



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

Statement of Accounts
2022/23

DRAFT



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Narrative Report:

1. Introduction

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

This report provides the narrative to Cambridgeshire & Peterborough Combined Authority's financial statements for the year ended 31 March 2023.

2. Organisational Overview and External Environment

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

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

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

The Police and Crime Commissioner for Cambridgeshire
 Cambridgeshire and Peterborough Fire Authority
 Integrated Care Board

The Business Board was constituted as a non-statutory body to be the Local Enterprise Partnership (LEP) for the region. It was 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. Since the revisions to the Combined Authority's governance structure approved in March 2023 the Business Board has now moved into an advisory function on business need for the CPCA Board.

The Business Board focuses on:

- Local Industrial Strategy – strategy development, implementation oversight, and monitoring of key objectives
- Place-based growth plans – including oversight of implementation of the Growth Fund programme, making investment recommendations, strategically managing business growth zones (including Enterprise Zones)
- Key sectors – determining our priority sectors, agreeing plans for their growth, overseeing the products and services that directly stimulate sector growth
- International trade and exports – import and export strategies, fostering key places in the world for trade accords, with particular focus on post-Brexit trade and export planning.
- Skills – strategy and delivery plans to achieve a pipeline of people with skills required by business.

- Major investment opportunities – maintaining an overview and management of the pipeline of the single most direct investment opportunities facing the area.
- Devolution – employment improvement and increased exporting impacting on GVA.

The Business Board gives commerce a stronger voice in developing the Combined Authority's plans and decision making and is committed to advising the Combined Authority on achieving its Sustainable Growth Ambition. It ensures that a clear business perspective is brought forward as the Combined Authority seeks to be at the frontier of accelerating delivery and securing new investment models, with and across Government, the private sector and the local area.

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

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

Angle Holdings limited,
Angle Developments East limited,
Cambridgeshire and Peterborough Business Growth Company limited,
Peterborough HE Property Company Ltd, and
Peterborough R&D Property Company Ltd

During the course of 2022-23 a previous subsidiary company, One CAM Limited, was wound up as it was dormant following a change of strategic focus by the Combined Authority. Angle Holdings limited and Angle Developments East limited are both scheduled to be wound up in 2023-24 for similar reasons.

3. Governance

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

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

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

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

4. Operational Model

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

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

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

During 2022-23 the Combined Authority refreshed its overarching strategy by the approval of a Corporate Strategy and Business Plan 2023-25 by the Board in January 2023. This plan clearly sets out the vision, strategic priorities and the overall approach of the Combined Authority to enable our ambitions to be realised, and sets four strategic priorities:

- Achieving Good Growth
- Increasing Connectivity
- Ambitious Skills and Employment Opportunities
- Enabling Resilient Communities

5. Risks and Opportunities

Inflation

The impact of a worsening economic environment including rising inflation has created significant budgetary pressures for the Combined Authority. Whilst the impact on the 2022/23 financial year was limited, the impact of inflation will require the Board to carefully consider service delivery and funding options in going forward. To assist with mitigating this risk the Board has approved the creation of an Inflation Reserve of £2.4m from the additional income received from the Authority's Treasury Management investments in 2022/23.

Vision and Purpose

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

Values

The Combined Authority has adopted a set of values, following consultation internally and with partner organisations, to help staff, members, partners and communities understand how the Combined Authority expects to operate. These values are:

- Collaboration
- Integrity
- Vision
- Innovation
- Leadership

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

Sustainable Growth Ambition

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

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

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

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

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

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

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

6. Strategy and Resource allocation

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

Climate and Nature

The Combined Authority has established the Independent Commission on Climate to provide independent evidence and advice on climate issues. The Commission has made 58 recommendations for action toward a pathway to reach Net Zero by 2050 (or before). The Commission found that transport and the heating of buildings provided the most emissions and are priorities for action. Emissions from soils are also a particular issue for the area, as they add a third to overall emissions. We will take action on climate recommendations where we have direct influence and will convene and support organisations in addressing the other climate recommendations.

For the natural environment the Combined Authority Board has endorsed the "Doubling Nature" ambition. This will seek to double the amount of rich wildlife and natural green space. Our transport strategy has also evolved and business cases include increased emphasis on climate impact. Improving public transport connectivity is at the heart of our climate strategy to combat the high levels of transport emissions in the region with a high reliance on private car use. We have

developed a vision for buses that has committed to encourage sustainable growth and protect and enhance our environment. We intend to build on our strong active travel credentials building on our success as we have the highest UK cycling rates in Cambridge.

Employment and Skills

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

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

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

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

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

Innovation

Our Local Industrial Strategy (LIS) proposes that the area's economic growth is supported by harnessing innovation. A key priority in the LIS is to replicate and extend the infrastructure and networks that have enabled Cambridge to become a global leader in innovative growth, creating a business support and innovation eco-system to promote inclusive growth to replicate the "Cambridge Phenomenon".

Research is fundamental to achieving this replication, as it produces the new ideas and technologies that enable entrepreneurs to start up, existing businesses to scale-up and for new tech-firms to spin-out of academic and research institutions. It requires the generation of free-flowing exchange of ideas and insights that ensure research is informed by local business' needs. To achieve this, we will bring together leading entrepreneurs, innovators, mentors and coaches with growing firms to strengthen linkages across the area. We will also support businesses, universities and other partners to collaborate to maximise public and private investment, including Research & Development funding, and improving funding to support the growth of local businesses into global markets.

Peterborough and Fenland require level 5, 6, 7 & 8 skills in advanced manufacturing and technologies that support the drive to net-zero. This will require the development of an innovation and business support eco-system to grow indigenous high-value firms and attract new ones to Peterborough and Fenland. The creation of new launchpads will be the focal points for this innovation cluster development, focusing on product development to support key growth sectors such as Agri-tech, artificial intelligence and advanced manufacturing innovation.

Reducing Inequalities

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

Education deprivation – just 32.1% of the population gain a National Vocational Qualification 4 or above qualification compared to 43% nationally.

Social and health deprivation – healthy life expectancy is below retirement age in parts of Fenland.

Child poverty – 25.1% of children in Peterborough are living in poverty, compared to 20.1% nationally.

Poor social mobility – Fenland has historically had low levels of social mobility

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

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

Infrastructure

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

The LTCP has six objectives:

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

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

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

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

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

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

Finance and Systems

We have committed to a continued review of the funding we receive to ensure we can meet the ambitions set out in our strategies. We will continue to lobby for funding to invest in interventions that will provide sustainable and healthy places in which to live and work. In 2022/23 we have been successful on bids from central government totalling over £200m, and in 2023 amongst other things we will continue to play a lead role in administering the UK Shared Prosperity Fund allocation and look at further opportunities to bid for Transport and other Levelling Up funding. We will also continue to build public and private partnerships where to date we have leveraged over £150 million

from the private sector through our Business Board alone. We will continue to look at innovative ways to invest in the region and our businesses including through Recycled Growth Funds. Recycled Growth Funds are made up of repayments from previous Growth Fund investments, based on recommendations from the Business Board. As these investments repay the funds these can be reinvested in new projects delivering jobs and skills in the area. The interest payments on these investments give the Business Board revenue funds as well.

7. Performance

Our Key Achievements in 2022/23

Funding

In 2022/23 we have been successful on securing funding from Government totalling over £200m, this includes £48m of Levelling Up funding for Peterborough Station Quarter, £158m of Home Upgrade Grants, £4.4m for the Local Energy Advice Demonstrator project, £3.2m of Rural England Prosperity Funding, and £5.8m of Local Electric Vehicle Infrastructure grants.

Promotion

We have received funding confirmation that following the completion of a successful Cambridge South Station business case by the Combined Authority, Government have announced that this has now had £200m of funding allocated to it with a planned date for completion by 2025.

Delivery

Construction was completed on Manea and March stations to provide better station and platform facilities as well as improved parking and bus connectivity points. Over the course of 2022/23 town centre improvements were funded in March, Chatteris, Wisbech, Ely, Soham, Littleport, Huntingdon and St Ives.

In 2022/23 we purchased 30 Zero emission electric buses to be used in Cambridge to help us move towards net zero aspirations as well as part funding changes to the depot in South Cambridgeshire to support the roll out of electric waste collection vehicles. We also funded a range of environmental schemes to support biodiversity and encourage good environmental practices. Additionally our grant funding secured through the Greater South East Net Zero Hub saw thousands of homes across the wider South East benefit from energy efficiency measures.

In partnership with Cambridgeshire County Council, we completed King's Dyke which is a £32 million infrastructure project to place a new bridge over a railway line.

The University of Peterborough Phase 1 opened in September 2022, Phase 2 was completed by March 2023 and construction of the Phase 3 building commenced in May 2023.

During the course of 2022/23 we delivered a number of schemes – including Multiply to help numeracy skills and Skills Bootcamps to support more specific job related skills development which, along with the devolved Adult Education budget, helped thousands of local people to improve their skills.

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

During 2022/23 the housing programme predominantly completed and will have resulted in the delivery of 1,457 additional affordable houses.

8. Outlook

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

Basis of Preparation and Presentation

This Statement of Accounts has been prepared in accordance with statutory requirements, detailed in the Local Government Act 2003, the Accounts and Audit Regulations 2015 and The Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code).

The Statement of Accounts brings together the major financial statements for the Combined Authority for the financial year 2022/23. 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 2023.
- 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.

Janice Gotts
Chief Finance Officer (S73)

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

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Statement of Responsibilities for the Statement of Accounts

The Combined Authority's Responsibilities

The Combined Authority is required to:

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

The Section 73 Officer's Responsibilities

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

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

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

The Section 73 Officer has also:

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

Section 73 Officer's Certificate

I certify that the accounts set out on pages 14 to 79 present a true and fair view of the financial position of the Combined Authority at 31 March 2023 and its income and expenditure for the year ended 31 March 2023.

Janice Gotts

Executive Director Resources
and Section 73 Officer

Approval of the Statement of Accounts

I confirm that these accounts were approved by the Audit and Governance Committee at the meeting held on the 28th November 2024

John Pye

Chair of the Audit Committee:

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Combined Authority has the ability to levy a council tax precept, this power has not been utilised in 2022-23 and will be implemented for the first time in 2023-24.

| CPCA 2021/22 | | | Comprehensive Income and Expenditure Statement | Note | CPCA 2022/23 | | |
|----------------------|-----------------|--------------------------|-----------------------------------------------------------------|------|----------------------|------------------|--------------------------|
| Expenditure £'000 | Income £'000 | Net Expenditure £'000 | | | Expenditure £'000 | Income £'000 | Net Expenditure £'000 |
| 5,595 | - | 5,595 | Chief Executive, Inc.Staffing | | 5,845 | (12) | 5,833 |
| 477 | (1) | 477 | Externally Commissioned Support Services | | 421 | (78) | 343 |
| 499 | - | 499 | Corporate Overheads | | 907 | (13) | 894 |
| 42 | - | 42 | Governance Costs | | 28 | - | 28 |
| 402 | - | 402 | Mayor's Office | | 239 | - | 239 |
| 186 | (52) | 135 | Other Corporate Budgets | | 714 | (50) | 664 |
| 965 | - | 965 | Election | | - | - | - |
| 38,132 | (27,186) | 10,946 | Business and Skills | | 80,201 | (72,746) | 7,455 |
| 71,465 | (56,879) | 14,586 | Strategy and Delivery | | 55,846 | (42,267) | 13,579 |
| 19,859 | (2,340) | 17,519 | Housing | | 3,334 | (1,738) | 1,596 |
| 137,622 | (86,458) | 51,164 | Net Cost of Services | | 147,534 | (116,904) | 30,631 |
| | | - | Other Operating Income & Expenditure | | | | - |
| | | 2,004 | Financing and Investment Income and Expenditure | 8 | | | 23,755 |
| | | (42,611) | Taxation and Non-Specific Grant Income | 0 | | | (46,178) |
| | | 10,557 | (Surplus) / Deficit on Provision of Services | | | | 8,208 |
| | | 15 | Loss from investments in equity instruments designated at FVOCI | | | | (23) |
| | | (222) | Actuarial (Gains) / Losses on Pension Assets / Liabilities | 20 | | | (7,137) |
| | | (207) | Other Comprehensive Income and Expenditure | | | | (7,160) |
| | | 10,350 | Total Comprehensive Income and Expenditure | | | | 1,048 |

Movement in Reserves Statement

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

| CPCA - Movement in Reserves Statement | Note | General Fund Balance | Earmarked General Fund Reserves | Capital Grants Unapplied Account | Usable Capital Receipts Reserve | Total Usable Reserves | Unusable Reserves | Total Combined Authority Reserves |
|------------------------------------------------------------------------|------|----------------------|---------------------------------|----------------------------------|---------------------------------|-----------------------|-------------------|-----------------------------------|
| Balance at 1 April 2021 | | (7,802) | (6,448) | (58,925) | (9,221) | (82,396) | (69,795) | (152,191) |
| Total Comprehensive Income & Expenditure | | 10,557 | - | - | - | 10,557 | (207) | 10,350 |
| Adjustments between accounting basis & funding basis under regulations | 14 | (13,421) | - | 22,067 | 47 | 8,693 | (8,693) | - |
| Net Increase before Transfers to Earmarked Reserves | | (2,864) | - | 22,067 | 47 | 19,250 | (8,900) | 10,350 |
| Transfers to / (from) Reserves | | 1,049 | (1,049) | - | - | - | - | - |
| (Increase) / Decrease in 2021/22 | | (1,815) | (1,049) | 22,067 | 47 | 19,250 | (8,900) | 10,350 |
| Balance at 31 March 2022 Carried Forward | | (9,617) | (7,497) | (36,858) | (9,174) | (63,146) | (78,695) | (141,841) |
| Balance at 1 April 2022 | | (9,617) | (7,497) | (36,858) | (9,174) | (63,146) | (78,695) | (141,841) |
| Total Comprehensive Income & Expenditure | | 8,208 | - | - | - | 8,208 | (7,160) | 1,048 |
| Adjustments between accounting basis & funding basis under regulations | 14 | (14,675) | - | (17,087) | (20,500) | (52,262) | 52,262 | - |
| Net Increase before Transfers to Earmarked Reserves | | (6,467) | - | (17,087) | (20,500) | (44,054) | 45,102 | 1,048 |
| Transfers to / (from) Reserves | | 4,259 | (4,259) | - | - | - | - | - |
| (Increase) / Decrease in 2022/23 | | (2,208) | (4,259) | (17,087) | (20,500) | (44,054) | 45,102 | 1,048 |
| Balance at 31 March 2023 Carried Forward | | (11,825) | (11,756) | (53,945) | (29,674) | (107,200) | (33,593) | (140,793) |

Balance Sheet

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

| Restated* 31/03/2022 £'000 | | Note | 31/03/2023 £'000 |
|-------------------------------------------------------|------------------------------------|-------------|-----------------------------------|
| 64* | Property, Plant & Equipment | 21 | 71 |
| 8* | Intangible Assets | | 131 |
| 55,350 | Long Term Investments | 24,25 | 36,398 |
| 3,819 | Long Term Debtors | 24,25,27 | 3,682 |
| 59,241 | Total Long-Term Assets | | 40,282 |
| 253,141 | Short Term Investments | 24,25 | 111,017 |
| 53,711 | Short Term Debtors | 24,25,27 | 15,743 |
| 51,860 | Cash and Cash Equivalents | 24,25,32 | 78,090 |
| 358,713 | Current Assets | | 204,850 |
| (57,657) | Short Term Creditors | 24,25,28 | (44,600) |
| (546) | Short Term Provisions | 29 | (426) |
| (58,203) | Current Liabilities | | (45,026) |
| (4,926) | Long Term Creditors | 7 | 0 |
| (212,983) | Capital Grants Receipts in Advance | 30 | (59,313) |
| (217,909) | Long Term Liabilities | | (59,313) |
| 141,841 | Net Assets | | 140,793 |
| (63,146) | Usable Reserves | 13 | (107,200) |
| (78,695) | Unusable Reserves | 13 | (33,593) |
| (141,841) | Total Reserves | | (140,793) |

*restated to separate Intangible balance from PPE

Janice Gotts
Chief Finance Officer and Section 73
Date: 2nd December 2024

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.

| Restated* 2021/22 | Cash Flow Statement | Notes | 2022/23 CPCA £'000 |
|----------------------|---------------------------------------------------------------------------------------------|-------|--------------------------|
| £'000 | | | |
| 10,557 | Net (Surplus) or Deficit on the Provision of Services | | 8,208 |
| (115,408)* | Adjustments to Net (Surplus) or Deficit on the provision of Services for Non-Cash Movements | 30 | 75,312 |
| (104,851) | Net cash flows from Operating Activities | | 83,520 |
| 103,558* | Investing Activities | 30 | (109,750) |
| - | Financing Activities | | |
| (1,293) | Net (Increase) or Decrease in Cash and Cash Equivalents | | (26,230) |
| 50,567 | Cash & Cash Equivalent at the beginning of the Reporting Period | | 51,860 |
| 1,293 | Increase / (Decrease) in Cash and Cash Equivalents | | 26,230 |
| 51,860 | Cash & Cash Equivalents at the end of the Reporting Period | 31 | 78,090 |

* restated as non cash movement in Gain) Loss in Fair Value of Investments held at Fair Value Profit and Loss had been included in Purchase of Short & Long-Term Investments within Investing Activities

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 21/22 £'000 | Profit / (Loss) 21/22 £'000 | Net Assets 21/22 £'000 | Turnover 22/23 £'000 | Profit / (Loss) 22/23 £'000 | Net Assets 22/23 £'000 |
|-----------------------------------------------------------------|------------------------------------------------|---------------|-------------------------------------------|----------------------------|--------------------------------------|---------------------------------|----------------------------|--------------------------------------|---------------------------------|
| Peterborough HE Property Company Limited | 45% (40%) | Associate | Yes - equity | - | (265) | 26,468 | - | (28,305) | 6,276 |
| Cambridgeshire and Peterborough Business Growth Company Limited | 100% | Subsidiary | Yes – line by line | 6,438 | (50) | 3,348 | 1,083 | (2,394) | 954 |
| One Cam Limited | 100% | Subsidiary | Yes – line by line, company now dissolved | - | (1,570) | 885 | - | - | - |
| Peterborough R&D Property Company Limited | 86% (67%) | Subsidiary | Yes – line by line | - | (273) | 7,789 | - | (11,920) | 1,616 |
| Angle Holdings Limited | 100% | Subsidiary | Not material | | (4) | (8) | | (5) | (13) |
| Angle Developments (East) Limited | 100% | Subsidiary | Not material | | (15) | (36) | | (11) | (48) |
| Smart Manufacturing | 100% (50%) | Joint Venture | Not material | | (216) | 454 | | 31 | 485 |
| Ascendal | 58% (50%) | Joint Venture | Not material | | (585) | 67 | | (354) | 372 |
| MedTech Accelerator Ltd | 20% | Associate | Not material | | (23) | 301 | | 116 | 417 |

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. It was wound down during 2022-23 and was officially dissolved as of the 4th April 2023.

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

Angle Holdings Limited and its subsidiary Angle Developments Limited were set up to develop housing projects in accordance with the Combined Authority's Housing Strategy. To date no projects have been progressed through the companies. The Combined Authority Board and the Company Board have resolved to wind up both companies during 2023-24 as they are no longer expected to trade.

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. This company changed its name in May 2023 to Betterrides Labs Ltd but it is referred to as Ascendal within these accounts for consistency.

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 fifteen 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.

Revaluations

The majority of the substantial losses seen in the two Property Companies (£28.1m in the HE Property Company which contributes to a £13.4m Fair Value loss in the Combined Authorities equity holding and £11.8m in the R&D Property Company which contributes to a £12.0m Fair Value loss in the Combined Authorities equity holding) are due to the change in how the company's buildings are valued from the historic cost basis to the fair value method.

The historic cost basis is how much the company has spent on the building while the fair value is a reflection of what the buildings would be worth if sold on the open market and reflects both existing tenancy arrangements (HE Property Company) and anticipated required fit-out costs (R&D Property Company).

This approach is standard in private companies, and reflects that these are commercial entities, but may be unfamiliar to some users of Local Authority accounts as assets which are build and operated within a Local Authority are valued at depreciated build cost – which would likely remove the vast majority of this reduction in value as the lifetime of a building is usually anticipated to be 20+ years so the depreciated build cost basis would suggest a value of 95%+ of historic cost.

The drop in value of the buildings was expected when the Combined Authority made the decision to invest in the companies and demonstrates why there was the need for significant public funding – if the buildings were valued at, or above, their construction costs then it would be reasonable to expect the market to have delivered them without public subsidisation.

The value reported here is at a point in time and, over the medium-term, as ARU-Peterborough gains students and demonstrates credibility as a university campus, and the R&D building's fit out and occupancy are completed, the values are expected to recover.

The Combined Authority's investments in the companies were made to deliver the service outcomes (skills, regeneration, and jobs) rather than a financial return, thus its forecast budgets do not rely on a financial return. As such the reduction in value does not impact the wider operations of the Combined Authority

General Principles

The Statement of Accounts summarises the Combined Authority's transactions for the 2022/23 financial year and its position at the year-end 31 March 2023. 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 2022/23, 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 13) which only apply to the Combined Authority accounts.

1.1. Accruals of Income and Expenditure

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

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

1.2. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

1.3. Charges to Revenue for Non-current Assets

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

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

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

1.4. Employee Benefits

1.4.1 Benefits Payable During Employment

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

1.4.2 Termination Benefits

Termination benefits are amounts payable as a result of a decision by the authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the authority to the

pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

1.4.2 Post-employment Benefits

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

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

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

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

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

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

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the comprehensive income and expenditure statement to the Combined Authority Staffing Costs line
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited in the comprehensive income and expenditure statement to the Combined Authority Staffing Costs line
- net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the

passage of time charged to the financing and investment income and expenditure line of the comprehensive income and expenditure statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments

Remeasurements comprising:

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

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

Discretionary benefits

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

1.5. Events after the Reporting Period

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

- If events provide new evidence of conditions that existed at the balance sheet date the Statement of Accounts is adjusted

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

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

1.6. Financial Instruments

1.6.1 Financial Liabilities

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

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

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

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

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

1.6.2 Financial Assets

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

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

1.6.2.1 Financial Asset Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by

the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

When soft loans (loans below market rate) are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the borrower, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

1.6.2.2 Financial Asset Measured at Fair Value through Other Income and Expenditure (FVOCI)

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

1.6.2.3 Financial Assets Measured at Fair Value through Profit or Loss (FVPL)

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

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

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

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

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

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

1.6.3 Expected Credit Loss Model

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

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

1.7. Government Grants and Contributions

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited

to the relevant service line (attributable revenue grants and contributions) or Non-specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the CIES.

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

1.8. Leases

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

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

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

1.8.1 The Authority as Lessee

1.8.1.1 Operating Leases

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

1.9. Property, Plant and Equipment

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

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

1.9.1 Recognition

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

1.9.2 Measurement

Assets are initially measured at cost, comprising:

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

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

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

1.9.3 Impairment

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

1.9.4 Depreciation and Amortisation

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

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.

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

1.9.5 Disposals

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

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

1.10. Programme Management of Delegated Funds

Some funds are delegated to CPCA that HM Government require it to distribute and manage to achieve the desired outcomes. Government subsequently require officers of CPCA to monitor activity and report thereon regularly. Such funds require specific project management and this sets out the methodology for funds under management in 2022/23.

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. The final tranche of this funding was received in 2022-23 from the Ministry of Housing, Communities and Local Government (MHCLG). As such this programme is winding down with only one loan still outstanding at the end of the 22-23 financial year and the grant programme having moved from an identification and award phase into monitoring of delivery and outputs. The costs of the programme to the end of 22-23 were funded by interest on the housing loan portfolio; as the portfolio is winding down, and the costs of supporting the programme are decreasing these costs will be met from the general fund in future years.

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 2022/23 accounts.

1.12. Reserves

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

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

The reserve is then transferred back into the General Fund Balance in the Movement in Reserves Statement.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits. These reserves are not usable resources for the Combined Authority and are explained within the relevant policies.

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

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

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

1.14. Value Added Tax (VAT)

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

1.15. Going Concern

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 £238.7 million at 30 June 2023 and forecast cash balances of £84.4 million at the end of June 2024, demonstrates the Combined Authority does not have any liquidity concerns over the next 12 months from date of authorisation. It is therefore appropriate to prepare the financial statements on a going concern basis.

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

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

- IFRS 16 Leases will require authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2024 following the impact of the COVID-19. Local authorities can adopt IFRS16 earlier than this if an authority considers that it is able to do so.
- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

The Combined Authority will not be adopting IFRS16 until 1 April 2024 and the other standards are not envisaged to have a significant effect on the Combined Authority's financial statements.

3. Critical Judgement in Applying Accounting Policies

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

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

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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). The reduction seen between the two years is due to the Combined Authority not having been provided with an estimate of the total fees which are likely to be payable for the 2022-23 audit as of the time of publication. Following advice from EY we have therefore only recognised the confirmed scale fee for the audit; additional costs are anticipated but currently unquantifiable.

| 2021/22 £'000 | Fees Payable | 2022/23 £'000 |
|------------------|------------------------------------------------------------------------------------------|------------------|
| 118 | Fees payable with regard to external audit services carried out by the appointed auditor | 31 |
| 118 | | 31 |

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. Following the resignation of the Chair of the Business Board during 2022-23 there was a period in which the role was vacant resulting in a lower total cost for 2022-23.

The increase in fee for the Audit and Governance Committee chair was made following a decision by the Combined Authority Board in June 2021 in which recognised the increasing workload required of the Chair's position.

| Role | Allowances | | Expenses | | Total | |
|-----------------------------------------|------------|---------|----------|---------|---------|---------|
| | 2021/22 | 2022/23 | 2021/22 | 2022/23 | 2021/22 | 2022/23 |
| Mayor | 80,742 | 85,665 | 567 | 1,121 | 81,309 | 86,786 |
| Chair of the Business Board | 24,000 | 19,385 | - | - | 24,000 | 19,385 |
| Chair of Audit and Governance Committee | 1,534 | 3,068 | - | - | 1,534 | 3,068 |

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 other

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| Total Remuneration including Employer Pension Contributions £000 22/23 | | Pay | Pension | Exit | 3rd Party | Total | Notes |
|------------------------------------------------------------------------|-------------------------------------|------------|------------|------------------|------------------|--------------|-------|
| Post | Name(s) of post holders | £000 | £000 | Payments £000 | Payments £000 | £000 | |
| Chief Executive | Eileen Milner | 34 | 6 | 155 | - | 196 | 1 |
| | Gordon Mitchell | - | - | - | 263 | 263 | |
| Director of Corporate Resources | Mark Parkinson | - | - | - | 147 | 147 | 2 |
| Monitoring Officer | Robert Parkin | 44 | 9 | 51 | - | 104 | 1 |
| | Edwina Adefehinti | - | - | - | 221 | 221 | |
| Chief Finance Officer | Jon Alsop | 114 | 21 | 55 | - | 190 | |
| Director of Business and Skills | Interim Associate Director Skills | 95 | 17 | - | - | 112 | 2,3 |
| | Interim Associate Director Business | 96 | 18 | - | - | 114 | |
| Director of Delivery and Strategy | Paul Raynes | 64 | 12 | 70 | - | 147 | 3,4 |
| Director of Housing | Roger Thompson | 126 | 23 | 66 | - | 214 | 3 |
| Associate Director | Steve Cox | - | - | - | 108 | 130 | |
| Executive Director of Resources and Performance | Nick Bell | 13 | 2 | - | - | 15 | 2 |
| Executive Director of Economy and Growth | Richard Kenny | 12 | 2 | - | - | 15 | 2 |
| Head of Policy and Executive Support | Kate McFarlane | 9 | 2 | - | - | 10 | 2 |
| Total remuneration in 2022/23 | | 608 | 112 | 397 | 739 | 1,857 | |
| 2021/22 | | | | | | | |
| Chief Executive | Eileen Milner (from Oct 2021) | 103 | 19 | - | - | 122 | |
| Co-Chief Executive | John Hill | - | - | - | 44 | 44 | |
| Co-Chief Executive 1* | Kim Sawyer | 44 | 8 | - | - | 52 | 6 |
| Director of Corporate Resources | Kim Sawyer | 67 | 12 | 70 | - | 79 | |
| Monitoring Officer | Robert Parkin | 97 | 18 | - | - | 115 | |
| Director of Business and Skills | John T Hill (to Feb 2022) | 137 | - | - | - | 137 | |
| | Alan Downton (Mar 2022) | 9 | 2 | - | - | 11 | |
| Chief Finance Officer | Jon Alsop | 108 | 20 | - | - | 128 | |
| Director of Delivery and Strategy | Paul Raynes | 140 | 26 | - | - | 166 | |
| Director of Housing | Roger Thompson | 140 | 26 | - | - | 166 | |
| Total remuneration in 2021/22 | | 845 | 131 | 70 | 44 | 1,090 | |

1. In 22/23 this role was covered by an interim appointment following the departure of the substantive employee.
2. Following the approval of an executive restructure in the Autumn, the posts of Director of Corporate Services, Delivery and Strategy, Housing and Business and Skills were removed and replaced by the Head of Policy and Executive Support and the Executive Directors of Resources and Performance, Economy and Growth and Place and Connectivity. All but the last were appointed to and took up post towards the end of 2022-23.
3. During 2022/23 the vacant post of Director of Business and Skills was covered by two Associate Directors acting up.
4. The Director of Delivery and Strategy was appointed the interim CEO between the 1st June and the 8th July 2022, their costs are all included in this line for reporting purposes.
5. Kim Sawyer covers both the role of Director of Corporate Resources and Co-Chief Executive thus the costs are split across both budgets.

While not required to be included in these notes, for completeness, where these posts were covered by non-employees (consultants) these are shown in the table as 3rd party payments – the costs shown are the total amounts paid by the Combined Authority whether to an individual, an employer (where the post-holder was seconded) or to the company providing the individual's services.

Employee remuneration above £50,000

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

| Remuneration Band * | Number of employees | |
|---------------------|---------------------|-----------|
| | 2021/22 | 2022/23 |
| £50,000-£54,999 | 5 | 8 |
| £55,000-£59,999 | 5 | 5 |
| £60,000-£64,999 | 3 | 4 |
| £65,000-£69,999 | 0 | 3 |
| £70,000-£74,999 | 3 | 2 |
| £75,000-£79,999 | 2 | 4 |
| £80,000-£84,999 | 3 | 1 |
| £85,000-£89,999 | 3 | 1 |
| £95,000-£99,999 | 1 | 3 |
| £100,000-£104,999 | 1 | 0 |
| £105,000-£109,999 | 1 | 0 |
| £110,000-£114,999 | 1 | 1 |
| £120,000-£124,999 | 1 | 0 |
| £125,000-£129,999 | 0 | 1 |
| £135,000-£139,999 | 1 | 0 |
| £140,000-£144,999 | 2 | 0 |
| Total | 32 | 33 |

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.

2022/23

| | Number of compulsory redundancies | Number of other departures with exit packages | Total number of exit packages | Total exit package cost where >1 in band |
|-------------------|-----------------------------------|-----------------------------------------------|-------------------------------|------------------------------------------|
| £0 - £19,999 | - | 2 | 2 | 30,223 |
| £100,000-£150,000 | 2 | - | 2 | 247,907 |
| Total | 2 | 2 | 4 | 278,130 |

2021/22

| | Number of compulsory redundancies | Number of other departures agreed | Total number of exit packages by cost band | |
|-------------------|-----------------------------------|-----------------------------------|--------------------------------------------|----------|
| £0-£19,999 | - | 2 | 2 | 20,988 |
| £20,000-£39,999 | - | 2 | 2 | 51,415 |
| £40,000-£59,999 | - | 2 | 2 | 95,257 |
| £60,000-£79,999 | - | 2 | 2 | 140,919 |
| £150,000-£199,999 | - | 1 | 1 | N/A |
| Total | - | 9 | 9 | - |

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 2022-23 the Combined Authority's pay ratio was 3.39 (21/22 4.76), the big difference between the two year's figures is primarily due to the role of Chief Executive being filled by an interim rather than a salaried employee.

Taking the salary of the Chief Executive who took up post in early 2023-24 into account would increase the pay multiple to 4.54.

7. Defined Benefit Pension Scheme

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

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

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

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

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

Transactions relating to post-employment benefits

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

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

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

| 2021/22 £'000 | Comprehensive Income and Expenditure Statement | 2022/23 £'000 |
|------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| | Cost of service | |
| 2,235 | Current service costs | 1,968 |
| - | Past service costs | - |
| - | (Gain) Loss from Settlements | - |
| | Financing and Investment Income & Expenditure | |
| 107 | Interest costs | 332 |
| (196) | Interest income on plan assets | (483) |
| 2,324 | Total Post Employment Benefit Charged to the Surplus or Deficit on the provision of Services | 2,119 |
| | Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement | |
| (312) | Return on Plan Assets (excluding amounts included in net interest) | 632 |
| (17) | Actuarial (Gains)/Losses Arising on Changes in Demographic Assumptions | (81) |
| (1,494) | Actuarial (Gains)/Losses Arising on Changes in Financial Assumptions | (8,753) |
| (1) | Difference between actual employers' contributions and estimate in Actuary's report | 14 |
| 1,601 | Other | 1051 |
| 2,101 | Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement | (5,018) |
| | Movement in Reserves Statement | |
| (2,101) | Reversal of net changes made to the Surplus or Deficit for the provision of Services for post-employment benefits in accordance with the Code | 5,018 |
| | Actual amount charged against the General Fund and HRA Balance for pensions in the year | |
| 819 | Employer's contributions payable to the scheme | 822 |
| (1,282) | Retirement benefits payable to pensioners | 5,840 |

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:

| 2021/22 £'000 | Pension Assets & Liabilities Recognised in the Balance Sheet | 2022/23 £'000 |
|------------------|--------------------------------------------------------------|------------------|
| (16,429) | Present value of the defined benefit obligation | (11,430) |
| 11,503 | Fair Value of Plan Assets | 12,344 |
| (4,926) | Closing fair value of scheme assets | 914 |

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

| 2021/22 £'000 | Reconciliation of the Movements in the Fair Value of the Scheme (plan) Assets | 2022/23 £'000 |
|------------------|-------------------------------------------------------------------------------------|------------------|
| 4,607 | Opening Fair Value of Scheme Assets | 11,503 |
| 107 | Interest Income | 332 |
| - | Remeasurement Gain/(Loss) | - |
| 5,280 | Other Experience | - |
| 312 | Return on Plan Assets, excluding amounts included in the net interest expense | (632) |
| 819 | Contributions from employer | 822 |
| 1 | Difference between actual employers' contributions and estimate in Actuary's report | (14) |
| 380 | Contributions from employees into the scheme | 358 |
| (3) | Benefits Paid | (25) |
| 11,503 | Closing fair value of scheme assets | 12,344 |

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

| 2021/22 £'000 | Reconciliation of Present Value of the Scheme Liabilities (defined benefit obligation) | 2022/23 £'000 |
|------------------|----------------------------------------------------------------------------------------|------------------|
| 8,251 | Opening balance | 16,429 |
| 2,235 | Current Service Cost | 1,968 |
| 196 | Interest Cost | 483 |
| 380 | Contributions from Scheme Participants | 358 |
| - | Remeasurement (Gains) & Losses | - |
| (17) | Actuarial (Gains)/Losses Arising from Changes in Demographic Assumptions | (81) |
| (1,494) | Actuarial (Gains)/Losses Arising from Changes in Financial Assumptions | (8,753) |
| 6,881 | Other | 1051 |
| - | Past Service Cost | - |
| (3) | Benefits Paid | (25) |
| 16,429 | Net Pension Liability | 11,430 |

Local Government Pension Scheme assets comprised

| Quoted Prices in Active Markets £'000 | Period Ended 31 March 2022 | | | Asset Category | Period Ended 31 March 2023 | | | |
|---------------------------------------------------|-------------------------------------------------------|----------------|------------------------------------|-------------------------------------------------|---------------------------------------------------|-------------------------------------------------------|----------------|------------------------------------|
| | Quoted Prices not in Active Markets £'000 | Total £'000 | Percent of Total Assets % | | Quoted Prices in Active Markets £'000 | Quoted Prices not in Active Markets £'000 | Total £'000 | Percent of Total Assets % |
| - | 565 | 565 | 5% | Debt Securities | - | 418 | 418 | 3% |
| | | | | UK Government | | | | |
| | | | | Private Equity | | | | |
| - | 1228 | 1228 | 11% | All | - | 1532 | 1532 | 12% |
| | | | | Real Estate | | | | |
| - | 808 | 808 | 7% | UK Property | - | 806 | 806 | 7% |
| | - | - | 0% | Overseas Property | - | - | - | 0% |
| | | | | Investment Funds & Unit Trusts | | | | |
| - | 6,632 | 6,632 | 58% | Equities | - | 6,820 | 6,820 | 55% |
| - | 1,223 | 1,223 | 10% | Bonds | - | 1,333 | 1,333 | 11% |
| - | 914 | 914 | 8% | Infrastructure | - | 1,085 | 1,085 | 9% |
| - | 8,769 | 8,769 | 76% | Total Investment Funds & Unit Trusts | - | 9,238 | 9,238 | 75% |
| | | | | Derivatives | | | | |
| - | 23 | 23 | 0% | Other | - | 52 | 52 | 1% |
| | | | | Cash & Cash Equivalents | | | | |
| 111 | - | 111 | 1% | All | 298 | - | 298 | 2% |
| 111 | 11,392 | 11,503 | 100% | Totals | 298 | 12,046 | 12,344 | 100% |

Basis for estimating assets and liabilities

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

The Local Government Pension Scheme liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates for the county council fund being based on the latest full valuation of the scheme as at 31 March 2022.

The significant assumptions used by the actuary have been:

| 31-Mar-22 | Basis for Estimating Assets & Liabilities | 31-Mar-23 |
|------------|--------------------------------------------------------------------------------------------------|------------|
| | Mortality Assumptions: | |
| | Longevity at 65 for current pensioners: | |
| 22.0 years | Men | 23.9 years |
| 24.2 years | Women | n/a |
| | Longevity at 65 for future pensioners: | |
| 22.9 years | Men | 23.4 years |
| 26.0 years | Women | 26.0 years |
| | Financial Assumptions | |
| 3.2% | Rate of inflation | 3.0% |
| 3.7% | Rate of increase in salaries | 3.5% |
| 3.2% | Rate of increase in pensions | 3.0% |
| 2.8% | Rate for discounting scheme liabilities | 4.8% |
| 25% | Take-up of option to convert annual pension into retirement lump sum for Pre-April 2008 service | 51% |
| 64% | Take-up of option to convert annual pension into retirement lump sum for Post-April 2008 service | 51% |

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

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

| Change in assumptions at year ended 31 March 2023 | Approximate % increase to Employer Liability | Approximate monetary amount increase (£'000) |
|---------------------------------------------------|----------------------------------------------|----------------------------------------------|
| 0.1% decrease in Real Discount Rate | 3% | 293 |
| 1 Year Increase in member life expectancy | 4% | 457 |
| 0.1% increase in salary increase rate | 0% | 28 |
| 0.1% increase in pension increase rate (CPI) | 2% | 270 |

Impact on the authority's cash flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The county council has agreed a strategy with the scheme's actuary to achieve a 70% likelihood of a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2025.

The authority anticipated to pay £763k expected contributions to the scheme in 2023/24 (£819k 22/23).

8. Financing and Investment Income and Expenditure

| 2021/22 | | 2022/23 |
|--------------|----------------------------------------------------------------------|---------------|
| £'000 | Financing and Investment Income | CPCA £'000 |
| (487) | Interest Receivable | (3,591) |
| 89 | IAS 19 - Pension Interest & Return on Assets | 151 |
| 2,402 | Loss in Fair Value of Investments held at Fair Value Profit and Loss | 27,195* |
| 2,004 | Total | 23,755 |

*The large movement in fair value is explained in more detail in the 'Revaluation' paragraph in Note 1 of the accounts on page 20.

9. Non Specific Grant Income

| 2021/22 £'000 | | 2022/23 £'000 |
|------------------|---------------------------------------------------------------------------------|------------------|
| | Grants, Contributions credited to Taxation and Non Specific Grant Income | |
| | Non -Specific Government Grants | |
| (9,000) | Gain Share - Revenue | (8,000) |
| (13,040) | Transport Levy | (13,230) |
| (2,497) | Other - Non -Specific Government Grants | (1,517) |
| (24,536) | Total Non-Specific Grants | (22,747) |
| | Capital Grants & Contributions | |
| (6,480) | Gain Share - Capital | (12,000) |
| (7,300) | Getting Building Fund | - |
| (4,295) | DfT ZEBRA grant | - |
| (18,075) | Other - Capital Grants & Contributions | (11,431) |
| | Total Capital Grants & Contributions | (23,431) |
| (42,611) | Total Taxation and Non Specific Grant Income | (46,178) |

10. Related Parties

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

Central Government

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

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

| 2021/22 | | 2022/23 |
|------------------|------------------------|-----------------|
| £'000 | | £'000 |
| (11,493) | DLUHC - revenue grants | (8,778) |
| (20,428) | DLUHC - capital grants | (20,000) |
| (66,764) | DfT - capital grants | (30,653) |
| (2,021) | DfT - revenue grants | (1,497) |
| (7,037) | BEIS - revenue grants | - |
| (118,389) | DESNZ - capital grants | (892) |
| (1,147) | DWP - revenue grants | - |
| - | DEFRA - revenue grants | (59) |
| (13,633) | DfE revenue grants | (24,891) |
| (240,912) | Total Income | (86,771) |

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;

| 2021/22 £'000 | | 2022/23 £'000 |
|------------------|---------------------------------------|------------------|
| | Expenditure | |
| | Expenditure with councils | |
| 9,855 | Cambridgeshire City Council | 83 |
| 42,581 | Cambridgeshire County Council | 27,846 |
| 1,529 | East Cambridgeshire District Council | 756 |
| 2,784 | Fenland District Council | 483 |
| 1,740 | Huntingdonshire District Council | 765 |
| 9,652 | Peterborough City Council | 8,322 |
| - | South Cambridgeshire District Council | 2 |
| 68,142 | Total | 38,258 |
| | Creditors | |
| | General Creditors with councils | |
| - | Cambridgeshire City Council | - |
| (1,663) | Cambridgeshire County Council | (5,813) |
| (183) | East Cambridgeshire District Council | (319) |
| (1,557) | Fenland District Council | (3,242) |
| (634) | Huntingdonshire District Council | (678) |
| (589) | Peterborough City Council | (7,410) |
| (1,267) | South Cambridgeshire District Council | - |
| (5,893) | Total | (17,462) |

Group Companies

During the year the Combined Authority incurred spend on behalf of group companies and recharged them for services. The Combined Authority paid Cambridgeshire and Peterborough Business Growth Company Limited for services provided on its behalf. All amounts below were outstanding at 31 March 2023.

| | Due from CPCA 2022/23 £'000 | Due to CPCA 2022/23 £'000 |
|-----------------------------------------------------------------|-----------------------------------|---------------------------------|
| Peterborough HE Property Company Limited | (1,933) | 144 |
| Cambridgeshire and Peterborough Business Growth Company Limited | (2,223) | 1,880 |
| One Cam Limited | - | - |
| Peterborough R&D Property Company Limited | (25) | 60 |
| Angle Developments Limited | - | - |
| Angle Holdings | - | - |

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 2022/23.

| 2021/22 £'000 | Company | Reason for Funding | Related Party | 2022/23 £'000 |
|------------------|---------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|--------------------------------|------------------|
| (635) | Start Codon Fund 1 LP | Local Growth Fund project – Life Sciences Accelerator | Jason Mellad | (590) |
| (220) | FACT (Fenland Association of Community Transport) | Payments to support community transport | Cllr Seaton / Cllr Boden | (234) |
| - | Viva Arts Community Group Ltd | Grant for Market Towns programme | Cllr Schumann | (100) |
| - | Fenland Soil Ltd | Grant funding for Fenland Soil work toward their work on climate impact of peat soil. | Tina Barsby | (100) |
| (2,391) | Stainless Metalcraft (Chatteris) Ltd | Local Growth Fund project – Advanced Manufacturing Centre | Austen Adams | - |
| (2,028) | Cross Keys Homes Ltd | Grants for affordable housing | Cllr Holdich / Cllr Fitzgerald | - |
| (313) | NIAB2 | Local Growth Fund projects – Agri-Tech Start-up Incubator and Agri-gate Hasse Fen extension Eastern Agri-tech programme project | Tina Barsby | - |

Officers

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

There were no related party transactions involving officers during 2022/23

11. Expenditure and Income Analysed by Nature

| 2021/22 £'000 | Expenditure and Income Analysed by Nature | 2022/23 £'000 |
|------------------|-----------------------------------------------------|------------------|
| | Expenditure | |
| 8,710 | Employee Expenses - Contracts held by CPCA | 9,284 |
| 88,789 | Capital Grants made treated as REFCUS | 97,541 |
| 38 | Depreciation | 44 |
| 42,578 | Other Service Expenses | 68,013 |
| 140,115 | Total Expenditure | 174,882 |
| | Income | |
| (1,853) | Interest & Investment Income | (4,504) |
| (121,793) | Government Grants & Contributions | (161,088) |
| (5,911) | Other Income | (1,081) |
| (129,557) | Total Income | (166,874) |
| 10,558 | Surplus/Deficit on the Provision of Services | 8,208 |

12. 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).

Adjustments between funding and accounting basis:

| 2021/22 | | | | 2022/23 | | | | |
|-----------------------------------|--------------------------------------|--------------------|-------------------|--------------------------------------------------------------------------------------------------------------------|--------------------------------------|--------------------|-------------------|---------------|
| Adjustments for Capital Purposes1 | Net Change for Pensions Adjustments2 | Other Differences3 | Total Adjustments | Adjustments for Capital Purposes1 | Net Change for Pensions Adjustments2 | Other Differences3 | Total Adjustments | |
| £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | |
| - | 1,376 | (44) | 1,332 | - | 1,136 | 20 | 1,156 | |
| - | - | - | - | - | - | - | - | |
| 38 | - | (14) | 23 | 20 | - | - | 20 | |
| - | - | - | - | - | - | - | - | |
| - | 40 | (13) | 27 | - | 10 | - | 10 | |
| - | - | - | - | - | - | - | - | |
| 10,482 | - | (14) | 10,468 | 6,380 | - | (7) | 6,373 | |
| 1,085 | - | (166) | 920 | 1,282 | - | (4) | 1,278 | |
| 18,509 | - | (305) | 18,204 | 1,953 | - | (61) | 1,892 | |
| 30,114 | 1,416 | (556) | 30,974 | 9,635 | 1,146 | (52) | 10,729 | |
| - | - | - | - | - | - | - | - | |
| 2,402 | 89 | - | 2,491 | 27,421 | 151 | (15) | 27,377 | |
| (20,044) | - | - | (20,044) | (23,431) | - | - | (23,431) | |
| 12,472 | 1,505 | (556) | 13,421 | 13,445 | 1,297 | (67) | 14,675 | |
| | | | | Combined Authority Staffing Costs | - | 1,136 | 20 | 1,156 |
| | | | | Externally Commissioned Support Services | - | - | - | - |
| | | | | Corporate Overheads | 20 | - | - | 20 |
| | | | | Governance Costs | - | - | - | - |
| | | | | Mayor's Office | - | 10 | - | 10 |
| | | | | Other Corporate Budgets | - | - | - | - |
| | | | | Business and Skills | 6,380 | - | (7) | 6,373 |
| | | | | Strategy and Delivery | 1,282 | - | (4) | 1,278 |
| | | | | Housing | 1,953 | - | (61) | 1,892 |
| | | | | Net Cost of Services | 9,635 | 1,146 | (52) | 10,729 |
| | | | | Other Operational Expenditure | - | - | - | - |
| | | | | Financing & Investment Income and Expenditure | 27,421 | 151 | (15) | 27,377 |
| | | | | Taxation and Non-Specific Grant Income | (23,431) | - | - | (23,431) |
| | | | | Difference between general fund surplus or deficit and CIES surplus or deficit on the provision of services | 13,445 | 1,297 | (67) | 14,675 |

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

*The large movement in Financing and Investment Income is due to change in fair value of equity investments, explained in more detail in the 'Revaluation' paragraph in Note 1 of the accounts on page 20.

13. 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

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| 2022/23 Adjustments between Accounting Basis and Funding Basis Under regulations | Usable Reserves | | | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|--------------------------|--------------------------|-----------------------|-------------------|
| | General Fund | Capital Receipts Reserve | Capital Grants Unapplied | Total Usable Reserves | Unusable Reserves |
| | £000 | £000 | £000 | £000 | £000 |
| Depreciation & impairment of non-current assets | (44) | | | (44) | 44 |
| Capital grants and contributions | 87,832 | | | 87,832 | (87,832) |
| Reversal of Expected credit loss on capital loans | 72 | | | 72 | (72) |
| Revenue expenditure funded from capital under statute | (97,423) | | | (97,423) | 97,423 |
| Loss for Interest foregone on capital loan | - | | | - | - |
| Loss in Fair Value of capital investments | (27,421)* | | | (27,421) | 27,421 |
| Adjustments involving the Capital Grants Unapplied Account (CGU) | | | | | |
| Capital grants & contributions unapplied from the CIES | 23,431 | | (19,000) | 4,431 | (4,431) |
| Application of grants to capital financing transferred to the Capital Adjustment Account | - | | 1,913 | 1,913 | (1,913) |
| Adjustments involving the Capital Receipts Reserve (CRR): | | | | | |
| Redemption of Financial Assets (Loans) | - | (31,882) | | (31,882) | 31,882 |
| Redemption of Financial Assets (Equity Instruments) | | (885) | | (885) | 885 |
| Repayment of Capital Grants | | (4,431) | | (4,431) | 4,431 |
| Application of capital receipts to capital financing transferred to the Capital Adjustment Account | - | 16,698 | | 16,698 | (16,698) |
| Adjustments involving the Pension Reserve | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CI&E Statement | (1,297) | | | (1,297) | 1,297 |
| Adjustments involving the Accumulated Absences Adjustment Account | | | | | |
| Adjustments for Short term absences | (20) | | | (20) | 20 |
| Adjustments involving the Financial Instruments Adjustment Account: | | | | | |
| Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements. | 15 | | | 15 | (15) |
| TOTAL ADJUSTMENTS | (14,675) | (20,500) | (17,087) | (52,262) | 52,262 |

*The large movement in fair value is explained in more detail in the 'Revaluation' paragraph in Note 1 of the accounts on page 20.

| 2021/22 Adjustments between Accounting Basis and Funding Basis Under regulations | Usable Reserves | | | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|--------------------------|--------------------------|-----------------------|-------------------|
| | General Fund | Capital Receipts Reserve | Capital Grants Unapplied | Total Usable Reserves | Unusable Reserves |
| | £000 | £000 | £000 | £000 | £000 |
| Depreciation & impairment of non-current assets | (38) | | | (38) | 38 |
| Capital grants and contributions | 74,385 | | | 74,385 | (74,385) |
| Reversal of Expected credit loss on capital loans | 485 | | | 485 | (485) |
| Revenue expenditure funded from capital under statute | (88,789) | | | (88,789) | 88,789 |
| Loss for Interest foregone on capital loan | 76 | | | 76 | (76) |
| Loss in Fair Value of capital investments | (2,402) | | | (2,402) | 2,402 |
| Adjustments involving the Capital Grants Unapplied Account (CGU) | | | | | |
| Capital grants & contributions unapplied from the CIES | 4,295 | | (4,295) | - | - |
| Application of grants to capital financing transferred to the Capital Adjustment Account | | | 26,362 | 26,362 | (26,362) |
| Adjustments involving the Capital Receipts Reserve (CRR): | | | | | |
| Redemption of Financial Assets (Loans) | | (14,363) | | (14,363) | 14,363 |
| Application of capital receipts to capital financing transferred to the Capital Adjustment Account | | 14,410 | | 14,410 | (14,410) |
| Adjustments involving the Pension Reserve | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CI&E Statement (see also note 7) | (1,505) | | | (1,505) | 1,505 |
| Adjustments involving the Accumulated Absences Adjustment Account | | | | | |
| Adjustments for Short term absences | 56 | | | 56 | (56) |
| Adjustments involving the Financial Instruments Adjustment Account: | | | | | |
| Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements. | 14 | | | 14 | (14) |
| TOTAL ADJUSTMENTS | (13,421) | 47 | 22,067 | 8,693 | (8,693) |

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-21 | Movement | 31-Mar-22 | | 01-Apr-22 | Movement | 31-Mar-23 |
|------------------|----------------|------------------|-------------------------------------------|------------------|-----------------|------------------|
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| (7,802) | (1,815) | (9,617) | General Fund Balance | (9,617) | (2,208) | (11,825) |
| (6,448) | (1,049) | (7,497) | Earmarked General Fund Reserves | (7,497) | (4,259) | (11,756) |
| (9,221) | 47 | (9,174) | Usable Capital Receipts Reserve | (9,174) | (20,500) | (29,674) |
| (58,925) | 22,067 | (36,858) | Capital Grants Unapplied Account | (36,858) | (17,087) | (53,945) |
| (82,396) | 19,250 | (63,146) | Total Usable Reserves | (63,146) | (44,054) | (107,200) |
| (73,858) | (10,127) | (83,985) | Capital Adjustment Account | (83,985) | 50,960 | (33,025) |
| 29 | (14) | 15 | Financial Instruments Adjustment Account | 15 | (15) | - |
| 265 | 15 | 280 | Financial Instruments Revaluation Reserve | 280 | (23) | 257 |
| 125 | (56) | 69 | Accumulated Absences Account | 69 | 20 | 89 |
| 3,644 | 1,282 | 4,926 | Pensions Fund Reserve | 4,926 | (5,840) | (914) |
| (69,795) | (8,900) | (78,695) | Total Unusable Reserves | (78,695) | 45,102 | (33,593) |
| (152,191) | 10,350 | (141,841) | Total Usable and Unusable Reserves | (141,841) | 1,048 | (140,793) |

14. Earmarked Reserves

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

| Earmarked Reserve: | 01-Apr-2022 | Transfer Out | Transfer In | 31-Mar-2023 | Movement | Purpose of the Earmarked Reserve |
|-------------------------------------------|--------------|----------------|--------------|---------------|--------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | |
| Revenue Reserve | 1,000 | - | 815 | 1,815 | 815 | This reserve provides a working balance to cover risks to the revenue budget. |
| Elections Costs Reserve | - | - | 260 | 260 | 260 | This reserve smooths the impact on the revenue budget of the Mayoral elections which take place every four years. |
| Inflation Reserve | - | - | 2,400 | 2,400 | 2,400 | This reserve has been created from the windfall in treasury management income to increase the Authority's ability to react to inflationary pressures within the supported bus network |
| AEB Reserve | 2,607 | - | 633 | 3,240 | 633 | This reserve holds the balance of adult education budget funding to maintain a locally determined ringfence between financial years. |
| Business Board Strategic Revenue Reserves | 1,316 | - | 376 | 1,692 | 376 | This reserve holds un-ringfenced revenue funds which are received by the Combined Authority as the Accountable Body for the Business Board. |
| Departmental Reserves | 2,574 | (1,756) | 1,531 | 2,349 | (225) | These represent unspent grant funding and other income which does not require repayment, but is earmarked for projects in future years. |
| Total Earmarked Reserves | 7,497 | (1,756) | 6,015 | 11,756 | 4,259 | |

15. Capital Grants Unapplied Reserve

| Capital Grants Unapplied Reserve | 01-Apr-2022 | Transfer Out | Transfer In | 31-Mar-2023 |
|-----------------------------------------------|---------------|----------------|---------------|---------------|
| | £'000 | £'000 | £'000 | £'000 |
| Gain Share - Capital | 32,563 | (1,913) | 12,000 | 42,650 |
| DfT Zebra Grant | 4,295 | - | - | 4,295 |
| DLUHC Capital Investment Fund s50 grant | - | - | 7,000 | 7,000 |
| Total Capital Grants Unapplied Reserve | 36,858 | (1,913) | 19,000 | 53,945 |

16. Capital Adjustment Account

| 2021/22 £'000 | Capital Adjustment Account | 2022/23 £'000 |
|------------------|-------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| (73,858) | Balance as at 1 April | (83,985) |
| | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement | |
| (74,385) | Capital Grants & Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to Capital Financing | (87,832) |
| 88,789 | Revenue Expenditure Funded from Capital under Statute | 97,423 |
| 14,363 | Redemption of financial assets (loans) | 31,882 |
| - | Redemption of Financial Assets (Equity Instruments) | 885 |
| (14,410) | transfer from usable capital receipts | (16,698) |
| 38 | charges for depreciation | 44 |
| (76) | Loss for Interest foregone on capital loan | - |
| 2,402 | Loss in Fair Value of capital investments | 27,241* |
| (485) | charges for expected credit loss relating to capital loans | (72) |
| (10,264) | Application of grants to finance capital loans from the Capital Grants Unapplied Accounts | - |
| (16,098) | Application of Grants to Capital Financing from the Capital Grants Unapplied Account | (1,913) |
| (83,985) | Balance as at 31 March | (33,025) |

*The large movement in fair value is explained in more detail in the 'Revaluation' paragraph in Note 1 of the accounts on page 20.

17. 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.

| 2021/22 | | 2022/23 |
|---------|---------------------------------------------------------------------------------------|---------|
| £'000 | | £'000 |
| 29 | Balance as at 1 April | 15 |
| (14) | Amounts arising from timing differences associated with certain financial instruments | (15) |
| 15 | Balance as at 31 March | (-) |

18. 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.

| 2021/22 | | 2023/24 |
|---------|---------------------------------------------------------------------------------------|---------|
| £'000 | | £'000 |
| 265 | Balance as at 1 April | 280 |
| 15 | Amounts arising from timing differences associated with certain financial instruments | (23) |
| 280 | Balance as at 31 March | 257 |

19. 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.

| 2021/22 | | 2022/23 |
|---------|------------------------------------------------|---------|
| £'000 | | £'000 |
| 125 | Balance as at 1 April | 69 |
| (56) | Amounts Accrued at the end of the current year | 20 |
| 69 | Balance as at 31 March | 89 |

20. 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.

| 2021/22 | | 2022/23 |
|---------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| £'000 | | £'000 |
| 3,644 | Balance as at 1 April | 4,926 |
| | Recognition of net Defined Benefit Liability on transfer in IAS19 basis | |
| (222) | Remeasurements of the net defined benefit liability | (7,137) |
| 2,324 | Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the comprehensive income and expenditure statement | 2,119 |
| (820) | Employer's pensions contributions and direct payments to pensioners payable in the year | (822) |
| 4,926 | Balance as at 31 March | (914) |

21. Property, Plant and Equipment

| Movement in 2021/22 | 2021/22 | | 2022/23 | |
|--------------------------------------------------|---------------------------------------|-----------------------------------|---------------------------------------|-----------------------------------|
| | Vehicle, Plant, furniture & equipment | Total Property, Plant & Equipment | Vehicle, Plant, furniture & equipment | Total Property, Plant & Equipment |
| Cost or Valuation | £'000 | £'000 | £'000 | £'000 |
| At 1 April | 159 | 159 | 181 | 181 |
| Additions | 22 | 22 | 53 | 53 |
| Disposals | | - | | - |
| At 31 March | 181 | 181 | 234 | 234 |
| Accumulated Depreciation & Impairment | | | | |
| At 1 April | (79) | (79) | (117) | (117) |
| Depreciation Charge | (38) | (38) | (46) | (46) |
| Disposals | | - | | - |
| At 31 March | (117) | (117) | (163) | (163) |
| Net Book Value | | | | |
| At 31 March 2023 | 64 | 64 | 71 | 71 |
| At 1 April 2022 | 80 | 80 | 64 | 64 |

22. 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.

| 2021/22 £'000 | | 2022/23 £'000 |
|------------------|-------------------------------------------------------|------------------|
| - | Opening Capital Financing Requirement | - |
| | Capital Investment | |
| 88,789 | Revenue Expenditure Funded from Capital Under Statute | 97,597 |
| 22 | Property Plant and Equipment | 53 |
| 8 | Intangible Assets | 121 |
| 18,073 | Equity Instruments | 2,800 |
| 10,265 | Capital loans | 6,047 |
| | Sources of Finance | |
| (14,410) | Usable Capital receipts | (18,785) |
| (28,362) | Capital grants unapplied | - |
| (74,385) | Capital Grants & Contributions | (87,833) |
| - | Closing Capital Financing Requirement | - |

23. Combined Authority Leasing Arrangements

Combined Authority as Lessee - Operating Leases

During the year the Combined Authority entered into a lease to rent office space within Huntingdon District Council's Pathfinder House building and co-located the Mayor's office and the Combined Authority's offices to deliver efficiencies. The lease is for a term of 8 years, with

a break clause after 4 years. The future minimum lease payments due under the non-cancellable period of the lease are:

| 2021/22 £'000 | Authority as Lessee – Operating Leases | 2022/23 £'000 |
|------------------|---------------------------------------------------|------------------|
| - | Not more than one year | 124 |
| - | Later than one year and not later than five years | 321 |
| - | Later than five years | - |
| - | Total future minimum lease payments | 445 |

24. 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:

| 2021/22 £000 | | 2022/23 £000 |
|-----------------|---------------------------------------------------------------|------------------|
| (472) | Interest Income - Treasury Management | (3,576) |
| (1,382) | Interest Income - Service Loans | (928) |
| - | movement in expected credit loss allowances | - |
| (485) | loss from changes in Fair Value (FVPL assets) | (71) |
| (2,338) | Net impact on surplus/deficit on provision of services | (27,421)* |
| (15) | loss from changes in Fair Value (FVOCI assets) | (31,816) |
| 15 | Impact on Other Comprehensive income | 15 |
| (2,323) | Net (gain)/loss for the year | (31,801) |

*The large movement in fair value is explained in more detail in the 'Revaluation' paragraph in Note 1 of the accounts on page 20.

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

| 31-Mar-22 | | | 31-Mar-23 | |
|---------------------|------------------------|-------------------------------------------|--------------------------|------------------------|
| Long Assets £000 | Current Assets £000 | | Long Term Assets £000 | Current Assets £000 |
| | | Assets at Amortised Cost: | | |
| 10,000 | 253,141 | Investments - Amortised Cost | 15,000 | 111,017 |
| - | 51,860 | Cash & Cash Equivalents | - | 78,090 |
| 3,819 | 35,974 | Debtors - Service Loans | 3,682 | 9,114 |
| - | 9,278 | Debtors - Other | - | 6,589 |
| - | - | Assets at Fair Value: | - | - |
| 45,290 | - | Investments at Fair Value Profit and Loss | 21,314 | - |
| 60 | - | Medtech Shares - Designated FVOCI | 83 | - |
| 59,169 | 350,254 | Total Financial Assets | 40,079 | 204,811 |
| | | Liabilities at Amortised Cost: | | |
| - | (43,878) | Creditors | - | (33,401) |
| - | (43,878) | Total Financial Liabilities | - | (33,401) |

25. 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 2023, 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-22 | | | 31-Mar-23 | | |
|-----------------------------------------------------------|------------|-------------------------------------------|------------------|-----------------|------------|
| Carrying Amount | Fair Value | | Fair Value Level | Carrying Amount | Fair Value |
| £000 | £000 | | | £000 | £000 |
| Assets at Amortised Cost: | | | | | |
| 10,000 | 10,107 | LT Investments - Amortised Cost | 2 | 15,000 | 14,773 |
| 39,792 | 39,487 | Debtors - Service Loans | 2 | 12,796 | 12,122 |
| Assets at Fair Value: | | | | | |
| 45,290 | 45,290 | Investments at Fair Value Profit and Loss | 3 | 21,314 | 21,314 |
| 60 | 60 | Medtech Shares - Designated FVOCI | 3 | 83 | 83 |
| 95,143 | 94,944 | Total | | 49,194 | 48,293 |
| Assets for which Fair Value is not disclosed: | | | | | |
| 253,141 | - | ST Investments - Amortised Cost | | 111,017 | - |
| 51,860 | - | Cash & Cash Equivalents | | 78,090 | - |
| 9,278 | - | Debtors - Other | | 6,589 | - |
| 314,280 | - | Total Financial Assets | | 195,697 | - |
| Liabilities for which Fair Value is not disclosed: | | | | | |
| (43,878) | (43,878) | Creditors | | (33,401) | (33,401) |
| (43,878) | (43,878) | Total Financial Liabilities | | (33,401) | (33,401) |

26. 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 £202.4m deposited with the Debt Management Office (DMO), other local authorities, UK banks and MMFs at 31 March 2023. 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 2023 and no Expected Credit Loss allowances have been made on treasury investments. We are in constant communication with our treasury advisors to update our position in accordance with their advice on managing emerging risks.

Liquidity Risk

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

Market risks:**Interest rate risk**

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

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

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

Price Risk

The Combined Authority holds shares in several companies for service delivery purposes, which are not publicly traded. For most of these companies, the value in the accounts is based on the shareholder funds held on the 31st March 2023, rather than a market share value, as such for these companies, we do not consider there to be exposure to losses arising from movements in the traded price of shares. During 20/21 the Combined Authority invested Local Growth Funds in the Start Codon and Illumina projects which provide funding and support to local start-up companies across the Biomedical, healthcare technology and life sciences sectors. The value of the funds invested are exposed to the changes in the companies' values, however this risk is acceptably tolerated as no reliance has been placed on these funds for future service delivery, thus any losses would not have an effect on the wider financial sustainability of the Combined Authority.

Foreign Exchange Risk

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

27. Debtors

| 31-Mar-22 | | 31-Mar-23 | |
|---------------|---------------------------------|---------------------------|--|
| CPCA | | CPCA | |
| £'000 | | £'000 | |
| | | Short Term Debtors | |
| 2,187 | Central government bodies | 1,984 | |
| 4,264 | Other local authorities | 2,173 | |
| 35,995 | Other entities and individuals | 9,462 | |
| 2,806 | Group Companies | 2,084 | |
| 8,459 | Prepayments | 40 | |
| 53,711 | Total Short Term Debtors | 15,743 | |
| | | Long Term Debtors | |
| 3,819 | Other entities and individuals | 3,282 | |
| | Group Companies | 400 | |
| 3,819 | Total | 3,682 | |

28. Creditors

| 31-Mar-22 | | 31-Mar-23 | |
|-----------------|-----------------------------------|-----------------------------|--|
| £'000 | | CPCA £'000 | |
| | | Short Term Creditors | |
| | | Creditors: | |
| (14,584) | Central government bodies | (11,876) | |
| (7,320) | Other local authorities | (18,082) | |
| (19,856) | Other entities and individuals | (10,461) | |
| (15,897) | Group Companies | (4,180) | |
| (57,657) | Total Short Term Creditors | (44,600) | |

29. Provisions

The Combined Authority has an outstanding matter in relation to pension obligations relating to the transfer of ex-GCGP LEP staff to the Combined Authority in April 2018. The Combined Authority is working with the pension fund providers to confirm the nature and timing of the obligation and of the quantum of any liability attached to this obligation. The total potential liability is estimated at £226k. Exit cost provision for the FY 2022/23 is £200k.

30. Capital Grants Receipts in Advance

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

| 31-Mar-22 £'000 | Capital Grants Receipts in Advance | 31-Mar-23 £'000 |
|----------------------------------|-------------------------------------------------|----------------------------------|
| (33,161) | Transforming Cities Fund | (19,816) |
| (5,849) | Local Transport Grant | (4,452) |
| - | DLUHC UK Shared Prosperity Fund | (75) |
| - | BEIS HUG2 Grant | (77) |
| - | Active Travel England - Active Travel Grant | (4,355) |
| (53,684) | Green Homes LAD 2 Energy Grant | - |
| (1,993) | DfT A10 Dualling and Junctions Grant | (1,993) |
| (118,296) | BEIS Sustainable Warmth LAD3 Grant | (28,545) |
| (212,983) | Total Capital Grants Received in Advance | (59,313) |

31. Cash Flow Statement – Investing Activities

Short Term Investments are sums invested with a maturity of greater than three months but less than 12 months at the balance sheet date. Sums invested with a maturity of less than three months at the balance sheet date are classified as Cash and Cash Equivalents, see note 32

Operating Activities

| Restated 2021/22* £'000 | Adjustments to Net Surplus or Deficit on the provision of services for Non-Cash Movements | 2022/23 £'000 |
|-------------------------------|----------------------------------------------------------------------------------------------|------------------|
| (37) | Depreciation of Non-Current Assets | (44) |
| (3341)* | (Gain) Loss in Fair Value of Investments held at Fair Value Profit and Loss | (27,195) |
| (7,934) | Increase/(Decrease) in debtors | (63,000) |
| 2,615 | (Increase)/Decrease in creditors | 13,057 |
| (320) | (Increase)/Decrease in provisions | 120 |
| (1,504) | Pension Fund costs adjustment | (1,297) |
| (104,900) | Capital Grants Received in Advance | 153,670 |
| 15 | Other Non-cash items | - |
| (115,408) | Net cash (inflow)/outflow from operating activities | 75,312 |

Investing Activities

| Restated 2021/22* £'000 | Cash Flow Statement – Investing Activities | 2022/23 £'000 |
|-------------------------------|-------------------------------------------------|------------------|
| 99,544 | Purchase of Short & Long-Term Investments | (134,819) |
| 30 | Purchase of Property, Plant & Equipment | 174 |
| | Cash advanced for capital loans | (6,047) |
| 3,984 | Proceeds from loan repayments | 30,942 |
| 103,558 | Net cash flows from investing activities | (109,750) |

*restated as non cash movement in (Gain) Loss in Fair Value of Investments held at Fair Value Profit and Loss had been included in Purchase of Short & Long-Term Investments

32. Cash Flow Statement – Cash and Cash Equivalents

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

| 2021/22 £'000 | Cash and Cash Equivalents | 2022/22 £'000 |
|------------------|------------------------------------------|------------------|
| 45,115 | Short Term Cash Investments | 77,498 |
| 6,745 | Bank Accounts | 592 |
| 51,860 | Total Cash & Cash Equivalents | 78,090 |

Group Accounts

Introduction

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

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

Accounting Policies

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

Group - Comprehensive Income and Expenditure Statement

| Group 2021/22 | | | Comprehensive Income and Expenditure Statement | Note | Group 2022/23 | | |
|----------------------|-----------------|--------------------------|-----------------------------------------------------------------|----------------|----------------------|-----------------|--------------------------|
| Expenditure £'000 | Income £'000 | Net Expenditure £'000 | | | Expenditure £'000 | Income £'000 | Net Expenditure £'000 |
| 5,595 | - | 5,595 | Chief Executive | 5,845 | (12) | 5,833 | |
| 477 | (1) | 477 | Externally Commissioned Support Services | 421 | (78) | 343 | |
| 499 | - | 499 | Corporate Overheads | 907 | (13) | 894 | |
| 42 | - | 42 | Governance Costs | 28 | - | 28 | |
| 402 | - | 402 | Mayor's Office | 239 | - | 239 | |
| 186 | (52) | 135 | Other Corporate Budgets | 714 | (50) | 664 | |
| 965 | - | 965 | Election | - | - | - | |
| 41,036 | (29,739) | 11,297 | Business and Skills | 82,532 | (72,475) | 10,057 | |
| 71,649 | (55,494) | 16,156 | Strategy and Delivery | 55,846 | (42,267) | 13,579 | |
| 19,859 | (2,340) | 17,519 | Housing | 3,334 | (1,738) | 1,596 | |
| 140,711 | (87,625) | 53,085 | Net Cost of Services | 149,866 | (116,633) | 33,233 | |
| | | - | Other Operating Income & Expenditure | | | - | |
| | | (71) | Financing and Investment Income and Expenditure | | | (3,975) | |
| | | (42,611) | Taxation and Non-Specific Grant Income | | | (46,178) | |
| | | 10,204 | (Surplus) / Deficit on Provision of Services | | | (16,920) | |
| | | 15 | Loss from investments in equity instruments designated at FVOCI | | | (23) | |
| | | | Revaluation Loss on Non-Current Assets | | | 24,194 | |
| | | (222) | Actuarial (Gains) / Losses on Pension Assets / Liabilities | | | (7,137) | |
| | | (207) | Other Comprehensive Income and Exp | | | 17,034 | |
| | | 10,197 | Total Comprehensive Income and Expenditure | | | 114 | |

Group - Movement in Reserves Statement

| Combined Authority Group Movement in Reserves Statement | Cambridgeshire and Peterborough Business Growth Company Limited Usable Reserves | One Cam Limited Usable Reserves | Peterborough R&D Property Company Limited Usable Reserves | Peterborough HE Property Company Limited Usable Reserves | Total Usable Reserves | Group Unusable Reserves | Total Group Reserves | |
|-----------------------------------------------------------------------------------|---------------------------------------------------------------------------------|---------------------------------|-----------------------------------------------------------|----------------------------------------------------------|-----------------------|-------------------------|----------------------|------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | |
| Balance at 1 April 2021 | (78,968) | 9 | 238 | - | 292 | (78,429) | (73,608) | (152,037) |
| Total Comprehensive Income & Expenditure | 10,557 | 78 | 1,570 | 273 | - | 12,479 | (207) | 12,272 |
| Adjustments between group accounts and authority accounts ² | (2,535) | 2,119 | (1,385) | (273) | - | (2,075) | - | (2,075) |
| Adjustments between accounting basis & funding basis under regulations | 10,768 | | | | - | 10,768 | (10,768) | - |
| Net Increase before Transfers to Earmarked Reserves | 18,790 | 2,197 | 185 | - | - | 21,172 | (10,975) | 10,197 |
| Increase / (Decrease) in 2021/22 | 18,1790 | 2,197 | 185 | - | - | 21,172 | (10,975) | 10,197 |
| Balance at 31 March 2022 Carried Forward | (60,178) | 2,206 | 423 | - | 292 | (57,257) | (84,583) | (141,840) |
| Balance at 1 April 2022 | (60,178) | 2,206 | 423 | - | 292 | (57,257) | (84,583) | (141,840) |
| Total Comprehensive Income & Expenditure | 8,208 | 2,453 | 1 | 149 | - | 10,811 | 17,034 | 27,845 |
| Adjustments between group accounts and authority accounts | (32,667) | 5,467 | (424) | (107) | - | (27,131) | - | (27,731) |
| Adjustments between accounting basis & funding basis under regulations | (24,446) | - | - | - | - | (24,446) | 24,446 | - |
| Net Increase before Transfers to Earmarked Reserves | (48,905) | 7,920 | (423) | 42 | - | (41,366) | 41,480 | 114 |
| Increase / (Decrease) in 2022/23 | (48,905) | 7,920 | (423) | 42 | - | (41,366) | 41,480 | 114 |
| Balance at 31 March 2023 Carried Forward | (109,083) | 10,126 | - | 42 | 292 | (98,623) | (43,103) | (141,726) |

Group Balance Sheet

| Group 31/03/2022 | | Note | Group 31/03/2023 |
|---------------------|------------------------------------|------|---------------------|
| £'000 | | | £'000 |
| 5,901 | Property, Plant & Equipment | 2 | 71 |
| 37,830 | Investment Property | | 1,790 |
| 8 | Intangible Assets | | 131 |
| 44,614 | Long Term Investments | | 35,323 |
| 3,819 | Long Term Debtors | | 3,282 |
| 47,557 | Total Long-Term Assets | | 40,597 |
| 253,141 | Short Term Investments | | 111,017 |
| 54,656 | Short Term Debtors | 3 | 15,143 |
| 53,290 | Cash and Cash Equivalents | | 78,309 |
| 361,088 | Current Assets | | 204,469 |
| (48,349) | Short Term Creditors | 4 | (43,601) |
| (546) | Short Term Provisions | | (426) |
| (48,896) | Current Liabilities | | (44,027) |
| (4,926) | Long Term Creditors | | - |
| (212,983) | Capital Grants Receipts in Advance | | (98,623) |
| (217,909) | Long Term Liabilities | | (43,103) |
| 141,840 | Net Assets | | 141,726 |
| (57,257) | Usable Reserves | | (98,623) |
| (84,583) | Unusable Reserves | | (43,103) |
| (141,840) | Total Reserves | | (141,726) |

Group - Cash Flow Statement

| Restated* 2021/22 | Cash Flow Statement | Notes | 2022/23 |
|----------------------|---------------------------------------------------------------------------------------------|-------|-----------------|
| Group £'000 | | | Group £'000 |
| 10,404 | Net (Surplus) or Deficit on the Provision of Services | | (16,920) |
| (102,880) | Adjustments to Net (Surplus) or Deficit on the provision of Services for Non-Cash Movements | | 92,874 |
| (91,436) | Net cash flows from Operating Activities | | 75,954 |
| 92,752 | Investing Activities | | (100,973) |
| - | Financing Activities | | - |
| 276 | Net (Increase) or Decrease in Cash and Cash Equivalents | | (25,019) |
| 53,566 | Cash & Cash Equivalent at the beginning of the Reporting Period | | 53,290 |
| (276) | Increase / (Decrease) in Cash and Cash Equivalents | | 25,019 |
| 53,290 | Cash & Cash Equivalents at the end of the Reporting Period | | 78,309 |

*restated as non cash movement in Gain) Loss in Fair Value of Investments held at Fair Value Profit and Loss had been included in Purchase of Short & Long-Term Investments

Notes to the Group Accounts

1. Accounting Policies

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

2. Debtors

| 31-Mar-22 Group £'000 | | 31-Mar-23 Group £'000 |
|-----------------------------|---------------------------------|-----------------------------|
| | Short Term Debtors | |
| 2,187 | Central government bodies | 1,984 |
| 4,264 | Other local authorities | 2,173 |
| 39,746 | Other entities and individuals | 10,945 |
| 8,459 | Prepayments | 40 |
| 54,656 | Total Short-Term Debtors | 15,143 |

3. Creditors

| 31-Mar-22 Group £'000 | | 31-Mar-23 Group £'000 |
|-----------------------------|-----------------------------------|-----------------------------|
| | Short Term Creditors | |
| | Creditors: | |
| (14,584) | Central government bodies | (11,876) |
| (7,320) | Other local authorities | (18,082) |
| (26,445) | Other entities and individuals | (13,643) |
| (48,349) | Total Short-Term Creditors | (43,601) |

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Annual Governance Statement

For the year ended 31 March 2023

DRAFT

Cambridgeshire and Peterborough Combined Authority Annual Governance Statement – 2022/23

Scope of Responsibility

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

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

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

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

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

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

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

The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values, by which the Authority is directed and controlled and how it engages with and leads the community in those activities for which it is accountable. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them effectively.

The Governance Framework

Context

The Cambridgeshire and Peterborough Combined Authority Order 2017 was made on 2 March 2017 and came into force on 3 March 2017.

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

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

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

- Responsibility for a multi-year, consolidated and devolved transport budget.
- Responsibility for an identified Key Route Network of local authority roads.
- Powers over strategic planning and the responsibility to create a non-statutory spatial framework for Cambridgeshire and Peterborough and to develop with Government a Land Commission.

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

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

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

Delivery through Subsidiary Undertakings

During 2022-23, the Combined Authority had 6 subsidiary companies over which it has a significant level of control, since then OneCAM Ltd was dissolved on the 4th April 2023 following the closure of the project. Material trading activity of the subsidiaries started in 2020-21 and therefore the governance arrangements of these companies has become increasingly important. This is an area of significant interest across the Local Authority sector given recent high-profile issues that have come to light. CIPFA have published guidance on governance of Local Authority Trading Companies (LATC) and the Combined Authority has reviewed and strengthened its own governance arrangements considering this guidance, to ensure they are appropriate and effective. This has included the creation of a Shareholder Board (detailed under the new governance structures below) to improve oversight of the companies.

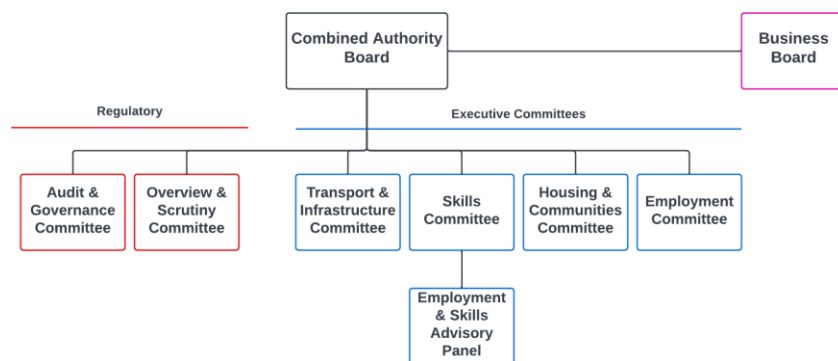
Cambridgeshire and Peterborough Combined Authority Structure

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

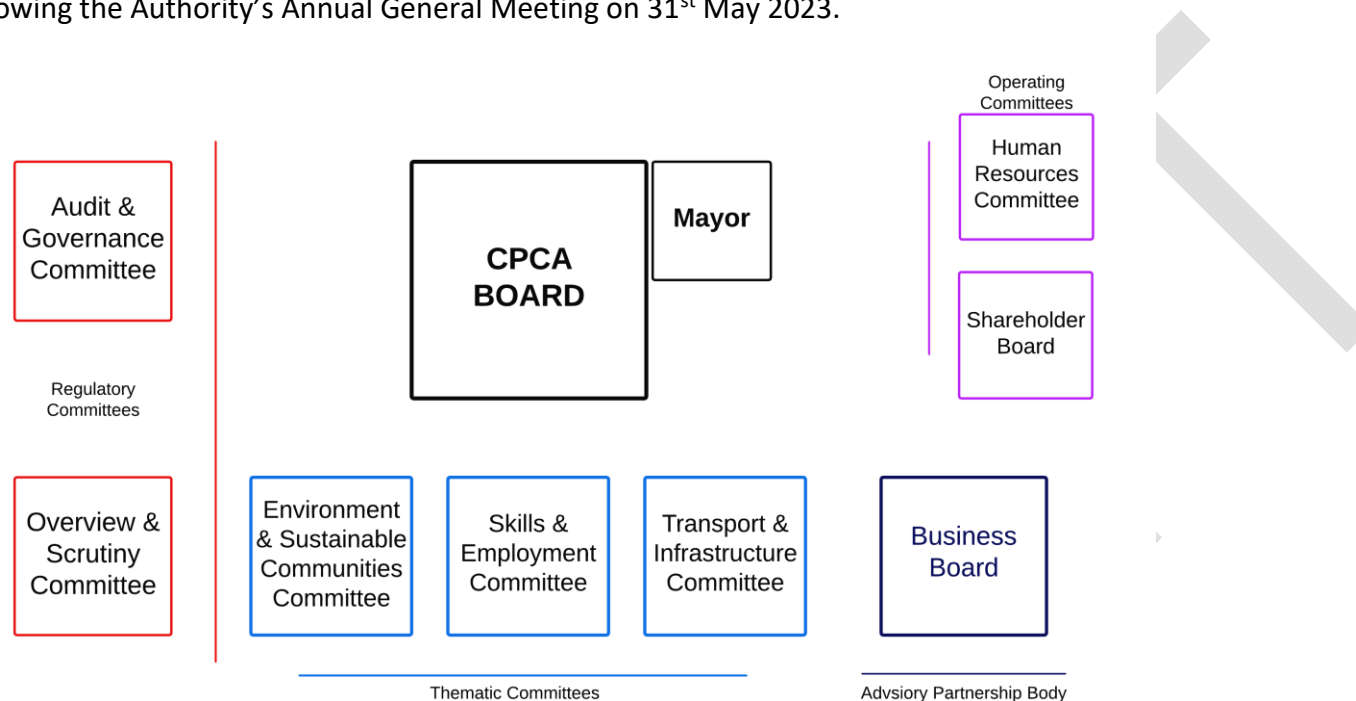
- Cambridge City Council;
- Cambridgeshire County Council;
- East Cambridgeshire District Council;
- Fenland District Council;
- Huntingdonshire District Council;
- Peterborough City Council; and
- South Cambridgeshire District Council.

In addition, the Authority co-opts the Police and Crime Commissioner, a representative of the Integrated Care Board (ICB), and a representative from the fire authority.

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



Following the concerns raised by the External Auditor and the Best Value Notice issued by DLUHC in January 2023 (see below for a more detailed description of these) there was a significant overhaul of the governance structure to reflect best practice and a rewrite of the Constitution to support the new structure. The new structure (shown in the diagram below) was approved by the Board in March 2023 and implemented following the Authority's Annual General Meeting on 31st May 2023.



Within the new governance framework the roles of both Audit & Governance and Overview & Scrutiny Committees were clarified, three new Thematic Committees were created to replace the 4 previous Executive Committees, with the new Thematic Committees having more delegated responsibilities and powers from the Board, the Business Board was repositioned as an Advisory Body to the Board and two new operating committees were established – a Human Resources Committee to deal with senior management recruitment and HR issues as well as approving new and changed HR policies, and a Shareholder Board to keep clear and effective oversight of the Authority's subsidiary companies (as noted above).

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

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

Combined Authority Board

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

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

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

- (a) The Police and Crime Commissioner for Cambridgeshire;
- (b) Cambridgeshire and Peterborough Fire Authority representative;
- (c) Cambridgeshire and Peterborough Integrated Commissioning Board 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 amendments to the Authority's constitution to strengthen the role of the Executive Committees by delegating to them decision-making powers previously exercised by the Combined Authority Board. The membership of the Executive Committee was expanded to include representatives of all the constituent councils on each committee.

The advantages of these arrangements include:

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

The effectiveness of these governance arrangements is kept under review by the Authority's Audit & Governance Committee. As noted above in March 2023 the Board approved a significant change to the governance structure of the Authority, replacing the Executive Committees with three new Thematic Committees (Transport & Infrastructure; Skills & Employment and Environment and Sustainable Communities) each with one (or more) lead Members. The new arrangements strengthened the advantages noted above and provided the Thematic Committees with greater delegated powers to help the Board maintain its strategic focus.

Overview and Scrutiny Committee

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

The committee undertakes other roles including pre-decision scrutiny where they can act as a "critical friend" to highlight key issues, and challenge policies at the developmental stage. The Mayor and Chief Executive attend meetings at least quarterly to update the committee and to answer any questions.

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

Culture: The mindset and mentality underpinning the operation of the overview and scrutiny process

Information: How information is prepared, shared, accessed and used in the service of the scrutiny function, and

Impact: Ways to ensure that scrutiny is effective, that it makes a tangible difference to the lives of local people.

Overview and Scrutiny have now decided to adopt a model of delivery in the future where they have increased ability to conduct pre-scrutiny of major policy decisions and deep dives into areas of interest to the Committee. To assist the Committee in its new model of delivery it will appoint 'rapporteurs' from its membership to liaise with the thematic committees, develop informal meetings of the Committee Members with officers in advance of its formal meetings to discuss potential areas of focus and use a range of tools, including the Forward Plan and the newly developed Performance Management report.

Audit and Governance Committee

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

The Chair of the Audit and Governance Committee presented his annual report to the Combined Authority Board at its Annual General Meeting in May 2023. The annual report highlights the work of the Committee for the Municipal Year and details the following:

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

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

Business Board (Local Enterprise Partnership)

On 1 April 2018, the Greater Cambridge Greater Peterborough Local Enterprise Partnership was dissolved, and a new Local Enterprise Partnership was formally created in September 2018 and is known as the Business Board. The Business Board is a voluntary partnership between

constituent councils and the business community and plays a key role in determining local economic priorities and growth. The Partnership is a key interface with Central Government and the region and offers policy advice and strategic direction aligned to the Authority's objectives.

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

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

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

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

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

The role and terms of reference of the Business Board will be reviewed in 2023-24, following the implementation of the new governance structure noted above, to ensure its role within the Combined Authority aligns with the national policy for LEPs set out in the Government's Levelling Up whitepaper.

Strategic Direction

The Combined Authority's Corporate Plan sets out the overarching strategic objectives for the Authority. The four key strategic objectives contained within the Plan approved by the Board in January 2023 are:

- Achieving ambitious skills and employment opportunities
- Achieving good growth
- Increased connectivity
- Enabling resilient communities

A fifth priority of achieving best value and high performance was approved by the Board in May 2023 to reflect the importance of the work being undertaken internally to create a fit for the future organisation.

The Corporate Plan is supported by Directorate Business Plans for each of the 4 areas of the Combined Authority (Transport & Connectivity, Economy & Growth, Resources & Performance, CEO's office). Each Directorate Business Plan has a set of actions linked to the delivery of the 5 strategic priorities noted above.

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

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

- Compassion
- Cooperation
- Community

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

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

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

The **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 Corporate Plan and the Medium-Term Financial Plan set out at a high level the transformational investments that the Cambridgeshire and Peterborough Combined Authority will commit resources to, subject to the detailed consideration and appraisal of project business cases. Some

are project ideas at an early stage whilst others are in-progress construction projects. The Business Plan and the Medium-Term Financial Plan are not intended to be an exhaustive list of activity as new opportunities will arise during the financial year, but they identify the key activities that will need investment during the plan period to unlock the opportunities they could bring. Prioritisation has been undertaken to ensure that our investment goes into projects that will have a significant impact on growing the whole Cambridgeshire and Peterborough economy in accordance with the six keys of the SGAS.

The Corporate Plan aligns with the new Performance Management Framework that is designed to provide improved performance monitoring information to the Authority, its Members and a wider audience.

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

Assurance Framework

The Assurance Framework complies with the National Local Growth Assurance Framework and was approved by the Board in March 2022 following feedback and sign off from CLGU (Cities and Local Growth Unit). The Assurance Framework sets out:

- (a) How the seven principles of public life shape the culture within the Combined Authority in undertaking its roles and responsibilities in relation to the use and administration of the Cambridgeshire and Peterborough Investment, incorporating the Single Pot funding.
- (b) The respective roles and responsibilities of the Combined Authority, the Business Board and officers, in decision-making and ways of working.
- (c) The key processes for ensuring accountability, including public engagement, probity, transparency, legal compliance and value for money.
- (d) How potential investments to be funded through the Cambridgeshire and Peterborough Medium Term Financial Plan incorporating the Single Pot, will be appraised, prioritised, approved, signed off and delivered.
- (e) The processes for oversight of projects, programmes and portfolios and how the progress and impacts of these investments will be monitored and evaluated.

A refreshed Single Assurance Framework (SAF) is currently being developed and it is anticipated that this will be brought to the Board for approval in September 2023.

Project Delivery

The monitoring and evaluation framework provides assurance to the Combined Authority Board and to Central Government through robust monitoring and evaluation arrangements for each of the commissioned projects. Monitoring and evaluation (M&E) is a critical component of an effective performance management regime. Monitoring supports the effective tracking of a scheme or series of policy interventions ensuring

that intended outputs are being achieved. Evaluation quantifies and assesses outcomes, including how schemes were delivered and whether the investment generated had the intended impact and ultimately delivered value for money.

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

Decision Making

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

A Forward Plan identifying strategic decisions that will be made by the Board over a four-month period is updated and presented to the Combined Authority Board at each meeting. The Forward Plan also includes 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 its strategic objectives.

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

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

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

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

The Combined Authority is required to adhere to the CIPFA Financial Management Code. A number of actions were identified in the 2021-22 Annual Governance Statement and these are being picked up as part of the Improvement framework noted elsewhere in this Annual Governance Statement.

Developing Capacity

The Combined Authority's external auditors highlighted a concern that *"the Authority has insufficient capacity, capability and an inappropriate culture to support the effective governance and operation of the organisation."* The staffing structure was reviewed in 2022 as part of the Combined Authority's Improvement plan to address these concerns and a revised senior management structure implemented. That senior management structure has now been implemented and recruited to.

Internal Audit

RSM Assurance Limited provide the Chief Internal Auditor function for the Combined Authority and presented the audit plan for approval to the Audit & Governance Committee in March 2022 and has provided the Committee with regular updates since then.

External Audit

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

Best Value Notice

On 24 January 2023 the Department for Levelling Up, Homes & Communities wrote to the Combined Authority to inform them that it was placing the Authority under a Best Value Notice, formally notifying the Authority that the Department had concerns regarding the Authority and requesting that the Authority engaged with the Department to provide assurance of improvement.

The Notice was issued to the CPCA following:

- *Significant concerns highlighted by the external auditor, published on 1 June 2022, in relation to the 2021/22 audit year confirming significant weakness in the Authority's governance arrangements that they believe to be pervasive.*
- *The Department writing, on 30 June 2022, to Paul Raynes, the then Interim Chief Executive, in response to the Authority's formal approach to the Department for assistance in driving improvement. The letter further set out that, in the first instance, the Department will be taking a precautionary approach to the transfer of funding to CPCA until we have assurance that there are appropriate plans in place to reach a resolution.*
- *Significant delivery concerns in some of the programmes delivered by the Authority.*
- *Concerns around partnership working, as outlined in the Minister for Local Government's letter to the then Mayor, James Palmer, on 13 July 2020, which remains an area that requires work*
- *Concerns raised within the Authority in respect of procurement of services to the Authority.*

The latter point relating to procurement followed concerns being raised by a CPCA Board Member regarding the governance of the procurement of two transport related contracts.

In the letter it was clear that the Department expected the Authority to:

- *Fully engage with the Independent Improvement Board and its recommendations.*
- *Continue in your efforts to deliver at pace against the Improvement framework and the action plan, meeting the set milestones.*
- *Continue in its efforts to conduct investigations at pace and to implement cultural change, particularly in relation to the relationships between officers and members and with the Mayor's office.*
- *Endeavour to achieve strong partnership working, built on consensus and shared vision.*
- *Ensure a robust, open and transparent recruitment campaign to make permanent appointments to the senior team in a timely manner.*

- *Commit to regular official level engagement on progress against this Notice, on a quarterly basis initially, recognising that this may change according to need over time. We expect any requests for information to be fully and promptly met. The Department will also look to the Independent Improvement Panel for regular updates and assurance on the Authority's plan and its delivery as part of our engagement on this matter.*

The letter made it clear that the Notice would remain in place for 12 months although it could be withdrawn or escalated at any point based on the available evidence.

On 30 January 2024 the Combined Authority received a further Best Value Notice for a period of six months, the Best Value Notice dated 24 January 2023 having lapsed. The letter noted the progress made by the Combined Authority since the original Best Value Notice was issued, specifically:

- *Your constructive engagement with both the Independent Improvement Board and the Department over the last 12 months*
- *Delivering [the] agreed improvement plan, which has included making permanent appointments to the senior leadership team in a robust and timely manner. The benefits of a strengthened senior officer team are reflected in the progress made against the improvement plan.*
- *Although the investigation into breaches of the member code of conduct was not concluded quickly, we note that it has now been and is an important milestone for the Authority*

However the letter also noted that:

- *Embedding cultural change across the organisation and ensuring that it is having the desired, long term impacts is likely to take time and will require sustained effort from both officers and, indeed, members at CPCA*
- *The Department remains concerned that, despite efforts made, more work is needed to ensure effective partnership working between all levels of the Combined Authority and its constituent authorities, to enable the area to reach its full potential*
- *Whilst the Improvement Board "continues to draw assurance from the work of the officer team within [CPCA], this needs to be matched by the actions of the [Combined Authority] Board itself"*

The letter therefore requires the Combined Authority to:

- *Continue with the Independent Improvement Board, making full use of its support and engaging with its recommendations over the next six months*
- *Continue to implement and embed the changes agreed by the Combined Authority Board as part of the improvement plan*
- *Continue to implement and monitor cultural change across the organisation, for both officers and members, with a focus on measurable outcomes*
- *Commit, through strong partnership working at both officer and member level, to develop the strategic priorities and aspirations for the area that will benefit local residents, and a credible delivery strategy for progressing these. We hope that these can be achieved through consensus but, if not all stakeholders are ready to fully engage, the opportunity should be left open for them to do so when they feel ready. This work is also important in informing CPCA’s approach to further devolution*
- *Continue to engage regularly with the Department at official level throughout the duration of this Notice*

The further Best Value Notice highlighted above lapsed in July 2024. On 9th September 2024, MHCLG’s Deputy Director, Local Government Stewardship and Intervention, wrote to the Combined Authority’s Chief Executive to confirm that *“Ministers are reassured as to the CPCA’s capacity to comply with its Best Value Duty under the Local Government Act 1999 and the Notice will not be re-issued at this time.”*

The letter recognises the progress made by the Combined Authority, including continuing to deliver and update its improvement plan, make further permanent appointments to bolster the senior leadership team, embed positive changes relating to culture and governance across the organisation and starting to monitor the longer-term impacts of the changes made. It welcomed comments from the Independent Improvement Board that it is *“encouraged by the increasing engagement of the constituent authorities and partners”* in ongoing work to develop a set of strategic ambitions for the region and a plan to deliver them. It also recognises the authority’s constructive engagement with both the Improvement Board and the department throughout the process of the Notices.

The letter also sets out the expectation that the Authority will sustain its improvement journey, further embedding change and continuing to strive for strong partnership working across all levels of the combined authority and its constituent authorities.

Given the work being undertaken in response to the second Notice, and subsequent progression following its expiration and associated letter from MHCLG, fell outside the reporting period to which this Annual Governance Statement covers, further detail is not included here, but has

been reported to the Combined Authority Board, Audit and Governance Committee and Overview and Scrutiny Committee throughout, with the most recent updates to Audit and Governance Committee in September 2024, the Board in October 2024 and Scrutiny in November 2024, setting out the next steps for embedding and continuing improvement now the Combined Authority is no longer operating under a Best Value Notice.

Improvement Framework

Following the EY letter and prior to the lifting of the Best Value Notice, the Authority established an Improvement Framework.

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

- Note the recommendations of the Audit and Governance Committee and provide a response as requested
 - Delegate authority to the Interim Chief Executive for the recruitment and appointment of additional resources, including interim Chief Officers and Statutory Officers,
 - Delegate authority to the Interim Chief Executive to finalise the senior management structure of the Authority
 - Acknowledge the scope and scale of the intended self-assessment exercise and recognition of the scale of the current issues facing the Combined Authority.
 - Support the self-assessment exercise
 - Note the review of governance and ways of working
- Request that the Board, and the Chairs of Audit & Governance Committee and the Overview & Scrutiny Committee, receive regular updates on all improvement action

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

- A. Establish clarity on the scale of political ambition and develop an overarching strategy for the remainder of this mayoral term and to chart the next steps on that journey. This needs to include defining the purpose and role of the CPCA and in particular where the CPCA can add value
- B. Implement a comprehensive reset of ways of working and align the policy development and pre-Board processes to support this
- C. Prioritise work to establish a long-term strategy for transport, an urgent development of a bus strategy and review the role and functioning of the Business Board

- D. Undertake a strategic review of income projections, including options, to secure sustainability and the possibility of taking a more strategic approach to the application of funds for identified priorities
- E. Design and implement an organisation for today's performance, and with the agility to act on emerging demands and opportunities
- F. Map the approach, capacity and arrangements needed to build effective public relations and influencing delivery operation

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

Unfortunately, Lord Kerslake had to step down from this role in March 2023 owing to ill health. Julie Spence, the Deputy Chair of the Independent Improvement Board, took over the Chairing role on an interim basis pending the appointment of a permanent Chair. In June 2023 it was announced that Richard Carr had been appointed to the role of Chair of the Independent Improvement Board, commencing in July 2023.

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

In May 2023, given the significant progress that had been made against the six key themes noted above, approval was given by the Board to reframe the Improvement Plan against the five themes highlighted in the Best Value Notice, namely:

- Governance and decision-making;
- Procurement;
- Project delivery;
- Partnerships; and
- Culture, capability and confidence

The Improvement Plan is monitored and reported against these reframed themes.

Risk Management

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

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

Managing Performance

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

Review of Effectiveness

The Authority has responsibility for conducting an annual review of the effectiveness of its governance framework. This includes consideration of systems of internal control and arrangements for internal audit and assurance statement from key officers. This has focused on where we are now and where we want to be in the year ahead against the Good Governance Principles.

The Combined Authority had 6 subsidiary companies over which it has a significant level of control during 2022-23, one of which was dissolved on the 4th April 2023 and two others are in the process of winding up as they have never traded. The Combined Authority has reviewed its governance arrangements for its remaining subsidiary companies in light of recommendations from the relevant RSM internal audit review and the guidance published by CIPFA.

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

The Annual Internal Audit Opinion

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

For the 12 months ended 31 March 2023, the head of internal audit opinion for Cambridgeshire and Peterborough Combined Authority is as follows:

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

Produced below is an extract from their report:

“Factors and Findings which have informed our opinion

Risk Management

We have undertaken a Risk Management review in 2022/23 which has resulted in a Partial Assurance (negative) opinion. This follows on from a previous negative opinion (partial assurance) in 2020/21. Our review found that the necessary updates to strengthen the risk management processes were still work in progress with areas such as the provision of training and the development of the risk appetite. The control framework still required further strengthening to ensure that all areas of risk could be consistently identified, managed, reviewed, and reported.

We noted that the updated Risk Management Strategy was yet to be approved, inconsistencies in the completeness of a sample of two Programme and two Portfolio risk registers that we reviewed including details about action owners and risk scores, improvements were required to ensure robust and regular review of Programme and Portfolio risks and identifying the absence of the use of assurances within the risk registers.

Whilst we note some improvements and progress has been made since our last review in 2020/21, it is evident that further work was still required to ensure a fully robust and effective risk management framework is in place.

We also agreed a high priority action in relation to risk management within the Net Zero Hub Governance review.

We note that the Combined Authority have requested additional support in this area, and RSM colleagues are in the process of providing some support and have delivered some risk management training.

Governance

Our governance coverage in 2022/23 was focussed on Subsidiary Companies Governance and Net Zero Hub (NZH) Governance. Our Subsidiary Companies Governance review resulted in reasonable assurance (positive opinion) . The NZH Governance resulted in partial assurance (negative opinion). We noted a governance structure, whilst in deliberation, had not been defined for Greater South East Net Zero Hub (GSENZH). Furthermore, we identified a number of control weaknesses, including reviewing and updating the Constitution, the Accountable Body Agreement, and the GSENZH Board Terms of Reference.

In terms of risk management, we noted the escalation process for NZH-related risks had not been defined in the Accountable Body Agreement. We also noted both the GSENZH Risk Register had 147 omitted entries and varying information headers. We further noted the 12/20 open risks had not been reviewed in the last 12 months and did not record a risk review frequency.

Please also see the section below ‘Additional factors and findings informing our opinion’ which documents some of the Governance challenges facing the Authority, the Best Value notice and the Authorities response and ongoing improvement plan.

Internal Control

We have undertaken six assurance assignments that resulted in opinions during the year. Of these five were negative opinions, where only Partial Assurance could be taken:

- Risk Management,
- Affordable Housing Grant Programme,
- Net Zero Hub – Governance,
- IT General Controls; and
- Core Control Framework – Treasury Management and Accounts Payable).

The key findings from those reviews are detailed below:

Affordable Housing Grant Programme (Partial Assurance)

We found that the controls in place in relation to the receipt of formal applications, assessment of eligibility, submission of business cases, authorisation of the grants and Governance reporting of the grants were found to be well designed and complied with. However, we found control weaknesses regarding compliance with the control framework.

Specifically, these weaknesses were in regard to an absence of evidence for the recording and retention of due diligence checks on developers, conflicts of interests not being captured for all decision making staff involved in the grant process, an absence of recorded approval for claim forms and an inconsistency in the receipt of progress reports from developers as well as documentation of site visits retained.

IT General Controls (Partial Assurance)

During our review, we noted that robust processes were in place in relation to information security training, endpoint security systems and the management of new starters. A significant issue was however noted with respect to the management of user accounts relating to movers and leavers with respect to timeliness of requests and subsequent updating/disabling of accounts, respectively. This can lead to users having unauthorised access to the organisation's systems and data, which also has GDPR implications. Several gaps were also noted with respect to web-filtering, review of firewall rules, review of user access levels, and periodic testing of backups. Further areas for improvement were identified with regards to IT related policies and job descriptions of IT staff.

Core Control Framework – Treasury Management and Accounts Payable (Partial Assurance)

Treasury Management -

Our review found that the Authority has a Treasury Management Strategy 2022/23 which has been approved by the CPCA Board in March 2022. Although the Authority have a Treasury Management Strategy, there are no formal policies or procedures to support or guide staff in complying with the strategy. During our testing we found that the two systems (Agresso and Treasury Live) both had users on the user lists who have left the Authority; given these are cloud-based systems, leavers could still potentially access the systems.

We were only provided with one bank account reconciliation conducted in December 2022 for the period of April to October 2022 which was had not been subject to any scrutiny or approval. In addition, the summary of the report found that £6.7million of receipts were 'unmatched' within the reconciliation. We noted that the monthly bank reconciliation process had not been fully completed since the end of April 2022 leading to seven months being were 'caught up' in December 2022.

Accounts Payable -

We found that there was guidance in place for the Accounts Payable processes and from a sample of ten creditor payment runs from September to December 2022, we found in all cases payment runs were prepared by and approved by two individual staff members. The payment run amounts were accurately reflected within the bank account.

However, we found an inconsistent process for supplier information changes with regards to the Vendor Registration Form (VRF), including cases where signatures were missing, and contact information (email addresses, telephone numbers and titles) not consistently recorded within the Agresso system as recorded on the VRF. We also followed up action agreed in the previous accounts payable review and of the seven management actions agreed previously, we identified that three actions had been implemented, one was superceded and three had not been implemented.

For the other assurance review, we provided a positive opinion (Reasonable Assurance) on the **Subsidiary Companies Deep Dive - GrowthCo and Propco2** audit.

We have also undertaken an advisory review on Data Protection - Deep Dive which identified a number of significant issues and where we agreed one high, nine medium and two low priority management actions. The high priority action related to a recommendation that key CPCA staff undertake a session aimed at understanding potential consequences for data subjects as a result of the data breach which occurred in November 2021. This was requested by the Information Commissioner's Office and had not been implemented. Other issues identified related to Officer and Member training, inductions, accuracy of training records, raising awareness of data protection and data breach notifications.

Follow Up

The implementation of agreed management actions agreed during the course of the year are an important contributing factor when assessing the overall opinions on control. Our Follow Up review resulted in a positive outcome where we have provided an assessment that Reasonable Progress had been made in implementing the actions agreed.

Additional factors and findings informing our opinion

Whilst outside our direct internal audit coverage in 2022/23, we are aware that the Authority (CPCA) were issued a Best Value Notice on 24 January 2023 by the Department for Levelling Up, Housing and Communities.

The notice outlined that the Department expects authorities to identify and implement arrangements to secure continuous improvement and acknowledges the steps the authority had taken to identify the serious issues at CPCA and the action plan that has been put in place to address these. However, ministers remained concerned as to CPCA's capacity to comply with its Best Value Duty under the Local Government Act 1999. The Parliamentary Under Secretary of State therefore made the decision to issue CPCA with this Best Value Notice.

This Best Value Notice (“Notice”) was a formal notification that the Department has concerns regarding the authority and is a request that the authority engages with the Department to provide assurance of improvement. This Notice was issued to CPCA (‘the Authority’) following:

- Significant concerns highlighted by the external auditor, published on 1 June 2022, in relation to the 2021/22 audit year confirming significant weakness in the Authority’s governance arrangements that they believe to be pervasive.
- The Department will be taking a precautionary approach to the transfer of funding to CPCA until we have assurance that there are appropriate plans in place to reach a resolution.
- Significant delivery concerns in some of the programmes delivered by the Authority.
- Concerns around partnership working, as outlined in the Minister for Local Government’s letter to the then Mayor, James Palmer, on 13 July 2020, which remains an area that requires work, and
- Concerns raised within the Authority in respect of procurement of services to the Authority.

The CPCA have put an Improvement Board in place and agreed an Improvement Plan that is regularly reported on, including to the A&GC. We have not specifically reviewed the work undertaken but note that progress is being reported. However, we recognise that further work is required to address some of the originally identified governance issues. We would be happy to assist the authority in 2023/24 as required to provide some assurance or advice in relation to the Improvement Plan and key themes.”

Governance Arrangements

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

Freedom of Information and Environmental Information Regulation Requests

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

Review of Effectiveness

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

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

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

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

Code of Conduct

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

Declaration of Interests

The Authority holds a Register of Interests for members which is reviewed annually. In the interests of transparency, the declarations are reviewed by both the Chief Executive and Monitoring Officer and published on the Authority's website.

Gifts and Hospitality

The Combined Authority has implemented a register of offers of Gifts and Hospitality made to members and officers of the Combined Authority, even if these offers are declined.

Conclusion

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

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

The subsequent work carried out within the Improvement Plan throughout 23/24 and the beginning of 24/25, in response to the concerns raised by our External Auditors and MHCLG (formally DLUHC), demonstrate the seriousness with which the Combined Authority faced the

issues and the subsequent confirmation that “*ministers are reassured as to the CPCA’s capacity to comply with its Best Value Duty*” underscore the effectiveness of these actions.

However, the Combined Authority is aware that better never stops and is committed to its journey of continuous improvement. The Combined Authority Board received an update on the next steps at its October 2024 meeting including the project plan for activity post-Best Value Notice, the closedown arrangements for the existing improvement programme, and it agreed continuing with the independent support put in place during the Best Value Notice until May 2025. The role of the re-named Independent Advisory and Support Group will be:

- To provide external advice, support, challenge and expertise to Cambridgeshire and Peterborough Combined Authority on:
 - Preparations for the new Mayoral term
 - Harnessing the opportunities for Cambridgeshire and Peterborough Combined Authority, including through the development of a delivery plan and mechanisms in support of the approved Shared Ambition, taking account of the links with Devolution and Local Growth Plans
 - Supporting Members of the Combined Authority Board to operate in a collegiate and collaborative manner in line with the CIVIL values
 - Confirming evidence of continued improvement
- To identify and share learning and best practice with Members and Officers on all activities included in the Authority’s Improvement Plan, including identification of development opportunities for both members and officers. supporting preparation for the new Mayoral Term, Members of the Combined Authority Board to operate in a collegiate and collaborative manner and confirming evidence that the work to move the focus on continuous improvement from the stand-alone workstream it has operated in during the Best Value Notices to be part of the fabric of the Combined Authority’s business as usual is effective.

Having an agreed programme to move improvement from a stand-alone workstream into the fabric of the Combined Authority’s business as usual will continue the trajectory the Combined Authority has been on from intervention, to good, to great.

Certification

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

The Annual Governance Statement was reviewed by the Audit Committee on the 28th November 2024.

Our overall assessment is that the Annual Governance Statement is a balanced reflection of the governance environment. The Combined Authority’s auditors have identified a significant value for money risk relating to its governance arrangements and the Department of Levelling Up, Homes & Communities have issued a Best Value Notice following their concerns. The Combined Authority is taking action to address these highlighted concerns through an Improvement Framework to ensure that the Authority has the appropriate capacity, culture and processes to be able to deliver its objectives and statutory responsibilities and to achieve and demonstrate Best Value. The Improvement Framework, alongside the Independent Improvement Board, and support from Government, has resulted in the Authority receiving confirmation that ministers are now reassured as to the CPCA’s ability to achieve Value for Money and, from this position we move forward with appropriate governance arrangements safeguarding the future delivery of services.

Signed:

Date:

Dr Nik Johnson

Mayor of Cambridgeshire and Peterborough

Signed:

Date:

Rob Bridge

Chief Executive

