation which formally allowed for local authority meetings to take place virtually, the CPCA ran meetings in public, which enabled relevant matters appropriate to the Mayoral general power to be made in a public setting, and for other matters to be debated. This balanced the need to maintain a continuity of business, with the need to maintain transparency and inclusion in decision making.

In line with legal requirements, from June 2021, the Combined Authority's meetings are once again being held in-person however live-streaming technology is being utilised both to lower the risk of COVID transmission and to enhance accessibility.

During 2020/21, RSM conducted a review of project delivery arrangements at the Combined Authority in relation to the robustness of project approvals and monitoring during COVID-19 (COVID). The report found that "the Board can take reasonable assurance that the controls upon which the organisation relies to manage this area are suitably designed and consistently applied.

Conclusion

The Combined Authority recognises its responsibilities for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively, alongside a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised.

The Authority has made good progress during 2020/21 and we are committed to making continued improvements during 2021/22.

Certification

As Mayor and Chief Executive Officers, 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.

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

Signed:

Dr Nik Johnson, Mayor of Cambridgeshire and Peterborough Combined Authority

Date:

Signed:

Kim Sawyer, Joint Chief Executive Officer of Cambridgeshire and Peterborough Combined Authority

Date:

Signed:

John Hill, Joint Chief Executive Officer of Cambridgeshire and Peterborough Combined Authority

Date:

Item 10

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY

Agenda Item No: 10

Report title: Review of Corporate Risk Register & Risk Management Strategy

To:	Audit and Governance Committee
Meeting Date:	30 July 2021
From:	Robert Parkin Monitoring Officer
Key decision:	No
Recommendations:	The Audit and Governance Committee is recommended to: a) Note and review the Combined Authority's Corporate Risk Register (Appendix 1) b) Recommend any proposed changes to the Corporate Risk Register to be reported to the next Combined Authority Board meeting for approval. Voting arrangements: Item a) Note only, no vote Item b) A simple majority of all Members.

1. Purpose

1.1 The Audit and Governance Committee's terms of reference include monitoring the Combined Authority's risk management arrangements including the risk register.

1.2 This report provides the Committee with an update on the Corporate Risk Register.

1.3 In the interests of good governance, the Committee is requested to review the Corporate Risk Register and suggest any changes they would like to put forward as a recommendation to the Combined Authority Board.

2. Background

2.1 The Corporate Risk Register is populated by reference to individual project risk assessments and over-arching corporate risks.

2.2 The Corporate Risk Register is reviewed by the Corporate Management Team, any risks which arise, or which become more significant between their meetings are escalated to the next Corporate Management Team meeting.

2.3 The same risk register template and terminology are used by all Project Managers during the reporting process for each project. Any risks that score over the agreed threshold on an individual project register will then also appear on the main risk register so that it can be monitored accordingly. Again, the report of the internal auditor on risk includes some recommendations around the corporate risk register.

2.4 Officers are currently working with RSM to examine the current Risk Strategy, and to work with the Corporate Management Team to ensure that it represents an effective and efficient approach which fits the needs of the Combined Authority. Once this work is concluded, any revisions will be reported to this committee, and (once adopted) the revised Risk Strategy will be the subject of training for officers across the organisation.

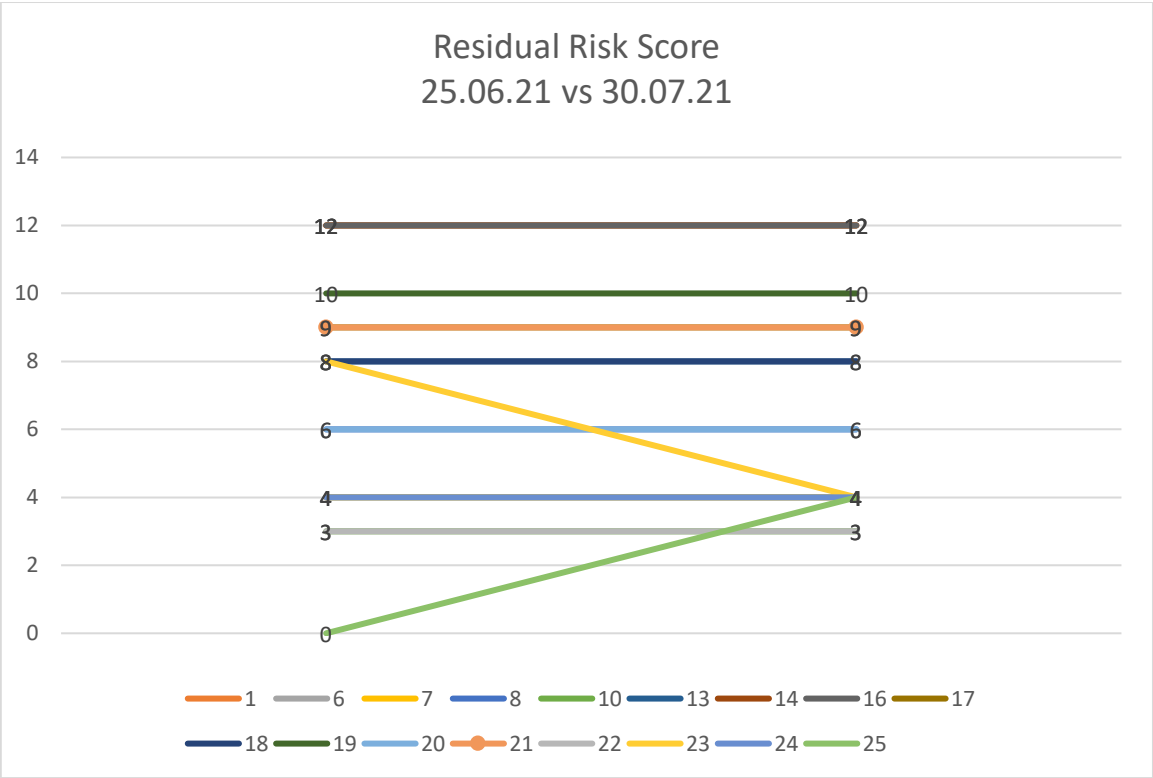
Significant Implications

2.5 Directors and directorates have reviewed the risk register and affirmed the currency of entries, and considered the necessity for new items. New items are discussed at meetings of the CPCA Corporate Management Team.

2.6 Risk ID 29 – Financial Services Level Agreement with Peterborough City Council is out-of-date:
This is an escalated risk via the Chief Finance Officer. The risk would be no access to finance systems, and thus affect the ability to record transactions or to provide management reports and to create statutory returns to government (including VAT). The ability to draft year-end financial statements would be compromised also. The statutory requirement to keep proper accounting records would also be compromised. There are ongoing discussions with Peterborough City Council around the SLA.

2.7 Risk ID 24 – Post-election On-Boarding :
This residual risk score has reduced following the May Mayoral election.

2.8 Below is a graph demonstrating the changes in residual risk score from the previous Audit and Governance Meeting on the 25 June 2021 to the current Audit and Governance meeting. This reflects the changes noted above.



3. Financial Implications

3.1 All of the work has been carried out in-house, therefore there are no significant financial implications to this activity.

4. Legal Implications

4.1 No significant legal implications.

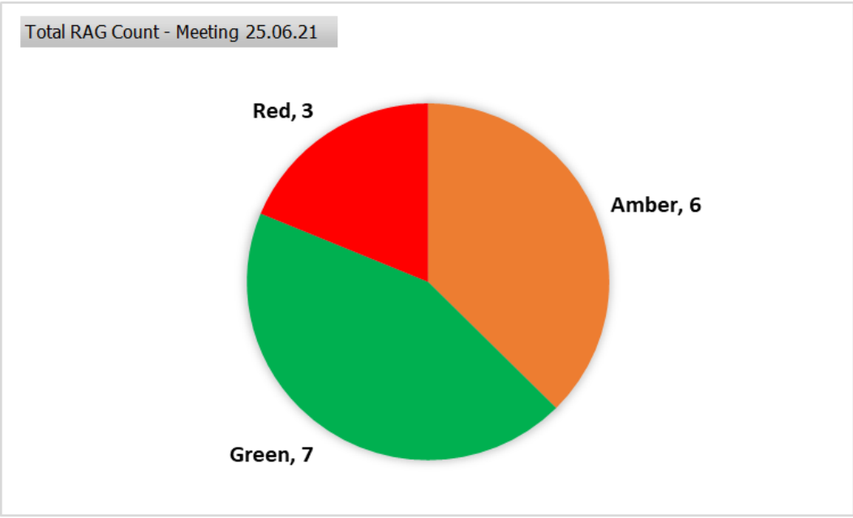
6. Appendices

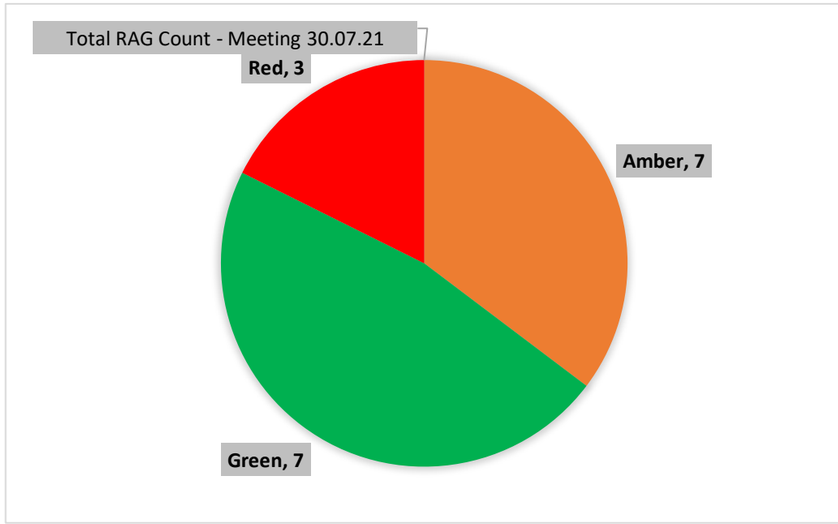
6.1 Appendix 1 – Corporate Risk Dashboard

6.2 Appendix 2 – Corporate Risk Heat Map

6.3 Appendix 3 – Corporate Risk Register

Risk ID	Risk Event	Risk Status	Residual RAG Score			Movement
			Impact	Likelihood	Score	
1	External delivery partners do not meet deadlines, budget or qualitative requirements of their agreements with the Combined Authority.	Open	4	3	12	↔
6	Lack of structural resilience / insufficient internal resources	Open	1	4	4	↔
7	Potential impact of Brexit on delivery of the Combined Authority's Growth Ambition Programme in the short term.	Open	2	2	4	↔
8	Ambitious and long stalled programmes can not proceed due to lack of government funding and or private investment. The levelling up fund has been announced and provides a £4b opportunity for CPCA bid a list is being prepared.	Open	2	3	6	↔
10	Absence of Resource Planning & Financial Management	Open	3	1	3	↔
13	Access to Gainshare funding called into question by the Gateway Review evaluation of Gainshare	Open	4	2	8	↔
14	Disruption to the operation of the Combined Authority	Open	4	3	12	↔
16	Disruption of the delivery of the Combined Authority objectives in regard to the short term economic objectives	Open	4	3	12	↔
17	Unplanned significant increases in costs lead to requests for additional funding to the Combined Authority to enable schemes to proceed.	Open	3	3	9	↔
18	Climate change related events, policies and political pressures e.g. policy designed to reduce carbon emissions that restricts growth	Open	2	4	8	↔
19	Disruption of the delivery of the Combined Authority objectives in regard to the long term economic objectives	Open	2	5	10	↔
20	Potential impact of the new Trade Deal on delivery of the Combined Authority's Growth Ambition Programme in the long term	Open	3	2	6	↔
21	Up to £45m of Government funding not provided, change of end date of £100m Housing Programme from 31st March 2022 to 31st March 2021 and potential programme loss of 243 housing units at Northstowe which MHCLG may not recognise.	Open	3	3	9	↔
22	Grant funding which is expected to be treated as capital expenditure is required to be treated as revenue expenditure by CPCA, as a result of a determination by a partner delivery authority.	Open	3	1	3	↔
23	Shortfall in the provision of an adequate ICT platform for future need - including software and systems, and equipment. Failure to have access to an application/system needed for the delivery of the CPCA project, programme, or service.	Open	1	4	4	↔
24	Changes in Political Management and change in priorities for the CPCA	Open	2	2	4	↓
25	Financial SLA out-of-date	Open	2	2	4	New Risk





Combined Authority Corporate Risk Heat Map

LIKELIHOOD	1 Negligible	2 Marginal	3 Significant	4 Major	5 Monumental
5 Certain		19			
4 Likely	6	18			
3 Moderate		8	17, 21	1, 14, 16	
2 Unlikely		24, 4, 7, 25	20	13	
1 Rare			10, 22	23	

IMPACT →

KEY △ = risk score increase ▽ = risk score decrease ▭ = no score change

Item 10

Corporate Risk Register

Risk ID	Date Identified	Cause(s)	Risk Event	Effect(s)	Risk Type	Risk Status	Risk Proximity	Likelihood (1-5)	Impact (1-5)	Inherent RAG score	Date Last Review	Mitigation Plan (Current Controls)	Mitigation Action (New Controls)	Action Owner	Date Action Closed	Likelihood (1-5)	Impact (1-5)	Residual RAG score	Comments/Notes /Assumptions	Risk Owner	Escalation Required?	Date Closed
										Total								Total				
1	01/09/2019	External delivery partners unable to deliver on agreed commitments to CPCA projects	External delivery partners do not meet deadlines, budget or qualitative requirements of their agreements with the Combined Authority.	Projects are not delivered on time, budget, or to the required standard.	Strategic	Open	Imminent	5	4	20	09/06/2021	Close working with delivery partners through best-practice project and programme management. Political and senior leadership engagement with partners to ensure effective communication, early warning, and timely and effective escalation of issues.	(I) Ensuring compliance with CPCA project management guidance (ii) Monthly project highlight reporting (iii) Monthly budget monitoring (iv) Creation of programme boards to engage partners at senior level in managing larger areas of work (v) regular project reporting to Board and Committees (vi) minimising delivery partner risk on some projects by direct in-house contracting with the supply chain (vii) achieving increased clarity about roles and responsibilities in the partner landscape (viii) targeted Mayor-level political engagement with delivery partners on some projects	CMT Members, PMO, Project Managers		3	4	12	CCC (Key delivery partner) now introducing project management approach, but at an embryonic stage. Cost and timing risks still crystallising on legacy projects.	Director of Delivery & Strategy	N/A	
6	01/09/2019	Change in government policy around devolution	Lack of structural resilience / insufficient internal resources	Failure to maintain BAU due to the devolution white paper and known changes of transferring of the transport teams from PCC and CCC. Including changes in SLA requirements. Increase in subsidiary companies requiring increased employment to accelerate programmes e.g. CAM	Strategic	Open	Close	4	2	8	09/062021	Employed a strategy team to consider and report on the impacts. HR function to allow recruitment of additional transport function. Ensuring we have sufficient funding to allow employment.	The Directors meet weekly and are responsible for signing off recruitment to new posts The HR team has been increased to support the organisational structure and recruitment of candidates of calibre. There are staff dedicated to programme management with a system of monthly project highlight reporting. This enables Directors to move resources to higher risk projects. We are in the process of standardising documentation to create a single source of information which builds resilience in case of individual staff members incapacity	Chief Executives		4	1	4		Chief Executives	N/A	
7	01/09/2019	Potential impact of the new Trade Deal with the EU on delivery of the Combined Authority's Growth Ambition Programme (A)	Potential impact of Brexit on delivery of the Combined Authority's Growth Ambition Programme in the short term.	Potential financial uncertainty and economic instability leading to insufficient investment in priority projects in the short term.	Strategic	Open	Close	2	4	8	09/062021	Establish a permanent and continuous econometric insight programme to monitor sector and place impacts of Trade Deal conditions Engagement with business organisation (FSB, CBI etc) stakeholders to augment resources, including business advice and monitoring of sentiment through Chambers Development of an economic recovery strategy from both COVID and BEXIT that stimulate growth in relatively uneffected firms and sectors, whilt eliviating the impacts for thos effected by the trade deal	Monthly monitoring of sector economic impacts and daily monitoring of business sentiment and impacts. Weekly monitoring of bulletins from MCHLG, BEIS, HMRC to ensure information is accurate and up to date, recognising funding streams relevant to need Engagement with LEP Network and CLGU on funding for additional resources. Monitor for possible impacts resulting from the Trade Deal.	Director of Business & Skills [Brexit Lead]		2	2	4	Assumption being that CPCA re-calibrate our objectives to a new GVA figure. With the advent of a trade deal the main residual risk relates to the long term reduction in attractiveness of the UK as an inward investment destination, especially from Europe.	Director of Business & Skills [Brexit Lead]	N/A	
8	01/09/2019	Absence of funding of historic ambitious and long stalled Programmes	Ambitious and long stalled programmes can not proceed due to lack of government funding and or private investment.	There are major programmes that will require clear and innovative funding strategies if they are to progress. CPCA funding has been used to develop the feasibility and Strategic Outline Business Cases/Outline Business Cases for such schemes. CPCA funding is intended to act as a catalyst and an enabler in bringing these schemes forward.	Financial	Open	Close	3	3	9	09/06/2021	Work is progressing at developing the business cases. Stakeholders across the wider geography are working together to tackle the issues around the growth agenda. Getting Board agreement and matching resources will help get a coordinated approach to priorities and bidding for resources. Funding sources have been identified for key sources and CPCA resources allocated to move projects to those funding decisions.	Strong budget process and funding allocation within CPCA MTFP and Business Plan Business Case approval by CPCA Board and Stakeholders Ongoing discussions with Whitehall departments about access to national funding programmes, such as LLM	Directors		2	2	4		Chief Finance Officer	N/A	
10	01/09/2019	Lack of Resource Planning & Financial Management practices	Absence of Resource Planning & Financial Management	The organisation has no clear budget and capital programme that sets out how resources will be deployed and managed within. This is fundamental to any proper management process and any reporting that will be required by CPCA Board, Stakeholders and Government. Without this, no prioritisation takes place and there is no clear measurement of outcome v ambition. It is the framework for sound decision making	Financial	Open	Imminent	1	5	5	09/06/2021	A comprehensive Medium Term Financial Plan was approved at Board in January which focussed on refreshed priorities to support economic recovery. Regular financial and budget update reports are provided to Committees and to the CPCA Board. Internal Management reporting is being developed alongside the PMO highlight reports.	Monthly Budget monitoring reports All business cases for capital spend is approved at Board CFO and Monitoring Officer to sign off all business cases and reports Corporate approach to Monitoring & Evaluation and Action.	Chief Finance Officer		1	3	3		Chief Finance Officer	N/A	
13	01/09/2019	First 5 Year Gateway Review of Gainshare Funding (Mar 2021)	Access to Gainshare funding called into question by the Gateway Review evaluation of Gainshare	The Combined Authority is unable to access Gainshare funding	Strategic	Open	Approaching	3	5	15	09/06/2021	Provision of persuasive evidence to the Gateway Review demonstrating the good management and value for money delivered through Gainshare funding. External and internal communication plans to manage either positive or negative outcome.	CMT members to seek intelligence from MHCLG about potential notification of the review outcome. PR to brief Communications team.	CMT Members, PMO Programme Manager, Analysis and Evaluation		2	4	8		Director of Delivery & Strategy	N/A	
14	01/03/2020	Covid-19 Pandemic (A)	Disruption to the operation of the Combined Authority	Potential absence of significant numbers of Combined Authority staff undermining the ability to transact the operational business of the Combined Authority	Operational	Open	Imminent	4	4	16	09/06/2021	Developed a business continuity plan based on technological advances (digital transformation) .	HR support to staff working remotely. Communication with both suppliers and delivery partners All Combined Authority staff are now working from home, with support for remote meetings. Developed on digital transformation on virtual exhibitions and online Committee / Board meetings. Liaison with suppliers to ensure continuity of supply chains. Liaison with delivery partners to ensure continuity	Chief Executives		3	4	12		Chief Executives	N/A	
16	01/03/2020	Covid-19 Pandemic (B)	Disruption of the delivery of the Combined Authority objectives in regard to the short term economic objectives	Economic impact of lockdown in response to Covid-19, may have implications for future government funding and for economic activity within the Combined Authority area in the short term.	Strategic	Open	Imminent	4	4	16	09/06/2021	Support to local businesses to weather the Covid-19 lockdown - in co-ordination with the constituent councils Following government guidelines and working with local resilience forum to plan the recovery and restoration of services. Additional budget announcements from govt.	Business Restoration and Business Recovery Groups Board reports - MTFP re-prioritisation towards economic recovery Membership of the SCG (Strategic Recovery Group) - weekly transport recovery group. Mayoral forum Chaired economic recovery group Local economic recovery strategy - will be implemented in October 2020 CSR (3 year) - submitted with Covid-19 mitigating asks. CPCA grants	Chief Executives		3	4	12		Chief Executives	N/A	
17	15/05/2020	Unbudgeted increases in cost for highways and transport schemes funded by the Combined Authority and delivered by partner agency	Unplanned significant increases in costs lead to requests for additional funding to the Combined Authority to enable schemes to proceed.	The unplanned increases in budget prejudice the Combined Authority's ability to manage its finances and could ultimately prejudice delivery of the Combined Authority's Business Plan and a balanced budget.	Financial	Open	Imminent	5	3	15	09/06/2021	Close working with delivery partners through best-practice project and programme management. Political and senior leadership engagement with partners to ensure effective communication, early warning, and timely and effective escalation of issues. Particular focus on the relationship between scheme design and cost at an early stage.	(I) Ensuring compliance with CPCA project management guidance (ii) Monthly project highlight reporting (iii) Monthly budget monitoring (iv) creation of a Transport Programme Board (v) stronger discipline around the composition and working of project boards for individual projects (v) regular project reporting to Board and Committees (vi) review of historic overruns to establish cause. (vii) updating project management guidance inline with audit recommendations e.g.	Director of Delivery & Strategy		3	3	9		Chief Executives and Chief Finance Officer	N/A	
18	31/07/2020	Climate Change	Climate change related events, policies and political pressures e.g. policy designed to reduce carbon emissions that restricts growth	Unable to double GVA	Strategic	Open	Close	4	4	16	09/06/2021	CPCA funding an independent climate change commission to provide advice and recommendations on how to delivery Combined Authority ambitions and to achieve net-zero Strategic combined authority policies require business cases for the delivery of projects to be consistent with the net-zero ambition.	Preparing an implementation plan for the CPICC recommendations. Communicating the CPICC headlines, especially that its recommendations are consistent with an ambitious growth trajectory. Accommodation, travel and internal policies to reduce scope one & two emissions	Strategic Planning Manager, Head of Comms, Chief Executives		4	2	8		Chief Executives	N/A	
19	11/11/2020	Covid -19 Pandemic (C)	Disruption of the delivery of the Combined Authority objectives in regard to the long term economic objectives	Economic impact of lockdown in response to Covid-19, may have implications for future government funding and for economic activity within the Combined Authority area in the long term.	Strategic	Open	Imminent	4	4	16	09/06/2021	Support to local businesses to weather the Covid-19 lockdown - in co-ordination with the constituent councils Following government guidelines and working with local resilience forum to plan the recovery and restoration of services. Additional budget announcements from govt.	Business Restoration and Business Recovery Groups Board reports - MTFP re-prioritisation towards economic recovery Membership of the SCG (Strategic Recovery Group) - weekly transport recovery group. Mayoral forum Chaired economic recovery group Local economic recovery strategy - will be implemented in October 2020 CSR (3 year) - submitted with Covid-19 mitigating asks. CPCA grants	Chief Executives		5	2	10		Chief Executives	N/A	
20	11/11/2020	Potential impact of the New Trade Deal with the EU on delivery of the Combined Authority's Growth Ambition Programme (B)	Potential impact of the new Trade Deal on delivery of the Combined Authority's Growth Ambition Programme in the long term	Slowing of baseline growth sufficiently to undermine CPCA current and planned interventions, rendering them unable to produce enough additive growth to hit the doubling of GVA target	Strategic	Open	Approaching	2	4	8	09/06/2021	Establish a permanent and continuous econometric insight programme to monitor sector and place impacts of Trade Deal conditions Engagement with business organisation (FSB, CBI etc) stakeholders to augment resources, including business advice and monitoring of sentiment through Chambers Development of an economic recovery strategy from both COVID and BEXIT that stimulate growth in relatively uneffected firms and sectors, whilt eliviating the impacts for thos effected by the trade deal	Monthly monitoring of sector economic impacts and daily monitoring of business sentiment and impacts. Weekly monitoring of bulletins from MCHLG, BEIS, HMRC to ensure information is accurate and up to date, recognising funding streams relevant to need Engagement with LEP Network and CLGU on funding for additional resources. Monitor for possible impacts resulting from the Trade Deal.	Director of Business & Skills [Brexit Lead]		2	3	6	**raised from green to amber on the basis of business insight being recieved from firms, esp SMEs, that sales are being adversly impacted by new regulations. Need to monitor whether solutions are develped by firms to adapt or not**	Chief Executives	N/A	
21	11/11/2020	MHCLG Review of £100m Housing programme	Up to £45m of Government funding not provided, change of end date of £100m Housing Programme from 31st March 2022 to 31st March 2021 and potential programme loss of 243 housing units at Northstowe which MHCLG may not recognise.	£170m programme has shortage of anticipated capital and significantly reduced time and capability to deliver target of 2000 houses and the £100m programme within the £170m. Potentially significant reputational damage to CPCA housing programme likely.	External	Open	Imminent	5	5	25	09/06/2021	Outcome of review is now known, current programme being closed on 31st March 2021. Board, Committee members and key stakeholders being advised. Funding decisions have successfully prioritised on achieving affordable housing starts by supporting all those schemes that could start on site before end March 2021. MHCLG have indicated a willingness to make further funding available to support a further affordable housing programme for the period April 2021 to March 2022 subject to conditions, the practical arrangements for which are being worked upon	Meetings ongoing with MHCLG to work out the details on how the 2021/22 affordable housing programme will work	Chief Executives / Housing Director		3	3	9	**Mitigation ongoing with MHCLG discussions to work out practical details for the programme, it's future monitoring and progress reports and providing evidenced claims to enable authorisation of future funding payments.**	Housing Director		
22	06/01/2021	Delivery partner authorities determining that costs incurred in relation to CPCA capital funded projects should not be treated as capital expenditure for the purposes of the relevant finance rules.	Grant funding which is expected to be treated as capital expenditure is required to be treated as revenue expenditure by CPCA, as a result of a determination by a partner delivery authority. The risk would be a consequent shortfall in revenue funding to meet the commitment.	Revenue funding deficit	Financial	Open	Approaching	2	3	6	09/06/2021	Discussions with Delivery Partners including constituent authorities. Ensure that grant determination letters are explicit in the expectation that capital grant funds will be used only for capital purposes.		All Directors		1	3	3		Chief Finance Officer		
23	25/03/2021	Lack of capacity/resilience in the ICT provision to the CPCA	Shortfall in the provision of an adequate ICT platform for future need - including software and systems, and equipment. Failure to have access to an application/system needed for the delivery of the CPCA project, programme, or service.	Programme, project, or service disruption.	Operational	Open	Approaching	2	4	8	09/06/2021	The CPCA is in discussions with the current service provider to understand the level of service offer available to the CPCA. The CPCA has commissioned the specialist consultancy "SOCITM" to undertake an ICT needs assessment and future provision plan.	Examination of options for interim support to stabilise the service provision.	All Directors		1	4	4		Chief Executives	N/A	
24	09/06/2021	Post-election onboarding	Changes in Political Management and change in priorities for the CPCA	Impact on funding, contractual arrangements and investor confidence in the CPCA	Strategic	Open	Approaching	4	2	8	09/06/2021	Clarity around existing priorities and contractual obligations.	MTFP, Business Plan, Leaders Strategy meetings following the election	Chief Executives		2	2	4	Following the election of Mayor Johnson, programmes/priorities are reviewed.	Chief Executives	N/A	
25	03/11/2020	Financial SLA out of date	No access to finance systems	Not able to record transactions or to provide management reports and to create statutory returns to government (including VAT). Ability to draft year end financial statements would be compromised. A statutory requirement to keep proper accounting records	Financial	Open	Approaching	2	3	6	08/06/2021	Ongoing discussions with PCC. PCC to provide draft SLA mid-June 2021	Review system options	CFO		2	2	4	Verbal agreement with PCC to continue using their system and support until such time as CPCA have identified and moved to preferred future system	Chief Finance Officer	No	
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CAMBRIDGESHIRE
& PETERBOROUGH
COMBINED AUTHORITY

Agenda Item No:

Appointment Process for two Independent Persons

To:	Audit and Governance Committee
Meeting Date:	30th July 2021
Public report:	Public Report
From:	Robert Parkin Chief Legal Officer and Monitoring Officer
Recommendations:	The Audit and Governance Committee is recommended to: a) Note the appointment process and role description to recruit two Independent Persons b) Ask the Chief Legal Officer/Monitoring Officer to undertake the work necessary to recruit the Independent Persons

1. Purpose

1.1 The Committee is asked to note the process for the appointment of two Independent Persons.

2. Background

2.1 Under the provisions of the Localism Act 2011 all relevant authorities are responsible for deciding how to deal with standards issues at a local level, including adopting its own local code and determining what arrangements it will adopt to deal with complaints.

2.2 The Act provides that the Authority must appoint an Independent Person to assist in discharging these responsibilities. The Independent Person will be consulted on the decision to investigate complaints and before it makes a decision on an investigated complaint. The Independent Person may be consulted on other standards matters, including by the member who is subject to an allegation.

2.3 The appointment of two Independent Persons allows for any occasion when one of them

may feel that he has a conflict of interest. A more recent change in the law requires the involvement of two independent persons in disciplinary proceedings affecting certain statutory chief officers. It is therefore appropriate for the Combined Authority to seek to have two such persons in place.

2.4 The Monitoring Officer intends to carry out the appointment process over August 2021 with a view to having confirmed candidates for Board approval by September 2021.

2.5 Full details of the role and responsibilities of the Independent Person and Appointment Process are included in Appendix 1.

3. Financial Implications

3.1 Independent persons from other constituent authorities are remunerated between £500 - £1100per year; the following rates are currently paid:

- Cambridgeshire County Council - £500 per annum
- East Cambs District Council - £1027.50 per annum
- South Cambs District Council - £1090 per annum Lead (£500 – Deputy)
- Huntingdonshire - £1000 per annum Lead (£500 – Reserve)
- Peterborough City Council - £1000 per annum (£500 – reserve)
- Fenland District Council - £992 per annum
- Cambridge City Council - £1000 per annum

3.2 It is therefore proposed that the rate of remuneration for Combined Authority Independent Persons should be £1000 per annum for the Lead and £500 for the reserve, with the addition of travel and parking expenses if appropriate.

3.3 This will be contained in existing budgets, and will be subject to the approval of the Combined Authority Board.

4. Legal Implications

4.1 These are set out in the report.

5. Background Papers

5.1 None

6. Appendices

6.1 Appendix 1 – Appointment Process and Role Description

Appendix 1

Appointment Process

The vacancy for the two Independent Persons will be advertised in such manner as the Combined Authority considers is likely to bring it to the attention of the public.

The proposed process will entail the following:

A) An advertisement of the positions on the Combined Authority's website and social media platforms along with the website of each constituent authority.

B) A press release will be issued.

C) A note to all Members advising them of the forthcoming vacancy

The person must submit to the Combined Authority an application to fill the vacancy, and the person's appointment must be approved by a majority of the Members of the Combined Authority Board.

It is proposed that the applicants be interviewed by the Chair of Audit and Governance, the Chief Legal Officer/Monitoring Officer, and the Deputy Monitoring Officer. A recommendation will then be made to the Combined Authority.

Independent Persons – Role Description

The Independent Person will possess the following attributes, to be assessed through an application and interview process: -

- Personal integrity and honesty
- A keen interest and commitment to maintaining high standards in public life.
- A wish to serve the local community and uphold local democracy
- An interest in and awareness of the functions of local government relating to ethical governance, in particular the role of elected Members and the relevant Codes of Conduct.
- Independence, impartiality and experience of exercising sound objective judgements in relation to complex matters
- Excellent questioning, analytical and evaluation skills in order to advise whether a breach of the Code of Conduct or complaint should be investigated.
- A commitment to promoting equality and an awareness of the issues affecting the communities of Cambridgeshire and Peterborough.
- Excellent communication skills in particular the ability to provide clear rationale for advice and to explain decision making when required.
- Experience of dealing with private and sensitive issues, exercising discretion and maintaining confidentiality of information received.
- Flexibility to deal with urgent requests.
- Aged 18 or over and with a mature and sound temperament

The Independent Person will not be:-

- A Member, co-opted member or employee of the Cambridgeshire and Peterborough Combined Authority or any of the constituent councils; or have held such a post within the previous 5 years.
- A relative or close friend of such a person; or
- An active member of a political party