



**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 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.

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 xxxxxxxx

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) | 8,301 | Business and Skills | | 46,617 | (44,071) | 2,546 | 47,454 | (47,042) | 412 |
| 39,377 | (35,656) | 3,721 | Delivery and Strategy | | 74,883 | (63,451) | 11,432 | 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) | 29,458 | Net Cost of Services | | 150,847 | (108,015) | 42,832 | 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 | (809) | 13 | 4,105 | (809) | 3,296 |
| 0 | (39,149) | (39,149) | 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 | (135,372) | 16,752 | 156,244 | (139,645) | 16,599 |
| | | 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 | | | | 18,351 | | | 18,198 |

* 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 | 26,807 | 128 | 34,210 | (34,210) | 0 |
| Net Increase before Transfers to Earmarked Reserves | | (3,305) | 0 | 26,807 | 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 | 128 | 22,910 | (33,106) | (10,196) |
| Balance at 31 March 2020 Carried Forward | | (13,936) | (3,101) | (104,892) | (11,008) | (132,937) | (33,776) | (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 | 0 | 0 | 0 | 16,599 | 1,599 | 18,198 |
| Adjustments between accounting basis & funding basis under regulations | 14 | (13,812) | 0 | 45,967 | 1,787 | 33,942 | (33,942) | 0 |
| Net Increase before Transfers to Earmarked Reserves | | 2,787 | 0 | 45,967 | 1,787 | 50,541 | (32,343) | 18,198 |
| 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) | 18,198 |
| Balance at 31 March 2021 Carried Forward | | (7,802) | (6,448) | (58,925) | (9,221) | (82,396) | (70,119) | (152,515) |

| Combined Authority Group Movement in Reserves Statement | Note | Combined Authority Usable Reserves | Company Usable Reserves | Total Usable Reserves | Combined Authority Unusable Reserves | Company Unusable Reserves | Total Unusable Reserves | Total Group Reserves |
|--|------|------------------------------------|-------------------------|-----------------------|--------------------------------------|---------------------------|-------------------------|----------------------|
| | | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 1 April 2020 | | (132,937) | 0 | (132,937) | (37,776) | 0 | (37,776) | (170,713) |
| Total Comprehensive Income & Expenditure | | 16,599 | 3,642 | 20,241 | 1,599 | 0 | 1,599 | 21,840 |
| Adjustments between group accounts and authority accounts | | (61) | (3,428) | (3,489) | 0 | 0 | 0 | (3,489) |
| Net Increase/decrease before transfers | | 16,538 | 214 | 16,752 | 1,599 | 0 | 5,088 | 18,351 |
| Adjustments between accounting basis & funding basis under regulations | 14 | 37,431 | 0 | 37,431 | (37,431) | 0 | (37,431) | 0 |
| Increase / (Decrease) in 2020/21 | | 53,969 | 214 | 54,183 | (35,832) | 0 | (35,832) | 18,351 |
| Balance at 31 March 2021 Carried Forward | | (78,968) | 214 | (78,754) | (73,608) | 0 | (73,608) | (152,362) |

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.

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 | 41,383 |
| 19,677 | Long Term Debtors | 25,26,28 | 22,469 | 22,469 |
| 20,354 | Long Term Assets | | 60,515 | 67,421 |
| 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) | (60,272) |
| 0 | Short Term Provisions | 30 | (226) | (226) |
| (21,407) | Current Liabilities | | (55,960) | (60,462) |
| (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 | 152,515 |
| (132,937) | Usable Reserves | 14 | (78,754) | (82,396) |
| (37,776) | Unusable Reserves | 14 | (73,608) | (70,119) |
| (170,713) | Total Reserves | | (152,362) | (152,515) |

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: 17 June 2021

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 | 16,599 |
| (17,880) | Adjust net (Surplus)/Deficit on the Provision of the Services for non cash movements | | (103,756) | (103,603) |
| (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 | | 86,696 | 83,697 |

Notes to the Accounts

1 Accounting Policies

Basis of Identification of Group Boundary and Group Accounts Preparation.

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

| Company | Interest (voting rights if different) | Category | In group accounts | Turnover 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) | 26,448 |
| 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) | 693 |
| 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 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:
 - o quoted securities – current bid price

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

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

- Service cost comprising:
 - o 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
 - o 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
 - o 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:
 - o 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
 - o 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.
 - o 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).

Depreciation 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 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 |
| 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.

| | 2019-20 Comparator by total post remuneration £000 | Name(s) of post holders in 2020-21 | Total Remuneration including Employer Pension Contributions £000 | | | |
|--|--|---------------------------------------|---|------------|------------------------------------|--------------|
| | | | 2020/21 | | | |
| | | | Pay | Pension | 3rd Party Payments ⁴ | Total |
| Co-Chief Executive ¹ | 224 | John Hill | - | - | 133 | 133 |
| Co-Chief Executive ^{1,2} | | Kim Sawyer | 85 | 17 | - | 102 |
| Director of Corporate Resources ² | 95 | Kim Sawyer | 85 | 17 | - | 102 |
| Monitoring Officer | 193 | Robert Parkin | 87 | 16 | - | 103 |
| Chief Finance Officer | 135 | Jon Alsop | 100 | 18 | - | 118 |
| Director of Business and Skills | 148 | John T Hill | 152 | - | - | 152 |
| Director of Delivery and Strategy | 157 | Paul Raynes | 138 | 25 | - | 163 |
| Director of Housing | 157 | Roger Thompson | 138 | 25 | - | 163 |
| Director of Transport ³ | 65 | N/A | - | - | - | - |
| Total | 1,235 | | 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.
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 | 2020/21 |
| £0-£20,000 | - | 3 | 2 | - | 2 | 3 |
| £200,000 - £250,000 | 1 | - | - | - | 1 | - |
| Totals | 1 | 3 | 2 | 0 | 3 | 3 |

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 | | | |
|---|--|--|--------------|--|--|--|--------------|--|
| | <i>Quoted Prices in Active Markets</i> | <i>Quoted Prices not in Active Markets</i> | <i>Total</i> | <i>Percent of Total Assets</i> | 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 | 4,122 |
| 0 | Share of Loss of Prop Co 1 | 206 | 0 |
| (1,609) | Total Financing and Investment Income | 13 | 3,296 |

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) | 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 | |
| | <i>Expenditure with councils</i> | |
| 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 | Huntingdonshire District Council | 185 |
| 5,873 | Peterborough City Council | 14,254 |
| (210) | South Cambridgeshire District Council | (226) |
| 42,537 | | 57,586 |
| | Creditors | |
| | <i>General Creditors with councils</i> | |
| (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 | Related Party | CPCA 20/21 |
|-----------------------|-------------------------------------|--------------------------------|-----------------------|
| £000 | | | £000 |
| 75 | Cross Keys Homes | Cllr Holdich / Cllr Fitzgerald | 1,470 |
| 1,033 | City College Peterborough | Cllr Holdich | 2,281 |
| 0 | Stainless Metalcraft | Austen Adams | 241 |
| 42 | NIAB | Tina Barsby | 3,358 |
| 0 | University of Cambridge | Professor Andy Neely | 3,000 |
| 9 | Cambridgeshire Chambers of Commerce | Faye Holland | 115 |
| 0 | TWI Ltd | Aamir Khalid | 1,230 |
| 0 | Start Codon Ltd | 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.

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 |
| 71,117 | Total Expenditure | 156,244 |
| | | |
| | 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 |

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 | (251) | 8,301 | 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 | 12,481 | 29,458 | Net Cost of Services | 14,378 | 25,018 | 39,396 |
| (20,282) | (20,476) | (40,758) | Other Income & Expenditure | (11,591) | (11,206) | (22,797) |
| (3,305) | (7,995) | (11,300) | (Surplus) / Deficit on Provision of Services | 2,787 | 13,812 | 16,599 |
| (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) | 41 | (15) | (11,206) |
| (8,508) | 526 | (13) | (7,995) | Difference between general fund surplus or deficit and CIES surplus or deficit on the provision of services | 13,154 | 548 | 110 | 13,812 |

* 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: | | | | |
| <u>Reversal of items debited or credited to the CIES:</u> | | | | |
| 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) | | | 4,018 |
| 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) | 1,787 | 45,967 | (33,942) |

| 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: | | | | |
| <u>Reversal of items debited or credited to the CIES:</u> | | | | |
| Depreciation & impairment of non-current assets | (52) | | | 52 |
| Capital grants and contributions | 38,797 | | | (89,400) |
| 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) | (34,600) | (74,182) |
| 47 | (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) | (70,119) |
| (160,517) | (10,196) | (170,713) | Total Usable and Unusable Reserves | (170,713) | 18,198 | (152,515) |

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) | 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 |
| 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) |

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) |
| 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 |
| 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 |
| (1,583) | Net impact on surplus/deficit on provision of services | 2,600 |
| 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 |

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

| 31-Mar-20 | | | 31-Mar-21 | |
|---------------|-----------------|---|---------------|-----------------|
| Long Term | Current | | 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 | 0 |
| 133 | | Medtech Shares - Designated FVOCI | 75 | 0 |
| 19,810 | 181,641 | Total Financial Assets | 63,852 | 253,865 |
| | | Liabilities at Amortised Cost: | | |
| 0 | (12,955) | Creditors | 0 | (52,398) |
| 0 | (12,955) | Total Financial Liabilities | 0 | (52,398) |

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 | 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 | 31,308 |
| 133 | 133 | Medtech Shares - Designated FVOCI | 3 | 75 | 75 |
| 39,152 | 40,260 | Total | | 88,649 | 85,417 |
| | | 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 | |
| | | Liabilities for which Fair Value is not disclosed: | | | |
| (12,955) | | Creditors | | (52,398) | |
| (12,955) | | Total Financial Liabilities | | (52,398) | |

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 | 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 | 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 | CPCA 31-Mar-21 |
|---------------------------|-----------------------------------|----------------------------|---------------------------|
| £000 | | £000 | £000 |
| (8,652) | Central government bodies | (9,327) | (9,327) |
| (4,704) | Other local authorities | (19,625) | (19,625) |
| (8,051) | Other entities and individuals | (8,343) | (8,335) |
| 0 | Group Companies | (18,439) | (22,985) |
| (21,407) | Total Short Term Creditors | (55,734) | (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 strategic in nature. The Authority has adopted a commissioning model with delivery being undertaken by those best qualified to do so across the public and private sector.

Cambridgeshire and Peterborough Combined Authority Structure

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

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

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

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

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

Board

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

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.

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 kept under review by the Authority's Audit & Governance Committee.

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.

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.

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 CIPER. 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.

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.

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 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.

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.”

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: