AUDIT AND ACCOUNTS COMMITTEE

Date:Monday, 29 July 2019

14:00hr

Democratic and Members' Services
Fiona McMillan
Monitoring Officer

Shire Hall
Castle Hill
Cambridge
CB3 0AP

Kreis Viersen Room
Shire Hall, Castle Hill, Cambridge, CB3 0AP

AGENDA

Open to Public and Press

1.	**Apologies for absence and declarations of interest** *Guidance on declaring interests is available at* *http://tinyurl.com/ccc-conduct-code* **MINUTES**	
2a)	**Audit and Accounts Minutes 28th May 2019**	**5 - 16**
2b)	**Audit and Accounts Minutes 11th June 2019**	**17 - 30**
3.	**Minute Action Log update**	**31 - 46**
4.	**Petitions and Public Questions**	
	MONITORING REPORTS PREVIOUSLY REQUESTED	

The Audit and Accounts Committee comprises the following members:

Councillor Mike Shellens (Chairman) Councillor Terence Rogers (Vice-Chairman)

Councillor Sandra Crawford Councillor Peter Hudson Councillor Mac McGuire Councillor David Wells and Councillor John Williams

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

Clerk Name: Rob Sanderson

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AUDIT AND ACCOUNTS COMMITTEE: MINUTES

Date: Thursday, 28th May 2019

Time: 2.00pm – 3.50 pm

Place: Kris Viersen Room, Shire Hall, Cambridge

Present: Councillors: J French (substituting for Councillor Wells) M McGuire, T Rogers (Vice Chairman), M Shellens, (Chairman), and J Williams
Apologies: Councillors P Hudson, N Kavanagh, and D Wells

176. DECLARATIONS OF INTEREST – none

177. MINUTES

The minutes of the meeting held on 28th March 2019 were agreed as a correct record and signed by the Chairman.

Update requests from discussion of the minutes:

From the January Minutes

- **Page 5 – Action 3 Chief Finance Officer to review random selection of documents –** In reply to a question from the Chairman, it was confirmed (as set out in the minute action log to the last meeting) that this action had been completed with discussions having taken place between the Section 151 Officer and the Monitoring Officer. The Monitoring Officer, Fiona McMillan explaining that the issues of document inaccuracy previously identified had been in respect of Legal documents drafted by an outside contractor. Additional guidance had been given to them and measures put in place to ensure that in future, their documents were reviewed internally through a spot check process.

- **Page 5 - Geographical Eligibility to Community Transport** – The response was set out in Minute Action Log. Councillor Williams confirmed he was in continued dialogue with the relevant officers.

From the March Minutes

- **Pages 6-7 Minute 160 – Children's Social Care Caseload Quarterly Update –** The Chairman asked that he be provided with an update on how recruitment of social workers was progressing in the North of the County. **Action: Democratic Services to inform Sarah-Jane Smedmor**

- **Page 11) Minute 162 - Estates and Building Maintenance Inspections**

  1) The Chairman queried the figure of 177 for the number of non-education building in Council ownership and asked that this be double checked. **Action: Democratic Services/ John Mac Millan**

  2) Page 13 - Agreed resolution 6 - The Chairman asked what was the timescale for the report to Commercial and Investment Committee to receive the proposal for integrating property related income within the accounts. **Action Democratic Services to ask John Mac Millan**

- **Page 13 - Minute 163 Statement of Accounts Process Update –** The Chairman explained that for two reports, BREXIT and the above, he had agreed, in line with the request of the Committee to reduce the number of reports and size of the agenda, to receive the latest updates as e-mailed briefings rather Committee reports. In answer to the process to be used for any Member seeking clarifications to the information provided, this should be through e-mailing the relevant lead officer and copying in the rest of the Committee.

- On a question on how the Accounts were proceeding, officers were still expecting to be able to produce a draft set of accounts and supporting papers by the end of the week.

- **Page 23 - Minute 170 Internal Audit Plan 2019-20 Fraud and Corruption page 285 of that report. –** regarding to the example of the Anti-Fraud Network, the Chairman asked for more details of the benefits received from membership **Action: Head of Internal Audit undertook to provide this in the next Internal Audit update report.**

178.` MINUTES ACTION LOG

Updates and issues raised included:

Item 4 Page 28 Level of Outstanding Debt

The Chairman confirmed that he had now met with both the Deputy Section 151 officer and the new Head of Revenue and Benefits and had been appraised of changes being made to help improve debt collection in the longer term. An update report would be coming forward to the June Committee.

Item 6 Page 28 - Estates and Building Maintenance Inspections

- Regarding the agreement that the Chairman would receive monthly update reports following the March meeting on progress to have a full lease record within 12 months, he was only aware that he had received one update report (e-mail of 2nd May) and asked that a check was made that he would still be receiving them **Action: Democratic Services to check with John MacMillan Group Asset Manager.**

- It was confirmed that Commercial and Investment Committee would receive further update reports on inspections as the responsible service committee. This included resolution 3 of the agreed report at the last meeting for an annual update of the rolling programme for non-intrusive condition surveys which it had been agreed, would now be extended to all maintained schools.

Item 9 e) Page 30 - Integrated Resources and Performance Report – LGSS Law Dividends – more detail on why it had not been received for two years - This action had subsequently been agreed as more appropriate for the Deputy Section 151 Officer and was still an outstanding action. **Action Tom Kelly**

Item 11 Page 33 Community Transport Action Plan – The Vice Chairman confirmed he had now received the information requested.

Item 16 Page 35 Community Transport Action Plan – PKF Report Update - as a progress update was provided in the latest report, this action could be deleted.

Page 36 Ely Bypass Project - This had now moved to the 29th July meeting.

The Minute Action log was noted.

179. PETITION AND PUBLIC QUESTIONS

No Petitions or public questions were received.

180. SAFER RECRUITMENT IN SCHOOLS UPDATE

This report updated the Committee on the Schools Intervention Service monitoring of the Leadership of Safeguarding and safer recruitment in maintained schools. The report detailed the Safeguarding Reviews rolling programme including:

- Safeguarding Policies and website compliance
- Monitoring of vulnerable groups
- Health and Safety
- Safer Recruitment
- Complaints and allegations
- Wider safeguarding culture
- Critical incidents
- Training offered, including safer recruitment training.

Areas highlighted included:

- That the Local Authority Single Central Record had been updated in line with new national guidance and was being used across maintained schools. Officers were comfortable that where academies were not using the local authority recruitment procedures model, they had access to and were following other available guidance. The responsibility for Academies rested with the Regional Schools Commissioner and not the Local Authority. In terms of intervention in academies, Academies were inspected by the local authority if a safeguarding complaint was received from the Office for Standards in Education, Children's Services and Skills. (OFSTED).

- None of the schools inspected by OFSTED in the current academic year had inadequate judgements for safeguarding including safer recruitment.

- The OFSTED judgements from two recently published reports were included, both of which provided very positive comments and were typical of inspection reports.

- There were now 253 members of the Knowledge Hub page, a web based resource provided free to both maintained and academy schools in Cambridge. This was an increase of 63 since the last report.

- Eight safer recruitment sessions had been undertaken in the current financial year for governors, headteachers and other senior staff. They were attended by both maintained schools and academies.

In discussion:

- The Chairman congratulated the officers on the continued good progress and the assurance that was being provided. He commented that children’s safeguarding in schools was in a much better place than when update reports had first been requested by the Committee several years ago. He did question whether a bi-annual report was sufficient going forward as he wished to ensure the continued effective monitoring, with a focus on the gaps in those schools not using the Local authority recruitment procedures model. The officers confirmed it would be possible to provide a termly update and include within it outcomes from OFSTED reviews and supporting data when it was available. .

- The Vice Chairman expressed concern that potentially six organisations were involved in various aspects of safeguarding / safer recruitment in schools. Officers conceded this to be the case, but was the current system that the local authority was required to operate within.

It was agreed:

a) to note the report.

b) To receive update report three times a year to the November, March, and either the May / or June Committee meetings.

181. ELY BYPASS PROJECT

This report which was included on the agenda running order as “to follow”, had not been able to be finalised in time for the meeting and as a result, had been rescheduled to the July Committee meeting.

182. WHISTLEBLOWING POLICY ANNUAL REPORT

The Committee received the annual update report on the Whistleblowing Policy to help identify any patterns of concern and to enable it to assess the effectiveness of the Policy. It provided details of:

- the most recent updates.
- the publicity that had been undertaken to raise awareness of the Policy.
- the staff survey conducted in February to gauge staff awareness of the Policy of which from a 100 sent out to staff, 43 had responded. 93% of staff who had responded were aware of the Policy and 91% indicated that they would feel confident to use the Policy to raise a serious concern.

Questions raised included;

- Whether the sample size of a 100 was considered sufficient? The officer presenting the report suggested that this may have been too many. Another Member highlighted that the response of 43% was a very good return. The Chairman clarified that in his opinion those staff conversant with the policy were more likely to respond. However as another member pointed out there was no evidence to support that interpretation.

- With reference to Paragraph 2.8 of the Policy (page 53) asking what was a qualifying disclosure? This was as explained in the same paragraph any disclosure of information that in the reasonable belief of the worker was made in the public interest. Liabilities were imposed on an Authority if it did not treat them as a qualified disclosure. The latter ensured that all protections under the Public Interest Disclosure Act 1998 were put around the person making the disclosure.

- In reply to whether 19 cases had been an increase compared to the previous year, it was confirmed it was, as only two years previous, only one had been received.

In debate the following additions were requested:

- to amend paragraph 4.1.5 at the request of Chris Malyon to change the designations to the Head of Paid Service and to include the Monitoring

Officer designation rather than the LGSS Director of Law and Governance, highlighting that the Section 151 officer had different statutory responsibilities and to ensure consistency. **Action: Head of Internal Audit Neil Hunter / Audit and Risk Manager Mairead Claydon**
- to amend paragraph 5.4 to read 2 working days rather than "a couple of days". **Action: Neil Hunter / Mairead Claydon**
- External Auditor details needed to be added under legislation. **Action: Neil Hunter / Mairead Claydon**

It was resolved:

a) to note the report and

b) make the changes as requested as outlined above and in consultation with the Chief Internal Auditor for the Chairman and Vice Chairman to agree a final version outside of the meeting.

183. COMMUNITY TRANSPORT ACTION PLAN – UPDATE

This report provided the Committee with an update on progress with the Community Transport Action Plan (included at Appendix 1) since the previous update at the March Committee.

At the March meeting of the Committee of the 66 actions in the full Action Plan, 55 (83%) were marked as complete. Of the 7 actions which had not been completed at the time of the previous meeting the latest update was that:

- 2 were ongoing actions, with no expected end date (29%)
- 1 action had been marked as completed (14%)
- 4 remained in progress (57%)

At the March meeting a report on the review of Freedom of Information Requests included a further 7 agreed actions, appended to the Action Plan as actions 80 to 86. Of those actions, six had now been marked as completed (86%) and one remained in progress (14%)

Regarding the PKF Report on Public Funding it had previously been anticipated that this report could be shared in full with the Audit & Accounts Committee at the current meeting. However, negotiations with FH&E regarding the reclamation of public funding had progressed slower than anticipated and sharing the report in the public domain, might undermine the ongoing negotiations.

Report updates included as appendices to the report

a) Grants to External Organisations Compliance

Internal Audit had given limited assurance over the control environment due to a range of issues that meant the Council was not compliant with the requirements of the Local Government Transparency Code as detailed in the report. A copy of the full report was provided as Appendix 2 to the report. Satisfactory assurance was provided over compliance with the Grants to External Organisations policy, with five of eight grants reviewed found to be compliant; two partially compliant; and one non-compliant. A range of recommendations had been made to address the findings of the Review and had been implemented, with details of the changes made set out in the report. All other actions, including a review of financial coding and actions to address the grants identified as non-compliant with policy, had also been completed.

The Chairman highlighted that miscoding had been identified as a particular issue (Internal Audit had identified that between April and December 2018 95.8% of contract expenditure had been incorrectly coded to the grants account code). In reply it was explained that additional guidance had been given to budget holders and compliance would be monitored.

b) Social & Education Transport Contract Management

This review had focused on the areas of highest risk which had been identified by a previous interim audit report linked to the PKF Community Transport investigation. The review covered arrangements for procurement, contract management including supplier performance monitoring and payment, and business continuity.

Since the interim report. Internal Audit had been able to provide satisfactory assurance over the control environment with the key issues as detailed in the report and the full audit report included as Appendix 3. Some issues were also identified with financial recording and monitoring with agreed recommendations as detailed in the report. Progress on the implementation of the actions would be reported to the Committee as part of the normal follow-up process.

Following the findings of the PKF report into the Fenland Association for Community Transport (FACT), Huntingdonshire Association for Community Transport (HACT) and Ely & Soham Association for Community Transport (ESACT), together known as FH&E (FACT, HACT and ESACT) complaints and the Committee's consideration of its findings, the Council's Chief Executive and Monitoring Officer had been in discussion with the spokesman for the complainants, Dave Humphrey, to reach a settlement of a claim of maladministration with the details as set out in the report. This had been agreed by the Council's Section 151 officer following consultation with the Council's Internal and External Auditors.

Issues raised In discussion included;

- Why was the report ‘Grants to external Organisations’ marked confidential but was included in the public part of the agenda? This was an error as the report was now no longer confidential.

- Why were the details of the settlement and name of the spokesperson for the complainants included in the report which was not normal practice? This was part of the Council's commitment to openness and transparency in dealing with the outcomes of the investigation report, especially as lack of transparency had been one of the main criticisms levelled at the Council by the complainants. In addition, Mr Humphrey had agreed that the information and his name could be disclosed, and there had already been press articles providing the settlement information.

- There was a discussion regarding the commercial contract being re-let and whether there were any implications under European Union contracts law.

- There was disappointment that the financial transactions to balance the budgets was still outstanding. There was a request to speed up progress on the issues around getting agreement on repaying the excess funding - **Action Neil Hunter / Mairead Claydon to liaise with Tom Kelly**

- Paragraph 3.3 Social and Education Contract Management Checking - a question was raised on whether there had been any known breaches, as it had previously been agreed that the Chairman would be kept informed. Any breaches would be reported as part of this regular update report. However as the question had been raised, Neil Hunter undertook to take this away and check and then e-mail the Committee outside of the meeting. **Action: Neil Hunter / Mairead Claydon**

- Community Transport Action Log – Item 31 reading ‘Annual Review of Outcomes and benefits from the grant awards will be reported to E and E Committee’ - The Chairman asked that this report should also be received by Audit and Accounts Committee. *Post meeting Note: The Head of Democratic Services has reiterated that reports should not go to two Committees where there is a responsible Service Committee.* **Action: Democratic Services to liaise with the Head of Community Transport and send it to the Committee in an e-mail.**

- Item 86 Page 69 reading ‘CCC to consider publishing Freedom of Information (FOI) Act responses via the website and therefore making them available to the public. The implementation of a joint FOI system was to be reviewed in July 2019 with an implementation date of December 2019. The Chairman asked for assurance that this review meeting would take place. ***Action: Internal Audit will include an update in the September Community Transport Update report.*** *(The action would continue to be shown as outstanding until fully implemented).*

- Grants to External Organisations Policy Compliance Page 72 - paragraph 2.2 - regarding the sample size used of 8 grants, the Chairman asked for an e-mail to be sent of how many grants there were in total in order that he could better assess the sample size used – **Action Neil Hunter / Mairead Claydon**

It was resolved:

To note the progress against the Action Plan.

184. UPDATE ON EXPIRED SECTION 106 RECEIPTS (DEVELOPER CONTRIBUTIONS

In response to the request for regular six monthly updates on expired Section 106 receipts, the Committee received the latest update report.

It was highlighted that in the last few years since the above requirement only two expired Section (S) 106 receipts had needed to be reported to the Chairman – both of which were carried forward and applied after the expiry date following consultation and agreement with the respective developers.

In the last financial year two further schemes had expired with funds unspent as set out in the table in Paragraph 2.1 of the report. The intention was that the Section 06 team would work with the Services to identify alternative proposals for the S106 funds and contact the respective developer to request the alternative use for the funds. This would still recognise that it was within the rights of the developer to ask for the return of any expired funds.

It was highlighted that the Team would continue to monitor the S106 funds and chase services when the expiry dates approached, while cautioning that there would always be some occasions when it was not possible to apply the original S106 funds for instance when the needs of the community had subsequently changed, resulting in the original purpose of the funding being no longer required.

In discussion, there was a query on why the deadlines for both schemes was in 2018 and concerns regarding the timeliness of the monitoring. The issue was raised on whether improvements on monitoring could be looked at, to ensure the position on unspent amounts was known sooner than after the expiry date. It was accepted that performance could be improved in terms of ongoing monitoring and this would be looked into.

A question was raised on whether it was the case that officers were scrambling towards the end of the deadline to spend the money. This was not the case and as set out in the report, things changed over time and in the earlier cases referred to, the developers had been contacted and agreed the proposed alternate changes.

There was a request for details of the number of section 106 amounts held **Action Tom Kelly**

As there were concerns that the County Council was potentially losing funding, with one Councillor explaining that in Fenland a review of section 106 funding had identified that £1.2 million had not been collected in 2005/06, there was a request to check with each district council that there were no amounts they were expecting the County Council to hold and for which this Council did not have a record. **Action: Tom Kelly**

In further discussion, as Internal Audit reviewed Section 106 arrangements within their work programme each year, Neil Hunter undertook to ensure the next Internal Audit report progress report provided an extract from their audit coverage of Section 106 agreements highlighting whether any recommendations for improvements in the process were to be suggested. **Action: Neil Hunter / Mairead Claydon**

It was resolved to:

> Note the report and confirm the approach set out in paragraph 2.3 of the report as referred to in the minute above.

185. INTEGRATED RESOURCES AND PERFORMANCE REPORT FOR THE YEAR ENDING 31ST MARCH 2019

Members received a report that detailed performance of the Council for the 2018-19 financial year and was a management report that preceded the production of the Council’s formal Statement of Accounts. Although the Outturn Report and Statement of Accounts reconciled to one another, it would be the statutory Statement of Accounts on which the audit opinion was formed.

The key issues included in the summary analysis and highlighted included:

- The overall revenue budget position was a pressure of +£3.2m (+0.9%) at year end which was just under 1%. This was a movement of -£0.1m on the forecast reported at the end of February with the majority of services reporting small favourable movements on their February forecasts with the exception of Corporate Services (CS) Financing.

- Paragraph 3.2.2 highlighted the pressures in People and Communities with the Special Educational Needs and Disability (SEND) Specialist Services showing a £+9.873 million pressure at year end.

- £27.8 million of savings against the original plan had been achieved as shown in the savings tracker appendix.

- School balances were still growing and had been the subject of a recent report to the Schools Forum and while the Dedicated Schools Grant for Cambridgeshire was underfunded, there was a need to ensure schools did not hold unnecessary balances. To this effect, Children and Young People’s Committee had asked the Leader and Chief Executive to write to Schools Forum to highlight the issue. The position for maintained schools was summarised on page 129. In answer to a question on why some schools retained larger balances then was recommended, this might be to help finance capital projects, deal with deficits and to counteract the effect of falling pupil rolls. On what measures could be taken, it was explained that if year end balances exceeded 16% of a schools net budget, it was possible to claw back the unspent money.

- The Capital Programme had reported an underspend of -£33.2m compared to the position originally anticipated when the capital programme variations budget was set. This included full utilisation of the £61.6m capital programme variations budget as detailed in section 14 of the report.

Issues raised in discussion included:

Under 'Performance Indicators' section of the report'

- page 115 Pie graph – 'People with disabilities live well independently' – regarding the text in the second paragraph reading "that just over a third of carers supported by the local authority said they were satisfied with the support they received", the comment was made that this suggested that two thirds were not.
- It was suggested that the grouping of a number of performance measures together within a particular indicator set potentially masked poor performance issues in respect of particular indicators. In response, the Head of Business Intelligence Tom Barden agreed with this observation. The intention in the future was to move away from the current aggregation approach.
- Page 117 'People lead a healthy lifestyle and stay healthy longer – in respect of those off target e.g. Smoking Cessation Programme and Health Checks Programme - the Chairman requested more detail on these outside of the meeting. **ACTION Tom Barden**

Other areas of the report

- Page 119 Table on the number of service users supported by key care budgets - the Chairman highlighted that under the 'Children open to social care' heading both 'Child Protection' and 'Looked After Children' had increased compared to the figures of a year ago. However the Chairman did also highlight that the cost of Looked after Children packages had decreased significantly. More detail on these areas was included in the Finance and Performance Report received by the Children and Young People's Committee. The Section 151 officer undertook to share the report with the Committee. **Action: Tom Kelly**
- Page 121 - Revenue Budget Table - There was a request for more detail on what the heading 'Funding Items' was made up of. The Section 151 officer undertook to provide this information to the Committee outside of the meeting. **Action: Tom Kelly**
- Page122 - In reply to a question to clarify what Section 38 fees were, these were in relation to highways agreements.

- Page 123 – Transport Strategy and Policy - in respect of the charging approaches shown in the paragraph, in reply to a question, the External Auditor confirmed that he had no issues on the explanations provided.
- Page 124 - Regarding the ‘High Needs Top-Up Funding’ showing a +£4.877m pressure being reported at year end, it was confirmed that the pressure would roll forward with action being taken to mitigate it.
- Page 148 - Abbey Meadows School – more information was requested by Chairman on why the substantial works required to be undertaken to bring the school up to standard (before converting to Academy status) had not been picked up earlier. **Action: Tom Kelly**
- Page 152 on a requested explanation for the technical adjustment regarding the Combined Authority Levy, this was an adjustment for an overestimate regarding the Highways Transport Levy.
- Page 153 - General Reserve Balances – as they were below the balance shown at March 2018 they would be replenished to bring them back to the minimum 3% level.
- Page 157- 167 on the tracker appendix there was a complaint that they were unreadable on an A4 print out. Democratic Services indicated that the expectation was that such appendices would be read electronically. General Purposes Committee members who received the same report were not provided with larger format paper copies.

The Committee noted the recommendations that had been agreed at the General Purposes Committee earlier in the day.

186. AUDIT AND ACOUNTS COMMITTEE FORWARD AGENDA PLAN

Correction for the record: 11th June entry for the Internal Audit Annual report – this report had originally been due to come to the May meeting and the bullet point comments related to the Chairman not wishing to wait for updates on Schools Payroll and Safe recruitment and ERP systems assurance until the July meeting and not the May meeting as referred to in the text.

There was a request that as BREXIT was now due to take place at the end of October, there should be an update report at the November Committee meeting on its impact to Council services. **ACTION: Democratic Services to add to agenda plan and inform the lead officers.**

The Agenda Plan was noted as amended.

CHAIRMAN
29th JULY 2019

AGENDA ITEM: 2b)

AUDIT AND ACCOUNTS COMMITTEE: MINUTES

Date: Tuesday, 11th June 2019

Time: 2.00 pm – 4.10 pm

Place: Kris Viersen Room, Shire Hall, Cambridge

Present: Councillors: S Crawford (substituting for Councillor Kavanagh) P Hudson M McGuire, T Rogers (Vice Chairman), M Shellens, (Chairman), and J Williams

Apologies: Councillors, N Kavanagh and D Wells

187. DECLARATIONS OF INTEREST

None.

188. DEBT RECOVERY – LEVEL OF OUTSTANDING DEBT UPDATE REPORT

This report introduced by Robin Bates the LGSS Head of Revenues and Benefits who had taken over the responsibility for the Service updated the Committee on actions being taken to control and manage debt. It provided an update against the tables and metrics agreed in January 2019 which would be revised for future meetings to provide better visibility of debt management.

It was highlighted:

- That all 2019 debts were following the debt management procedure provided at Appendix A to ensure that they were all in a managed position and that no debt remained inactive for long periods.

- All aged debts were being reviewed to ascertain the stage of recovery and to move them into a fully managed position. A key process of cleansing data had been carried out in the previous two months.

- A new service using existing Collection Agents was supporting debt management. Collection was based on 0% commission to ensure value for money for CCC. Previously outside agents charged 15% which was a charge on the payment sought.

- The top 20 overdue accounts totalled £8.6m of the £20.3m outstanding, some being the result of income delay and a proportion were old debts. *(Post meeting Note: The figure in the report of £20.3m also included LGSS Law which was being looked at separately and therefore the more appropriate figure for outstanding debt was £16.8m)*

- Approximately £1.5m of bad debts were likely to be identified for write off in 2019/20. Since April the service had identified £75,523 worth of write offs on the grounds that the debt was uneconomical to pursue, or the customer was deceased, and that all methods of recovery available to the service had been considered.

- After a period of significant turnover, the team in The Octagon was now at full establishment, with newer members of staff reaching the end of their training period and further staff development to be undertaken to improve skills and knowledge.

- Tables in the report listed:

    - Debts over 1 year old and the debt recovery stage as at on the 31st March 2019.
    - Adult Social Care invoices (ASC) Invoices Raised & Cleared 2018/19
    - Sundry Invoices Raised & Cleared 2018/19

  The tables demonstrated that the large majority of invoices raised during the year were being collected, with the report setting out details of the Improvement Plan which aimed to resolve issues at the income collection stage.

- On key performance indicators for those agreed at Committee in September 2018 and reviewed in January 2019, Adult Social Care had missed its target by £1.54m and all other sundry debt by £1.71m. Progress was also provided on those identified as safe debtors for the two categories. Steps were underway to resolve any disputed outstanding balances. A further illustration was provided showing the impact if the method of assessing bad debts and associated reduction were to be applied. This method better reports the position and would have seen the targets met.

- Key Performance indicators for the service were currently being agreed, including an indicator to monitor the % of debt in fully managed stages, moving away from focusing just on the value of outstanding debt. Additional measures would provide demand figures alongside the traditional value outstanding as detailed in the report.

With the Team better resourced and an improvement plan in place, it was estimated the overall outstanding debt level by the end of December 2019 could be reduced to around £12m against the existing outstanding debt level of £16.8m. Some of this would be through better reporting of bad debt, as well as overdue debt, that was in the process of being revised and reviewed

Issues raised in discussion included;

- **The need to see targets for the collection agents and the metrics of success on collecting certain types of debt. Action: R Bates**

- Querying social care debtors including whether some self-funding care packages and other supported packages had the ability to pay. On direct payments the Council paid the client into their bank account and it was their responsibility to pay the care provider. Financial assessments were regularly re-assessed to ensure the level of support was still appropriate with the whole process having a high degree of complexity. Social care non-payment was treated as a debt and reminders were sent out to try to prevent the debt building up.
- Page 6 tables showing invoices raised and cleared **- a query was raised on whether the % shown by volume was invoices processed that month or due that month? ACTION: Robin Bates** agreed to look into this, as he would have more interest in the value of invoices. *(Post meeting note: It can be confirmed that this does relate to % of invoices raised that have been fully cleared)*
- A question was raised regarding how much use was made of organisations such as Citizens Advice and other community organisations to help manage debt. It was explained that the Adult Social Care Team had officers to help provide payment advice, with additional support also provided by social workers. In many cases of social care debt, the money was available in the clients account, but the client had difficulties accessing it.
- It was suggested what would be useful was comparison benchmarking data on key performance indicators from other LGSS partners or the CIPFA family responsible for adult social care. The Service did previously partake in CIPFA benchmarking exercises and once the current data cleansing had been carried out, the intention was to partake in benchmarking activity. Currently the level of debt would be an issue, but service costs were low compared to other authorities.
- As a follow up to it being a low cost service, a question raised was whether staffing levels were sufficient to carry out the job? The lead officer was of the view that the Service currently did have sufficient resource but this was being assessed in terms of non-debt related activity also undertaken by the Team,
- **It would be useful in future reports to identify debts which were of a seasonal nature and those regarded as safe debtors, in order to help identify if they were distorting the true level of outstanding debt. Action R Bates**
- On a question regarding who the main eight debtors were, they included the NHS, organisations such as Clinical Commissioning Groups (CCG's) who would be considered reliable payers. Also included were Section 106 agreement disputes which centred around whether a development had started. A suggestion made was to seek an initial payment on some of the larger debts.
- Whether the ERP Gold system was working for or currently hindering the Service. In reply there was already a need for some enhancement for write off activity and there had been issues with standard letters which had now been resolved. The officer however emphasised that the system was fit for purpose and some of the difficulties experienced were a result of unfamiliarity with the system, rather than the system

itself and also highlighted the large scale of the system migration and implementation. .

- In answer to a question on whether the administration cost of reminders and final notices was added to the debt charge, the costs, including printing, were charged back to the authority.
- There was a request for the January report to include an expansion of reasons for non-payment and whether these had increased in certain categories. **Action: R Bates**
- In terms of the wider Council a question was raised with the Deputy Section 151 Officer on whether the Council settled its invoices in a timely manner. In reply it was explained that there had been some capacity issues in ERP in the previous year but these had now been resolved and the prompt payment record was now good.

It was resolved:

a) To note the actions and approach being taken to manage income collection and debt recovery.

b) Agree that a further update will be provided to the January 2020 Committee.

c) Note the outputs and outcomes the service was aiming to achieve over the next 6 months.

CHANGE IN ORDER OF THE AGENDA

As the lead officer had to attend a meeting in Norwic later in the afternoon and as they had been included on the original agenda despatch, the Chairman agreed to take agenda Item 4 ‘Draft Annual Governance Statement 2018-19’ and agenda item 5 ‘Internal Audit Draft Annual Report t 2018-19’ as the next items on the agenda.

189. DRAFT ANNUAL GOVERNANCE STATEMENT 2018-19

The Council is required to include as part of the Annual Statement of Accounts an Annual Governance Statement (AGS) summarising the extent to which the Council is complying with its Code of Corporate Governance and details any significant actions needed to improve the governance arrangements. This report presented the AGS for 2018-19 for consideration by the Committee in order to ensure that it reasonably reflected the Committee’s knowledge and experience of the Council’s governance and control, prior to its sign off by the Chief Executive and the Chairman of the General Purposes Committee.

Attention was drawn to the following extracts on pages 20- 22 of the agenda (pages 7-9 of the AGS) which read as follows:

"The review of the effectiveness of the Governance Framework has provided a satisfactory level of assurance on the effectiveness of the Council's governance arrangements. Arrangements in place comply with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

The Annual Governance Statement process allows the Council to identify any significant governance issues that have been identified, and the associated actions it is proposing to undertake to enhance its corporate governance arrangements. However, there are no such actions requiring specific mention in the 2018/19 Annual Governance Statement.

CONCLUSION

"*Based on the work that has been completed, assurance can be taken that the Governance arrangements at Cambridgeshire County Council are fit for purpose.*

Cambridgeshire County Council is committed to ensuring the implementation of all actions that are planned to strengthen the organisation's governance arrangements. Implementation of these actions will be monitored through the next annual review".

The satisfactory rating was a reduction from the previous year's good rating and reflected on-going work in some areas, including ERP Gold.

In discussion a Member asked the affect FACT/ HACT had, had on the AGS. It was explained that while it might be a reputational issue for the Council, it was not a governance assurance issue and did not affect the governance assurance.

That having considered the AGS at Appendix A to the report,

It was resolved:

> That it was consistent with the Committee's own perspective on internal control within the Council and the definition of significant governance and control issues given in paragraph 3.2. of the report.

190. INTERNAL AUDIT DRAFT ANNUAL REPORT 2018-19

The Public Sector Internal Audit Standards requires that the Chief Internal Auditor presents an annual report for consideration by its relevant Audit Committee so that it can be made aware of the Chief Internal Auditor's opinion on the state of the Internal Control Framework. The Annual Internal Audit Report forms part of the evidence supporting the Authority's Annual Governance Statement 2018 -19. The final version of the report would be submitted alongside the Annual Governance Statement to the July Committee.

The Chief Internal Auditor's opinion was set out in the report as follows

*On the basis of the audit work undertaken during the 2018/19 financial year, an opinion of **satisfactory** assurance is awarded. The internal control environment (including the key financial systems, risk and governance) has been subject to significant changes during the year with the introduction of ERP Gold and there have been areas and periods where compliance with these new procedures and systems has required improvement. Although there are currently no outstanding significant issues arising from the work undertaken by Internal Audit, there are important recommendations contained in the key financial systems' audits that will be followed up in 2019/20.*

It should be noted that no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. Although the level of assurance has decreased from 2016/17 there have been significant change to key systems within the year and management has responded positively to recommendations made by Internal Audit to strengthen identified areas of concern.

The officer in his presentation explained that in terms of the implementation of Internal Audit recommendations, compliance in 2018-19 should be a source of comfort to the Committee with none rated red, and only eight out of fifty six outstanding at the end of the year, none of which were a cause for concern. There had also been a very good response to the Internal Audit recommendations in respect of the 66 actions in the PKF Report. Nothing was coming out of individual Internal Audit reviews which would change the satisfactory rating given.

Issues raised in discussion included:

- A request for a definition of 'satisfactory'. This was set out in the report on page 30 and read: "*There are some control weaknesses that present a medium term risk to the control environment."* Primarily issues in respect of ERP Gold, debt issues and contract issues were those which had contributed to the Chief Internal Auditor's opinion of satisfactory assurance.
- One Member suggested that major highways and other contracts was where the focus needed to be. Following up from this the Chairman asked what additional resource needed to be included in the Internal Audit Plan to address such concerns. The Head of Internal Audit explained that officers were working with contractors and organisations and that no additional days were required as there were already 200 extra audit days. **The next Internal Audit Progress Report to the July meeting would set out the work undertaken with regard to contracts. There was a request to ensure this included Highways**

purchasing Action: Mairead Claydon (*Post meeting clarification note: the Highways Contract was in the Audit plan for next year and therefore it would only be an update on progress* at the July meeting)

- With reference to paragraph 4.24 reading:

  "In quarter four, the key systems were subject to a final audit and the opinions below are based on the systems at that review although organisational impact is assessed on the impact on the Council at year end. This work has not been fully completed at the time of writing this report although emerging opinions have been considered and have informed the overall Chief Internal Auditor opinion. There will also be a number of new recommendations emerging from these final reports that will be added to the summary shown in table 1, 4.1.3 of this report. Internal Audit will include a summary of these reports at the appropriate Audit & Accounts Committee following completion".

  In reply to the Chairman's query on when the above report would come forward, it was confirmed it would be included in the July Internal Audit Progress Update Report **ACTION Mairead Claydon**
- Referencing Paragraph 4.2.5 the Chairman asked for a list of the key financial control system and recommendations referred to. They would also be included in the July Report update **ACTION Mairead Claydon**
- Paragraph 4.2.6 and the table on pages 33-34 there was a request for an explanation of the 'satisfactory' rating for Payroll and others in the table when previously they had been given substantial assurance. This would be provided in the July Report update **ACTION Mairead Claydon**.
- With reference to the Whistleblowing Survey the Chairman hoped that this would be repeated. It was confirmed that this was an annual exercise.
- Paragraph 4.7.1 information and Communications Technology (ICT) and Information Governance – reading "*Internal Audit work is ongoing in this area and outcomes will be reported to the Audit & Accounts Committee as soon as possible".* This would also be included in the July Report update **ACTION Mairead Claydon**
- Explanation on the table on page 41 for the audit title 'Fees and Charges Policy and Compliance' – that showed a compliance rating of only 'limited assurance'. The Review was included in the 2019-20 Audit Plan.
- Whether ERP Gold was fit for purpose. The Deputy Section 151 Officer stated that the underlying system was ok and as previously mentioned, the disruption was staff getting used to the system which it was conceded was a training issue, but was also common when a completely new system was introduced in an organisation. The savings

by the introduction of ERP Gold would be in the region of £9m over a number of years across the LGSS Councils.

Having considered its contents It was resolved:

To note the draft Annual Internal Audit Report.

191. DRAFT CAMBRIDGESHIRE COUNTY COUNCIL (CCC) STATEMENT OF ACCOUNTS 2018-19

As this report had not been finalised in time for the original agenda despatch, the Chairman agreed to take this under the Chairman discretionary powers given under the Local Government Act 1972.

Reasons for Lateness - Officers were unable to finalise the report at the time of the agenda despatch due to a significant amount of work involved in migrating fixed asset date from Oracle Projects to the ERP Gold Fixed Assets Module with the data cleansing exercise having taken longer than expected. For 2018/19 the external audit started on the 28 May 2019. Whilst the first week of the audit focussed on the audit set up and some specific areas, the need to have some of the audit requirements in place ahead of the audit meant that the production of the accounts and delivery of some of the audit requirements had to be done concurrently. This had created additional pressure on the closedown timetable.

Reasons for Urgency – Whilst not a statutory requirement, providing the report to this meeting allowed the Committee an early opportunity to review the draft accounts and make suggested changes that could then be included in the final version to be submitted for sign-off at the July Committee meeting.

Before the officer introduction, the Chairman sought an update on the position of the previous External Auditor, BDO's review of the objections received on the previous two years accounts' and the challenge on the Council providing value for money. Until resolved, this was preventing the issue of a final certificate with respect to the 2017-18 and 2016-17 audits and the value for money opinion in relation to 2017-18 1 and was also impacting on the current External Auditor's ability to carry out their Value for Money audit assessment. It was explained that as various indicative timetables for a final opinion had not been met, that latest target date from the outgoing External Auditor to provide a value for money opinion had been 7th June with the aspiration for the outcome of the objections to the Accounts having been extended to the end of June. The 7th June date had passed without an opinion being received which remained a significant concern to the Council. However, BDO had the right to require additional time in order to be satisfied that a full review of all the points raised had been undertaken. From the Council side, there was no outstanding documentation still to be provided to BDO. Public Sector Audit

Appointments Limited (PSAA) had been notified regarding the Council's concerns at the lack of a resolution.

In reply to a question regarding the impact of the lack of a final conclusion by BDO on the current set of accounts, Ernst and Young (EY) LLP the Council's current External Auditors confirmed that they could not commence work on providing a value for money opinion until BDO had completed their audit and provided a final opinion. However, this would not stop work on being able to provide an audit opinion on the Council's financial statements unless BDO's final opinion suggested there had been a material impact on those previous sets of accounts.

Moving onto the Accounts report, the Chairman wished to record his appreciation of the superhuman effort undertaken by officers to produce the set of accounts currently in front of the Committee. He indicated that he would need a further opportunity to review the document due to the short time that the document had been made available. At the suggestion of Rob Sanderson, the Democratic Services Officer, the Chairman sought and received agreement to a delegation for the Vice Chairman and himself to further review the document following the meeting (which would also take into account any suggestions that other members might make on further reviewing the document) and to then meet with officers and suggest any additional changes in advance of the Accounts coming back to Committee.

It was explained that the draft accounts (included as Appendix A to the report) presented the financial position of the Council as at the 31st March 2019 but were currently unaudited and also required updating for some minor narrative amendments provided by the Section 151 Officer. The next stage following the current meeting was for the accounts to be audited with a final version being presented back to the Committee (with the original intention for sign off at the revised 29th July Committee meeting) after consideration of the External Auditor's report.

Issues highlighted included:

- In his introduction Jon Lee placed on record his thanks to the hard work undertaken by his team in providing a draft set of accounts for the current meeting under extremely challenging conditions which had included the one and a half full time equivalent posts officers working very long hours with additional support from Cambridgeshire's Finance team. He apologised that in order to publish a version for Members the previous week, some tables were uncompleted. He was also grateful to EY for their pragmatic approach to help keep the Audit alive. However he highlighted, and this was confirmed by Mark Hodgson the EY External Audit lead that it was highly unlikely that an audit opinion would be achieved by the time of the 29th July Committee meeting and that a later meeting might be required to receive and agree the final statements. EY confirmed that they would keep their team on site at the current time but were now two weeks behind schedule and could not drop in additional resources. The Chairman recognised that this was a similar position all over the country and was not unique to Cambridgeshire.

- ERP Gold had been very beneficial to the process as it was now possible to produce the accounts document more quickly through enhanced reporting from the system. However this had been the first ‘year end’ with the new system. The issues that had arisen where more to do with set up and migration of balances and staff lack of familiarity with a new system and that the delays highlighted would be a one-off.

- As an update he was able to report that there had been no changes to the core statements with the exception of the Cashflow Statement, so any changes between the Committee draft and the draft published on the Council website were limited.

- There had been no changes to Accounting Policies in 2018-2019.

- The Accounts and Audit Regulations 2015 required that the accounts and other related documents had to be made available for public inspection for 30 working days including the first 10 working days of June. As this had not been achieved the intention was to start the 30 days public consultation from the date of this meeting. The Council was also dealing with an inspection report received prior to the publication of the Accounts.t

- There had been changes to the way that financial instruments under IFRS 9 needed to be accounted for as detailed in the report.

- The accounts for 2018/19 had been prepared on a going concern basis.

- In addition to the Council’s single entity accounts, the Council was required to prepare Group Accounts alongside its own financial statements where it had material interests in subsidiaries, associates, and / or joint ventures. The Council’s Group Accounts consolidated the accounts of the This Land Group (comprising of This Land and all of its associated subsidiaries).

- With reference to page 38 the Comprehensive Income and Expenditure Statement, attention was drawn to the Cost of Services figure of £361.2m which was broken down by directorate. It was highlighted that these figures were prepared on an accounting basis, including items such as depreciation figures, valuation gains and losses. Therefore they would differ to the figures in the Council’s monthly management accounts. The total comprehensive expenditures was noted at £15.2m.

- For the year ended 31 March 2019 the Council had experienced a revenue budget pressure of £3.2m which required an equal draw down from the General Fund and Earmarked Reserves of £3.2m to balance the financial position for 2018/19. The Council would restore the

General Fund reserve to its planned level as part of its annual business planning. The Movement in the Reserves Statement was provided on page 39.

- The Councils Earmarked Reserves reduced by £2.73m during the year to £64.06m as at the 31st March 2019. Total usable reserves stood at £124.6m and unusable at £612.3m.

- Page 40- the Other Long term Liabilities figure of £-701,920k was to do with Pension Movements.

- Page 40 set out the Balance Sheet. The Council had Net Assets as at 31st March 2019 of £736.8m. The figures for Property, Plant and Equipment had increased due to revaluation **gains**. There was a query on why Long term investments had risen from £400K from March 2018 to £12660k in March 2019**.** ***Post Meeting note:*** *The Long Term Borrowing increase was linked to 'This Land' investment. The last line showing the total reserves was in order to match liabilities. The increase in the Long Term Investments was due to a £10.3m investment in CCLA (a property fund) and equity in This Land of £1.9m a decision endorsed by the Commercial and Investment Committee in February.*
- On the presentation there was a request to **insert an additional blank line between net assets and the usable reserves line to make the distinction clearer**. **Action Jon Lee / Martin Savage (MS)**

- The Net Asset position was predominantly due to the value of Long Term Assets at £2,067.2m, and within that the value of Plant, Property and Equipment being £1,864.0m. Current assets totalled £169.5m.

- The Council's Liabilities (both current and long term) totalled £1,499.8m with the largest components both being long term liabilities related to the Pension Fund liability (£588.1m) and Long Term Borrowing (£470.7m).

- The sum of the total assets and total liabilities provided the Net Asset position of the Council which was matched by the total reserves comprising Usable Reserves of £124.6m and Unusable Reserves of £612.3m.There was a query on what made up unusable reserves. Later in the meeting it was confirmed that this information was included on page 72.

- The pension liability calculated by the actuary had increased by £81m in 2018/19. Movements in the Pension Fund liability did not affect the Council's General Fund or other Usable Reserves.

Going through the pages the following issues were raised:

- **Page 6 - Request that the diagram which was no longer produced in colour on printed agendas due to cost should be changed to**

dots / hatch lines so it showed up in black and white. Action JL / MS

- **Page 7 – add to text in the line reading "As our resources come under increasing pressure……" Make specific reference to the loss of Government support grant. Action J L / Martin Savage (MS)**

- **Page 8 last line 22 being red rated required more explanation Action T Kelly**

- Page 17 Explanation on Cambridge and Peterborough Combined Authority - there were material changes in terms of levy and grant which was why it had been included. Officers were asked to review if it was required. **Action: T Kelly**

- Page 27 last paragraph reference to "… declining revenue support grant …." **it should be made explicit that this is being taken away by Central Government. Action Jon Lee (JL) / MS**

- No reference in narrative to Shire Hall move, LGSS, BDO, Guided Bus - officers to consider whether any should be made. **Action JL / T Kelly**

- Page 41 Cash Flow Statement Line explanation required for:

    - 'Impairment and downward valuations 'goes from -£12,142k to £114,246
    - Increase / decrease in Debtors large variation
- those lines having a figure in 2018 and showing 0 in 2019. **Action to look at. MS**
    -

- Page 49 - Surplus in brackets and then no more references. **Action to look at. MS**

- Page 55 - Line on Capital Grants and Contributions change from £48m to £87m - question raised - was this as the Government decreased RSG it was increasing Capital Grants? - Part of this was explained by Basic Needs Grant for Building Schools for which £25m had been received from Government.

- Page 56 - the Chairman did not understand how the reference to the Section 75 agreement related to the line above. It was explained that this related to £15m in the NHS Cambridgeshire and Peterborough CCG line which was not required to have been transferred to the County Council as the note explained. The two 0 figures at the foot of the table were the overspend and underspend on the budget.

- Page 59 and 60 Officers remuneration - the Chairman queried whether on Shared Officers to which, Combined Authority or the single authority, was the limit applied to determine whether an officer's name should be revealed. The table showed total remuneration and also the County Council proportion of the cost.

- Page 65 explanation required for the Dedicated Schools grant deficit carried forward and the in-year adjustments showing a ten fold increase. This was due to issues with the High Needs Block which was one of the most serious budget issues the Council faced and was the subject of the footnote. It was hoped that the spending review would address this.

- Page 75 – opening balance adjustment £26,180 – explanation required for this. **Action JL**

- Page 78 and 79 top left hand text reading "cost of valuation" – this was confusing. **Action JL to check whether this was an accounting code requirement.** *(Post meeting Note: This should simply read 'cost or valuation' and would be amended in the final statements***.**)

- **Page 87 Public Works Loans Board (PWLB)**
  - **Fair value hierarchy for financial liabilities – top line query on why fair value amounts were both showing -£391,618 Action: JL**
  - **Second sentence text not clear why the Council should be paying additional interest - explanation required if PWLB loans were meant to be cheaper than market rates. Action JL**

- Page 88 long term Debtors – in answer to a question it was confirmed that this included LGSS Law

- Page 92 table required to be filled in. **Action: JL / MS**

- Page 93 - ditto above - for short term creditors. **Action: JL / MS**

- Page 93 why was cash equivalents 0 in 2019? **Action: JL / MS**

- Page 95 Revenue Support Grant line showing £3915 for 2018-19 explanation - this was the last year it would be received. It would show zero in next year's accounts.

- Page 101 top table - depreciation line showing large fall between the year – this was linked to the Private Finance Initiative (PFI) model and year end accounting entries associated with the unitary charge.

- Page 114 Pension Scheme assets - cash and cash equivalent halved – there was no Pensions' officer present to explain this. **Action: J Lee to find out reason**

- Page 117 In reply to a question it was confirmed that the Teachers' Pension Scheme was separate from the Local Government Pension Scheme and was paid over to the Department of Education in the same way as the Police and Fire Services.

Group Accounts

- Page 127 The Cromwell Museum - the note made no reference to value - this required explanation **Action: JL / MS**
- Page 128 – Civic Regalia – as had been raised in previous years, the explanation that items value was not known was queried as there must be a value that could be obtained as they would have a value if they required to be replaced. Officers explained the policy set out in the accounts for heritage assets that it was not economic for the Council to seek valuations purely for the purposes of the accounts. Regarding the Arts Collection – there was a query regarding whether all the paintings had a similar value as the text referred to having a general £300 per painting value. It was explained that the valuable paintings e.g. the LS Lowry, had already been sold and those left were of an insignificant value.

Having commented,

It was resolved:

a) To note the report

b) To agree to delegate to the Chairman and Vice Chairman the authority to engage with officers outside of the meeting to suggest further minor changes prior to the Accounts being presented for sign off to the next meeting of the Committee.

CHAIRMAN
29th JULY 2019

AUDIT AND ACCOUNTS COMMITTEE

Minutes-Action Log

Cambridgeshire County Council

Introduction:

This log captures the actions arising from the Audit and Accounts Committee on May and June 2019 and updates members on the progress on compliance in delivering the necessary actions (outstanding actions from previous meetings are also included). This is the updated action log as at 19th July 2019.

MINUTES 11TH JUNE

Item No.	Minute Number and Item	Action to be taken by	Action	Comments	Completed
1.	**MINUTE 188. DEBT RECOVERY – LEVEL OF OUTSTANDING DEBT UPDATE REPORT**				
	a) Targets in future Reports	**R Bates**	**The need to see targets for the collection agents and the metrics of success on collecting certain types of debt.**	**To be included in the next update report**	**Ongoing**
	b) Page 6 tables showing invoices raised and cleared	**R Bates**	**A query was raised on whether the % shown by volume was invoices processed that month or due that month.**	**It has been confirmed that it relates to invoices.**	**Completed**

	c) Debt of a seasonal Nature / safe debts	**R Bates**	Request that future reports identify debts which were of a seasonal nature and those regarded as safe debtors, in order to help identify if they were distorting the true level of outstanding debt.	**To be included in the next update report**	**Ongoing**
	d) expansion of reasons for non-payment	**R Bates**	Request for the January report to include an expansion of reasons for non-payment and whether these had increased in certain categories.	**To be included in the next update report**	**Ongoing**
2.	**MINUTE 190 INTERNAL AUDIT DRAFT ANNUAL REPORT 2018-19**				
	a) Highways Purchasing	**Mairead Claydon**	Update to be included in July Internal Audit Update Report	**The Internal Progress report does contain a full update on the completed contracts work as promised, with a detailed summary of work on the Coram Cambridgeshire Adoption contract. As work on the Highways contract is still underway, an interim verbal update will be provided at the meeting if desired.**	**Completed**
	b) Key systems Review	**Mairead Claydon**	Update to be included in July Internal Audit Update Report	**Included in report.**	**Completed**

	c) list of the key financial control system and recommenda-tions	**Mairead Claydon**	Referencing Paragraph 4.2.5 the Chairman asked for a list of the key financial control systems and recommendations referred to. It was indicated that they would also be included in the July Report update.	**In report for the Accounts Payable, Accounts Receivable, Debt Recovery and IT Controls reports.** **The Payroll and General Ledger recommendations are in the process of being finalised and can be reported in detail in September or circulated to Committee members beforehand if desired.**	**Completed** **Ongoing**
	d) Payroll Assurance Rating	**Mairead Claydon**	Paragraph 4.2.6 and the table on pages 33-34 there was a request for an explanation of the ‘satisfactory’ rating for Payroll and others in the table when previously they had been given substantial assurance. This would be provided in the July Report update	**Included in Internal Audit Progress Report.**	**Completed**
	e) Paragraph 4.7.1 information and Communications Technology (ICT) and Information Governance	**Mairead Claydon**	Reading “*Internal Audit work is ongoing in this area and outcomes will be reported to the Audit & Accounts Committee as soon as possible”.* It was confirmed that this would also be included in the July Report update	**Included in Internal Audit Progress Report.**	**Completed**

	MINUTE 191 DRAFT CAMBRIDGESHIRE COUNTY COUNCIL (CCC) STATEMENT OF ACCOUNTS 2018-19	**Jon Lee / Martin Savage (MS)**	a) On the presentation there was a request to **insert an additional blank line between net assets and the usable reserves line to make the distinction clearer**.	Will be changed in final accounts	
		JL / MS	**b)** Page 6 - Request that the diagram which was no longer produced in colour on printed agendas due to cost should be changed to dots / hatch lines so it showed up in black and white.	Will be changed in final accounts	
		J L / MS	c) **Page 7 – add to text in the line reading "As our resources come under increasing pressure……." Make specific reference to the loss of Government support grant.**	Will be changed in final accounts	
		T Kelly (TK)	**d)** Page 8 last line 22 being red rated required more explanation.	Will be changed in final accounts	
		TK	**e)** Page 17 Explanation on Cambridge and Peterborough Combined Authority - there were material changes in terms of levy and grant which was why it had been included. Officers were asked to review if it was required	**Oral update to be provided**	

		Jon Lee (JL) / Martin Savage (MS)	**f)** Page 27 last paragraph reference to “.. declining revenue support grant …” **it should be made explicit that this is being taken away by Central Government.**	Will be changed in final accounts	
		Action JL / T Kelly	**g)** No reference in narrative to Shire Hall move, LGSS, BDO, Guided Bus - officers to consider whether any should be made.	**Oral update**	
		MS	**h)** Page 41 Cash Flow Statement Line explanation required for: a. Impairment and downward valuations ‘goes from -£12,142k to £114,246 b. Increase / decrease in Debtors large variation	Will be changed in final accounts	
		MS	**i)** those lines having a figure in 2018 and showing 0 in 2019. **Action to look at.**	**Will be reviewed**	
		MS	**j)** Page 49 - Surplus in brackets and then no more references. **Action to look at.**	**Will be reviewed**	
		JL	k) Page 75 – opening balance adjustment £26,180 – explanation required for this. **Action JL**	**Will be changed in final accounts**	
		JL	l) Page 78 and 79 top left hand text reading “cost of valuation” – this was confusing. **Action JL to check whether this was an accounting code requirement.** *(Post meeting*		

			Note: This should simply read 'cost or valuation' and would be amended in the final statements.)		**Completed**
			m) **Page 87 Public Works Loans Board (PWLB)**		
		Action: JL	a. **Fair value hierarchy for financial liabilities – top line query on why fair value amounts were both showing - £391,618**	Will be changed in final accounts	
		Action JL	**b. Second sentence text not clear why the Council should be paying additional interest - explanation required if PWLB loans were meant to be cheaper than market rates.**	Will be changed in final accounts	
		JL / MS	**n)** Page 92 table required to be filled in.	Will be changed in final accounts	
			o) Page 93 - ditto above - for short term creditors.	Will be changed in final accounts	
		JL / MS	**p)** Page 93 why was cash equivalents 0 in 2019?	Will be reviewed	
		J Lee to find out reason	**q)** Page 114 Pension Scheme assets - cash and cash equivalent halved – there was no Pensions' officer present to explain this.	Oral update to be provided	
			GROUP ACCOUNTS		
		JL / MS	**r)** Page 127 The Cromwell Museum - the note made no reference to value - this required explanation	To be reviewed.	

MINUTES OF 28TH MAY MEETING					
Item No.	**Minute Number and Item**	**Action to be taken by**	**Action**	**Comments**	**Completed**
3.	**Minute 177 Minutes** **a) From the March Minutes - Children's Social Care Caseload Quarterly Update**	**Sarah-Jane Smedmor**	The Chairman asked that he be provided with an update on how recruitment of social workers was progressing in the North of the County.	**Update provided to Chairman 17th July.**	**Completed**
4.	**b) Minute 162 - Estates and Building Maintenance Inspections**	**Democratic Services/ John Mac Millan**	The Chairman queried the figure of 177 for the number of non-education building in Council ownership and asked that this be double checked.	**Update to Chairman provided 17th July.**	**Completed**
5.	**c) Minute 162 - Estates and Building Maintenance Inspections - Agreed resolution 6**	**Democratic Services to ask John Mac Millan**	The Chairman asked regarding the timescale for the report to Commercial and Investment Committee to receive the proposal for integrating property related income within the accounts.	**This would go to the September meeting.**	**Ongoing**

6.	**Page 23 - Minute 170 Internal Audit Plan 2019-20**	**Head of Internal Audit**	Regarding the reference to the Anti-Fraud Network in response to more information requested on the Fraud and corruption section of the report, the Chairman asked for more details of the benefits received from membership of the Anti-Fraud Network. The Head of Internal Audit had originally undertaken to provide this in the next Internal Audit update report.	**As there were a number of anti-fraud networks further clarification to be sought from Chairman**	**Ongoing**
	MINUTE 178 MINUTES ACTION LOG				
7.	**Item 6 Page 28 - Estates and Building Maintenance Inspections**	**Democratic Services to check with John MacMillan Group Asset Manager.**	Regarding the agreement that the Chairman would receive monthly update reports following the March meeting on progress to have a full lease record within 12 months, he was only aware that he had received one update report (e-mail of 2nd May) and asked that a check was made that he would still be receiving them.	**Emails were sent by Democratic Services for confirmation. An oral update will be provided.**	
8.	**Item 9 e) Page 30 - Integrated Resources and Performance Report – LGSS Law Dividends –-**	**Tom Kelly**	More detail on why it had not been received and would not be received for another two years. This action had subsequently been agreed as more appropriate for the Deputy Section 151 Officer to respond to the Chairman rather than the Director of Law and Governance outside of the meeting.		

9.	**MINUTE 182. WHISTLEBLOWING POLICY ANNUAL REPORT**	**Head of Internal Audit Neil Hunter / Audit and Risk Manager Mairead Claydon**	• to amend paragraph 4.1.5 at the request of Chris Malyon to change the designations to the Head of Paid Service and to include the Monitoring Officer designation rather than the LGSS Director of Law and Governance, highlighting that the Section 151 officer had different statutory responsibilities and to ensure consistency. • to amend paragraph 5.4 to read 2 working days rather than "a couple of days". • External Auditor details needed to be added under legislation.	**Changes made.**	**Completed**
10.	**MINUTE 183. COMMUNITY TRANSPORT ACTION PLAN –UPDATE**				
	a) Financial transactions to balance the budgets	**Neil Hunter / Mairead Claydon to liaise with Tom Kelly**	There was a request to speed up progress on the issues around getting agreement on repaying the excess funding	**A progress update is included on the agenda.**	
	b) Paragraph 3.3 Social and Education Contract Management Checking	**Neil Hunter / Mairead Claydon**	A question was raised on whether there had been any known breaches, as it had previously been agreed that the Chairman would be kept informed. Any breaches would be reported as part of this regular update report. However as the question had been raised, Neil Hunter undertook to take this away and check and then e-mail the Committee outside of the meeting.	**The SETT team had been approached for the information. Internal Audit were still waiting for an answer. An oral update will be provided at the meeting.**	

	c) Community Transport Action Log – Item 31 reading ‘Annual Review of Outcomes and benefits from the grant awards will be reported to E and E Committee’	**Rob Sanderson / Paul Nelson**	The Chairman asked that this report should also be received by Audit and Accounts Committee. *Post meeting Note: The Head of Democratic Services has reiterated that reports should not go to two Committees where there is a responsible Service Committee.* **Action: Democratic Services to liaise with the Head of Community Transport and send it to the Committee in an e-mail.**	**Democratic Services have requested details on when the report will be available.**	**Ongoing**
	d) Item 86 Page 69 reading ‘CCC to consider publishing Freedom of Information (FOI) Act responses via the website and therefore making them available to the public.		The implementation of a joint FOI system was to be reviewed in July 2019 with an implementation date of December 2019. The Chairman asked for assurance that this review meeting would take place.	**Internal Audit will include an update in the September Community Transport Update report.**	**Ongoing**
	e) Grants to External Organisations Policy Compliance Page 72 - paragraph 2.2 -	**Neil Hunter / Mairead Claydon**	Regarding the sample size used of 8 grants, the Chairman asked for an e-mail to be sent of how many grants there were in total in order that he could better assess the sample size used.	**80 grants in total were identified as a result of this review.**	**Completed**

11.	**MINUTE 184 UPDATE ON EXPIRED SECTION 106 RECEIPTS (DEVELOPER CONTRIBUTIONS**	**Tom Kelly**	a) There was a request for details of the number of section 106 amounts held	There are 564 S106 obligations for which CCC has received the funds and 636 S106 Obligations which are signed but CCC hasn't yet received the funds – so a total of 1200 obligations in total.	**Completed**
		Tom Kelly	b) There was a request to check with each district council that there were no amounts they were expecting the County Council to hold and for which this Council did not have a record.	The County Council is confident that it is not in the position highlighted that Fenland was in in 2005/6 and is not losing funding through poor record keeping. All Section 106 records are well managed and this is confirmed by the Internal Audit review earlier this year. The districts liaise with the S106 Team when triggers are met to ensure both collect the agreed funding.	**Completed**
		Neil Hunter / Mairead Claydon	c) Neil Hunter undertook to ensure the next Internal Audit report progress report provided an extract from their audit coverage of Section 106 agreements highlighting whether any recommendations for improvements in the process were to be suggested.	Details are included in the Internal Audit Progress Report. The review gave good assurance on controls systems and good assurance on compliance so no major issues.	**Completed**

12.	**MINUTE 185 - INTEGRATED RESOURCES AND PERFORMANCE REPORT FOR THE YEAR ENDING 31ST MARCH 2019**				
	a) Page 117 'People lead a healthy lifestyle and stay healthy longer	**Tom Barden**	In respect of those off target e.g. Smoking Cessation Programme and Health Checks Programme - the Chairman requested more detail on these outside of the meeting.	**Tom Barden provided this information in an email to the Chairman dated 13th June.**	**Completed**
	b) Page 119 Table on the number of service users supported by key care budgets	**Tom Kelly**	More detail on these areas was included in the Finance and Performance Report received by the Children and Young People's Committee. The Section 151 officer undertook to share the report with the Committee.		
	c) Page 148 - Abbey Meadows School	**Tom Kelly**	More information was requested by Chairman on why the substantial works required to be undertaken to bring the school up to standard (before converting to Academy status) had not been picked up earlier.		
13.	**MINUTE 186 AUDIT AND ACOUNTS COMMITTEE FORWARD AGENDA PLAN**				
	BREXIT	**Democratic Services**	There was a request that as BREXIT was now due to take place at the end of October, there should be an update report at the November Committee meeting on its impact to Council services.	**Included on updated agenda plan**	**completed**
Minutes of 26th March 2019					

14.	**MINUTE 162 - ESTATES AND BUILDING MAINTENANCE INSPECTIONS**	**John MacMillan**	a) Provide monthly updates to the Chairman on the intention to have a full leases record within three months.		**ONGOING**
		John MacMillan	b) A report in twelve months as a year on update on the 5 year rolling inspections property assets which would also now include schools	To be programmed for March 2020	**ONGOING**
15.	**LGSS Law Dividends**	**Tom Kelly**	With regard to why the LGSS Law dividend had not been received and would not be received for a further two years, more detail would be provided to the Chairman this action had passed to be completed by the Deputy Section 151 Officer		**ONGOING**
16.	**MINUTE 173 – FORWARD AGENDA PLAN**	**Internal Audit / Democratic Services**	Due to the size of the current agenda there was a request that officers should consider whether there should be additional committee meetings scheduled in the year.	Democratic Services have liaised with Internal Audit and agreed new streamlining arrangements for future meetings with the Chairman to come into effect from the September cycle to negate the need for additional meetings.	

Minutes of 22nd November 2018

Item No.	**Minute Number and Item**	**Action to be taken by**	**Action**	**Comments**	**Completed**
17.	**Minute 132.Community Transport Action Plan**	M Claydon	PKF Report to come forward to January Meeting	An oral update to be provided	**On going**

18.	**Minute 133 Use of Consultants**	M Claydon	Internal Audit indicated that they would be conducting a follow-up review of compliance with this policy in the first quarter of 2019/20. (April-March)	An update for the current meeting is that this won't be until later in the year now, as the first report to Committee from HR/Procurement is only coming to the current meeting (see separate Report on the agenda) and therefore time was required to let that process become established before Internal Audit reviewed it again.	**On going**

Minutes of 30th July 2018

Item No.	**Minute and Item Number**	**Action to be taken by**	**Action**	**Comments**	**Completed**
19.	**Minute 108 Audit Completion Report (ISA 260) Draft for the year ended 31st March 2018**	R Sanderson/ L Clampin	It was confirmed that BDO were not in a position to report to the January Committee.	External Audit were not yet in a position to report.	Ongoing

Item No.	Item	Action to be taken by	Action	Comments	Completed
20.	**Ely Southern Bypass Project Bypass Project**	D Wilkinson / M Claydon	Economy and Environment Committee at its meeting on 12th April 2018 when considering the Ely Bypass overspend Capital Report requested that Internal Audit should review this project as part of one of the reviews on capital project overspends to establish whether any lessons could be learnt going forward.	A report with recommendations is included on the current agenda	Completed

SERVICE DIRECTOR REPORT CHILDREN AND SAFEGUARDING

To: **Audit and Accounts Committee**

Date: **29th July 2019**

From: Executive Director People and Communities.

Electoral Division(s): **All**

Purpose: As requested at a previous Audit and Accounts Committee the attached report which went to Children and Young People Committee contains the most recent update on key areas of performance within children's services and the work being undertaken in respect of the development of the Family Safeguarding model.

Appendix 1 is the original report which went to Children and Young People Committee on 9th July.

During discussion at that Committee Members:

- Asked whether the table at paragraph 2.5 was the best way of displaying data about caseloads. Officers stated that it was usual for local authorities to measure caseloads based on an average figure, although it was acknowledged that this could mask differences in individual workload. The aim was to reduce the average caseload to 15, but this would be dependent on recruiting the necessary staff which remained a challenge, particularly in some parts of the county;

- Asked whether it was correct that Central Bedfordshire Council was paying higher wages to attract social workers. The Executive Director for People and Communities stated that a memorandum of co-operation existed between members of the Directors of Childrens' Services (DCS) regional group regarding pay levels to provide a consistent offer, although exemptions could be sought in areas where particular difficulties existed with recruitment. Central Bedfordshire's pay scale was the same as Cambridgeshire, but they offered a 'golden handshake' payment of £5000 to new joiners. Northamptonshire County Council was not a member of the DCS Regional Group and paid significantly higher rates. The Service Director for Childrens' Services and Safeguarding was looking into these examples, but his preliminary view was that any additional payments should be related to retention rates rather than targeted to new joiners. In response to a Member's concern that retention incentives could prove divisive amongst staff, officers stated that if this option was pursued, it could be targeted at those teams experiencing particular retention difficulties and so would be open to any member of staff willing to move to work in those teams;

- Asked whether the proposed work on recruitment and retention could

include a collaborative piece of work across children's social care and education to explore ways of developing new pathways into social care professions via the county's academic and health service providers. The Executive Director for People and Communities stated that she chaired the Council's Recruitment and Retention Group and would be happy to take this question forward through that forum. The Service Directors for Education and Children's Services and Safeguarding noted the need to engage colleges in this work and to consider the role of apprenticeships. The Chairman welcomed this suggestion and asked that officers report back on progress in due course.
(**Action:** Executive Director, People and Communities)

- Offered congratulations to officers on securing significant funding from the Department for Education to support the Council's development of the Family Safeguarding model;

- Asked whether there would be value in seeking Transformation Funding for a piece of research into why approaches were made to Children's Social Care rather than to other support services. The Executive Director for People and Communities stated that officers' sense was that those living in more affluent parts of the county had a different perception of what constituted a child in need of social care support. Work with communities was needed to address this and offer meaningful and appropriate alternatives to seeking social care support. The Vice Chairwoman acknowledged this, but commented that the Committee must recognise that in the short term this could lead to identified need going up rather than down. The Director of Children's Services and Safeguarding concurred, stating that the Family Safeguarding model required a different way of working with families which could involve spending longer alongside them supporting them to address practical problems. In Peterborough the number of children on the Child Protection Register had initially gone up, but had now gone down.

The Chairman thanked the Service Director for Children's Services and Safeguarding and his team for their trail-blazing work on safeguarding which represented a significant piece of work.

Recommendations:

Audit and Accounts Committee is asked to note the report

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Tel:	01733 864139

Appendix 1

SERVICE DIRECTOR REPORT: CHILDREN AND SAFEGUARDING

To:	**Children and Young People** Audit and Accounts Committee 29th July for information
Meeting Date:	**9th July 2019**
From:	**Executive Director People and Communities.**
Electoral division(s):	**All.**
Forward Plan ref:	**n/a** *Key decision:* **No**

Purpose: **The report provides the Committee with an update on key areas of performance within children's services. Following the inspection by Ofsted in January 2019 an action plan was submitted to the regulator in May 2019, a copy of which can be found at Appendix 2. This report also provides some general information on progress made following the inspection as well as key information relating to the successful bid for funding to implement the Family Safeguarding model in Cambridgeshire County Council.**

Recommendation: **The Committee is recommended to:**

a) Note the information within the report relating to the performance of children's services;
b) Note the content of the action plan following the recent Ofsted inspection and agree to receive regular updates in respect of this;
c) Agree in principle to the exploring ways in which we can improve recruitment and retention of particular roles in parts of the service where this remains a challenge;
d) Note the decision by the Department for Education (DfE) to award significant funding to Cambridgeshire County Council to support our development of the Family Safeguarding model.

	Officer contact:		***Member contacts:***
Name:	Lou Williams	Names:	Councillors Simon Bywater & Samantha Hoy
Post:	Service Director, Children and Safeguarding	Post:	Chair/Vice-Chair
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1. BACKGROUND

1.1 This report focuses on a number of areas of relevance to the performance of children's services in Cambridgeshire. This includes some key information about performance across the service, information about the action plan following the Ofsted inspection, changes that are being made in services to children with disabilities, the progress relating to the implementation of LiquidLogic across the service, and information about the successful bid for funding to deliver the Family Safeguarding model for vulnerable children and young people in the County

2. MAIN ISSUES

Key Performance Information and summary of progress

2.1. The new structure for children's services, where the system of units was replaced by specialist teams, was implemented between November and December 2018. The Ofsted inspection concluded on the 18th January 2019. The service has, therefore, been through a considerable amount of change and challenge over the last twelve months.

2.2. Many of the Ofsted recommendations were centred on ensuring that the service has sufficient capacity to enable the new social work teams to work effectively with vulnerable children, young people and their families. At the time of the inspection, the caseloads of a number of our staff were too high, particularly in the assessment teams in Cambridge and South Cambridgeshire.

2.3. It is absolutely the case that practitioners need manageable caseloads if they are to be able to work effectively with children, young people and their families. There were a number of reasons why caseloads were too high in January, including:

- The newness of the structure, which meant that some of our staff were holding children and young people on their caseloads who were due to move to new teams;
- The impact of the December 2018 changes to the Integrated Front Door and Multi-Agency Safeguarding Hub, and;
- That a number of the new children's practitioner roles were not yet recruited to. These practitioners are alternative qualified members of staff who under the new arrangements are able to hold some child in need cases, alleviating the pressure on hard-to-recruit social worker posts.

2.4. Our current target is to ensure that caseloads for most social workers is no more than 20, except for those in assessment teams where up to 25 is acceptable owing to the nature of the work. Caseloads are reported weekly to the Chief Executive, Director of Children's Services, Chair of the Children and Young People's Committee and Chair of the Local Safeguarding Children Board. It is positive to be able to report that caseloads have reduced in most parts of the service, although this is an area where continued vigilance is required and where the impact of social worker vacancies continues to be felt.

2.5. As of the week reported at the end of 14th June 2019, average caseloads per full time member of staff were mostly at or close to these targets, as illustrated in the table below:

Team	**Average caseload**
Fenland Assessment	18
Fenland Children’s 1	23
Fenland Children’s 2	19
Hunts Assessment	21
Hunts Children’s 1	19
Hunts Children’s 2	20
North Adolescent	14
Cambridge Assessment	24
Cambridge Children’s 1	22
Cambridge Children’s 2	22
East Cambs Assessment	22
East Cambs Children’s	16
South Cambs Assessment	23
South Cambs Children’s 1	21
South Cambs Children’s 2	16
South Cambs Adolescent	11
North Children in Care 1	19
North Children in Care 2	19
South Children in Care 1	16
South Children in Care 2	22
North Care Leaving	23
South Care Leaving	19
Unaccompanied Care	24
Disability DCT North	19
Disability DCT South	18
Disability Unit North	13
Disability Unit South	22

2.6. The above table shows that for the most part, average caseloads are now much closer to target across the service. That said, these are average caseloads, which means that some individual members of staff may have higher caseloads. This improved position is testament to the work of all members of staff and managers, who have worked really hard to share the load where needed, and to support planned closure and step-downs of children to early help where this is appropriate.

2.7. While the above provides some grounds for optimism, recruitment of experienced and qualified social workers remains a considerable challenge, not only in Cambridgeshire but regionally as well as nationally. In order to assist with recruitment, we have been working with an external partner to develop new marketing materials, modelled on those recently and successfully used in Adult Social Care. The materials look impressive and different, which once launched we hope will increase the profile of the County as a great place to work and attract more staff to the County.

2.8. But we also need to consider other recruitment and retention incentives in order that we do all we can to support the recruitment and retention of permanent, as opposed to agency, staff. While many agency workers make a significant and long-term contribution to the service, costs of employing them are significantly higher than those associated with directly employed staff. Now we have the structure established, it is time for us to look at the quality of our ‘offer’ to permanent staff and how this compares with competitors in the employment market.

2.9. Specifically, we need to consider the messages from our staff working in our busiest and hardest to recruit to teams that it would make a real difference to them if their long term commitment was recognised by a scheme of retention payments. Funding such a scheme would, however, need to be met from a consequent reduction in the number of agency social workers.

2.10. The Children and Young People’s Committee is therefore asked to agree in principle to the exploration of adopting a retention scheme that supports the retention of qualified social workers in the areas of the service where it is most difficult to recruit, subject to it being possible to fund this within the budgets associated with staffing costs.

2.11. In the lead up to the inspection, there were a number of compliance issues as the previous model of units struggled to meet the often competing priorities of working with children in need, in need of protection and who are in care.

2.12. One area where there had been some significant compliance issues was in relation to the number of overdue visits to children. This is an area where significant progress has since been made. In the final performance report covering children’s services prior to the re-structure in November 2018, there were a total of almost 270 overdue visits to children in need, in need of protection and to children in care, including 76 overdue visits to children subject to child protection plans.

2.13. The most recent data available at the time of preparing this report and as reported for the week ending 14th June provides a comparable figure of 59 overdue visits to children in need, children in need of protection and children in care, of which only 6 related to children subject to child protection plans.

2.14. There are always going to be situations where some visits are overdue; foster carers are sometimes not available at short notice, or a social worker is off sick, for example. On some occasions, families may be deliberately avoiding visits to children subject to child protection plans. The key difference between the position at the end of October and now is that because the overall numbers of overdue visits are much lower and because of the new system of specialist teams with dedicated mangers means that we now know why visits are overdue. This is reported to senior managers on a weekly basis and so, for example, we know that two of the children for whom a child protection visit is overdue are in Europe with their family, and we are making the necessary enquiries. Knowing the reason why visits are overdue means that managers can take action as necessary.

2.15. Maintaining caseloads at an acceptable level, and moving to a position where we can be confident that we are visiting children regularly are important measures of re-establishing the basis of ensuring good consistently good outcomes for children and young people. There remains a considerable amount to do to ensure that we are achieving this, however.

2.16. The following sections look at key performance information from assessment through to children in need, child protection and numbers in care to help illustrate progress where this is being achieved, as well as illustrating where we have more work to do. There is a high level of detail in the following sections, which illustrates the complexity of the children's social care system, and how consistency of performance within children's services is related to broader factors affecting schools and communities.

Contacts, referrals and assessment

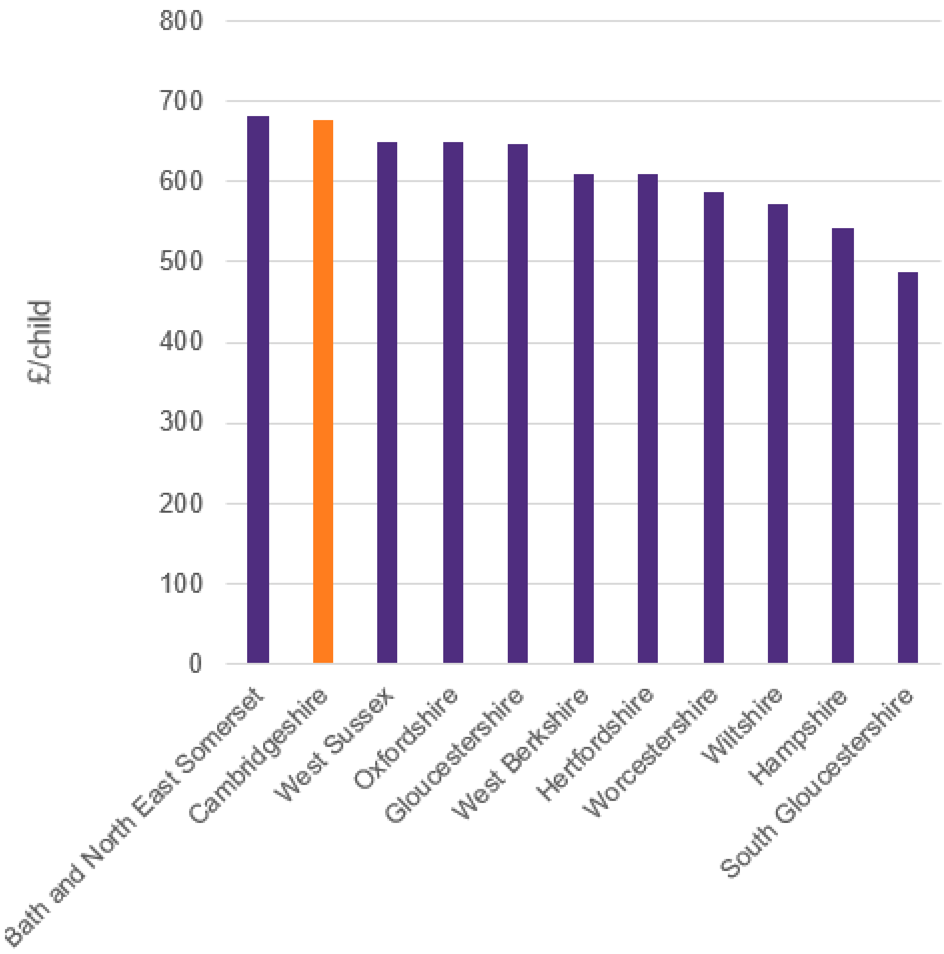
2.17. In part, high caseloads in children's services have been a function of the service accepting too much work into the system. We have worked with the local safeguarding board to refresh the guidance on access appropriate support for children and young people, but it is fair to say that there remains a perception among a number of key partners that where there are concerns about a child, these are best met by children's social care as opposed to by early help or by themselves providing additional support in appropriate circumstances.

2.18. It is important that we begin to open a dialogue with partners in this area, since continuing as we are implies that we will forever be trying to recruit increasing numbers of staff into our children's social care services, at ever increasing cost and in the face of acute shortages of the type of workers concerned.

2.19. Beyond the cost issue, it is also that case that over-intervention in the lives of children and families does not deliver good outcomes, and frequently leads to poorer ones. Children's social care services are often experienced as stigmatising, for example, and in many cases, emerging difficulties are best met within universal services, with support from carefully targeted early help services when needed, as these are usually perceived much more positively by families.

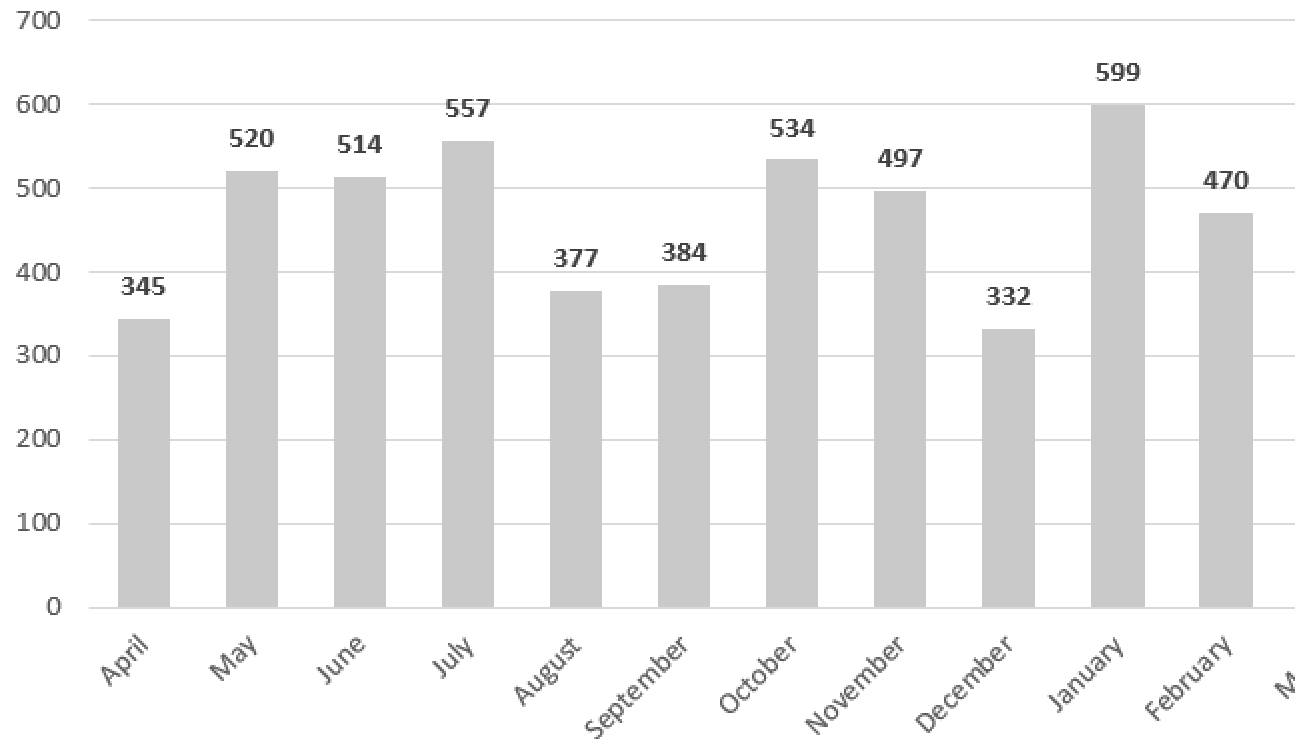
2.20. Further, the unnecessary completion off an assessment of needs or a child protection enquiry risks alienating families from services. Those families who may benefit from some targeted [and voluntary] early help support to prevent difficulties engaging can be more likely not to engage, for fear of children's social care services becoming involved once more.

2.21. There is a range of evidence indicating that Cambridgeshire seeks to work with too many children. An important indicator is the amount of spend per head compared with similar authorities. The chart below illustrates the position for children's services in 2017/18, before the most recent additional investment:


Net expenditure per head (2017/18) – Ofsted Nearest Neighbours

2.22. The Integrated Front Door was remodelled as part of the change for children programme. The customer service centre now manages the majority of contacts about children, directing those that clearly meet criteria for, say early help, or a child protection enquiry, to the relevant team. Where the best course of action is unclear from the available information, the contact is passed to the MASH or Multi-Agency Safeguarding Hub] for further consideration.

2.23. This new system is beginning to settle into a good pattern of operation, but struggles to make the best quality decisions where the numbers of children referred into our services is very high. The chart below shows the number of children that we regarded as referrals over the last 12 months:



2.24. There was notable peak in the number of children we treated as referrals in January of this year; this coincided with the return to school after the Christmas break, but also with a temporary change in the way that the police notified us of domestic abuse incidents, which is now resolved. The issue is that this significant increase in referrals in turn placed significant additional pressure on the then newly established assessment teams.

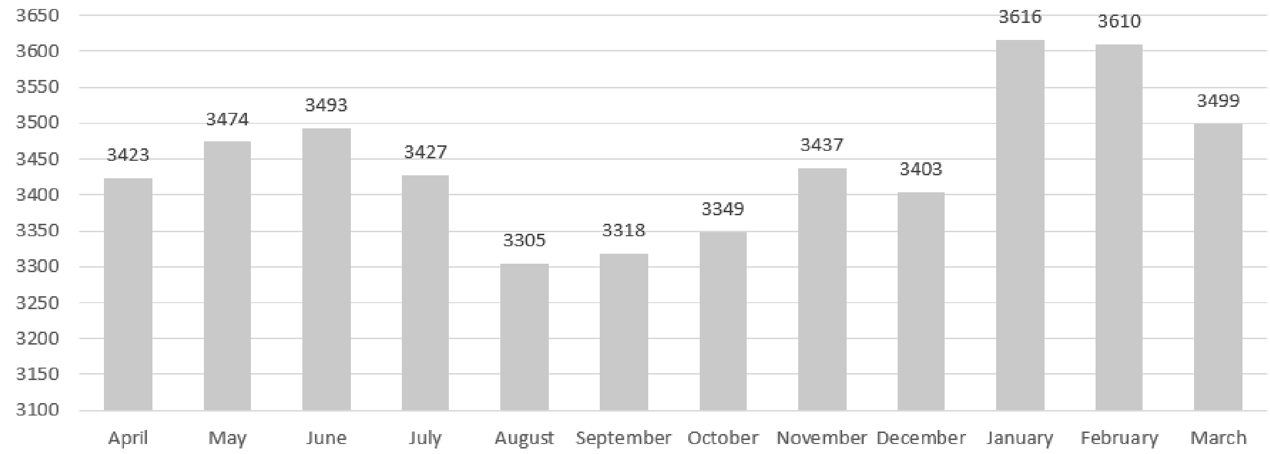
2.25. The newly appointed managers in these teams make the final decision as to whether or not a child referred requires an assessment or a child protection enquiry, or whether on a fuller consideration of the circumstances, they can be safely stepped down to early help. Decisions have to be made quickly, and when there is an increase in the numbers of referrals, there is every likelihood that more will progress through to assessment than might otherwise be the case.

2.26. This combination of circumstances all contributed to the unacceptably high caseloads in some assessment teams in January of this year. It takes a considerable amount of time to manage the peak in demand through the system once this initial peak has passed. The likely outcome is that social workers under pressure from high caseloads in assessment teams are more likely to refer children on to further support by the children’s teams, since this enables them to move the child off their caseload and complete other assessments that are outstanding. Where caseloads are lower, social workers have the time to complete short term work with the child and their family, preventing the move of the child further into the system.

2.27. This effect can be seen when we look at the number of children open to the service over the last 12 months:

Open Cases

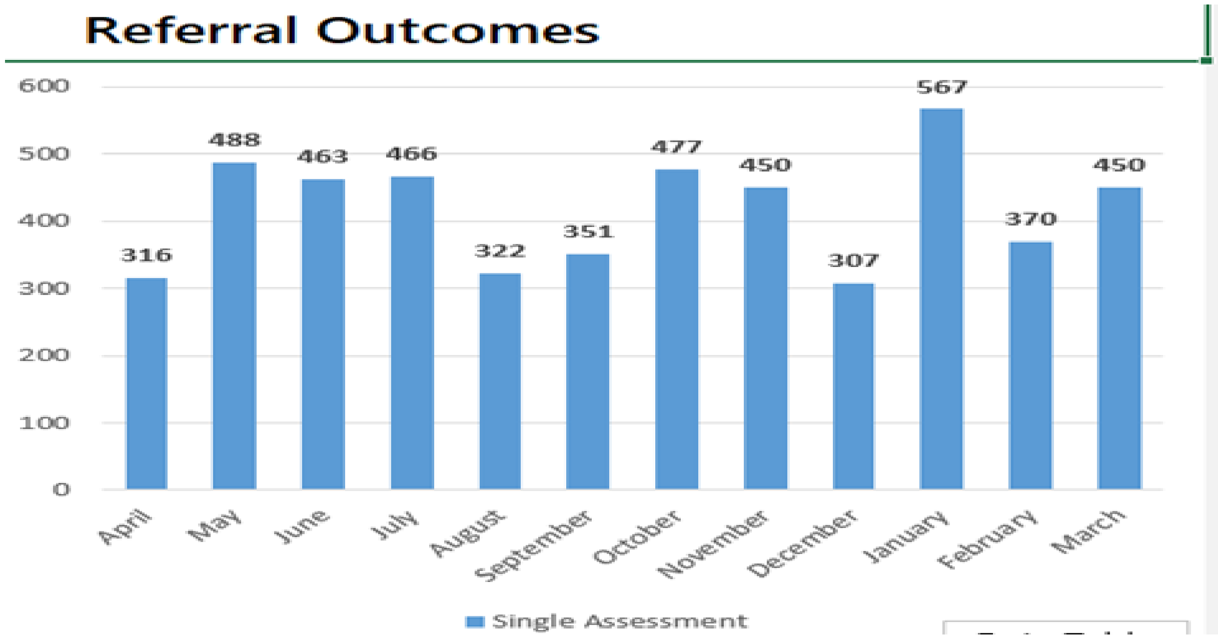
Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
3427	3305	3318	3349	3437	3403	3616	3610	3499



2.28. The number of children open to the service rose by over 200 between December 2018 and January 2019, and did not start to reduce until March, and this was only achieved because of the concerted action by managers within the social care service with the support of early help managers to step children down to early help where appropriate.

2.29. January was in many respects an unusual month in that we had a combination of a brand new system, with new team managers, children returning to school after the holidays and an issue affecting the police, all contributing to a significant increase in children moving into the system.

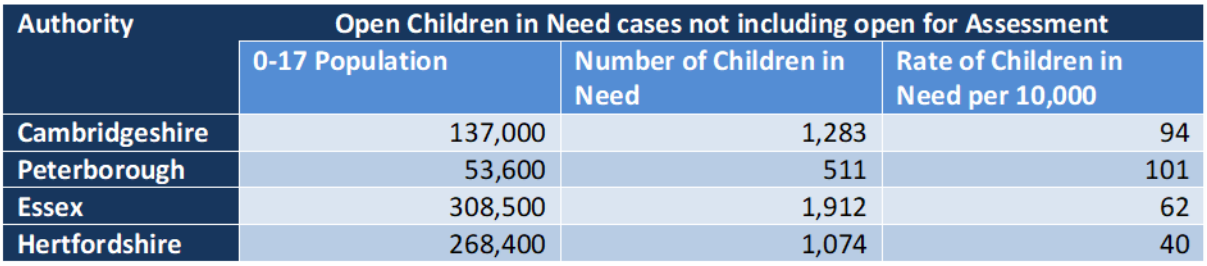
2.30. It is encouraging that there are more recent signs that the system is now beginning to settle, however. The March 2019 data shows that almost as many children were treated as referrals as was the case in January, but the numbers open in the service did not increase as they had done in January. The chart below provides part of the explanation:



2.31. The above chart shows that in January, almost all children and young people treated as a referral to the service progressed to a single assessment. The number of referrals in March was not much less than the number in January, by the number progressing through to assessment was considerably less. This is indicating that the managers of the new assessment teams are becoming more confident in not progressing children through to assessment, helping to avoid the risks associated with over-intervention in the lives of families, while also helping to maintain workloads at manageable levels.

2.32. The very high numbers of children progressed to assessment in January has other implications. Higher caseloads and workloads in the assessment teams meant that fewer assessments are completed within the 45 day timeframe, with fewer than 60% being competed in this period at present. It is the case that many authorities struggle to perform very well against this target, but we should be achieving a rate of 80%-85%. This again illustrates the importance of ensuring that we progress only the right children to referral and again onto a single assessment.

2.33. There are other indicators of there being too many children in our system, when compared with similar authorities. One is the number of children open on children in need plans, although this data is not published nationally, making comprehensive benchmarking in this area difficult. However, the table below provides a snap shot of the number of children open to children in need plans in Cambridgeshire compared with three other Eastern Region in February 2018:

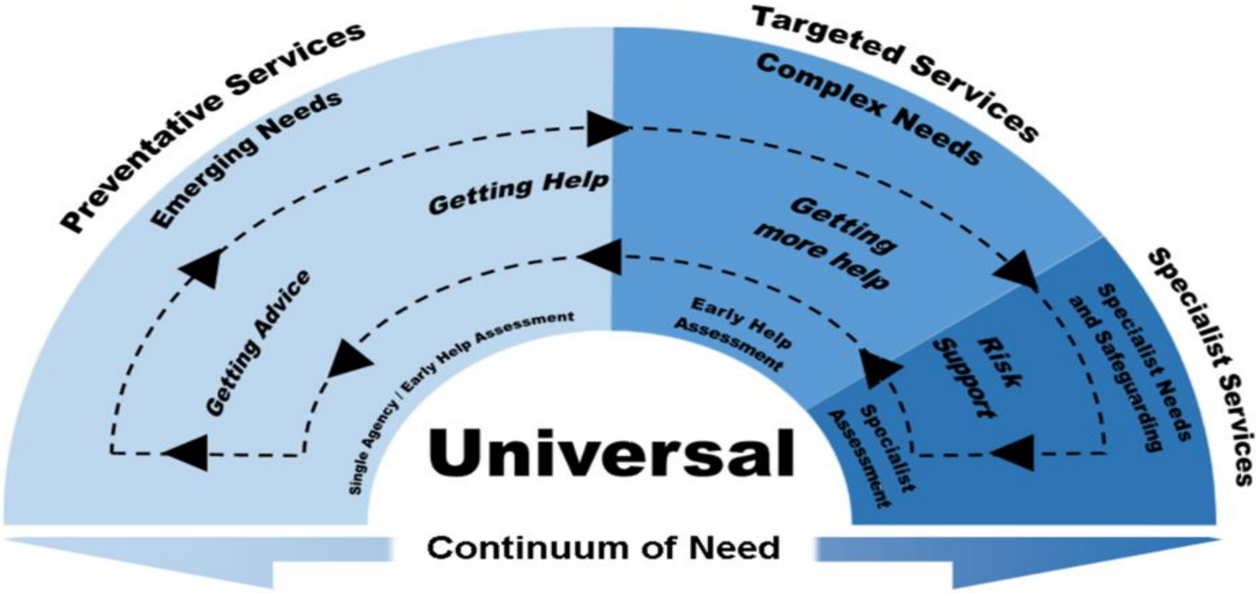


Authority	Open Children in Need cases not including open for Assessment		
	0-17 Population	Number of Children in Need	Rate of Children in Need per 10,000
Cambridgeshire	137,000	1,283	94
Peterborough	53,600	511	101
Essex	308,500	1,912	62
Hertfordshire	268,400	1,074	40

2.34. Cambridgeshire is the 134th least deprived authority in the country according to the Index of Multiple Deprivation. Essex, not a statistical neighbour, is more deprived, at 112th; Hertfordshire is a statistical neighbour, while Peterborough is ranked 45th in terms of deprivation. Although the number of children open to the service has declined a little since this data was collected in February, the number of children open to our services as children in need would appear to be significantly higher than might be expected.

2.35. As noted above, a number of our partners perceive children as being better safeguarded if they are open to children's social care and have a social worker. The reality is that most children and families respond better to early help services than statutory intervention, and that the latter should only be considered where there is real evidence of significant harm. Where too many children are open to the service, caseloads increase, meaning that it is harder to identify those most at risk of significant harm.

2.36. Where children who have been open to children's social care services unnecessarily and are then stepped back down to targeted and universal support, their families may be less willing to engage because they fear that this may again result in being referred back to children's social care. As engagement in targeted support is voluntary, children may not access the support that might benefit them, resulting in the potential for poorer long term outcomes.



Child Protection

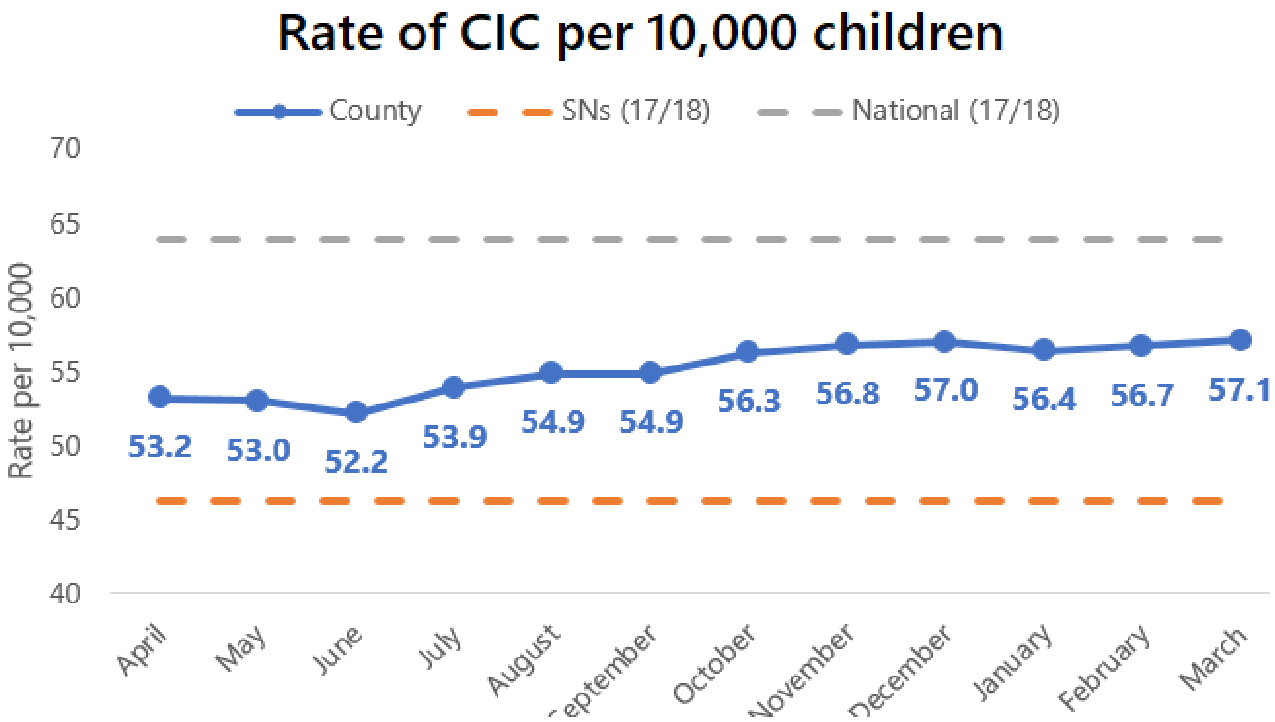
2.37. The rate of children subject to child protection plans per 10,000 is currently in line with our statistical neighbours, at around 52 per 10,000. This is, however, a higher rate than has been the case in Cambridgeshire for some time, reflecting a number of around 570 subject to plans as of June 2019. The statistical neighbour rate climbed significantly between 2017 and 2018, from 46 per 10,000 to 52 per 10,000. This was because two of our statistical neighbours experienced significant increases in numbers on plans over this period. The current number subject to child protection plans in Cambridgeshire is higher than it should be, and a rate closer to the 46 per 10,000 previous average would be preferable.

2.38. Numbers on child protection plans also need to be considered as part of the complex inter-related system that is children's services. The impact of too many children open as children in need as described above is that higher caseloads mean that some children in need may receive a less intensive package of support than they may otherwise have received. This in turn can result in a reduced confidence that children open as children in need will make good progress. This perception can then result in pressure for more children to be escalated to child protection plans.

2.39. The same points that can be made about having too many children open as children in need apply equally to having too high numbers of children on child protection plans. Too many children in the system means that some may receive a less intensive service, in turn risking poorer outcomes. This can then result in a continued escalation into pre-proceedings and, potentially, to care proceedings, increasing numbers in care.

Children in Care (CIC)

2.40. Numbers of children in care remain significantly above the statistical neighbour average, as illustrated in the chart below, which shows the rate of children in care per 10,000 children and young people living in Cambridgeshire. The current number of children and young people in care is around 780:



2.41. Clearly, a key aim of the move into specialist teams is to address this continuing increase in overall numbers. In part, this is to be achieved through improving the quality of planning for children in care in the teams, compared with the much more generic approach that was a feature of the whole life children’s units that the teams have replaced.

2.42. The new corporate parenting service is reviewing all children and young people in care to ensure that all those for whom a return home or a move on to permanency outside the care system where this is in their best long term interests is prioritised. The new adolescent teams are focusing on intensive work with young people who are on the edge of care. While the rate of increase in overall numbers has reduced, progress is not where it needs to be and is an absolute priority for the service as a whole.

2.43. We clearly need to look after children when they would otherwise be at risk of significant harm and when there are no other viable alternatives, and will continue to do so. But we need to continue to focus on the throughput of children through the system, reducing the average number of days that children remain in care. This approach will result in better outcomes for the children concerned, while ensuring that those who need to come into care continue to do so.

2.44. The Service Director for Children and Safeguarding now chairs a monthly meeting that monitors the progress of plans for children and young people to leave the care system where this is in accordance with their care plan, considering children and young people at an individual level. The focused work in the service is now beginning to have an impact; children and young people for whom a return home or move onto other permanent arrangements [for example through Special Guardianship Orders] have been identified, and progress is being achieved, although not yet at a rate that is being translated into reducing numbers overall in the care system.

2.45. As the above hopefully illustrates, achieving a position where numbers in care reduce significantly and relatively quickly means taking action across the whole system that includes changing the narrative about the evidence for intervention from early help through to child in need, child protection, pre-proceedings and proceedings.

2.46. Our still new structure of specialist teams is an important part of this journey. The increased levels of management oversight and supervision these teams provide, alongside their ability to better manage competing priorities through greater resilience is already playing an important role in improving consistency of practice across the service.

2.47. Nevertheless, changes of this scale do take time to have an impact on culture and outcomes. This is why the award of trailblazer status to the local authority to implement Family Safeguarding is so important, since this brings new approaches to working with vulnerable parents, with the result that more of our most vulnerable children are able to remain safely and permanently within their families. Family Safeguarding is explored in more detail in the relevant section below.

Action Plan in response to the Ofsted inspection

2.48. The action plan following the inspection can be found at Appendix 1, and was shared with Ofsted in May 2019, as is required. There were four key recommendations following the inspection:

- Improve the capacity of social work teams to complete work to a consistently good standard and to ensure that children and families receive the help they need as quickly as possible;
- Improve the consistency and quality of direct work undertaken with children, and how well this is used to inform help and support for them and their families;
- Improve the frequency, quality and impact of management supervision of social work practice, and:
- Improve the effectiveness of arrangements to promote health and education and to secure permanence for children in care.

2.49. As can be seen from the action plan itself, these actions are broken down into a number of objectives, each with a lead officer, indicators and eventual targets. Monitoring is through regular performance monitoring meetings, and a formal update noting progress and direction of travel will be completed quarterly. There has been progress in a number of areas, as identified above. In other areas, for example, in increasing the number of permanent members of staff, strategies are well-developed and moving towards implementation.

2.50. Some areas where improvement is needed requires broader partnership working, for example in relation to improving health outcomes for children in care. Health assessments must be arranged at times that suit the child and their foster carer; information from those assessments then needs to be made available to the child's carers and social workers. Relevant information from those assessments then need to be inputted into the child's care plan in a way that results in clear actions, the impact of which can then be monitored. Making sure that this happens consistently requires the sharing of performance information between the council and our health partners. Making sure that there is a positive outcome for the child is one of the key roles and responsibilities of the independent chairs of children's statutory childcare reviews.

2.51. Developing and maintaining effective quality assurance systems is a key part of ensuring that we are making the consistent process that is required. The independent chairs are an important part of this quality assurance process, and they are offering more constructive challenge to the service, which is a good thing. Audits of the work undertaken, whether of the work of individual members of staff, or broader themed audits of practice, help us to know whether there are areas of practice that need support and improvement.

2.52. Practice and bite-size workshops are organised to take place across the service, helping to support practice development. These are informed by the findings of the quality assurance processes, helping to make sure that we close the circle.

2.53. Cambridgeshire's annual conversation with Ofsted took place on 1st May 2019. This is an aspect of the Inspection of Local Authority Children's Services framework. Ofsted comes to all authorities on an annual basis to gain an understanding of progress made since recent inspections, any issues arising from performance data or other intelligence held by Ofsted about the authority and any issues arising from the authority's self-assessment, which is also shared with Ofsted.

2.54. Those attending our annual conversation included the senior HMI for the region and the lead inspector from our most recent inspection. Inspectors were reassured by the information we were able to provide about progress since the last inspection, and confirmed that they thought that the direction of travel for Cambridgeshire children's services was the right one. They also confirmed that they saw no reason for further inspection activity relating to children's services in the current financial year, observing that managers and leaders needed to be allowed to continue implementing the planned improvements to the service.

Children with Disability [0-25] Services

2.55. At the time that the change for children programme was consulted upon and implemented, our children with disability service was aligned with special educational needs and disability services, which are part of the education service. This meant that they were not part of the change for children changes and so continued to operate under the unit model.

2.56. The 0-25 service has now moved back into children's social care services. A consultation with staff within the service has taken place and we are changing the approach so that it is in line with the rest of children's services, with teams as opposed to units. This has taken place within available resources, and enables this part of the service to benefit from the changes including improved management oversight from a designated team manager.

Implementation of LiquidLogic

2.57. The project to implement the most recent version of LiquidLogic is progressing very well and it continues to be expected that the implementation date of the end of October 2019 will be achieved. The system is now being extensively tested and the process of data migration has commenced.

2.58. LiquidLogic will make a very significant difference to the workloads of our staff as well as supporting the effectiveness of practice. The current recording system is very out of date and does not, for example, automatically complete basic information about children and their families when moving from one record to another – an assessment to a child in need plan for example. This means that staff have to laboriously re-type or extensively copy and paste basic information like names, family relationships and demographic data from form to form.

2.59. As well as addressing issues such as these, LiquidLogic will also support improved practice. Templates built into the system reflect best practice, prompting workers and managers to include, for example, consideration of the lived experience of the child in assessments and plans.

2.60. LiquidLogic is pre-configured to support Family Safeguarding working, a significant factor in the government's decision to award Cambridgeshire County Council the status of Family Safeguarding trailblazer, as described in more detail below. The system also enables much better multi-agency working at early help level as well as within the MASH and Early Help Hub.

2.61. Finally, the adoption of LiquidLogic will support better and timelier performance reporting. This is important for managers as it enables them to have an up to date view of any outstanding tasks in the teams they manage. It is important for senior managers as it means that they can see emerging trends and take action as necessary.

Family Safeguarding Trailblazer

2.62. As noted elsewhere, the Department for Education has announced that Cambridgeshire County Council will be the trailblazing authority for Family Safeguarding as part of its Strengthening Families programme.

2.63. Members will recall that part of the thinking behind the change for children programme we implemented at the end of 2018 was to enable the service to be in a strong position to develop the Family Safeguarding approach should funding be available to enable this. It was always considered possible that funding would be available from the DfE, but we were also prepared to develop a business case to support a bid for transformation funding on the basis that while initially requiring investment to establish, Family Safeguarding should result in significant reductions in demand in terms of numbers of children subject to child protection plans and in care.

2.64. This preparation was also a key part of the decision to move to LiquidLogic as the new children's information system, because this was the system that was the most Family Safeguarding ready.

2.65. It is very good news that the Department for Education (DfE) has selected Cambridgeshire County Council to be the trailblazer authority for Family Safeguarding, since this will bring significant additional investment into the authority, enabling us to meet the majority of initial additional costs. Adopting the model itself will also mean that we are more able to provide the support that families need in order to make the changes required so that they can safely parent their children, resulting in better long term outcomes alongside reducing costs.

2.66. Family Safeguarding is a model of practice that involves the development of multi-disciplinary teams within children's social care services. These teams include adult-facing practitioners who are expert in working with substance and/or alcohol misuse, domestic abuse including both perpetrator and victim workers, and adult mental or emotional health and wellbeing. Known as the 'toxic trio', these are the most common underlying problems that the families of the majority of children subject to child protection plans are struggling with.

2.67. The addition of these workers into the children's teams means that adult members of families can more easily access support than would otherwise be the case. The programme used to work with domestic abusers is, for example, very effective. It is of a quality and intensity that is similar to programmes used by the national probation service, which are usually only open to perpetrators after conviction for domestic abuse. Similarly, while children's social workers may recognise the impact of mental health issues among the parents they work with, very often those parents do not meet the threshold for accessing very hard pressed mental health services. The fact that there are mental health professionals as part of the multi-disciplinary team means that parents can benefit from the support they need, with benefits for the way in which they can care for their children.

2.68. To be effective, the model requires caseloads to be no higher than 15, less than the current position in the service. This emphasises the need to ensure that we are working with the right children for the right length of time. It also means that we may need to invest in some additional members of staff at least initially, in order to support the process of bringing the caseloads down.

2.69. Funding from the DfE will support the investment needed in additional adult-facing practitioners and any additional children's social workers that might be needed. It will also support the programme of training in Motivational Interviewing that accompanies the model.

2.70. The DfE has recently completed a diagnostic of our services, to assess the degree of readiness for us to implement the approach, alongside estimating the amount of financial support that will be provided to enable the required up-front investment available.

2.71. The diagnostic has also broadly confirmed the view that we have too many children open to the service for too long. It has confirmed that we have a skilled workforce and that there is a good level of enthusiasm for adopting the approach, provided that this does not mean further structural change.

2.72. While the DfE has yet to confirm the level of funding that will be made available to the Council to support implementation, the indications are that this will be between £3.5M and £4.0M.

2.73. This is obviously very welcome; it provides us with the funding to invest in a model that has been demonstrated to improve outcomes and reduce demand pressures in relation to children in need of protection or needing to come into care. It is also good for Cambridgeshire more generally, as it again marks the authority out as one that seeks to innovate in order to improve outcomes for children and young people, again helping to raise our profile and be more attractive to people who want to come and work for us.

2.74. Because the changes we made to the structure as part of the change for children programme were designed to be Family Safeguarding ready, there is minimal need for further structural change for the great majority of the workforce, although we are reviewing responsibilities at a senior leadership level to ensure that we have the capacity to deliver the programme effectively.

2.75. We have appointed a programme manager to assist us in implementation. There are a number of key activities that we need to complete before we are ready to launch the new approach, including developing the necessary support and training programmes, reviewing the contribution to the new approach that can be provided by the established cohort of clinicians, recruiting other key practitioners and, of course, consulting and involving our practitioners in the process as a whole.

2.76. We aim to formally launch the approach between January and March 2020.

Concluding Remarks

2.77. This is a lengthy report, but it is important that Members have a clear understanding of the improvements that the service is making, together with some of the areas of challenge, as well as some of the broader influences on children’s services and their impact on outcomes for children.

2.78. The essential elements are now in place to deliver consistently good outcomes for our most vulnerable children and young people. We have a highly skilled and committed workforce and we are seeing the benefits of the move to the new structure in terms of helping to manage workloads, improve management oversight and begin to deliver a more consistent service to children, young people and their families.

2.79. The development of Family Safeguarding in the county presents us with a real opportunity to further build on these strengths. While risks remain, not least in relation to recruitment and retention of staff, there are exciting prospects for the continuing development of children’s services in Cambridgeshire.

3. ALIGNMENT WITH CORPORATE PRIORITIES

3.1 A good quality of life for everyone

The following bullet points set out details of implications identified by officers:

- Supporting vulnerable children and young people to achieve the best possible outcomes has longer term benefits for them as well as to the wider population. Where children are enabled to remain safely with their families or provided with good quality care, they are most likely to develop resilience and be more likely to remain in good physical, mental and emotional health, make better quality relationships and contribute more to the community.

3.2 Thriving places to live

The following bullet points set out details of implications identified by officers:

- Promoting the best outcomes for children and young people means that they are most likely to make a positive economic and social contribution into adulthood.

3.3 The best start in life for Cambridgeshire’s children

The following bullet points set out details of implications identified by officers:

- A children’s services that is effective overall will ensure that vulnerable children and young people are supported to achieve good outcomes, including by enabling families to provide permanent, safe and loving homes to their children wherever possible;
- Where children and young people are identified as being at risk of harm, children’s services take action in order to ensure that these risks are minimised;
- As corporate parents, we share responsibility for ensuring that our children and young people in care and young people leaving care are able to access the best possible support in order to achieve good long term outcomes.

4. SIGNIFICANT IMPLICATIONS

4.1 Resource Implications

There are no significant implications within this category.

4.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications within this category.

4.3 Statutory, Legal and Risk Implications

The following bullet points set out details of significant implications identified by officers:

- The Council has a variety of statutory duties relating to children and young people in need, in need of protection and in care, and in ensuring that this group of children and young people are supported to achieve good outcomes.

4.4 Equality and Diversity Implications

There are no significant implications within this category

4.5 Engagement and Communications Implications

There are no significant implications within this category

4.6 Localism and Local Member Involvement

There are no significant implications within this category.

4.7 Public Health Implications

Children's safeguarding services work closely with services commissioned by public health (for example: health visiting, school nursing, mental health, lifestyle services) and it is important that children in contact with these services have good health outcomes

Implications	**Officer Clearance**
Have the resource implications been cleared by Finance?	Yes or No Name of Financial Officer:
Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by Finance?	Yes or No Name of Financial Officer: N/A
Has the impact on statutory, legal and risk implications been cleared by LGSS Law?	Yes or No Name of Legal Officer:
Have the equality and diversity implications been cleared by your Service Contact?	Yes Name of Officer: Lou Williams
Have any engagement and communication implications been cleared by Communications?	Yes or No Name of Officer:
Have any localism and Local Member involvement issues been cleared by your Service Contact?	Yes Name of Officer: Lou Williams

Have any Public Health implications been cleared by Public Health	Yes Name of Officer: Dr Liz Robin

SOURCE DOCUMENTS

Source Documents	Location
Ofsted Inspection of Children's Services, January 2019	https://files.api.ofsted.gov.uk/v1/file/50056032

Cambridgeshire County Council Action Plan following ILACS Inspection

May 2019

Priority 1: Improve the capacity of social work teams to complete work to a consistently good standard and to ensure that children and families receive the help they need as quickly as possible.			
Lead[s]	**Deadline**	**Indicator**	**Target**
Objective: To increase the proportion of the establishment of social workers and team managers who are permanent employees			
Sarah-Jane Smedmor/ Karen Tolond	**December 2019**	Schedule further recruitment days across the county	To achieve a minimum of 80% of qualified social worker and front line team manager posts by end of calendar year
Sarah-Jane Smedmor, Caroline Adu-Bonsra	**June 2019**	Joint recruitment campaign with adults services to target specialist, quality workers in conjunction with CPL	Increase in applications for qualified and alternatively qualified staff
Lou Williams & Karen Tolond	**July 2019**	Review recruitment and retention incentives for harder to fill posts and/or locations	Options to be presented to Children and Young People's Committee July 2019 for agreement in principle
Sarah-Jane Smedmor, Caroline Adu-Bonsra	**July 2019**	Improve planning around student, ASYE and apprenticeship activity	'Grow our own' Strategy to be in place with individuals working their way through the pipeline by close of 2019/20
Objective: Reduce caseloads in all teams to a maximum of 20 cases per worker across the service, or up to 25 in assessment teams			
Sarah-Jane Smedmor and heads of service	**July 2019**	Establish robust monitoring measures to ensure caseloads are kept to target	Caseloads in children's teams [including children in care teams] to be no more than 20 per FTE and assessment teams no more than an average of 25 children per FTE
		Ensure that children's practitioners are	

Priority 1: Improve the capacity of social work teams to complete work to a consistently good standard and to ensure that children and families receive the help they need as quickly as possible.			
Lead[s]	**Deadline**	**Indicator**	**Target**
		fully inducted and able to work with children in need under appropriate supervision	
		Keep thresholds at each transition/escalation point under review to ensure that children continue to meet threshold and drift is avoided	Child in Need cases to be reviewed regularly with aim that no child should be open as CIN for more than 12 months
		Maintain regular programme of timely case closure and stepping down, supported by DSMs and business support	Caseloads held by teams to be reviewed regularly by team managers and District Safeguarding Managers
		Recruitment and retention of staff as above to ensure a fuller complement of practitioners in each team	
		Performance meeting and children's services leadership team to continually monitor caseload numbers and activity	
Objective: Ensure consistent high standards of monitoring quality of practice and compliance with statutory requirements			
Sarah-Jane Smedmor / Alison Bennett	**May 2019**	The Quality Assurance Service has launched a revised Quality Assurance Framework which includes an annual audit programme, managers audit and periodic thematic reviews	All managers have a view of the quality of practice across the service as evidenced by minimum 80% compliance with management audits
	Ongoing	Monthly 'Improving Performance Meetings' put in place for all service areas to monitor compliance and quality of practice	Managers have increased accountability for quality of practice within their area of responsibility; Quality of practice improves across the service

Priority 1: Improve the capacity of social work teams to complete work to a consistently good standard and to ensure that children and families receive the help they need as quickly as possible.			
Lead[s]	**Deadline**	**Indicator**	**Target**
Sarah-Jane Smedmor and Fiona Van Den Hout	**September 2019**	The fostering service will have a new audit programme in place that will ensure compliance with National Minimum Standards and Fostering Regulations	Managers better understand the complexity of work within the service and can plan accordingly
Objective: Create targeted training and mentoring programme in teams (to include children's practitioners, AYSEs, overseas workers and clinical psychologists)			
Sarah-Jane Smedmor, and Karen Roland	**July 2019**	Each service will have a service-specific targeted training and mentoring programme	100% of the workforce will have a targeted training plan and can evidence discussion in staff supervision/ appraisal targets

Priority 2: Improve the consistency and quality of direct work undertaken with children, and how well this is used to inform help and support for them and their families.			
Lead[s]	**Deadline**	**Indicator**	**Target**
Objective: Direct work recording to be accurate, up to date and reflect the child's views, wishes, feelings and lived experiences. Assessments and Care Plans evidence the impact of the child's voice and lived experience.			
Heads of Service / Alison Bennett	**Quarterly**	Team managers to ensure that all staff understand the importance of recording direct work with children, discussing and recording the lived experience and voice of the child in supervision.	All direct work undertaken is purposeful and meaningful and informs the help and support given to children and their families.

Priority 2: Improve the consistency and quality of direct work undertaken with children, and how well this is used to inform help and support for them and their families.

Lead[s]	**Deadline**	**Indicator**	**Target**
		Team Managers to sign off assessments, plans and so on only when child's voice and lived experience are clearly evidenced.	Direct work completed and its impact is clearly evidenced as informing assessment and care planning.
		PQA to dip sample and audit to show improved and consistent recording and a good understanding of the child's lived experience	Regular case file audits by managers and dip sampling/thematic audits by QA show improved and consistent recording of child's voice and lived experience.
Objective: All social workers have the skills and tools for direct work to gain a clear understanding of children's lived experience, which is evidenced in assessment and planning.			
Alison Bennett / Sarah-Jane Smedmor	**July 2019 and on-going programme to ensure embedded**	QA and Workforce Development work together to ensure that there is a comprehensive offer of regular training sessions; practice workshops; audit drop ins; quick guides and tools that support this area of practice	All Social Workers access training, workshops and tools according to their individual identified needs to enhance their skills and practice in this area
			Training programme to be reviewed to ensure regular practice workshops / training sessions throughout the year to cover children's lived experience
LiquidLogic delivery team	**October 2019**	Implementation of LiquidLogic and associated new templates	Will support better quality recording and reduce amount of time spent inputting information
Objective: Ensure that children most at risk of poor outcomes benefit from multi-disciplinary outcome focused plans			
Sarah-Jane Smedmor/ Lou Williams	**December 2019**	Implementation of Family Safeguarding Model including: • Diagnostic test and review of CIN and CP Activity;	Children living in high-risk family situations benefit from support to whole family, with parents accessing support from relevant adult practitioners to address the issues they are facing
			All key practitioners trained in

Priority 2: Improve the consistency and quality of direct work undertaken with children, and how well this is used to inform help and support for them and their families.			
Lead[s]	**Deadline**	**Indicator**	**Target**
		- Implementation of the model including recruitment of adult facing practitioners and models of intervention including Motivational Interviewing	Motivational Interviewing and adult facing practitioners recruited by close of December 2019. Consistent use of workbook and intervention programmes evident.
Objective: Improve assessment of parenting capacity			
Sarah-Jane Smedmor/ Heads of Service/ QA Servic	**Quarterly**	Workshops to be rolled out to all staff in relation to best practice in the development of comprehensive parenting capacity assessments. This will include the use of tools such as risk assessments for adults, the Graded Care Profile, DA tools and evidencing consideration the main factors likely to impact on parenting capacity, for example adult mental health	Regular audits/dip sampling evidences improved assessment of parenting capacity. All practitioners able to undertake the appropriate assessments with adults to address their parenting capacity in timeframes appropriate for their children

Priority 3: Improve the frequency, quality and impact of management supervision of social work practice.			
Lead[s]	**Deadline**	**Indicator**	**Target**
Objective: Improve the quality of supervision and management oversight following allocation of cases and work to ensure plans are progressed in a timely and effective way			
Sarah Jane Smedmor	**From May 2019**	All Social Workers receive case supervision on each of their cases at least once every 4 weeks.	Target 85% Case supervision undertaken at least once every 4 weeks
			100% of case supervision evidences reflective practice on cases
All Heads of Service		Manager's Development Plan to develop recording skills and reflective supervision. 'Group work' sessions to be undertaken with all managers	Children's plans are clear and timely with permanence as the main aim
All Heads of Service		All managers undertake monthly monitoring of the frequency of case supervision	HOS monitor supervisions for quality and frequency within their services
Alison Bennett		PQA complete annual supervision survey and disseminate findings	QA audits evidence reflective supervision recorded within case files
			Supervision tool for tracking and dip sampling frequency and quality of supervision is in place.
Objective: Ensure consistent high standards of monitoring quality of practice and compliance with statutory requirements			
Alison Bennett	**May 2019**	QA Framework includes an annual audit programme, manager's audit and periodic thematic reviews.	All managers have a view of the quality of practice across the service as evidenced by minimum 80% compliance with management audits.
		Audit of the quality and effectiveness of supervision is also part of the annual audit programme.	Managers have increased accountability for quality of practice within their area of responsibility
		Annual Social Work Health Check will be carried out, with the results feeding	Quality of practice improves across the service and managers have a better

Priority 3: Improve the frequency, quality and impact of management supervision of social work practice.			
Lead[s]	**Deadline**	**Indicator**	**Target**
		in to action plans	understanding of the complexity of work within the service and can plan accordingly
Sarah-Jane Smedmor / Alison Bennett	**May 2019**	Monthly ‘Improving Performance Meetings’ put in place for all service areas to monitor compliance and quality of practice	Heads of service to respond to any escalations from the QA service and address themes in training and service plans
Heads of Service	**May 2019**	Team Managers and DSMs will use data proactively to ensure that practice expectations and statutory timescales are met	Children are seen at least in line with statutory requirements. Plans will progress without drift and delay

Priority 4: Improve the effectiveness of arrangements to promote health and education and to secure permanence for children in care.

Lead[s]	**Deadline**	**Indicator**	**Target**
Objective: Improve timeliness of initial health assessments, dental checks and immunisations			
Heads of Service	**From May and On-going**	Team Managers ensure that all staff are aware of the practice expectations in this area	All children looked after receive timely health assessments, optician checks and dental checks and immunisations have been scheduled
Heads of Service		Clear administrative processes are put in place to support workers with ensuring timeliness of evidence on child's record	Health Child Programme performance reporting shows steady and maintained improvement in performance in respect of health monitoring
Alison Bennett		Reviewing Officers to check compliance with health checks at each Review	Audits show evidence of timely health information on files
Fiona van den Hout, CCG		Joint LAC Health and SW team address process and system delays through regular performance clinics	Good performance in terms of timeliness is maintained, including in relation to health assessments for children out of county
Objective: Ensure all children in care and care leavers are aware of their health history, rights and entitlements			
Fiona van den Hout, Julia Franklin, CCS Deborah Spencer, CCG	**July 2019**	Create new health passport and procedures relating to its use Develop current rights entitlements leaflets and procedures around their use	All children looked after aged 16 and over will have a health passport and are confident of their rights and entitlements
			Survey results show young people understand understanding and use of their health history
			Health audits evidence that the health passport is addressed at review health assessments.

Priority 4: Improve the effectiveness of arrangements to promote health and education and to secure permanence for children in care.

Lead[s]	Deadline	Indicator	Target
Objective: Ring-fence apprenticeships for CiC and care leavers which will support the Council's corporate parenting responsibilities and the local offer for care leavers requirements			
Heads of Service / HR Fiona Van Den Hout Kate Knight	**September 2019**	Develop a specialist post to work with children in care and young people leaving care to increase and encourage access to education, employment and training	Preparing young people to be ready to consider undertaking apprenticeships will be included within each pathway plan
Claire Hiorns Virtual School		Virtual school to work in collaboration with children in care and participation teams to identify apprenticeship opportunities	
Objective: Enhance work with young people to identify their career aspirations			
Heads of Service Fiona Van Den Hout / Head of Virtual School Claire Hiorns	**July 2019**	Complete regular aspiration audit and ensure that all children and young people have outcome focused individual plans in place	Majority of young people engaged with at least one opportunity Findings from aspiration audit for young people informs their tailored support packages PEP's include career aspirations and actions to support achievement
Objective: Work with schools and other providers to ensure children and young people in care have access to the bespoke support they need to achieve their aspirations			
Claire Hiorns Virtual School	**September 2019**	Reorganisation of the VS team to enable support both for individual CYP and advisory visits to inform whole school practice	The overall percentage of PEPs rated green is measured termly and increases from December 2019 to 90% by July 2020
	June 2019	Creation of data dashboard to support prioritisation of CYP in need of support and to identify support needed at a	There is a reduction in the number of PEPs rated red from December 2019 to July 2020 to less than 10%

Priority 4: Improve the effectiveness of arrangements to promote health and education and to secure permanence for children in care.			
Lead[s]	**Deadline**	**Indicator**	**Target**
		school/provider level	Where focused school visits take place, there is an increase in the number of PEPs rated as green and / or amber
	September 2019	PEP streamlined to make best use of data, pupil voice, attainment and progress data and attendance to inform SMART targets and pupil premium plus (PPP) spending	Training evaluations demonstrate an increase in foster carer and social worker confidence in the PEP process and in their confidence in providing challenge at PEP meetings
	July 2020	Training is offered to designated teachers to empower them in their role as champion for children in care	Training evaluations demonstrate an increased understanding of the DT in the supporting children and young people to meet their aspirations
	May 2020	Training offered to social workers and foster carers on the PEP process and on realistic expectations of schools so that they feel able to offer challenge in PEP meetings	Social workers are able to champion the aspirations of children in care in their educational settings.
	September 2019	Review of PPP policy to include all money to be applied for based on priorities identified in PEP	Specific projects funded by retained PPP show clear evidence of impact against set success criteria.
	September 2019	Review of retained PPP to enable larger scale projects, including appointment of Educational Psychologist to the VS team	Ensure that children in care are able to access specialist support with learning without delay.
Objective: Further work with Corporate Parenting Committee to ensure that representation by CICC and the Care Leavers continues to be a strong theme in their work			
Fiona Van Den Hout	**Ongoing**	Maintain and build on new links with the CIC; YP to be supported to attend	Improvement in young people's attendance at key committee meetings

Priority 4: Improve the effectiveness of arrangements to promote health and education and to secure permanence for children in care.			
Lead[s]	**Deadline**	**Indicator**	**Target**
		meetings	and forums
Objective: Ensure health care planning; education planning and permanence planning informs Care Plans and Pathway Plans for children and young people in care			
Sarah-Jane Smedmor	**June 2019 and ongoing**	Workshops are delivered to staff to support development of skills in creating Care Plans and Pathway Plans that reflect accurate and up-to-date assessed needs in relation to health and education, and set out the plans for permanence in the Child's timescale	100% Care Plans and Pathway Plans reflect up-to-date and accurate assessed needs for health, education and permanence.
Heads of Service	**May 2019**	Team Managers ensure that all plans include clear consideration of the child's voice and lived experience	
Alison Bennett	**May 2019 and ongoing**	IROs escalate care plan shortfalls for management oversight and remedial actions	100% case escalations by IROs are resolved
Alison Bennett	**Audits completed as part of rolling audit and QA framework**	The QA service audits of the quality and effectiveness of health plans; education plans; permanence planning and Care / Pathway Plans are part of the annual audit programme and management audit process	
Alison Bennett	**From May 2019 and ongoing**	The QA Service provide workshops; audit drop ins, and practice tools such as quick guides to support this area of practice.	
Sarah-Jane Smedmor	**May 2019**	Permanency tracker is developed and monitored by DSMs and Heads of Service to ensure effective care	Effective permanency tracker in place and used to track progress of children's plans

Priority 4: Improve the effectiveness of arrangements to promote health and education and to secure permanence for children in care.			
Lead[s]	**Deadline**	**Indicator**	**Target**
		planning is embedded across the service.	

CONSULTANTS POLICY REVIEW – QUARTER 1

To: Audit and Accounts Committee

Date: Monday 29th July 2019

From: Martin Cox, HR Director

1.0 Introduction

1.1 An internal audit was undertaken on the use of consultants in 2018. This identified concerns about compliance with the Consultant policy and a potential risk that the Council was not achieving value for money in this area.

1.2 The Consultants Policy has been reviewed, strengthened and approved by the Council's Joint Management Team (JMT) in March 2019. This policy and actions were part of the Audit and Accounts Committee meeting in April 2019. This report outlines the implementation of the policy and its operation in Quarter 1 – April to June 2019.

2.0 Reporting on Consultants

2.1 The new Consultants Policy is now in place and each Director at JMT has reviewed their current use of consultants. The new policy is attached in Appendix 1.

The policy included creating a central management control process to support improved monitoring and reporting. The initial system identified is being replaced so we are working to specify how the future project management system can record and report on the use of consultants, but in the meantime, alternative reporting arrangements have been put in place and information has been provided by other sources to provide a Q1 summary.

2.2 To ensure that there is greater scrutiny of consultancy engagement the new policy puts in place an approval to engage a consultant form (equivalent to the approval to engage an agency worker/interim and the recruitment control process). The engaging manager is now required to detail the business case for engaging a consultant. These business cases need to be approved by the Director of Business Improvement & Development or Deputy Chief Executive. Information on approved forms will be collated for JMT along with data on agency workers/interims and recruitment.

2.3 OPUS LGSS have provided information on consultants that have been engaged through them. LGSS Finance has provided information on payments made to consultants (outside of OPUS LGSS) that were engaged as at 01 April 2019 and coded to the budget code for consultancy. HR Business Partners have worked with Directors to source details of the placements that these invoices relate to and to review current consultancy placements.

3.0 Quarter 1 (April to June) Consultant Summary

3.1 The information available indicates that there were or had been 26 consultants engaged on some level from 1st April to 30th June 2019. This is not in itself a significant number considering the size of the Council, its diverse nature of services and the shared working agendas that exist.

3.2 The new policy is clear that the Council only uses consultants where necessary – in particular where skills and experience does not exit within the existing workforce, specific skills are needed for a project, or short term capacity. Directors have reviewed their current use of consultants against this and business priorities to ensure delivery of ongoing projects.

3.3 In summary of the 26 placements used in Quarter 1; 11 have now come to an end naturally or as part of the review. With effect from 30th June there remains 15 engagements with a planned end date. Details of each of these consultant placements and the expected end dates are provided in the tables below.

Summary of the 7 ongoing placements that are due to end in 2019			
Team	**Output consultant engaged to deliver**	**Planned end date**	**Actual spend since April 2019**
Historic Environment	Work on digital media and virtual reality	August 2019	No payments made. Single invoice due on completion.
Historic Environment	Museum advice. Placements was for 10 days in total over the period engaged.	December 2019	No payments made. Single invoice due on completion.
Historic Environment	Audience development analysis. Placement was for 10 days in total over the period engaged.	June 2019	No payments made. Single invoice due on completion.
LGSS Digital Services	Work on a new innovation area within LGSS Digital, essentially project delivery where skills shortage AI work and develop own internal understanding of the that work and skills transfer underway in team. Cost neutral as MKC grant funded.	30th September 2019	£11,199
LGSS Digital Services	IT Consultancy - Mosaic work	November 2019	£34,650

Public Health	Engaged to work on a large procurement of sexual health and contraceptive services across both Cambridgeshire and Peterborough Councils with potential joint commissioning with NHS England and the CCG. Consultant has specialist expertise in this field.	September 2019	£20,900
Public Health	Engaged to work on renegotiation of Section 75 for the 'Healthy Child Programme' (health visiting and school nursing) across Cambridgeshire County Council, Peterborough City Council, Cambridgeshire Community Services NHS Trust and Cambridgeshire and Peterborough NHS Foundation Trust. Specialist expertise in NHS contracts and financial baselining.	September 2019	£10,239

Summary of the 6 placements ongoing placements that are due to end in 2020

Team	**Output consultant engaged to deliver**	**Planned end date**	**Actual spend since April 2019**
County Planning, Minerals and Waste	Bespoke projects most recently for Barrington Quarry	End of 2019/2020 financial year	£600
Major Infrastructure Delivery / Infrastructure & Growth	Required through to March 2020 to deliver the Joint Professional Services procurement for the County Council, Peterborough City Council, GCP and Combined Authority. The GCP and Combined Authority are funding this procurement. Standalone piece of work for which expertise does not exist in house. Associated costs fully covered externally through recharge.	Spring 2020	£7,388
Infrastructure and Growth	Engage to work closely with Highways England in relation to the A14.	April 2020	£24,639
DASV Partnership	Evaluation of Children Affected by Domestic Abuse Project	April 2020	£975

Environment & Commercial	Bespoke planning work, namely the Waterbeach Energy from Waste Planning Appeal	November 2020	£2,555
Commissioning	Resource identified to bring specialist skills for CCC and PCC savings reviews. Focussing on improving outcomes and value for money for services provided for people with exceptionally high, complex needs.	31st March 2020	£39,867

Summary of the 2 ongoing consultants that are engaged on an ongoing intermittent basis

Team	**Output consultant engaged to deliver**	**Planned end date**	**Actual spend since April 2019**
Fostering Service	Independent Chair of Fostering Panel. Statutory position which is required by law to be independent of the LA	Engaged on an ongoing intermittent basis	£3,230
School Intervention Services	Individual works with a group of schools and as we reduced in number of team advisers. We have 5 Associate Advisers who do similar work but they have a smaller number of schools. We get the money back as schools buy into our Primary School Improvement Offer.	Engaged on an ongoing intermittent basis	£12,018

5.0 Recommendations

5.1 The Committee is asked to note the current summary on use of consultants and the implementation of the new Consultants Policy.

Background Papers: None

Agenda Item No: 7

TRANSFORMATION FUND MONITORING REPORT QUARTER 4 2018/19

To:	**General Purposes Committee** **Audit and Accounts Committee**
Meeting Date:	**16 July 2019** **29th July 2019**
From:	**Julia Turner, Interim Head of Transformation**
Electoral division(s):	**All**
Forward Plan ref:	**Not applicable** *Key decision:* **No**
Purpose:	**To outline progress in delivery of the projects for which transformation funding has been approved at the end of the fourth quarter of the 2018/19 financial year.**
Recommendation:	**It is recommended that the Committee note and comment on the report and the impact of transformation fund investment across the Council.**

	Officer contact:		***Member contacts:***
Name:	Julia Turner	Names:	Councillors Count & Hickford
Post:	Interim Head of Transformation	Post:	Chair/Vice-Chair
Email:	Julia.turner@cambridgeshire.gov.uk	Email:	Steve.Count@cambridgeshire.gov.uk Roger.Hickford@cambridgeshire.gov.uk
Tel:	01223 699051	Tel:	01223 706398

1. BACKGROUND

1.1 General Purposes Committee (GPC) has responsibility for the stewardship of the Transformation Fund, approving business cases for new proposals and reviewing progress of the existing projects.

1.2 The Transformation Fund provides one off funding to encourage projects where an invest to save, invest to improve, or invest to innovate bid can underpin service improvements and deliver improved outcomes and future efficiencies.

1.3 This report provides GPC with an overview of how the current proposals are delivering improved outcomes as well as financial objectives. Service Committees continue to review relevant projects in detail as appropriate.

1.4 The Transformation Fund bids that support the 2019-2024 Business Plan are being presented at the relevant service committee as the investments are required to be drawn down. The areas approved at January GPC are:

- Embedding a demand management approach across the business
- Developing a range of forward looking data and insight to guide our choices
- Developing a place based model of practice across all services
- Developing strength and depth in our commercial activity

2.0 OUTCOMES FOR CURRENT PROJECTS

2.1 The table below gives an overview of the current projects including their financial RAG rating. It also outlines the non-financial outcomes and benefits anticipated from each scheme.

Project	Brief description of project	Outcomes and benefits
Total Transport C/R.5.102 GREEN	Scrutinising contract services to ensure the Council delivers the most efficient mainstream school transport services whilst ensuring all eligible pupils receive free transport in line with the Council's policy on journey times.	• More effective and co-ordinated Home to School Transport service • Improved experience for service users
External Funding C/R.5.011 AMBER	Fund the Advertising and Sponsorship Coordinator capacity to develop the council-wide structures and processes to identify and lever in new external funding opportunities.	• Advertising and sponsorship skills within the organisation • CCC initiatives can be financially supported
Support Investment in modernising social care payments C/R.5.002 GREEN	Investing in modern payment mechanisms in social care; including payment cards and establishing a direct debit system	• Provide an efficient and easy to engage with system for service users

Dedicated Social Work & Commissioning capacity Learning Disability (LD) **C/R.5.003** **RED**	Dedicated social work, commissioning and specialist assistive technology capacity to deliver the ongoing programme of service user reassessments, service re-design and provider negotiation work in learning disability services	• Promoting independence through use of technology
Additional capacity to conduct financial assessments in Adults **C/R.5.004** **GREEN**	Additional capacity to ensure that the correct client contribution is being charged in line with updated Care Act guidance.	• Service users will be paying the correct client contribution amount
Investment in upstream MH social work **C/R.5.005** **GREEN**	Investment in additional capacity as part of the integrated care model for people with mental health needs through the Cambridgeshire and Peterborough NHS Foundation Trust.	• Reducing need by ensuring social care support is in place through early intervention, working closely with primary care, adult early help teams and within communities
Housing Review **C/R.5.006** **RED**	To carry out a review of the initiatives funded by Housing Related Support and inform recommendations, ensuring that any impacts of the proposed savings are understood and taken into account. Working with partners to identify innovative solutions to meet our housing needs.	• Meeting accommodation needs for our most vulnerable clients • Working in partnership with District colleagues
Looked After Children (LAC) Placement budget savings **C/R.5.007** **BLUE** (over achieving against expected financial savings)	Funded the campaign to recruit more in house foster carers (launched in September 2018) to reduce the reliance on independent fostering association (IFA) foster carers, a review of high cost placements and fee negotiations with IFA providers.	• Increased the number of in house foster carers to place children with • LAC are placed in the most appropriate placement with the right level of care and support.
Learning Services Review **C/R.5.008** **GREEN**	Investment in dedicated specialist skills required to support the Director of Learning in reviewing the current model, facilitating delivery of a new approach and the establishment of new partnerships across the education	
Case reviews of specialist transport provisions **C/R.5.009** **GREEN**	Provide additional capacity within the Social, Education Transport Team to review LAC Transport processes and provision	

Social Work capacity to review out of area placements **C/R.5.013** **GREEN**	To enable people with learning disabilities who have been placed out of county to move closer to their family by identifying an alternative placement which is closer to home	• People with learning disabilities who it is appropriate to move back into county will be closer to their existing support networks which is associated with better outcomes. • Parents /carers will no longer need to travel significant distances to visit service users.
Library Service **C/R.5.010** **GREEN**	To provide time limited business development capacity. Investment to also include budget for marketing, minor building works, and investments in new technology solutions	• Maximising the impact of libraries to communities • Generating new income streams

3.0 FINANCIAL OUTCOMES

3.1 The table below summarises the overall financial performance of the current Transformation Fund projects as at the end of the fourth quarter (Q4) of the 2018/19 financial year.

RAG (Red, Amber Green) Rating	No of current Schemes	Total Investment to Q4 (£000)	Total Investment Committed for the project (£000)	Savings / income for the project to Q4 (£000)	Forecast savings / income up to end of 2018/19 for the project (£000)	Budgeted future years savings for projects (as per 2018/19 Business Plan, (£000)
Blue	1	92	705	-2,318	-2,318	0
Green	8	498	1,334	-3,254	-3,254	0
Amber	1	4	40	-150	-150	0
Red	2	786	1.036	-2,843	-2,843	-3,730
Total	**12**	**1,446**	**3,231**	**-8,565**	**-8,565**	**-3,730**

3.2 The tables below show the details of the schemes which are rated as RED at the end of Q4 2018/19.

PROJECT: Dedicated social work and commissioning capacity - Learning Disability			**RED**
Investment to date	**Total project Investment Committed**	**Savings to date**	**Total scheme savings anticipated**
£786,000	£1,864,000	-£2,018,000 -800,000	-£3,100,000
This project is rated as RED, however, additional savings were made by utilising some of the resource funded by the Transformation Fund to carry out a programme of work to scrutinise requests for annual uplifts for care packages, this has made additional savings of c£800k. With the addition of this amount, the overall saving that the investment has produced would no longer be rated as red.			

PROJECT: Housing Review			**RED**
Investment to date	**Total project Investment Committed**	**Savings to date**	**Total scheme savings anticipated**
£0	£250,000	-£100,000	-£1,000,000
This project remains rated as RED as there has been no change since the end of Q3. No investment has been drawn down for this project yet, therefore, the status is due to phasing as expected savings are delayed.			

4.0 SUMMARY OF 2018/19 FINANCIAL YEAR ACTIVITY

4.1 The table below summarise the overall investment amount savings for all projects within the 2019/20 financial year

Total number of Schemes during 2018/19	Investment to Q4 (£000)	Savings / income for the project to Q4 (£000)	Return on investment
16	**1,632**	**-7,223**	**-6,600**

4.2 Overall, there have been 20 additional temporary staff employed for these 16 projects. All of these were to provide dedicated capacity and skills to accelerate the savings.

4.3 The redundancies figures over the last 3 years are:

2016 – 2017	133
2017 – 2018	76
2018 – 2019	113

5.0 ALIGNMENT WITH CORPORATE PRIORITIES

5.1 A good quality of life for everyone

The individual Transformation Fund bids identify where the specific project supports this outcome.

5.2 Thriving places for people to live

There are no significant implications for this priority.

5.3 The best start for Cambridgeshire’s children

The individual Transformation Fund bids identify where the specific project supports this outcome.

6.0 SIGNIFICANT IMPLICATIONS

6.1 Resource Implications

The resource implications are captured on the savings tracker showing expenditure from the transformation fund and the actual and anticipated return on investment.

6.1.1 Transformation team resource as at 31st March 2019 = 35.19 FTEs

6.2 Procurement/Contractual/Council Contract Procedure Rules Implications

No significant implications – in some instances the procurement process has taken longer than anticipated creating some delay in the expenditure and impact of the transformation investments – these are described within the commentary for each project.

6.3 Statutory, Legal and Risk Implications

There are no significant impacts for this category.

6.4 Equality and Diversity Implications

There are no significant implications within this category from this report – individual community impact assessments were completed for all projects as part of the original business case.

6.5 Engagement and Communications Implications

There are no significant impacts for this category.

6.6 Localism and Local Member Involvement

There are no significant impacts for this category.

6.7 Public Health Implications

There are no significant impacts for this category.

Implications	**Officer Clearance**
Have the resource implications been cleared by Finance?	Yes – Chris Malyon and Tom Kelly
Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?	N/A
Has the impact on statutory, legal and risk implications been cleared by LGSS Law?	N/A
Have the equality and diversity implications been cleared by your Service Contact?	N/A
Have any engagement and communication implications been cleared by Communications?	N/A
Have any localism and Local Member involvement issues been cleared by your Service Contact?	N/A
Have any Public Health implications been cleared by Public Health	N/A

<u>SOURCE DOCUMENTS GUIDANCE</u>

Source Documents	**Location**
None	

Agenda Item No: 8

INTERNAL AUDIT REPORT – ELY BYPASS PROJECT

To:	**Audit & Accounts Committee**
Meeting Date:	**29th July 2019**
From:	**LGSS Chief Internal Auditor**
Purpose:	**Audit & Accounts committee is requested to consider the attached report on the Ely Bypass Project.**
Recommendation:	**Audit & Accounts Committee is requested to note the report and approve it's referral to the Economy and Environment Committee.**

	Officer contact:
Name:	**Duncan Wilkinson**
Post:	Chief Internal Auditor
Email:	Duncan.Wilkinson@cambridgeshire.gov.uk
Tel:	01908 252089

1. BACKGROUND

1.1 Internal Audit has completed a review of the Ely Bypass project, as agreed at the Audit and Accounts Committee, following a request from the Economy & Environment Committee which asked Internal Audit to review the cost increases in the contract and provide a 'lessons learned' report. Given the size of the Ely Bypass project and the scale of the additional payments above the original project specification, this became the focus of Internal Audit's Capital Variations and Overspends review, included in the 2018/19 plan. The aim of this review was to identify any changes or improvements which could be made to project governance arrangements, risk and issue management, and other project management considerations.

2. MAIN ISSUES

2.1 Internal Audit has given a *limited* assurance over the Control Environment in place, and a *satisfactory* assurance on Compliance. Internal Audit has concluded that despite the additional payments on the project, there is evidence that throughout the course of the project, there was an effective third party process of review and scrutiny of costs and performance which was undertaken to ensure that the Council was getting Value for Money on the delivery of the scheme. However, due to the desire of key stakeholders to get the project completed in the shortest timescales possible, and the consequent design of the Contract, insufficient time was given to the project planning stage which, when combined with the type of Contract used during construction, meant that the true costs of the project were not available to officers nor Members until the project was near completion.

2.2 The report summarises the project by explaining the governance processes at four key stages in the projects life cycle: Procurement; Stage 1 – Developed Design; Stage 2 – Technical Design and Build; and Monitoring. Within these key areas, there were two main areas of weakness which were identified during the course of the audit: Timescales and the (resultant) use of New Engineering Contract (NEC) Option D within a design and build contract. The main area of positive assurance came from the third party monitoring undertaken to scrutinise the Contractor's costs and quality outputs throughout the construction of the project. The recommendations from this review have been fully accepted by the former Executive Director, Place and Economy, although target dates have yet to be confirmed. The agreed recommendations from the report are as follows:

- **Recommendation 1**

  Consideration should be given to whether the Constitution should be adapted to incorporate limits to delegating authority away from Committees, particularly when there are significant financial implications. In instances where officers are given delegated authority to make significant decisions outside of their ordinary powers as stated in the Scheme of Delegation, even in consultation with some Members, then reports should be provided to relevant Members or Committee which outline the decision that was taken, particularly in high-risk areas or projects.

- **Recommendation 2**

  Future projects should follow a procurement and design stage which takes full account of advice from key officers, the procurement team, any external consultants and suppliers. This should include a provision for extending certain phases of projects; such as the design stage. The relevant Committee on any project should be made aware of any risks associated with the procurement/design process being recommended to them, including any impact this might have on the final costs of the Project.

- **Recommendation 3**

  In instances such as the Ely Bypass project, with numerous spend increases compared the original budgeted and contracted amounts, regular updates should be taken to the relevant Committee. These updates should include the current price and the most up-to-date target/expected final price, along with a detailed project risk register, which should give an overview of the key areas where further price increases may occur, as well as the likelihood of these price increases.

- **Recommendation 4**

  The Project Board should insist on the most up-to-date figures on cost at all times, even if the final expected figure is not known. Further, rather than being left to individual officers to decide when the Committee is informed on the progress being made on the project or on any price increases, this decision should have been made by the Project Board, who should dictate when any risks on the project, including any overspends, are presented to Committee.

- **Recommendation 5**

  Directors should manage, or if necessary escalate, situations where there is pressure to pursue actions that do not follow normal governance rules. It is recommended that a simple procedure is put in place for instances requiring escalation through a short report to the next available Joint Management Team. Regarding this recommendation, the Internal Audit team will always be available to support officers with emailed advice on procedures should there be a need.

- **Recommendation 6**

  Rather than waiting for the Project Board meetings for Members of the Board to be told about the Contract, the Project Board should be provided with the Dashboards every month, in order to allow any concerns which the dashboards may raise to be discussed as early as possible Future projects should follow a procurement and design stage which is in line with advice from key officers, the procurement team and any external consultants.

3. ALIGNMENT WITH CORPORATE PRIORITIES

3.1 A good quality of life for everyone

There are no significant implications for this priority.

3.2 Thriving places for people to live

There are no significant implications for this priority.

3.3 The best start for Cambridgeshire's children

There are no significant implications for this priority.

4. SIGNIFICANT IMPLICATIONS

As this report is not proposing any action by committee and is, instead, informing Committee on the emerging actions from the Internal Audit review, there are no significant implications of this report.

Source Documents	Location
Internal Audit Report – Ely Bypass	Octagon Floor 1, Shire Hall, Cambridge

APPENDIX 1

Internal Audit Report

Ely Bypass

Governance Opinion

Adequacy of System	Limited
Compliance	Satisfactory
Organisational Impact	Minor

Report Issued	11th July 2019
Follow Up Due	N/A
Audit Committee Schedule	29th July 2019

Executive Summary

1 Background and Context

1.1 As part of the 2018/19 Audit Plan, an audit was included on Capital Variations and Overspends, in line with the materiality of capital projects, with the Council investing £185,816,000 in 2017-18.

1.2 The Economy and Environment Committee asked Internal Audit to review Ely Bypass as part of this review in order to understand the cost increases in the contract and to develop a 'lessons learned' report. Given the size of the Ely Bypass project and the scale of the additional payments above the original project specification, this has been the focus of this review.

1.3 The Ely Crossing scheme was one which the Council had been promoting for a number of years before the current process began but was unfortunately unable to move forward with it as funding was not available.

1.4 The former Executive Director, Place and Economy has advised that;

> *"Once the current phase of work began, there was a clear stakeholder imperative to get the scheme delivered as quickly as possible and this need was heightened by other delays, outside of the Council's control that occurred in the process, for example the protracted discussions with English Heritage and the potential for a Secretary of State call in. Therefore, once the procurement commenced, the will of the Project Board was very much to move the scheme on as quickly as possible and the analysis and recommendation in this report need to be seen in that context".*

1.5 To assist with the ease of reading the report and to set the context, Appendix 7 to this report gives a detailed background and life cycle of the project.

2 Audit Approach / Scope

2.1 The Control Objective of this audit was to review the variations or overspends and evaluate the root causes of the variations/overspends, taking a 'lessons learned' approach. The audit aim was to identify any changes or improvements that could be made to project governance arrangements, risk and issue management, and other project management considerations.

2.2 The Project was tested across the following areas:

- Reviewing the original Business Case and approved budget for the scheme.

- Reviewing project governance arrangements.
- Reviewing scheme variations/overspends, including:

  - Evaluating change control processes for key scheme variations;
  - Documenting the timeline of key decisions;
  - Documenting causes for cost variations.

3 Key Risks

3.1 This audit links to the following risks in the Corporate Risk Register:

- The Business Plan is not delivered
- The infrastructure and services required to meet the current and future needs of a population is not provided at the right time

4 Summary of Key Contract Stages and conclusions.

Based on the completion of our fieldwork we are giving a *limited* assurance over the Control Environment, and a *satisfactory* assurance on Compliance. Despite the additional payments on the project, there is evidence that throughout the course of the project, there was an effective third party process of review and scrutiny of costs and performance which was undertaken to ensure that the Council was getting Value for Money on the delivery of the scheme. However, due to the desire of key stakeholders to get the project completed in the shortest timescales possible, and the consequent design of the Contract, insufficient time was given to the project planning stage which, when combined with the type of Contract used during construction, meant that the true costs of the project were not available to officers nor Members until the project was near completion.

4.1 Key Contract Stage: Procurement

The procurement of the Contract was undertaken on the basis of the Contract being an Early Contractor Involvement Design and Build Contract. In order for the Contractors to give an accurate tender submission which reflects the likely costs and minimises the risk of cost increases, the LGSS Procurement Team advised that tenders on this sort of contract usually go beyond the legal requirements and those set out in ordinary guidance documents such as the Council’s Contract Procedure Rules. For example, a longer tender period or more detailed information being provided at the Pre-Qualification Questionnaire would allow for bidders to better understand the project and therefore to give a more accurate cost figure.

The Pre-Quality Questionnaire was issued in January 2016. 11 responses were received by the Council which were then evaluated, with the top 6 contractors then being invited to tender. The Invitation to Tender was issued in April 2016 and the tender was open for 8 weeks, only slightly longer than the 35 day minimum allowed within the Council's Contract Procedure Rules. A Procurement Strategy was submitted to the Project Board in September 2015 which summarised advice from Consultant's, LGSS Procurement and Contractor's Comments. The Consultants advised that a 9 week tender process followed by a six month design period would give the highest degree of cost certainty. The summary of this report confirmed that a 5 week tender period was insufficient for the detail of the scheme. The Project Board took the decision to have an 8 week tender period, with a 16 week design stage, significantly shorter than the officers' recommendation.

The tenders were evaluated on the pre-agreed ratio of 60% quality and 40% price. Each tender contained a costed risk register and an activity schedule for stages one and two of the contract.

The contract was awarded to Volker Fitzpatrick at the Economy and Environment Committee Meeting on the 14th July 2016, following the report provided to the committee on the results of the tender evaluation. They were judged to be the '*most economically advantageous tender'*, and also proposed a target cost that fell within the budget available for the scheme. Volker Fitzpatrick set their total contractor target price as £24,460,072, with £675,794 allocated for stage 1, and £23,784,278 for stage 2. For context, the cheapest tender bid received was £23,414,496.41, and the most expensive was £37,642,562.90. As part of their tender response they provided a risk register detailing any risks, mitigations and costs they had identified. The allowances for these risks were included in the stage 2 price.

Despite the short timescale of the Tender process for a contract of this size, Internal Audit has concluded that the process undertaken to procure the contractor for the Ely Bypass was in line with the key controls in the Council's Contract Procedure Rules, though LGSS procurement advice was that a longer tender period would have been more effective for a scheme of this scope and value. Full detail of compliance with the Council's Contract Procedure Rules can be found at Appendix 2 of this report.

4.2 Key Contract Stage: Stage 1 – Developed Design

At the commencement of stage one of the Contract, the target cost was in line with the costs detailed in Volker Fitzpatrick's tender bid. Before the contract was let, it was determined that the length of Stage One would be 4 months (16 weeks), in line with the Procurement Strategy document which was compiled by the Team Leader – Highways Projects following discussion at the Project Board. This decision did not go to the Economy and Environment Committee for approval.

At the end of the 16 week Stage One period, the target cost for Stage two had increased to £27,470,909. This represents an increase from the tendered stage two cost of £3,686,631, or a 15.5% increase.

To give context for the increase in costs, the document which recommended that the Contract be moved to Stage 2, Construction, detailed the following information concerning the increases in the price of stage 2 that were identified through stage 1 testing and design:

The development of the target price was "monitored during the design stage". The original outline design undertaken by Skanska/Atkins had, in some areas significantly under assessed the requirements. This is exemplified by the Piling costs on the Viaduct and Rail Bridge where the costs have increased by £1.314m. Structural steelworks costs have also risen significantly with the majority of the increased cost being attributable to the impact of Brexit on imported steel costs. The increased steelwork cost amounts to £1.223m. The major contributors to the increase were Earthworks (+666,097.11), the Railway Bridge (+836,119.41), and the Viaduct (+2,501,960.81).

When the decision was made to let the Contract to Volker Fitzpatrick, the Committee also decided to delegate the decision to commence the second stage of the Contract to the former Executive Director, Place and Economy, in consultation with the Chair and Vice Chair of the Economy and Environment Committee, in order to prevent any delays in progressing the project. This delegation of power is reflected in the report 'Ely Southern Bypass – Stage 2 Contract Award' (attached at Appendix 3), which was compiled by the Team Leader –Highways Projects to the former Executive Director, Place and Economy, which detailed the recommendation to move the contract onto the second stage.

The increase in Stage 2 costs to £27,470,909 took the total costs of the project to £35,999,262, just within the Council's Business Plan budget of £36m. Therefore, whilst the Construction costs were showing an increase at this stage, if nothing else had changed in the target price moving forward, the project would still have been within the allocated budget.

The decision to delegate the power away from the Committee was with the caveat that should the construction target price be significantly higher than the tendered construction price, then the decision to trigger construction was to be referred back to the committee. This caveat, however, had no figure, nor percentage, detailed alongside it to explain how much "*significant*" was deemed to be. Given the increase in costs, it could be argued that this increase should have been taken back to Committee for review. However, the Council's Constitution does not place any monetary limit on Members' decision making powers. Therefore it can be concluded that the appropriate authority was sought and given at this stage of the contract life cycle.

Conclusion 1:
By not specifying exactly what was meant by a "*significant*" change the Economy and Environment Committee effectively delegated full decision making power over to the former Executive Director of Place and Economy, in consultation with the Chair and Vice Chair of the Economy and Environment Committee.

Whilst there is nothing in the Constitution which prohibits this, and in this case, Internal Audit has been advised by the former Executive Director Place and Economy, that the decision was taken in full consultation with the Chair and Vice Chair of the Committee as required, better governance and transparency would have been achieved by referring back to full committee in order to seek approval to progress to Stage Two, not only because the Target Cost now represented a cost 15.5% higher than the original tender, but due to the fact that, even at this stage, it was acknowledged that the actual final cost would be much higher.

Recommendation 1:
Consideration should be given to whether the Constitution should be adapted to incorporate limits to delegating authority away from Committees, particularly when there are significant financial implications.

In instances where officers are given delegated authority to make significant decisions outside of their ordinary powers as stated in the Scheme of Delegation, even in consultation with some Members, then reports should be provided to relevant Members or Committee which outline the decision that was taken, particularly in high-risk areas or projects.

The report presented to the former Executive Director of Place and Economy by the Team Leader – Highways Projects highlighted that *"as in all construction projects, there are likely to be unforeseen issues that can impact on the outturn cost. The current estimate of cost against budget leaves limited contingency to take account of these unforeseen events. It may be worth considering whether a sum for contingencies should be sought through the Business Planning process".* This demonstrates the volatility of the costs being presented for approval at this time, and the high level of risk that the costs may further increase as the project cycle moved forward.

The July 2017 Finance and Performance Report, prepared by the Strategic Finance Manager, details that *"the target price, whilst within budget, would use any contingency or risk allowance. It was highlighted that as a high risk scheme in difficult site conditions, it would be likely that additional funding would be required which could fall into the 10-20% category."* This further demonstrates the uncertainty and potential volatility in the figures that were agreed by the former Executive Director, Place and Economy, and the Chair and Vice Chair of the Economy and Environment

Committee at the end of Stage 1. This could further support an argument that the expected costs were to be much higher than those submitted in the tender costs, and therefore that the approval should have been resubmitted to Committee at this stage, although as already highlighted there was no definition of what constructed a significant change and, the former Executive Director Place and Economy has advised Internal Audit, the underlying requirement from key stakeholders was to move the project on quickly. Internal audit has seen emails to the former Executive Director Place and Economy that supports this view. The July 2017 Finance and Performance report was reviewed by the Committee at the September 2017 meeting, with this being the first reference made to the Committee on the potential additional payments required to deliver the project.

Conclusion 2:
Whilst it may not have been possible for officers and the Project Board to quantify the increase in the expected costs compared to the Contracted amount when moving from Stage 1 to Stage 2, a report should still have been presented to Committee which outlined the reasons for the price increases to date, the likelihood of further increases and the expected size of the increases where possible. This report should have given Committee the option on whether regular update reports on the current costs along with most up to date anticipated increase in total cost were wanted.

4.3 Main Conclusions: Timescales

As reflected in sections 4.1 and 4.2, both the timescales for the procurement and the design stage were extremely short, with 8 weeks given for the submission of tender bids, and with Stage 1 of the Contract being completed in just 16 weeks. In September 2015, a draft document was developed by the Team Leader for Highways Projects, which set out a number of options for the Procurement Strategy. This document is attached at Appendix 6 of this report. The options discussed in this document ranged from simply ensuring compliance with any legal requirements and/or Council policies, to longer periods of procurement/design which ensure that the contractor has a better understanding of the scheme, and can produce more accurate targets at the award stage and at the end of the design stage.

This document was compiled with the help of an independent consultant, WYG, in order to help ensure that the Council ‘learned lessons’ from the Guided Busway Delivery Review. This consultant gave the opinion that best option would be to have a 9 week tender and a 6 month design period.

The document outlines how suggested procurement options were considered at the Project Board, where the board members *“considered the speed of delivery to be of* *primary importance and risk in cost uncertainty was off-set by the benefit of possible early delivery".* As such, members of the Board proposed a shorter tender period of 5 weeks (the minimum allowed within the Contract Procedure Rules), and a detailed design period of 3 months. See Appendix 5 for the Terms of Reference of the Project Board, which includes the membership of the board. This idea was returned to the Consultant for consideration, who reviewed the proposal and stated that if a 5 week tender period was chosen, then they would *"strongly recommend"* the allowance of a 6 month design period in order to have an accurate detailed design to mitigate risks during construction. Further, the LGSS procurement team suggested that for a contract of this scope and value, a tender period of 8-10 weeks would be considered reasonable and expected. The Team Leader – Highways Projects has advised Internal Audit that the 8 week tender period which was agreed was a compromise between the 12-16 week consultant and procurement advice and the Project Board desire for the legal minimum of 5 weeks.

The Project Board meeting minutes from 13th August 2015 show that the Section 151 officer was "content" with the approach put forward by the Project Board, "provided Councillors recognised the associated risks". There is no evidence that this document was fully developed or submitted to the Economy and Environment Committee, or that Members were made aware of the financial risks associated with the proposed timescales.

The final tender included a Stage 1 timescale of 16 weeks, to include review, negotiation and agreement of the proposed target cost, and as such, when the contract was moved into the Construction phase, much of the costing was based on limited design information and therefore still largely unknown by both the Contractor and the Council.

A longer procurement period and/or Stage 1 may have allowed the contractor more opportunity to fully understand the risks associated with design and construction, particularly poor ground conditions, the complex structural elements of the river and rail bridges, along with statutory undertakers and Network Rail requirements. Whilst the Contractor did raise the issue that it was expected that all of the contingency would be used to deliver the project, no certain figures could be reasonably determined at this point.

Conclusion 3:
Professional advice and recommendations expressing concern about short timescales were presented to the Project Board, however the subsequent decision made by the Project Board focussed on the speed of completion of the Project, rather than the advice given. Following professional advice would have allowed for a detailed plan and design for the project to be developed, and therefore may have given the Council and all relevant stakeholders a more accurate target cost at the beginning of the project. There is also little evidence that the Economy and Environment Committee were made aware of the Risks associated with the procurement and design processes being followed.

Recommendation 2:
Future projects should follow a procurement and design stage which takes full account of advice from key officers, the procurement team, any external consultants and suppliers. This should include a provision for extending certain phases of projects; such as the design stage.
The relevant Committee on any project should be made aware of any risks associated with the procurement/design process being recommended to them, including any impact this might have on the final costs of the Project.

4.4 Key Contract Stage: Stage 2 – Technical Design and Build

As construction progressed on the project, many issues have arisen which caused both an increase in cost and an extended completion date. These issues mainly relate to a combination of the structural design and the site’s ground conditions. Additional materials have been needed in order to provide sufficient structural support. For example the v-piers for the river viaduct have required larger quantities of steel and concrete to ensure structural integrity. Another significant issue was the diversion of a 33kv power supply under the railway line. This diversion was delayed by 3 months due to lack of communication from UKPN (UK Power Network), and was finally completed in August 2017. This delay has caused an increase in cost of £1.6m. This was first reported to the E&E Committee in the May 2017 Finance and Performance Report.

The Project Manager and Team Leader were aware of cost increases and further risks to the project in Spring 2017 and have advised Internal Audit that these issues were reported to the Head of service and Service Director who decided not to request extra funding until the total additional payment could be fully quantified. Although the Service Director has now left the organisation, the former Executive Director Place and Economy has advised internal audit the he was aware of this decision and that this was taken after informal discussions with key stakeholders. As detailed in Section 4 of this report, the Project Board was made aware of the increase to target cost in the September 2017 meeting but were not given any figures as, at this point, there was still a level of uncertainty of what the final figure would be. The Project Board was given details of the additional funding required at their November 2017 meeting, where the estimated final cost of the scheme was stated at £37,294,166, taking the full cost of the project to £46,924,743. The information presented to the Project Board at this meeting is attached at Appendix 4 of this report. It wasn't until the 12th April 2018 Economy and Environment Committee Meeting, following further cost reviews to establish a more robust forecast outturn, that the figures were discussed with the Committee and an extra £13m was requested.

Recommendation 3:
In instances such as the Ely Bypass project, with numerous spend increases compared the original budgeted and contracted amounts, regular updates should be taken to the relevant Committee. This would both keep the Committee fully informed and ensure that it remains comfortable with any delegations given. These updates should include the current price and the most up-to-date target/expected final price, along with a detailed project risk register, which should give an overview of the key areas where further price increases may occur, as well as the likelihood of these price increases.

Recommendation 4:
The Project Board should insist on the most up-to-date figures on cost at all times, even if the final expected figure is not known, and these should then be reported on to Committee. This should be accompanied by a risk assessment that specifically considers, and wherever possible quantifies, known issues that may impact either positively or negatively on the final cost position. Further, rather than being left to individual officers to decide when the Committee is informed on the progress being made on the project or on any price increases, this decision should be challenged and commented on by the Project Board, who should have a view on when any risks on the project, including any overspends, are presented to Committee. In addition, to support officers further, see recommendation 5 below.

Recommendation 5
Directors should manage, or if necessary escalate, situations where there is pressure to pursue actions that do not follow normal governance rules. It is recommended that a simple procedure is put in place for instances requiring escalation through a short report to the next available Joint Management Team.

4.5 Main Conclusions: NEC Option D within a Design and Build Contract

Under the NEC Terms, Option D is a Target cost with Bill of Quantities. The Bill of Quantities was determined by the Contractor during Stage 1 and provides project specific measured quantities of the items of work identified by the completed design and specification. As is addressed above, having a shortened procurement period and Stage 1 meant that the full design was not fully determined at the end of Stage 1, and so the Bill of Quantities which set out the new cost of completing Stage 2, £27.5 million, was unlikely to be accurate nor reflect the end cost of completion of the project. This was reflected in the report to the Executive Director Place and Economy, prior to the commencement of Stage 2, and in the July 2017 Finance and Performance Report which was submitted to the Economy and Environment Committee in September 2017.

Under Option D, the Bill of Quantities forms the target cost for completion of the project, with payments then made to the Contractor based on actual costs and then a pain/gain adjustment made for variance from the target cost. The issue that arises from Option D is that, should the bill of quantity change i.e. should more materials/labour be required than in the initial bill of quantities, the target cost is simply increased, meaning that the Council pays for the increase without any financial burden being placed on the contractor. Option D places the risk of the specification/design change on the Council.

The implications of using Option D on the Ely Bypass does not mean that the Contract was being managed inefficiently and that inefficiency increased the costs, but rather that the actual costs were likely to fluctuate throughout the construction phase of the contract. There is evidence that key stakeholders were made aware that costs were increasing, but the decision was taken by officers not to go back to Committee for approval of more funding until there was greater certainty of the value of the increase in costs. This is reflected in the fact that the Committee authorised the commencement of the Contract in 14th July 2016, and did not receive a formal report requesting extra funding until 12th April 2018.

Option D is appropriate when asking contractors to begin construction work following an incomplete design stage as this style of contract transfers the risk of specification changes to the Council. If this option is not used then the Contractor would want fully completed testing and designs in order to calculate more accurately the full costs associated with the scheme, before beginning work on the construction stage of the project. As reflected in the above section the decided timescales did not allow for this and the Executive Director Place and Economy has confirmed to Internal Audit that these challenging timescales determined that Option D was to be the best viable option to get contractors to bid for the Contract. However, as mentioned above, one risk of using Option D is that any price increases linked to the evolving design would be covered by the Council. This was a significant risk in this particular contract and the design did evolved during the early stages of the contract, after tenders were received, e.g. at the construction stage. A combination of these two factors contributed to a more volatile and complex cost forecasting environment that in turn reduced the Council's, and particularly Members, oversight of cost. See **Recommendation 4** for how the project could have ensured a greater level of Member oversight of Costs.

Conclusion 4:
Whilst neither the 16 week stage one nor the decision to use Option D necessarily led to any overspends on the project, what both these factors determined was that the full costs of the project were not known to the Council until the project was nearer to completion. However, it remains important that, notwithstanding this cost volatility, the appropriate committee is kept fully informed, in a timely way, of significant cost projection variations and associated risks that will potentially impact on the final cost. This did not happen.

4.6 Key Contract Stage: Monitoring

Formal roles required by NEC forms of contract were undertaken by a third party, WYG, throughout Stage 2 of the Contract. These roles include, the monitoring of cost, quality and programme. The project manager has advised Internal Audit that this was because the Council does not have sufficient resource of the necessary skills required to have undertaken effective contract management.

These involved validating the actual costs and scrutinising the performance levels submitted by Volker Fitzpatrick. This review work undertaken and discussed with the County Council staff based largely on the site and was formally fed back to the Council in the form of a monthly Dashboard which was given to the Project Manager, Team Leader, Head of Service and Service Director. These monthly summaries provided updates across a number of different areas including:

- An executive summary detailing the progress made since the last report;
- Key issues/Risks in a RAG style format;
- Overview of costs including the Contract price, the current cost, the cost in the previous report and any variances;
- A summary of cost changes;
- Key client decisions for the next period;
- Information on any quality issues;
- A detailed current assessment of the Final Total of the Prices.

The assessment of the Final Total of the Prices includes in it a detailed overview of the work undertaken by WYG to validate the actual costs incurred by Volker Fitzpatrick on the Contract.

What this demonstrates is that, although not directly responsible for the monitoring of the Contract, key officers were kept informed of the progress being made in key areas against the Contract.

Conclusion 6:
The WYG dashboards provided to Internal Audit throughout the course of this audit evidenced that there was an appropriate and informative high-level overview of the costs and performance of the Contractor.

Recommendation 6:
Rather than waiting for the Project Board meetings for Members of the board to be told about the Contract, the Project Board should be provided with the Dashboards every month, in order to allow any concerns which the dashboards may raise to be discussed as early as possible.

4.7 Main Conclusions: Third Party Monitoring

The third party contract monitoring which took place throughout the process, which is continuing to completion, gives the Council an assurance that the costs incurred, whilst significantly over the original budget set, represent the actual costs incurred in the delivery of the Contract. This is an important point to note and is an important assurance for stakeholders.

In order to confirm that the costs charged by Volker Fitzpatrick to the Council were based on actual, verified costs throughout the contract, and that the appropriate performance levels were being met, the Council employed WYG to monitor both the Contract on both cost and quality. An NEC project manager administers the contract, a site supervisor checks the quality of the project and reports to the project manager, and a cost consultant verifies actual costs before CCC make a payment.

Internal Audit has undertaken compliance testing of the work carried out by WYG and are satisfied that the work undertaken is in line with best practice and is effective in scrutinising actual costs. It should be noted that substantive work has not been undertaken by internal audit.

Internal Audit also attended one of WYG’s spot checks at the Volker Fitzpatrick offices, in order to better understand the work undertaken by WYG to verify costs, and from this is further satisfied that process of cost-verification sufficiently reconciles back to prime records.

Internal Audit has asked that WYG seek positive assurance from Volker Fitzpatrick that they have not received any retrospective rebates from the work undertaken, and a statement has been requested from Volker Fitzpatrick to reflect this. This should be followed up.

An example of the positive scrutiny undertaken by WYG is reflected in the fact that, through a process of challenge and review, WYG has reduced the amount paid for Compensation Events on the project from £5,374,067.67 to £3,183,381.30, a reduction of £2,190,686.30 from the original claim made by the Contractor. This shows the benefit of an open book style of contract management, when actual costs are verified to prime records.

Detailed agreed actions are listed within the Management Action Plan (MAP) at pages 15 to 17 of this report.

MANAGEMENT ACTION PLAN

The Agreed Actions are categorised on the following basis:

Likelihood			
H	S	I	E
M	S	I	E
L	🟩	S	I
	L	M	H

Impact

Essential - Action is imperative to ensure that the objectives for the area under review are met.
Important - Requires action to avoid exposure to significant risks in achieving objectives for the area under review.
Standard - Action recommended to enhance control or improve operational efficiency.

Ref.	**Issues & Risks (Precis)**	**Agreed Action**	**Management Comments**	**Manager Responsible & *Target Date***
1.	**Delegation of powers away from Committee/Members** By not specifying exactly what was meant by a "*significant*" change the Economy and Environment Committee effectively delegated full decision making power over to the Executive Director of Place and Economy, in consultation with the Chair and Vice Chair of the Economy and Environment Committee. Whilst there is nothing in the Constitution which prohibits this, and in this case, Internal Audit has been advised by the Executive Director Place and Economy, that the decision was taken in full consultation with the Chair and Vice Chair of the Committee as required, better governance and transparency would have been achieved by referring back to full committee in order to seek approval to progress to Stage Two, not only because the Target Cost now represented a cost 15.5% higher than the original tender, but due to the fact that, even at this stage, it was acknowledged that the actual final cost would be much higher.	**Important** **Recommendation 1:** Consideration should be given to whether the Constitution should be adapted to incorporate limits to delegating authority away from Committees, particularly when there are significant financial implications. In instances where officers are given delegated authority to make significant decisions outside of their ordinary powers as stated in the Scheme of Delegation, even in consultation with some Members, then reports should be provided to relevant Members or Committee which outline the decision that was taken, particularly in high-risk areas or projects.	This is fully accepted and will be helpful to give Committee and officers a clear scope of delegation and required actions. This is currently being discussed corporately and will result in a paper with recommendations to Constitution and Ethics Committee and subject to views there, an amendment to the constitution at Full Council. Therefore the agreed action has commenced.	*Monitoring Officer* *December 2019*

Ref.	Issues & Risks (Precis)	Agreed Action	Management Comments	Manager Responsible & ***Target Date***
2.	**Professional advice was not followed** Professional advice and recommendations expressing concern about short timescales were presented to the Project Board, however the subsequent decision made by the Project Board focussed on the speed of completion of the Project, rather than the advice given. Following professional advice would have allowed for a detailed plan and design for the project to be developed, and therefore may have given the Council and all relevant stakeholders a more accurate target cost at the beginning of the project. There is also little evidence that the Economy and Environment Committee were made aware of the Risks associated with the procurement and design processes being followed.	**Important** **Recommendation 2:** Future projects should follow a procurement and design stage which is in line with advice from key officers, the procurement team, any external consultants and suppliers. This should include a provision for extending certain phases of projects; such as the design stage. The relevant Committee on any project should be made aware of any risks associated with the procurement/design process being recommended to them, including any impact this might have on the final costs of the Project.	This is fully accepted and links closely to Recommendation 1 and 2 where a clear reporting process will be agreed with Committee at project inception. It is proposed that Transformation Team will be commissioned to develop a process to address these issues and the applicability of this to projects across the Council will be considered	*Service Director Highways and Transportation & Executive Director Place and Economy* *Immediate*

Ref.	Issues & Risks (Precis)	Agreed Action	Management Comments	Manager Responsible & *Target Date*
3.	**Oversight of Cost Changes** The Project Manager and Team Leader were aware of cost increases and further risks to the project in Spring 2017 and have advised Internal Audit that these issues were reported to the Head of service and Service Director who decided not to request extra funding until the total additional payment could be fully quantified. Although the Service Director has now left the organisation, the Executive Director Place and Economy has advised internal audit the he was aware of this decision and that this was taken after informal discussions with key stakeholders. As detailed in Section 4 of this report, the Project Board was made aware of the increase to target cost in the September 2017 meeting but were not given any figures as, at this point, there was still a level of uncertainty of what the final figure would be. The Project Board was given details of the additional funding required at their November 2017 meeting, where the estimated final cost of the scheme was stated at £37,294,166, taking the full cost of the project to £46,924,743. The information presented to the Project Board at this meeting is attached at Appendix 4 of this report. It wasn't until the 12th April 2018 Economy and Environment Committee Meeting, following further cost reviews to establish a more robust forecast outturn, that the figures were discussed with the Committee and an extra £13m was requested.	**Important** **Recommendation 3:** In instances such as the Ely Bypass project, with numerous spend increases compared the original budgeted and contracted amounts, regular updates should be taken to the relevant Committee. This would both keep the Committee fully informed and ensure that it remains comfortable with any delegations given. These updates should include the current price and the most up-to-date target/expected final price, along with a detailed project risk register, which should give an overview of the key areas where further price increases may occur, as well as the likelihood of these price increases. **Recommendation 4:** The Project Board should insist on the most up-to-date figures on cost at all times, even if the final expected figure is not known, and these should then be reported on to Committee. This should be accompanied by a risk assessment that specifically considers, and wherever possible quantifies, known issues that may impact either positively or negatively on the final cost position. Further, rather than being left to individual officers to decide when the Committee is informed on the progress being made on the project or on any price increases, this decision should be challenged and commented on by the Project Board, who should have a view on when any risks on the project, including any overspends, are presented to Committee. In addition, to support officers further, see recommendation 5 below.	This is fully accepted and it is proposed for future projects, a reporting process and cycle is agreed by Committee and officers ensure that is adhered to. Future projects will include this. It is proposed that Transformation Team will be commissioned to develop a process to address these issues and the applicability of this to projects across the Council will be considered. This is fully accepted and it is proposed that this form part of the reporting process to be agreed by Committee referenced in the management comments to Recommendation 2 above.	*Executive Director Place and Economy* *Immediate* *Service Director Highways and Transportation & Executive Director Place and Economy* *Immediate*

Ref.	Issues & Risks (Precis)	Agreed Action	Management Comments	Manager Responsible & *Target Date*
		Recommendation 5 Directors should manage, or if necessary escalate, situations where there is pressure to pursue actions that do not follow normal governance rules. It is recommended that a simple procedure is put in place for instances requiring escalation through a short report to the next available Joint Management Team.	To be discussed and action considered by JMT.	*Service Director Highways and Transportation & Executive Director Place and Economy* *Immediate*
4.	**Third Party Monitoring not appropriately communicated to Project Board** The WYG dashboards provided to Internal Audit throughout the course of this audit provided an appropriate and informative high-level overview of the costs and performance of the Contractor. There is no evidence, however, that these updates were provided to all members of the Project Board.	**Important** **Recommendation 6:** Rather than waiting for the Project Board meetings for Members of the board to be told about the Contract, the Project Board should be provided with the Dashboards every month, in order to allow any concerns which the dashboards may raise to be discussed as early as possible	This is fully accepted. All Project Boards will receive regular information in the form of Dashboards as proposed.	*Service Director Highways and Transportation & Executive Director Place and Economy* *Immediate*

Appendix 1 – Glossary / Definitions

There are three elements to consider when determining an assurance opinion as set out below.

1 Control Environment / System Assurance

The adequacy of the control environment / system is perhaps the most important as this establishes the key controls and frequently systems ‘police/ enforce’ good control operated by individuals.

Assessed Level	Definitions
Substantial	Substantial governance measures are in place that give confidence the control environment operates effectively.
Good	Governance measures are in place with only minor control weaknesses that present low risk to the control environment.
Satisfactory	Systems operate to a moderate level with some control weaknesses that present a medium risk to the control environment.
Limited	There are significant control weaknesses that present a high risk to the control environment.
No Assurance	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.

2 Compliance Assurance

Strong systems of control should enforce compliance whilst ensuring ‘ease of use’. Strong systems can be abused / bypassed and therefore testing ascertains the extent to which the controls are being complied with in practice. Operational reality within testing accepts a level of variation from agreed controls where circumstances require.

Assessed Level	Definitions
Substantial	Testing has identified that the control environment has operated as intended without exception.
Good	Testing has identified good compliance. Although some errors have been detected these were exceptional and acceptable.
Satisfactory	The control environment has mainly operated as intended although errors have been detected that should have been prevented / mitigated.
Limited	The control environment has not operated as intended. Significant errors have been detected and/or compliance levels unacceptable.
No Assurance	The control environment has fundamentally broken down and is open to significant error or abuse. The system of control is essentially absent.

3 Organisational Impact

The overall organisational impact of the findings of the audit will be reported as major, moderate or minor. All reports with major organisational impact will be reported to SMT along with the relevant Directorate's agreed action plan.

Organisational Impact	
Level	Definitions
Major	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.
Moderate	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole.
Minor	The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.

4 Findings prioritisation key

When assessing findings, reference is made to the Risk Management matrix which scores the impact and likelihood of identified risks arising from the control weakness found, as set out in the MAP.

For ease of reference, we have used a high/medium/low system to prioritise our recommendations, as follows:

E	**Essential** Failure to address the weakness has a high probability of leading to the occurrence or recurrence of an identified high-risk event that would have a serious impact on the achievement of service or organisational objectives, or may lead to significant financial/ reputational loss. The improvement is critical to the system of internal control and action should be implemented as quickly as possible.	**I**	**Important** Failure to respond to the finding may lead to the occurrence or recurrence of an identified risk event that would have a significant impact on achievement of service or organisational objectives, or may lead to material financial/ reputational loss. The improvement will have a significant effect on the system of internal control and action should be prioritised appropriately.	**S**	**Standard** The finding is important to maintain good control, provide better value for money or improve efficiency. Failure to take action may diminish the ability to achieve service objectives effectively and efficiently. Management should implement promptly or formally agree to accept the risks.

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Date:	17th July 2019
Chief Internal Auditor:	Duncan Wilkinson
Lead Auditor:	Ellie Clarke
Status of report:	Final

Appendix 2: Overview of Compliance with Contract Procedure Rules on Ely Bypass Project

Contract Procedure Rules Control	Reference	Comments	Comply – Yes/No
Minimum of 5 bidders	Part 3, 2.1	11 received	Yes
Exemption if <5 bidders	Part 3, 2.2	11 received	Yes
At least 35 days should be allowed for submission of tender	Part 3, 2.3	Open for 56 days	Yes
The Officer must assess the quality of Tenders by pre-determined non-discriminatory evaluation Criteria and weightings- including whole life cycle	Part 3, 2.5	Quaility-60% Price-40% Award marks based on the tender score criteria in the ITT	Yes
The Officer must assess the risks associated with the Contract	Part 3, 2.6	Each Tender submission contained a costed Risk Register	Yes
Bidders must hold their Tenders open for acceptance for a minimum of 90 days from the date of opening	Part 3, 2.11	Stage 1 tender to remained open for 120 days, Stage 2 stayed open for 240 days	Yes
Evaluation Criteria and sub Criteria must be disclosed in the Invitation to Tender documentation and any prequalification documentation.	Part 3, 2.12	ITT section 2, 11.4 detailed the process of evaluation of tenders with score criteria for quality and finance PQQ guidance document detailed evaluation scoring criteria.	Yes
Officers must treat selection and award criteria separately.	Part 3, 3.1	PQQ were evaluated for financial and safety suitability, along with capacity and relevant experience. The 6 highest scorers were Invited to Tender.	Yes
In a restricted tender procedure the selection criteria would be at PQQ stage	Part 3, 3.2	PQQ was issued and 6 of 11 bidders were selected to be invited to tender.	Yes
Careful consideration should be given to the use of presentations and/or site visits within the Tender process	Part 3, 4.1	Supplier meetings held during the tender process were to be attended by all potential providers (max 2 representatives each)	Yes
Tenders must be assessed in accordance	Part 3, 8.1	Tender score criteria outlined in ITT.	Yes

with the pre-determined evaluation criteria			
The results of the Tender evaluation must be recorded and retained on the Tender file	Part 3, 8.2 of Contract Procedure Rules	Results of Tender evaluation recorded and retained in 'WYG financial Report Version 2' file	Yes
The evaluation process must clearly demonstrate that the Council is seeking to identify the value for money Tender	Part 3, 8.3 of Contract Procedure Rules	The ITT details that 'the Authority will ONLY accept the tender which it considers to be the most economically advantageous. VF had the highest Tender score and were deemed the most economically advantageous tender.	Yes
A Contract must only be awarded and signed by an Officer authorised to do so	Part 3, 11.3 of Contract Procedure Rules	Approval to award contract from Economy and Environment Committee	Yes
For Tenders above the EU Thresholds all Bidders must be notified in writing of the award	Part 3, 11.4 of Contract Procedure Rules	All potential providers were notified via the LGSS eSourcing Portal	Yes

APPENDIX 3

ELY SOUTHERN BYPASS- STAGE 2 CONTRACT AWARD

To: Executive Director, ETE.

From: Brian Stinton

1 Purpose

1.1 To seek approval from the Executive Director (Economy Transport and Environment), in consultation with the Chair and Vice Chair of the Economy Transport and Environment Committee, to award Stage 2 of the contract for the Design and Construction of Ely Southern Bypass.

2 Background

2.1 At its meeting on 14th July 2017 the Economy, Transport and Environment Committee approved the award of Stage 1 of the Design and Construction contract to Volker Fitzpatrick and delegated the decision to commence the second stage of the contract (construction) to the Executive Director of Economy and Environment in consultation with the Chair and Vice Chair of the Economy and Environment Committee.

2.2 It was noted that the post-design construction Target Price would be likely to vary from the current construction Target Price submitted as part of the tender as a result of development of the engineering detail and the clarification of construction methods and timescales. Given the aspiration to deliver the scheme as quickly as possible, the Committee delegated the agreement of the construction Target Price and commencement of construction to the Executive Director - Economy Transport and Environment, in consultation with the Chair and Vice Chair of the Economy and Environment Committee unless the post-design Target Price is significantly higher than expected. If the construction target price is significantly higher, then the decision to trigger construction may be referred back to committee.

3 Target Price

3.1 The estimated construction Target Price at the time of tender was £23,784,278.65. Developing the design and construction methodology during the 16 week Stage 1 contract has informed the revised Target Price of **£27,470,909**.

3.2 Development of the Target Price has been monitored during the design stage and a number of factors and changes in rates have resulted in the increase. The major contributors to the increase are:

Earthworks	+£666,097.11
Railway Bridge	+£836,119.41
Viaduct	+£2,501,960.81

Significant increases in cost have arisen from the development of the design beyond that which was available at tender stage. The original outline design undertaken by Skanska/Atkins had, in some areas been found to have significantly under-assessed the requirements. This is exemplified by the Piling costs on the Viaduct and Rail Bridge where the costs have increased by £1.314m. Structural steelworks costs have also risen significantly with the majority of the increased cost being attributable to the impact of Brexit on imported steel costs. The increased steelwork cost amounts to £1.223m. Earthworks and ground stabilisation has also increased to the amount of approximately £666,000. Other areas of pricing has also seen smaller increases.

3.3 A full technical report on the Target Price has been compiled detailing the cost build-up. The report concludes that although the cost has increased from the Tender estimate, it remains reasonable and is backed up by the provision of details of the contractor's costs in both resources and materials.

3.4 As with all construction projects there remain both risks and opportunities. The VE and Opportunities are currently assessed at £584,000, of which £319,000 are identified as shared 'pain and gain. This leaves a County Council Opportunity of £424,500.

4. Other Costs

4.1 Other costs associated with the scheme have also been refined as the detailed design has progressed. These include land, Network Rail, statutory undertakers' and supervision and management costs. These, together with costs already incurred in development and design, are currently estimated at £5.426m

5 Funding and Financial Implications

5.1 The County Council has an allocation in the Business Plan for the scheme of **£36m**. The total scheme cost including Stage 2 contract and other costs detailed in section 4 is **£35.8m**.

5.2 It should be noted that the statutory undertakers' costs are based on current estimates provided by the stats companies. Discount is applied for advanced payments and reimbursements made if costs are not met. The view is that costs will be lower than estimated are more likely to be £1.1-£1.3m.

5.3 DfT Growth Deal funding has received Ministerial approval, subject to the Target Price for construction not increasing to a point where the Benefit Cost Ratio drops from the medium value for money category. The range of costs agreed with DfT would allow the outturn cost to exceed £40m before this would occur. It is expected that the Growth Deal Funding will be confirmed if the County Council approves construction.

6 Contingencies

6.1 Whilst risk and opportunities are reflected in the Target Price and there may be further opportunity to value engineer the project, as in all construction projects, there are likely to be unforeseen issues that can impact on the outturn cost. The current estimate of cost against budget leaves limited contingency to take account of unforeseen events.

6.2 It may be worth considering whether a sum for contingencies should be sought through the Business Planning process.

7. Comments and Conclusion

7.1 Although the cost is higher than at tender award, it is in line with estimated scheme costs prior to tender. Along with checks on the cost build up, some comparison has been undertaken with the original tender process. The target Price is approximately 0.5% from the mean estimates received from other contractors.

7.2 Given that the scheme cost remains within the budget allocation and aligns with expected costs based on pre-tender estimates and will secure the £16m DfT Growth Deal funding, it is recommended that approval is given to commence construction. This will allow work to commence on site in January (proposed date 9th January).

7.3 Given the nature of the site, it is almost certain that the cost will vary from the Target Price. Consideration should be given on how to deal with any cost increase that lies outside the current risk/opportunity allowance.

6. Financial Update

Pre-construction Estimate & Funding

- The estimated total project cost at tender stage was £36m which included construction, design, land acquisition, Network Rail costs and diversion of statutory plant.

- Currently the project has secured funding of £28m made up of
  - £5m Network Rail
  - £1m CIL East Cambridgeshire District Council
  - £16m Growth Deal
  - £6m Local Transport Body funding

- County Council Business Plan included an allocation of up to £8m.
- At award of construction contract no risk was available

6. Financial Update

Scheme Estimate & Target Cost

VF Costs & CCC Estimates	Oct-17	Nov-17	Variance (Oct-Nov)
Pre Stage 1 costs	2,840,000	2,840,000	0
Statutory undertakers diversion works	859,062	859,062	0
Land costs	2,338,000	2,338,000	0
Network Rail costs	767,162	767,162	0
Stage 1 Cost	1,226,353	1,226,353	0
Stage 2 Cost	35,799,788	37,294,166	1,494,378
Supervision & management costs	900,262	1,600,000	699,738
Potential cost	**44,730,627**	**46,924,743**	**2,194,116**

6. Financial Update

Scheme Estimate & Target Cost

Stage 2 Costs	**Contract**	**Oct 17**	**Nov 17**	**Variance**
Tender total of prices	27,470,909	27,470,909	27,470,909	0
Implemented CE's	0	1,899,106	2,028,312	129,206
Total of Prices	**27,470,909**	**29,370,015**	**29,499,221**	**129,206**
Potential remeasure change	0	1,932,389	3,293,268	1,360,879
CE's to be agreed	0	1,449,569	2,389,046	939,477
Estimated final cost	**27,470,909**	**32,751,973**	**35,181,535**	**2,429,562**
Share estimate	0	472,065	573,256	101,191
Anticipated CE's/Risk	0	2,575,750	1,539,375	-1,036,375
Estimated final cost	**27,470,909**	**35,799,788**	**37,294,166**	**1,494,378**

ELY SOUTHERN BYPASS-PROJECT BOARD

TERMS OF REFERENCE

Objective:
The Project Board provides oversight for the continued development and delivery of the scheme, and provides a forum for key decisions to be made and key issues to be considered. It is the vehicle by which the key strategic issues (including financial and legal) can be represented and reflected in the design and delivery of the Ely Crossing scheme.

Accountability:

The Project Board will ultimately be accountable to the Cambridgeshire County Council Cabinet where key decisions on the project will be made.

Meetings:
The Project Board will meet quarterly and at other times as necessary at key stages of the project.

Substitution should be avoided where possible, however where this is necessary substitutes should be briefed and empowered with the same authority as the usual attendee

Responsibilities:
The key responsibilities of the Project Board will be to:
- Approve aims of the project
- Consider the procurement strategy
- Review project progress, confirm achievements at each major project milestone (or end of stage) and approve commencement of the next stage
- Communicate with stakeholders as defined in the Communication Management Strategy
- Provide direction and support to help resolve key project risks and issues
- Provide guidance and direction, ensuring that the project stays on course to meet its aims within the specified constraints
- Approve the end project and lessons learned reports

Membership:
- Cllr Ian Bates - Cabinet Member for Growth and Planning
- Chris Malyon – Section 151 Officer, LGSS
- Graham Hughes – Project Director, Cambridgeshire County Council
- Giles Hughes – ECDC
- Cllr Peter Moakes - ECDC
- Richard Eccles - Network Rail

Other Attendees

It will be necessary for others to attend the project board to report, or provide advice and guidance either generally or relating to specific issues. These will include:

- CCC Project Manager
- HoS / Team Leader CCC Major Infrastructure delivery
- Head of Assets and Commissioning CCC
- CCC Communications officer
- CCC Traffic Manager
- Others as required at certain times during the project

Project Plan Key Stages

The key stages of the project are:

- Identification of project aims
- Initial options evaluation and business case
- Development of preferred option – including preliminary design and consultation
- Submission of planning application
- Publishing Draft Orders
- Planning Decision/Inquiry
- Detailed design
- Construction
- Scheme opening

There will be a number of decisions on specific issues and tasks within the key stages. These will be detailed to the Project Board at the appropriate time

1. Background and Consultations

1.1. In January 2011 County Council Cabinet considered a report outlining proposals to relieve congestion at the A142 Level crossing at Ely which are having a detrimental affect on the Ely economy. Cabinet noted that senior members from the County and District Council agreed the need to progress a solution as a priority.

1.2. The level crossing is currently closed an average of 8 times per hour during the day with an average total closure time of 35 minutes per hour. This resulted in heavy goods vehicles waiting at the level crossing blocking the A142 and all traffic being caught in queuing at various times during the day. In addition, Network Rail's proposals for upgrading the Felixstowe to Nuneaton Freight Route which passed through Ely, indicated that there would be a possible 18 additional freight trains per day by 2014 which could increase level crossing closure times by between 4 to 6 minutes per hour, bringing a potential closure time to an average of 40 minutes per hour.

1.3. A seminar / workshop was held in Ely 2011, which included representatives of the County, District Council and City of Ely Councils, Network Rail and major stakeholders. Various options were discussed with the following 5 options (shown on **Plan 1**) considered worthy of further assessment:

- Bypass Route B
- Bypass Route D -
- Increasing headroom at the underpass
- HCV Stacking Areas
- HCV Queuing Lane

1.4. Consultation on the options was undertaken in Autumn 2011. Eighty one percent of the 1700 replies supported route option B. An outline appraisal of the options using criteria agreed at the seminar also showed that the bypass proposal would provide the best solution.

1.5. Further work to assess the shortlisted options and develop Option B was approved by Cabinet in Jan 2012. In Sept 2012 Cabinet was updated and approval given to develop Option B to the planning application stage. As part of this work, further consultation on Option B was undertaken in Feb/March 2013. This again showed strong public support. Below is a breakdown of this consultation response:

Support	Number	Percentage
Yes	152	61.78%
No	60	24.39%
Unsure	34	13.82%
Total	246	100%

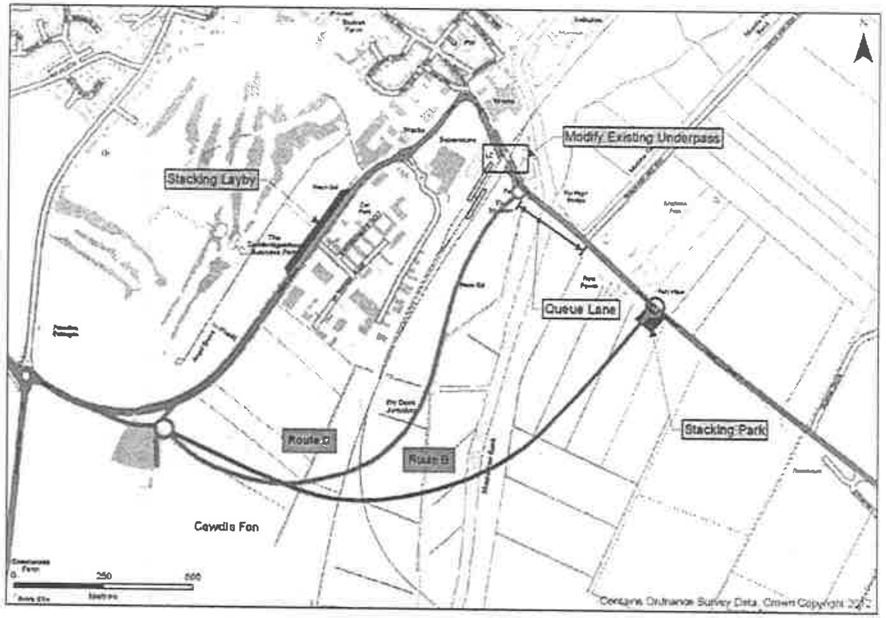
1.6. Option B proposes a 1.7km long single carriageway bypass. It contains two structures – a viaduct over the river and flood plains and a two span bridge over the Cambridge and Newmarket railway lines. The cost is **£30.7m.**

1.7. This scheme will allow the crossing to be closed and result in local traffic redistribution, thus removing traffic from the sensitive station area. However, it will have a significant negative impact on the setting of Ely Cathedral in particular where the alignment crosses the River Ouse. This is the key area of objection, from English Heritage. which is discussed in the Issues and Risks section

1.8. Work to prepare the planning application has continued and the submission is nearing completion. More detail on programme, issues and risks and the visual impact and mitigation are discussed later in the Project Board notes.

1.9. Cabinet papers, the Options appraisal report and consultation material is available as background documents.

Plan 1
Shortlisted options to resolve Ely Crossing issues.



2. Programme and Process

2.1. The project has been developed using established national criteria (Green Book) for schemes of this nature. Attention to the impact on local tourism was also included. The development could be considered as a ten work streams.

- Identification of project aims
- Initial options evaluation and business case
- Development of preferred option – including preliminary design and consultation
- Planning application process
- Orders process (CPO,SRO & Navigation)
- Public Inquiry
- Detailed design
- Procurement
- Construction
- Post construction evaluation

2.2. Figure 1 shows a high level programme.

2.3. The project has used a full early contractor involvement (ECI) model. Jacksons Civil Engineering (one of the CCC major framework contractors) have been used to supplement the consultants experience in specific areas such as buildability, procurement and the evaluation of project risks.

3. Finance

3.1. At current prices, the scheme cost is estimated at £30.7million. A broad breakdown on cost is as follows:

Work Type	**Est Cost**
Preparatory work up to planning application	1,666,000
Detailed design	530,000
Land and Property	244,000
Site supervision	566,000
Construction	19,800,000
Construction risk	5,800,000
Optimism bias	2,170,000
Total	**30,776,000**

3.2. The County Ccuncil's forward business plan shows prudential borrowing of £30.7m and assumes that this is repaid by County Council revenue. However the scheme has been brought forward on the expectation that some or all of the funding would be obtained from other sources, which will reduce the future repayments.

3.3. Funding currently identified includes informal offers of £5million each from East Cambridgeshire District Council and Network Rail.

3.4. The Local Transport Board Major Scheme bid has now been confirmed an allocation of.£6 million.

3.5. Currently £14.78 million is needed to meet the cost of the scheme.

3.6. Network Rail has indicated that it may make its contribution early to the scheme, which would therefore reduce the amount of early borrowing required.

3.7. Work is ongoing to explore additional potential sources of funding.

4. Procurement.

4.1. To highlight procurement issues a procurement options meeting was held with consultants and the ECI contractors in April. A further internal officer meeting was held to review the outcome of that meeting.

- Design and Build
- Traditional tender process

The design and build model allows a contractor to exercise greater flexibility in the design and methods of construction, whereas the traditional approach provides a more prescriptive contract management and outcomes.

4.2. In conclusion, whilst it was recognised that there are always going to be a number of contractor design elements such as safety fencing and temporary form work, in general the it was felt that in this case that the specific design detail required to secure a successful planning application would present very limited benefits to the county for using a design and build contract.

4.3. However, it is estimated that six months work remains to finalise all the detailed design to contract documents issue stage. This work is estimated to cost of £530k. A review of this estimate is underway and is expected to be updated in early September.

4.4. Discussion on the procurement strategy is invited.

5. Issues and Risks

5.1. Attached is the working risk register. The current key high level risks for discussion are;

- English Hertitage objection to project on heritage grounds and call in based upon the viable alternative of underpass improvements.
- Programme risk against cost risk for commencing detailed design before planning consent is given
- Network Rail agreements, Crossrail implications for possessions.
- Funding viability
- Counsel advise on support from Network Rail
- Programme slippage

5.2. Visualisations and photomontages will be presented at the meeting to inform discussion on the first bullet point.

ELY SOUTHERN BYPASS-PROCUREMENT STRATEGY

1 Background

On the basis of advice taken from a contractual expert and lessons learned from the Guided Busway Delivery review, procurement using a two stage ECI Design and Build Contract with target price was approved by the E and E committee in November 2014. The committee recognised the need to learn from the experience of the Guided Busway contract and that this contractual arrangement would ensure a reasonable level of cost certainty throughout the process and apportion the risk appropriately. The report outlined a provisional programme for procurement of the design and construction of Ely Southern Bypass.

PROVISIONAL PROGRAMME AT NOV 2014

• Selection form of contract	Nov 2014
• Tender preparation	Dec- May 2015
• Tender period	Jun - Dec 2015
• Award contract	Dec 2015
• Detailed design and construction	Jan 2016-Nov 2017

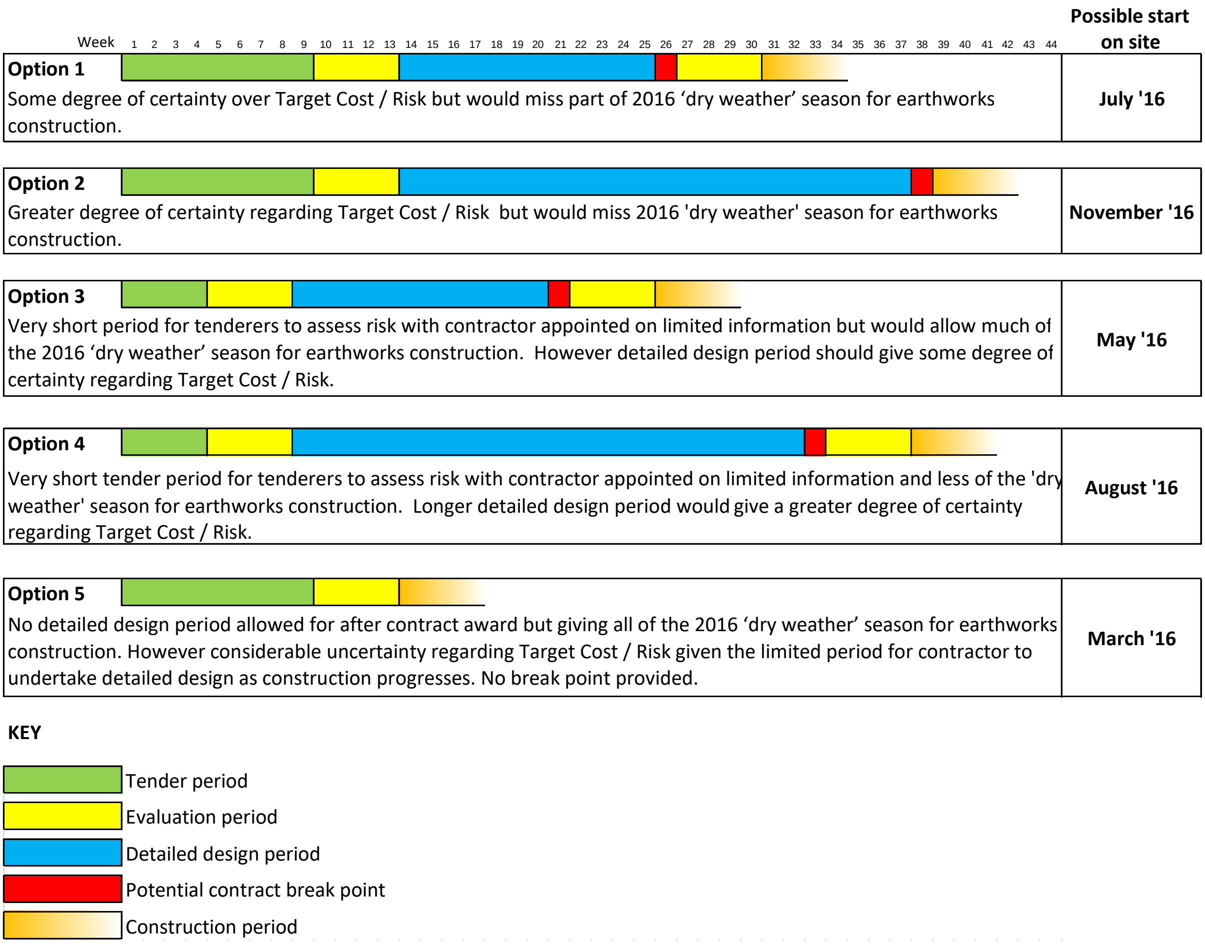
The preparation of the tender required specialist expertise that would normally be provided through the Highway Services Contract, but the provider declined to undertake the work as preparing the contract tender would preclude them from bidding for the main contract. An additional procurement exercise was therefore undertaken to secure this expertise in contract preparation. Despite limited interest in this element of work from the industry, an appointment was made and the tender documents are close to completion.

A change in procurement regulations, requiring a full set of contract documents to be available at the Pre-Qualifying Questionnaire (PQQ) stage, rather than at the tender stage, has also extended the programme as the process of preparing the works information can no longer run in parallel with the PQQ.

2 Procurement Strategy

As part of the tender preparation the consultant has been asked to advise on procurement strategy, bearing in mind the committee’s view on learning from previous contracts and the need to identify and apportion risk appropriately. Five potential timescales for procurement were developed, ranging from a minimum time to comply with legal requirements to longer periods to allow contractors to fully understand the scheme, to produce target prices that provide the highest level of confidence at both the award of tender and at the breakpoint after detailed design which would help to minimise cost risk. The diagram below shows various options with a broad summary of the pros and cons :

Procurement options-time lines



	Possible start on site
Option 1 Some degree of certainty over Target Cost / Risk but would miss part of 2016 ‘dry weather’ season for earthworks construction.	**July '16**
Option 2 Greater degree of certainty regarding Target Cost / Risk but would miss 2016 'dry weather' season for earthworks construction.	**November '16**
Option 3 Very short period for tenderers to assess risk with contractor appointed on limited information but would allow much of the 2016 ‘dry weather’ season for earthworks construction. However detailed design period should give some degree of certainty regarding Target Cost / Risk.	**May '16**
Option 4 Very short tender period for tenderers to assess risk with contractor appointed on limited information and less of the 'dry weather' season for earthworks construction. Longer detailed design period would give a greater degree of certainty regarding Target Cost / Risk.	**August '16**
Option 5 No detailed design period allowed for after contract award but giving all of the 2016 ‘dry weather’ season for earthworks construction. However considerable uncertainty regarding Target Cost / Risk given the limited period for contractor to undertake detailed design as construction progresses. No break point provided.	**March '16**

KEY

🟩 Tender period

🟨 Evaluation period

🟦 Detailed design period

🟥 Potential contract break point

🟧 Construction period

The tender period is the time when potential contractors will consider the scheme detail in the tender documents and develop target costs for the detailed engineering design and provide an estimated target cost for construction based on this information. When the detailed design is completed and methods of construction are developed, the construction target cost is revised and, subject to approval, construction allowed to commence.

Advice from the consultant preparing the contract has suggested that a 9 week tender process followed by a six month design period would provide the highest degree of certainty (option 2) and is recommended.

3 PROJECT BOARD VIEW

The procurement strategies were considered at the Project Board, where the members of board considered the speed of delivery to be of primary importance and risk in cost uncertainty was off-set by the benefit of possible early delivery. To this end, members of the Board proposed a shorted tender period of 5 weeks and detailed design period of 3 months.

Risks in undertaking a shortened process were highlighted to the members and it was agreed that a view of this proposal was sought from the consultants.

4 COMMENTS ON SHORTENED PROCUREMENT PROCESS AND DETAILED DESIGN PERIOD.

Consultant's comments

The comments in response to the Board's reduced procurement schedule are shown below:

Pros

- Programme would allow much of the 2016 'dry weather' season for earthworks construction.

Cons

- 5 week tender period is a very short tender period for tenderers to review and take on board the plethora of scheme information that would accompany the tender. (Given that all Contract Document information is made available at PQQ stage, Contractors could take the opportunity to get up to speed with the project 'at risk').

- Insufficient time within the tender period for start-up workshop, mid-tender submission & workshop, and risk allocation clarification as proposed in WYG's preferred procurement option. (WYG's understanding is that CCC has been advised to adopt the 'Welsh Model' (recommended by the reviewer of the CGB delivery) in future tenders given 'issues' in the past - a 5 week tender period is insufficient time for this process).

- A 5 week tender period would mean that CCC would be appointing a contractor based on very limited information. The intention with WYG's preferred procurement option is that Contractor's would undertake some design work during the tender period, and responsibility for 'risk' would be largely clarified during the tender period. Contractors would submit a detailed design fee together with a budget construction cost estimate at the end of the tender period. The construction budget cost estimate would then form the basis for Target Cost 'negotiations'. A 5 week tender period is insufficient for a contractor to undertake an appropriate amount of design work, which is likely to result in a significant amount of risk being incorporated within their construction budget cost estimate. Some contractors might decide not to submit a tender given the short tender period.

- Contractors may wish to 'move the goalposts' at Target Cost stage in the event that their budget cost estimate at tender stage was low compared to the 'actual' construction cost of the scheme.

- A 5 week tender period would not allow time for a Contractor to assess alternative construction methods that might result in cost savings, especially with respect to structures.

- Compared with WYG's preferred procurement option, a 5 week tender period and 3mth detailed design period increases the risk of failing to obtain Network Rail acceptance of the Railway Bridge design and the risk of failing to agree Railway Possessions required to facilitate construction.

- A 6 month detailed design period would be preferable to a 3 month detailed design period to allow a contractor more time to assess alternative construction methods, undertake additional ground investigation (if necessary) and prepare an ‘accurate’ detailed design. (A 3 mth design period is considered an absolute minimum for a project akin to Ely Southern Bypass).

In addition we have contacted contractors who have previously expressed an interest to CCC in tendering for the Ely Bypass scheme, and received the following feedback:

- A 5 week tender period is too short. A minimum tender period of 8 weeks would be expected for a scheme of this nature.
- It will be difficult for CCC to compare budget construction costs obtained from contractors at tender stage given that they would have differing approaches to allocation of risk. (Contractor’s would have to ‘take a view’ on risk given the limited amount of design that could be undertaken during a 5 week tender period).
- Contractors would wish to undertake their own Ground Investigation (GI) for the scheme to fill in ‘any gaps’ in GI provided by CCC given that they would be responsible for design of the scheme. (A 3 month period is not enough time to undertake additional GI and complete a detail design for pricing).

Given the above, in the event that the Project Board decides to proceed with contract procurement for Ely Bypass based on a 5 week tender period and a two week tender evaluation period, we would strongly recommend that they allow a 6mth design period to allow the contractor time to prepare an ‘accurate’ detailed design to mitigate potential risks during construction.

LGSS Procurement officers’ comments

The procurement process is run through the LGSS procurement team who continue to provide advice in formatting the PQQ and tender documents and the suggested tender timescale has been discussed. The comments are summarised below:

Although the legal minimum tender period is 28 days, the EU procurement regulation requires that a reasonable tender period is afforded to bidders. It was felt that for a contract of this value and scope a tender period of 8-10 weeks would be considered reasonable and expected. Along with the pricing difficulties highlighted above, less than 8-10 weeks is likely to result in requests for extensions in time, which it was considered would be difficult to resist. Refusal to allow additional time may give rise to legal challenge.

5 SUMMARY AND COMMENTS

Consultant’s advice, LGSS procurement and contractors’ comments all confirm that a 5 week tender period is insufficient for the detail of the scheme to be adequately considered to enable a reliable target cost for construction to be submitted at the tender stage. An extension to the tender period being requested is likely and legal challenge possible. Both of these events would extend the procurement stages for undetermined periods of time. Allowing a reasonable tender period (at least 8 weeks) would mitigate against these risks.

Three months is considered by the consultant to be the absolute minimum detailed design period, but is still considered limited with respect to allowing the appointed contractor to complete the necessary design work and establish construction methodology to provide a reliable confirmed target price. However, it is expected that design work will be undertaken in the tender period so this may provide some scope to reduce the design period from 6 recommended months and a design period of 4 months offers some compromise. A 3 month design period carries the risk that a contractor will seek additional time for the design if the programme is unachievable.

The NEC contract and ECI arrangement in particular, promotes a cooperative approach between contractual parties. Establishing a good relationship with the supplier will be fundamental to successful delivery and placing unrealistic requirements on a contractor from the outset risks developing such a relationship. This can lead to contractual disagreements and difficulty in resolving them.

The estimated construction programme is between 12-18 months, but this will depend on the design detail and construction methodology used by the successful contractor. For the purposes of estimating dates, 18 months has been generally used as the longest likely construction period. Allowing sufficient time in the tender and design periods will allow the contractor opportunity to explore and adopt the most efficient delivery method, providing greater opportunity to minimise construction time.

Allowing an 8 week tender period and a 4 month design period would potentially result in construction being completed in early 2018. If the construction period is reduced to 16 months delivery would be completed late in 2017, in line the provisional programme from November 2015.

On the basis of the comments from the consultant, the Procurement Team and comments from contractors there is a significant increase in risk both in cost and delivery time as issues that may have been identified with during the tender and detailed design phases, are arise and require resolution during the construction period.

Appendix 7

Background - Life Cycle of the Project

- On 13th December 2011, a report was taken to Cabinet outlining proposals to relieve congestion at the A142 level crossing at Ely. This outlined the 5 options which had been considered at a seminar in Ely on 9th July 2011, which included representatives from Cambridgeshire County Council, the District Council, the City of Ely Council, Network Rail and 'major stakeholders'. The report highlighted that an outline appraisal had been undertaken, as well as a public consultation, and that at this stage, the preferred option was Bypass Route B, with an estimated initial cost of £28 million. The only reference to funding at this time was that funding options were being considered from a number of sources. At this meeting Cabinet approved the development of a design and evaluation towards the submission of a planning application for the preferred route, Option B.

- The next report Cabinet received on Ely Crossing was on 17th September 2012. This report detailed the results of the Options Assessment Report (OAR) which was developed for all the possible schemes, following the previous Cabinet meeting. This report also explained that the Enterprise Growth and Community Infrastructure Overview and Scrutiny committee had considered the OAR and recommended that Cabinet should proceed to Option B. At this stage, Cabinet approved the submission of a planning application for Option B (Bypass Route B). The costs of the project at this stage were stated in the report to Cabinet as £30.7m, with the OAR stating an outturn cost of £29.2m. The planning application was unanimously approved at the Council's Planning Committee on 8th September 2014.

- The next report on the project was to the Economy and Environment committee on 25th November 2014. This report outlined that planning had been approved for the project and stated that *"on the basis of advice taken from contractual experts and lessons learned from the Guided Busway delivery review, it is recommended that a two stage ECI Design and Build Contract with a target price is adopted to ensure reasonable level of cost certainty and apportioning of the risk appropriately."* Minutes from the meeting detail that it approved the procurement of the detailed design and construction of the Ely Southern Bypass through Early Contractor Involvement Design and Build Contract. This meeting also approved the establishment of a project board and included the appointment of two Members to the board. These appointments were confirmed at the 13th January 2015 Economy and Environment Committee.

- The costs of the project were also discussed in the November 2014 Committee Report. It explained that, subject to construction inflation, the cost of the project was estimated at £35m at 2015 prices. It also details that, at this stage, funding of £6m had been secured by the Local Transport Body, and that Network Rail had offered £5m. A further bid for £16m had been made to the Growth Deal Fund and the draft business plan included prudential borrowing of £25m.

- In May 2016, a Major Scheme Business Case was developed by SKANSKA for the Ely Bypass. The Financial Case within the Business Case detailed the expected costs of the project as £32.21m, though with the inclusion of an optimum bias of 15%, this figure was adjusted by £4.83m to £37.05m. This was developed and provided to the Department for Transport as it was required to secure the Growth Deal Funding for the project.

- The next report presented to the Economy and Environment Committee was presented on 14th July 2016. This detailed the procurement process which was undertaken, the outcome of the procurement process and requested Committee approval to award the contract to the provider, subject to securing Department of Transport Growth Deal funding of £16m. Further detail on the procurement process undertaken can be found in section 5.1 of this report. At this stage, the Committee approved the award of the Design and Construction contract to the preferred bidder, Volker Fitzpatrick. The Committee also at this stage made the decision to delegate the decision to commence the second stage of the contract, the construction stage, to the Executive Director of Economy and Environment (now Place and Economy) in consultation with the Chairman and Vice Chairman of the Economy and Environment Committee. This delegation of power was to be in line with the report which detailed the following:

  > *"It is possible that the post-design construction Target Price will vary from the current construction Target Price submitted as part of the tender as a result of development of the engineering detail and the clarification of construction methods. Given the aspiration to deliver the scheme as quickly as possible, it is proposed that the agreement of the construction Target Price and commencement of construction is delegated to the Executive Director - Economy Transport and Environment, in consultation with the Chair and Vice Chair of the Economy and Environment committee unless the post-design Target Price is significantly higher than the tendered construction price. If the construction target price is significantly higher, then the decision to trigger construction will be referred back to committee."*

  In line with the decision from the Economy and Environment Committee, Volker Fitzpatrick, whose tender bid set a total target price for Stage one and Stage two (design and construction) at £23,784,278.65, was awarded the contract and began undertaking stage one of the project.

- By the end of the 16 week stage one, the construction (stage 2) target cost had increased to £27,470,909.33, some £3,686,630.68 and 15.5% higher than the tendered price, with total scheme costs totalling £35,999,262.61. This target cost had built in a total of £300,000 for Risk, and at this stage the Bill of Quantities used to make up the target cost outlined £345,000 of risk outside of the Target Cost.

- A paper was submitted by Team Leader – Highways Projects to the Executive Director of Place and Economy, which highlighted the change in target cost. It also stated that, despite the increase, the total costs of the project were still expected to come in just under the £36m allocation for the Project in the 2017-22 Business Plan. The report did highlight that *"as in all construction projects, there are likely to be unforeseen issues that* *can impact of the outturn cost. The current estimate of cost against budget leaves limited contingency to take account of these unforeseen events. It may be worth considering whether a sum for contingencies should be sought through the Business Planning process".*

- This paper recommended that approval is given to commence construction, starting on site on 9th January 2017. This decision was agreed on by the Executive Director of Place and Economy and the Chair and Vice Chair of the Economy and Environment Committee in line with their delegated approval given by the Economy & Environment Committee..

- To reflect the possible price increase, the following was included in the Economy, Transport and Environment Services Finance and Performance Report for the May 2017 Economy and Environment Committee:

  > *"Ely Southern Bypass: The phasing of the work is being reviewed due to issues with service diversions as well as the profile of expenditure and any impact on costs. Once the outcome of this work is finalised it will be reported and reflected in the forecast position."*

- As construction work was undertaken on the project, the target cost continued to increase. This is first noted in the September 2017 Project Board minutes, though no figures are detailed. The Project Board was informed on the increase to the Target cost for construction, and the overall cost of the project at the November meeting. This explained that final Stage Two Costs were estimated to be £37,294,166 at this stage, taking the total costs of the project to £47,426,770.

- The Report 'Ely Southern Bypass – Costs and Additional Funding Requirement' was submitted by the Executive Director of Place and Economy to the Economy and Environment Committee on 12th April 2018. This explained to the Committee that the expected costs of the project had increased to £48,910,380. The Committee noted the increased costs and requested General Purpose Committee to allocate the additional funding of £13m to complete the Scheme.

- The additional £13m in funding was approved at the General Purposes Committee on 29th May 2018.

Agenda Item No: 9

ANNUAL RISK MANAGEMENT REPORT

To:	**Audit and Accounts Committee**		
Date:	**29th July 2019**		
From:	**Amanda Askham, Director of Business Improvement and Development**		
Electoral division(s):	**All**		
Forward Plan ref:	**N/A**	*Key decision:*	**N/A**
Purpose:	**• To report on the development of the Council's risk management approach during 2018/19** **• To identify proposed developments in risk management in 2019/20**		
Recommendations:	**Audit and Accounts Committee endorses the 2018/19 Annual Risk Management Report**		

	Officer contact:
Name:	Duncan Wilkinson
Post:	LGSS Chief Internal Auditor
Email:	Duncan.Wilkinson@cambridgeshire.gov.uk
Tel:	01908 252089

1. BACKGROUND

1.1 In accordance with best practice, the Council operates a risk management approach at corporate and service levels across the Council, seeking to identify key risks which might prevent the Council's priorities, as stated in the Business Plan, from being successfully achieved.

1.2 The risk management approach is encapsulated in 2 key documents:

- Risk Management Policy

  This document sets out the Council's Policy on the management of risk, including the Council's approach to the level of risk it is prepared to countenance as expressed as a maximum risk appetite. The Risk Management Policy is owned by the General Purposes Committee.

  The Risk Management Policy states that the Council aims to manage risk in a manner which is proportionate to the risk faced based on the experience and expertise of its senior managers, although this must be within the Council's risk appetite. Audit and Accounts Committee members are therefore reminded that accepting a residual risk score of amber is appropriate provided that an objective risk assessment has been undertaken.

- Risk Management Procedures

  This document details the procedures through which the Council will identify, assess, monitor and report key risks. The Risk Management Procedures document is owned by the Joint Management Team (JMT).

1.3 The respective roles of the Audit and Accounts Committee and General Purposes Committee in the management of risk are:

- The Audit and Accounts Committee provides independent assurance of the adequacy of the Council's risk management framework and the associated control environment.

- General Purposes Committee has an executive role in the management of risk across the Council in its role of ensuring the delivery of customer outcomes.

1.4 Risk Identification

The Council's approach to risk identification is described in the following extract from the Council's Risk Management Policy as approved by General Purposes Committee:

- The risk management process should be consistent and proportionate across the Council and result in timely information that helps informed decision making;

- Risk management should operate within a culture of transparency and openness where risk identification and risk escalation, as appropriate, are encouraged;

- Risk management arrangements should be dynamic, flexible and responsive to changes in the risk environment;

- When managing risk, the cost of any controls should be robustly assessed against the impact of the risk, i.e. the concept of proportionality;

- Risk management should be embedded in everyday business processes.

Ownership of the Corporate Risk Register (CRR) lies with JMT which reviews the Register on a quarterly basis, following an initial review by the Corporate Risk Group (CRG). The review by CRG will identify if any executive or corporate directorate risks should be considered by JMT for inclusion on the CRR.

Significant changes to the CRR are reported to General Purposes Committee on a quarterly basis. On an annual basis General Purposes Committee (GPC) and JMT will review the CRR to seek to ensure that all significant risks faced by the Council are reflected. This annual review is undertaken in co-ordination with the annual business planning process.

1.5 This report is supported by:

- The Corporate Risk Register (Appendix 1)

2. SUMMARY OF END OF YEAR POSITION 2018/19

2.1 The Corporate Risk Register ended the year 2018/19 with 10 risks. No risks were added or removed to the register during the year.

	Green	Amber	Red	Total
Number of risks	0	8	2	10

2.2 Of the 10 scored risks, 9 had the same score at the end of the year as they did at the beginning. 1 risk score worsened, as follows:

Our resources (human resources and business systems, CCC and providers) are not sufficient to meet business need – there was an increase in the probability score assigned at the end of the year compared to the beginning of the year (as a result, residual risk moved from 12 to 16). This was agreed due to the issues with ERP Gold.

2.3 Following a review of the Corporate Risk Register at the CRG meeting on 30th April 2019 Risk Champions proposed the following changes which JMT agreed on the 27th June and these will be proposed to GPC:

- Risk 2 The Business Plan (including budget and services) is not delivered – this risk will be split into two risks, (1) In-year Business Plan is not delivered, and (2) 5 year Business Plan is not balanced.

- Risk 9 Inequalities in the county continue – JMT requested engagement with GPC to review and confirm the wording and approach to managing this risk.

- The Service Director for Community and Safety proposed a risk titled Impact of the Brexit Risk Assessment to be added to the Corporate Risk Register. This has been added on Appendix 1, risk 11.

2.4 The full Corporate Risk Register is attached at Appendix 1. Audit and Accounts Committee (A&AC) should review to ensure it describes the appropriate risks the Council will manage at a corporate level in 2019-20.

3 SERVICE RISK

3.1 Public Health's and People and Communities directorate risk registers are up to date in accordance with the Council's Risk Management Procedures document which requires quarterly review as a minimum. The Corporate and Digital Services and Place and Economy directorate risk registers are currently being updated. The Resources Directorate currently have a draft directorate risk register that will be completed in July 2019.

3.2 The following table shows the directorate risk position as at 31/03/19:

DIRECTORATE	Green	Amber	Red	Total
People and Communities (P&C)	0	12	7	19
Place and Economy (P&E)	1	2	0	3
Customer and Digital Services (C&DS)	3	7	0	10
Public Health (PH)	3	13	1	17
TOTAL	**7**	**34**	**8**	**49**

The Table illustrates that there are 49 risks recorded in service risk registers. 41 of the risks are managed within the Council's stated risk appetite of a maximum score of 15 as defined in the Risk Management Policy. Actions are planned against the red risks for P&C and PH.

4. DEVELOPMENTS IN RISK MANAGEMENT FOR 2018/19

4.1 During 2018/19 the LGSS Risk Management Team worked with the Risk Champions to complete the actions from the external risk management health check review by the Council's insurers, Zurich. The team has also delivered risk workshops for Place and Economy to produce a new Directorate Risk Register. Internal Audit undertook a review of Risk Management during 2018/19 and gave good assurance on the adequacy of the risk management system, as the Council has clear risk management policies and procedures and risk is managed appropriately across the majority of the Council. The audit also gave good assurance on compliance with those policies and procedures, particularly at a corporate risk level.

5. DEVELOPMENTS PROPOSED FOR 2019/20

5.1 LGSS Risk Management Team to facilitate a risk workshop and work with the Business Improvement and Development Management Team to produce a directorate risk register.

6. ALIGNMENT WITH PRIORITIES AND WAYS OF WORKING

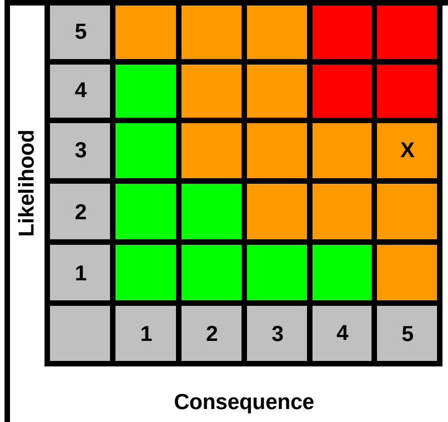
Risk management seeks to identify and to manage any risks which might prevent the Council from achieving its 3 priorities of:

- A good quality of life for everyone
- Thriving places for people to live
- The best start for Cambridgeshire's children

Source Documents	Location
Corporate Risk Register	Box OCT1108 Shire Hall, Castle Hill Cambridge, CB3 0AP

Cambridgeshire County Council

Risk	**01. Vulnerable children or adults are harmed**



Likelihood					
5	🟧	🟧	🟧	🟥	🟥
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3	🟩	🟧	🟧	🟧	🟧 X
2	🟩	🟩	🟧	🟧	🟧
1	🟩	🟩	🟩	🟩	🟧
	1	2	3	4	5

Consequence

Risk Owners	Wendi Ogle-Welbourn	**Current Score**	15	**Last Review**	
		Target Score		**Next Review**	
		Previous Score	15		

Triggers	**Likelihood Factors (Vulnerability)**	**Potential Consequences**
1. Council's arrangements for safeguarding vulnerable children and adults fail and someone dies or is seriously harmed 2. A serious case review is commissioned because a child or a vulnerable adult dies or is seriously harmed and abuse or neglect is thought to be involved 3. Risk related to the providers we commission for adults whose actions or practice could present a risk to the adults they support	1. Funding cuts 2. Capacity 3. Increased reliance on third party providers 4. Increased expectations on local government	1. Child or vulnerable adult is killed or seriously harmed 2. People lose trust in Council services 3. Council is judged to have failed in statutory duties

Controls	**Adequacy**	**Critical Success**
01. Multi-agency Safeguarding Boards provides oversight and review of safeguarding activity across agencies	Good	Regular reporting
02.Comprehensive and robust safeguarding training, development opportunities, and supervisions for staff to instil and monitor safeguarding practice	Good	High quality supervision and support. Professional staff are able to continue registration with their professional bodies
03.Audits, reviews and training provided to school staff, governors and settings. All schools must have child protection training every 3 years.	Good	Audit and inspection recognises good compliance with procedures
04.Continuous process of updating practice and procedures according to latest developments in practice and responding to national and local issues	Good	

Action Plans	**Responsibility**	**Target Date**

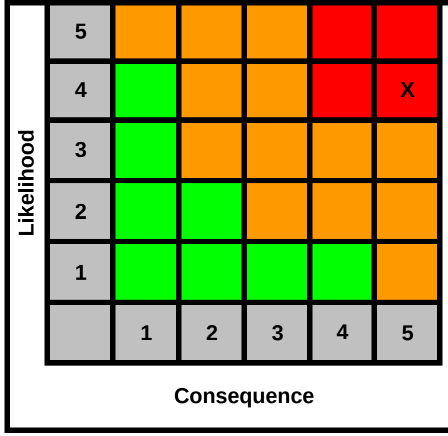
05.Whistleblowing policy, robust Local Authority Designated Officer arrangements, complaints process, all of which inform practice	Good	
06. Robust process of internal Quality Assurance, including case auditing and monitoring of performance	Good	Regular auditing and reporting
07.Multi-Agency Safeguarding Hub (MASH) supports timely, effective decision making between partners	Good	
08. Regular monitoring of social care providers	Good	Regular auditing and reporting
09. Ensure that there is a quality assurance and improvement process in place	Good	Regular auditing and reporting
10. Ensure there is a clear process across partner organisations to share concerns or early warnings that a provider may be having difficulties	Good	Effective and safe implementation
11. Continue to work with the CQC to share information	Good	Regular reporting
12. This information to inform the contract monitoring and quality improvement process	Good	

Risk Path: Cambridgeshire County Council/Cambridgeshire County Council

Risk Category:

Linked Objective(s):

Risk	**02. The Business Plan (including budget and services) is not delivered**



Likelihood					
5	🟧	🟧	🟧	🟥	🟥
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3	🟩	🟧	🟧	🟧	🟧
2	🟩	🟩	🟧	🟧	🟧
1	🟩	🟩	🟩	🟩	🟧
	1	2	3	4	5

Consequence

Risk Owners	Chris Malyon	**Current Score**	20	**Last Review**	
		Target Score		**Next Review**	
		Previous Score	20		

Triggers	**Likelihood Factors (Vulnerability)**	**Potential Consequences**
1. The Council spends more resources than it has by the end of the year and does not have sufficient reserves to cover a minor deviation 2. Services are not delivered at the quantity or to the quality required as per the plan	1. Current forecast is for £5m overspend 2. Demand pressures 3. Population continues to grow 4. Local government financial environment extremely challenging with S114 notices issued by local county council	1. Reactive in-year savings or in worst-case, Government intervention 2. The Council does not deliver its statutory responsibilities, leading to judicial review 3. People do not receive the services to which they are entitled or require, and may be harmed as a result 4. Reputational damage

Controls	**Adequacy**	**Critical Success**
01. Robust Business Planning process	Good	Continued support from SMT to act collectively to develop budget proposals which meet the financial challenge
02.Robust service planning, priorities cascaded through management teams and through appraisal process	Good	Staff have clarity of what is expected of them and deliver services within the available budget
03.Integrated resources and performance reporting (accountable monthly to GPC), tracking budget, savings, activity and performance	Good	Saving proposals delivered
04.Operational division Finance and Performance Reports (accountable monthly to Service Committees), tracking budget, savings, activity and performance	Good	Saving proposals delivered

Action Plans	**Responsibility**	**Target Date**
1. Integrated Resources and Performance Report See information in monthly Integrated Resources and Performance Report about remedial action required to correct over- or underspends, or below-target performance	DCEX	31/03/2020
2. Finance and Performance Reports Detail is available in the monthly Finance and Performance Reports (which are accessible via hyperlinks in IRPR)	DCEX	31/03/2020

05. Scheme of Financial Management, including Budget Control Report for the Council as a whole and operational divisions	Good	Clear budget process, effective engagement with it and compliance
06.Procurement processes and controls ensure that best value is achieved through procurement	Good	
07.Regular meetings between Finance and budget holders at all levels of the organisation to track exceptions and identify remedial actions	Good	Meeting of financial targets and deadlines. Political engagement and approval
08.Rigorous treasury management system plus tracking of national and international economic factors and Government policy	Good	
09.Rigorous risk management discipline embedded in services and projects	Good	
10.Limited reserves for minor deviations	Good	

Risk Path: Cambridgeshire County Council/Cambridgeshire County Council

Risk Category:

Linked Objective(s):

Risk	**03. Personal data is inappropriately accessed or shared**

Likelihood					
5	🟧	🟧	🟧	🟥	🟥
4	🟩	🟧	🟧	🟥	🟥
3	🟩	🟧	🟧 X	🟧	🟧
2	🟩	🟩	🟧	🟧	🟧
1	🟩	🟩	🟩	🟩	🟧
	1	**2**	**3**	**4**	**5**

Consequence

Risk Owners	Sue Grace	**Current Score**	9	**Last Review**	
		Target Score		**Next Review**	
		Previous Score	9		

Triggers	**Likelihood Factors (Vulnerability)**	**Potential Consequences**
1. Criminal access to data (e.g. cyber-attack, break-in) 2. Accidental data breach (e.g. email sent to wrong recipient)	1. Recent cyber attacks affecting public sector	1. Harm for individuals 2. Loss of trust in the Council 3. Penalties from regulator including fines

Controls	**Adequacy**	**Critical Success**
1. Mandatory information security training for all staff	Reasonable	
2. Further training available and encouraged	Good	
3. Regular communications to all staff and in key locations (e.g. printers)	Good	
4. Strategic Information Management Board, including Senior Information Risk Owner (member of SMT) and Caldicott Guardian, oversee all information governance activity	Good	Regular reporting
5. Comprehensive Information Management Policy Framework	Good	
6. Procedure for notifying, handling and managing data breaches	Good	

Action Plans	**Responsibility**	**Target Date**
1. Reviewing IT systems with suppliers Completed an initial review however they are following this on with a more detail evaluation and action plan, so the initial work has been completed. However there is a follow on action which will be completed May/June 2019.	DPO	30/06/2019
4. Reviewing key contracts with suppliers First lot of contract reviews have been completed, chasing responses happening during Feb and March. This will be completed by end of March.	DPO	31/03/2019

7. Data breaches and performance indicators reported to Information Management Board and SMT	Good	Regular reporting
8. IT security – data encryption, hardware firewalls, network traffic monitoring, inbound mail monitoring, spam filters, web content filtering, anti-virus software	Good	

Risk Path: Cambridgeshire County Council/Cambridgeshire County Council

Risk Category:

Linked Objective(s):

Risk **04. A serious incident occurs, preventing services from operating and / or requiring a major incident response**

Likelihood	5	🟧	🟧	🟧	🟥	🟥
	4	🟩	🟧	🟧	🟥	🟥
	3	🟩	🟧	🟧	X	🟧
	2	🟩	🟩	🟧	🟧	🟧
	1	🟩	🟩	🟩	🟩	🟧
		1	2	3	4	5

Consequence

Risk Owners	Sue Grace	**Current Score**	12	**Last Review**	
		Target Score		**Next Review**	
		Previous Score	12		

Triggers	**Likelihood Factors (Vulnerability)**	**Potential Consequences**
1. Loss of large quantity of staff or key staff 2. Loss of premises (including temporary denial of access) 3. Loss of IT, equipment or data 4. Loss of a supplier 5. Loss of utilities or fuel 6. Pandemic	1. Status of Scott House IT Disaster Recovery 2. Data Centre at One Angel Square, Northampton 3. Ongoing risk of environment hazards such as flooding and severe weather 4. Decreasing resilience in CCC services due to ongoing financial constraints and cost reduction programmes	1. Inability to deliver services to vulnerable people, resulting in harm to them 2. Inability to meet legislative and statutory requirements 3. Increase in service demand 4. Reputational damage

Controls	**Adequacy**	**Critical Success**
1. Corporate and service business continuity plans	Reasonable	Up to date business continuity plans available across the Council
2. Relationships with trade unions including agreed exemptions	Good	
3. Corporate communication channels in case of emergency	Good	Responsive media strategy
4. Multi-agency collaboration through the Cambridgeshire & Peterborough Local Resilience Forum	Good	
5. IT disaster recovery arrangements	Reasonable	Up to date IT disaster recovery plans in place

Action Plans	**Responsibility**	**Target Date**
2. Fire Safety Review of Fire Safety procedures. This is complete. They are now rolling out the implementation over a period of time including staff training.	DCEX	30/09/2019
3. Audit all Corporate buildings to ensure compliance with the Equality Act 2010	DCEX	31/12/2020

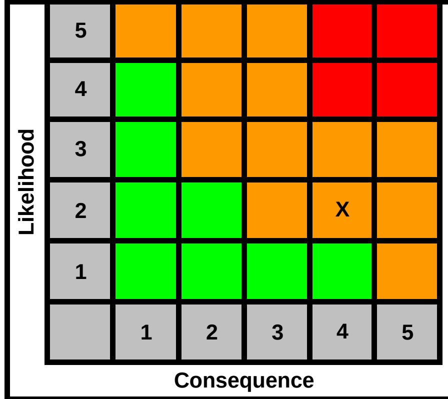
6. Resilient Internet feed	Good	
7. Business continuity testing	Good	Regular testing undertaken
8. Corporate Emergency Plan	Good	

Risk Path: Cambridgeshire County Council/Cambridgeshire County Council

Risk Category:

Linked Objective(s):

Risk	**05. The Council does not deliver its statutory or legislative obligations**



Likelihood					
5	🟧	🟧	🟧	🟥	🟥
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3	🟩	🟧	🟧	🟧	🟧
2	🟩	🟩	🟧	X	🟧
1	🟩	🟩	🟩	🟩	🟧
	1	2	3	4	5

Consequence

Risk Owners	Fiona McMillan	**Current Score**	8	**Last Review**	
		Target Score		**Next Review**	
		Previous Score	8		

Triggers	**Likelihood Factors (Vulnerability)**	**Potential Consequences**
1. Major business disruption 2. Lack of management oversight 3. Negative inspection judgement 4. Poor financial management	1. Current local financial pressures 2. Ongoing national reduction in public sector funding	1. Harm to people as a result of them not getting services they need or are entitled to 2. Criminal or civil action against the Council 3. Negative impact on Council’s reputation

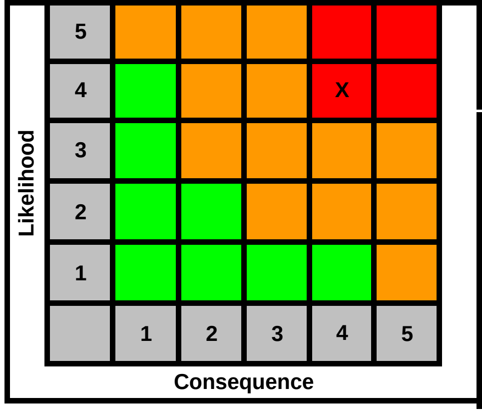
Controls	**Adequacy**	**Critical Success**
1. Monitoring Officer role	Good	
2. Code of Corporate Governance	Good	
3. Community impact assessments required for key decisions	Good	
4. Business Planning process used to identify and address changes to legislative/regulatory requirements	Good	
5. Projects and training to ensure the implementation of legislative changes (e.g. Care Act)	Good	
6. Constitutional delegation to Committees and SMT	Good	
7. Health and safety policies and processes	Good	
8. Preparation and improvement undertaken for inspections by regulators (e.g. Ofsted)	Good	

Action Plans	**Responsibility**	**Target Date**

9.Service managers kept up to date with changes by Monitoring Officer / LGSS Law, Government departments, professional bodies, involvement in regional and national networks	Good	

Risk Path:	Cambridgeshire County Council/Cambridgeshire County Council
Risk Category:	
Linked Objective(s):	

Risk	**06. Our resources (human resources and business systems, CCC and providers) are not sufficient to meet business need**



Likelihood					
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2	🟩	🟩	🟧	🟧	🟧
1	🟩	🟩	🟩	🟩	🟧
	1	2	3	4	5

Consequence

Risk Owners	Gillian Beasley	**Current Score**	16	**Last Review**	
		Target Score		**Next Review**	
		Previous Score	16		

Triggers	**Likelihood Factors (Vulnerability)**	**Potential Consequences**
1. The Council is unable to recruit staff with the right skills and experience 2. Providers / partners are unable to recruit staff with the right skills and experience 3. Key business systems are unavailable or insufficient 4. LGSS services not sufficient in quantity or quality	1. Cost of living in some areas of Cambridgeshire is particularly high 2. Key business system developments underway (Agresso / Mosaic) 3. National political discussions around immigration and rights to work in UK impact on recruitment in care services 4. Issues with ERP Gold	1. Failure to deliver effective services 2. Regulatory criticism / sanctions 3. Civil or criminal action 4. Reputational damage to the Council 5. Low morale, increased sickness levels

Controls	**Adequacy**	**Critical Success**
1.LGSS Joint Committee structure including CCC councillor representation, LGSS Overview and Scrutiny Working Group including CCC councillor representation, Chief Executive sits on LGSS Management Board	Good	
2. LGSS director representation at SMT	Good	
3. LGSS Strategic Plan, Strategy Map and Improvement Activities identified	Good	
4. Deputy Chief Executive responsible for managing LGSS / CCC relationship	Good	
5. Robust performance management and development practices in place for staff	Good	
6. Flexible terms and conditions of employment	Good	
7. Employee support available	Good	

Action Plans	**Responsibility**	**Target Date**
4. Reference to the SLA and KPI review per service line All activity is on hold due to the LGSS Review. Once they have clarity on the Lead Authority model, a business case and timeline they will then understand what happens next in terms of the action.	LGSS	30/09/2018
6. Cross referencing customer satisfaction with service delivery standards All activity is on hold due to the LGSS Review. Once they have clarity on the Lead Authority model, a business case and timeline they will then understand what happens next in terms of the action.	LGSS	31/08/2018

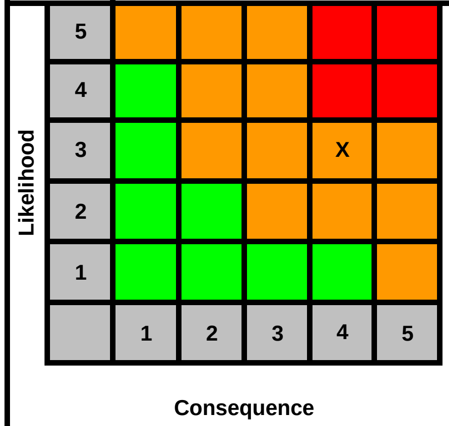
8. Cross-directorate Social Care Strategic Recruitment and Workforce Development Board and Social Work Recruitment and Retention Task and Finish Group proactively address issue of social care recruitment and retention	Good	
9. IT resilience arrangements	Good	

Risk Path: Cambridgeshire County Council/Cambridgeshire County Council

Risk Category:

Linked Objective(s):

Risk **07. The infrastructure and services (e.g. transport, education, services for children, families and adults) required to meet the current and future needs of a population is not provided at the right time**



Likelihood					
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2	🟩	🟩	🟧	🟧	🟧
1	🟩	🟩	🟩	🟩	🟧
	1	2	3	4	5

Consequence

Risk Owners	Graham Hughes	**Current Score**	12	**Last Review**	
		Target Score		**Next Review**	
		Previous Score	12		

Triggers	**Likelihood Factors (Vulnerability)**	**Potential Consequences**
1. Insufficient funding to meet needs received from •Growth funds •Section 106 •Community infrastructure levy •School infrastructure funding 2. Partnerships do not deliver new infrastructure / services to meet needs of population 3. Infrastructure undermined due to inability to adequately maintain	1. Significant infrastructure funding available from Greater Cambridge Partnership, and Combined Authority 2. Willingness of stakeholders to embrace development 3. Changes in grant funding	1. Impacts on transport, economic, environmental and social outcomes 2. Greater borrowing requirement to deliver infrastructure which is unsustainable financially 3. Increased pressure on already stretched maintenance budgets

Controls	**Adequacy**	**Critical Success**
1. Maximisation of developer contributions through Section 106 negotiations. Policy is to deal with strategic development sites through s106, not including CIL	Good	
2. Section 106 deferrals policy is in place.	Good	Agreed and adopted by the Council
3. Capital Programme Board	Good	Regular reporting
4. Prudential borrowing strategy	Good	
5. Review, scrutiny and challenge of design and build costs to ensure maximum value for money	Good	
6. Co-ordination of requirements across partner organisations to secure viable shared infrastructure	Good	

Action Plans	**Responsibility**	**Target Date**
15. County Planning obligation strategy 15. County Planning obligation strategy for district's and County Council use, to go to E&E Committee	EDP&E	31/07/2019

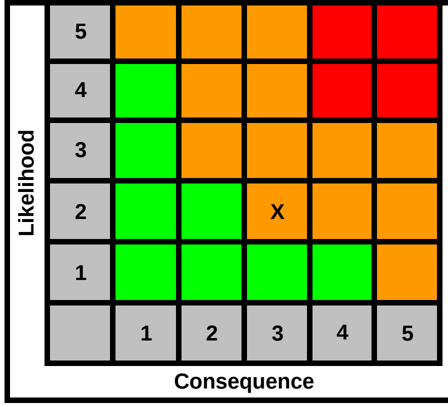
7. Annual school capacity return to Department for Education seeks to ensure maximum levels of funding for basic need	Good	
8.Maintain dialogue with Cambridge City Council and South Cambridgeshire District Council to input into Community Infrastructure Level prior to the adoption of the Local Plan (anticipated 2017)	Good	
9. Maximise annual maintenance block funding from Central Government, maintaining band 3 of the incentive fund.	Good	

Risk Path: Cambridgeshire County Council/Cambridgeshire County Council

Risk Category:

Linked Objective(s):

Risk	**08. The Council is a victim of major fraud or corruption**



Likelihood					
5	🟧	🟧	🟧	🟥	🟥
4	🟩	🟧	🟧	🟥	🟥
3	🟩	🟧	🟧	🟧	🟧
2	🟩	🟩	🟧 X	🟧	🟧
1	🟩	🟩	🟩	🟩	🟧
	1	**2**	**3**	**4**	**5**

Consequence

Risk Owners	Gillian Beasley	**Current Score**	6	**Last Review**	
		Target Score		**Next Review**	
		Previous Score	6		

Triggers	**Likelihood Factors (Vulnerability)**	**Potential Consequences**
1. The Council loses money through fraudulent action or corrupt activity 2. Partners lose money 3. Council is unable to deliver its obligations		1. Financial loss 2. Reputational damage 3. Regulator sanctions

Controls	**Adequacy**	**Critical Success**
1. Financial Procedure rules	Good	
2. Anti Fraud and Corruption Strategy incl Fraud Response Plan	Good	
3. Whistle blowing policy	Good	
4. Codes of conduct	Good	
5. Internal control framework	Good	
6. Fraud detection work undertaken by Internal Audit, Counter Fraud Team in LGSS	Good	
7. Awareness campaigns	Good	
8. Anti Money Laundering policy	Good	
9. Publication of spend data	Good	

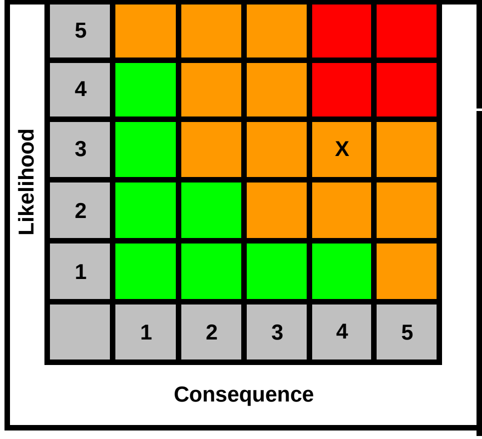
Action Plans	**Responsibility**	**Target Date**

Risk Path: Cambridgeshire County Council/Cambridgeshire County Council

Risk Category:

Linked Objective(s):

Risk **09. Inequalities in the county continue**



Likelihood					
5	🟧	🟧	🟧	🟥	🟥
4	🟩	🟧	🟧	🟥	🟥
3	🟩	🟧	🟧	X	🟧
2	🟩	🟩	🟧	🟧	🟧
1	🟩	🟩	🟩	🟩	🟧
	1	2	3	4	5

Consequence

Risk Owners	Gillian Beasley	**Current Score**	12	**Last Review**	
		Target Score		**Next Review**	
		Previous Score	12		

Triggers	Likelihood Factors (Vulnerability)	Potential Consequences
1. Health, economic, educational and other inequalities increase in Cambridgeshire 2. Failure across Council services and partnerships to target or promote services to disadvantaged or vulnerable populations, or in areas of deprivation, appropriately for local need		1. People living in deprived areas in the county do not have the same life chances as people living in non-deprived areas, in terms of health, educational achievement, income and other areas 2. People from minority groups living in the county do not have the same life chances as people living in non-deprived areas, in terms of health, educational achievement, income and other areas

Controls	Adequacy	Critical Success
1. Council's business plan and community impact assessments for change to service	Good	
10. Cambridgeshire Older People Strategy	Good	
2. Committee monitoring of indicators for outcomes in areas of deprivation	Good	
3. Joint Strategic Needs Assessment, Annual Public Health Report, and Joint Health and Wellbeing Strategy	Good	
4. Health Committee Priority on health inequalities, targetting of Public Health programmes	Good	
5. Child Poverty Strategy	Good	
6. Targetted services e.g: Travellers Liaison, Traveller Health Team, Chronically Excluded Adults Team, etc.	Good	

Action Plans	Responsibility	Target Date
1. Joint Health and Wellbeing Strategy 1. Implementation of health inequalities aspects of Joint Health and Wellbeing Strategy	DoPH	31/03/2019
2. Accelerating Achievement action plan to support children in disadvantaged groups	DoL	31/03/2018
3. Opportunity Area programme to support children from disadvantaged groups in East Cambs and Fenland	EDP&C	30/09/2020

7. Buy with confidence approved trader scheme.	Good	
8. Wisbech 20:20 programme	Good	
9. Cambridgeshire 0-19 Education Organisation Plan	Good	

Risk Path: Cambridgeshire County Council/Cambridgeshire County Council

Risk Category:

Linked Objective(s):

Risk	10. Change and transformation of services is not successful

Likelihood					
5	🟧	🟧	🟧	🟥	🟥
4	🟩	🟧	🟧	🟥	🟥
3	🟩	🟧	X	🟧	🟧
2	🟩	🟩	🟧	🟧	🟧
1	🟩	🟩	🟩	🟩	🟧
	1	2	3	4	5

Consequence

Risk Owners	Amanda Askham	**Current Score**	9	**Last Review**	
		Target Score		**Next Review**	
		Previous Score	9		

Triggers	Likelihood Factors (Vulnerability)	Potential Consequences
1. Services do not change to meet current demands 2. Projects and programmes stall or do not make sufficient impact	End of September project status = 14 Green, 4 Amber (need to re-phase savings), 3 Red (risk on non-delivery of savings and benefits	1. Statutory obligations not delivered 2. The Council does not work in a transformed way 3. Over-spend on budget

Controls	Adequacy	Critical Success
1. Transformation Team established to support change in services	Good	
2. Transformation Fund to ensure access to resources	Good	
3. Communications with staff about innovation and opportunities for development	Good	
4. GPC monitor transformation programme monthly as part of Integrated Resources and Performance Report	Good	
5. Project and programme governance established to oversee delivery	Good	
6. Rigorous risk management embedded in project and programme governance	Good	
7. Members involved in transformation	Good	

Action Plans	Responsibility	Target Date

Risk Path: Cambridgeshire County Council/Cambridgeshire County Council

Risk Category:

Linked Objective(s):

Risk	**11. Impact of the Brexit Risk Assessment**

Likelihood

5	🟧	🟧	🟧	🟥	🟥
4	🟩	🟧	X	🟥	🟥
3	🟩	🟧	🟧	🟧	🟧
2	🟩	🟩	🟧	🟧	🟧
1	🟩	🟩	🟩	🟩	🟧
	1	**2**	**3**	**4**	**5**

Consequence

Risk Owners	Adrian Chapman	**Current Score**	12	**Last Review**	
		Target Score		**Next Review**	
		Previous Score			

Triggers	Likelihood Factors (Vulnerability)	Potential Consequences
1. This depends on the outcome of Brexit		

Controls	Adequacy	Critical Success
1. A Brexit delivery board has been developed and is up and running.	Good	
2. The Board has developed a Brexit Risk Assessment and delivery plan outlining the implications and mitigating actions required for this risk	Good	

Action Plans	Responsibility	Target Date

Risk Path: Cambridgeshire County Council/Cambridgeshire County Council

Risk Category:

Linked Objective(s):

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Cambridgeshire Pension Fund
Audit results report

Year ended 31 March 2019

18 July 2019

Building a better working world

18 July 2019

Dear Committee Members

We are pleased to attach our Audit Results report for the forthcoming meeting of the Audit and Accounts Committee. This report is intended solely for the use of the Regulation, Audit and Accounts Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We have substantially completed our audit of Cambridgeshire Pension Fund for the year ended 31 March 2019. Subject to receiving the final documents listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3, by the accounts publication date of 31 July 2019.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report, or any other issues arising from our work with you, at the Audit and Accounts Committee meeting on 29 July 2019.

Yours faithfully

Mark Hodgson

Mark Hodgson

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents

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

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

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

01

Executive Summary

Executive Summary

Scope update

In our Audit Plan presented at the 28 March 2019 Audit and Accounts Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exception:

- Changes in materiality: We updated our planning materiality assessment using the draft financial statements. Based on our materiality measure of gross expenditure on provision of services, we have updated our overall materiality assessment to £31.9m (Audit Planning Report – £29 million). From the work undertaken at planning in relation to prior year audit findings and our respective file review, we concluded we could increase our performance materiality from 50% to 75% of overall materiality, of £23.9 million, and an updated threshold for reporting misstatements of £1.6 million.

Status of the audit

We have substantially completed our audit of the Pension Fund's financial statements for the year ended 31 March 2019 and have performed the procedures outlined in our audit planning report. Subject to satisfactory completion of the following items we expect to issue an unqualified opinion on the Cambridgeshire Pension Fund's financial statements in the form which appears at Section 3.

- IAS26 Disclosures testing;
- Investment Income testing;
- Final Manager and Associate Partner Review;
- Completion of subsequent events review;
- Receipt of the signed management representation letter; and
- Receipt of the final version of the financial statements and annual report.

A national issue has resulted in a relatively late change to the pension fund accounts and IAS26 fund liability disclosure. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling. The draft pension fund accounts did not recognise this matter, but officers were aware of the issue and intended to disclose it as a contingent liability. However, since the year-end there has been additional evidence, including the legal ruling by the Supreme Court on 27th June 2019 which rejected the Government's appeal, which suggested that the amounts should in fact be able to be fully calculated and so included in the IAS26 liability disclosed within the financial statements. We consider the impact of this on the financial statements further in Section 4.

Audit differences

There are no unadjusted or adjusted audit differences arising from our audit that we wish to bring to your attention.

Executive Summary

Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of Cambridgeshire Pension Fund's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

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

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit and Accounts Committee.

Control observations

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

Other reporting issues

We have no other matters to report.

Independence

Please refer to Section 7 for our update on Independence. There are no relationships from 1 April 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

02 Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

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

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

We identify and respond to this fraud risk on every audit engagement.

△ Significant Risk

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

As set out in our Audit Plan we confirm that we have performed the following procedures:

- We inquired of management about risks of fraud and the controls put in place to address those risks;
- We obtained an understanding the oversight given by those charged with governance of management's processes over fraud;
- We considered the effectiveness of management's controls designed to address the risk of fraud;
- We performed mandatory procedures regardless of specifically identified fraud risks, including;
    - testing of journal entries and other adjustments in the preparation of the financial statements;
    - reviewing accounting estimates for evidence of management bias; and
    - evaluating the business rationale for significant unusual transactions.
- We utilised our data analytics capabilities to assist with our work, including journal entry testing; and
- We assessed journal entries for evidence of management bias and evaluate for business rationale.

What are our conclusions?

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

Significant risk

Investment income and asset valuations - Investment Journals

What is the risk?

We have considered the key areas where management has the opportunity and incentive to override controls that could affect the Fund Account and the Net Asset Statement.

We have identified the main area being;

- Investment income and asset valuations being taken from the Custodian reports being incorrectly posted to the general ledger in the year, specifically through journal postings.

△ Significant Risk

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

As set out in our Audit Plan we confirm that we have performed the following procedures:

- Tested journals at year-end to ensure there are no unexpected or unusual postings;
- Undertook a review of reconciliations to the fund manager and custodian reports and investigated any reconciling differences;
- Re-performed the detailed investment note using the reports we acquired directly from the custodian or fund managers;
- Checked the reconciliation of holdings included in the Net Assets Statement back to the source reports; and
- For quoted investment income we will agreed the reconciliation between fund managers and custodians back to the source reports

What are our conclusions?

Our testing has not identified any material misstatements from investment income or year end investment assets.

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We are in the process of concluding our investment income testing.

Significant risk

Unusual Investments – Cambridge and Counties Bank (CCB) and Cambridge Building Society (CBS)

△ Significant Risk

What is the risk?

These investments are hard to value Level 3 investments as lack of observable inputs and prices are not publicly available.

CCB investment is based on valuations provided by a management specialist – Grant Thornton (GT). In the prior year the bank investment represented the largest single private equity investment by the fund. GT used a markets multiple approach in the prior year looking at price earnings ratio and price to book ratios, considering current and forecast earnings and ratios.

These investments are not publicly listed and as such there is a degree of judgement in their valuation.

From a review of the draft 2017/18 financial statements, the Fund has a total of £189 million included for private equity, £70 million of this is the investment in CCB. The Fund transparently discloses in the notes to the accounts surrounding "Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty" that there is a risk that this could be under or over stated in the accounts.

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

As set out in our Audit Plan we confirm that we have performed the following procedures:

- Engaged with EY Valuation team who will undertook a review of the valuation provided by GT considering the appropriateness of the assumptions and inputs used in determining the valuation;
- We ensured that investments have been valued in accordance with the relevant accounting policies; and
- The audit team have tested the accounting entries made in the statement of accounts and ensured they are consistent with the valuation provided by management's expert – GT.

What are our conclusions?

Managements Expert (GT) utilised a Market Approach to the valuation which gave rise to valuation within a range of £80.6 million to £81.7 million (CPF share).
Our valuation team used a Dividend Discount Model (DDM) as their approach, which was not used by the management specialist, who used a Market Approach. The DDM approach is considered best practice and confirmed a fair valuation between £80 million and £80.6 million as being reasonable.

The two approaches do not provide significantly different ranges, hence we have concluded that the valuation of Cambridgeshire and Counties Bank is reasonable

Based on the work we have undertaken we are satisfied that the management specialist valuation is within the range of best practice and is materially accurate.

Areas of Audit Focus

Other area of audit focus

Valuation of Complex Investments

What is the risk?

The Fund's investments include unquoted pooled investment vehicles such as private equity, and property investments. Judgements are taken by the Investment Managers to value those investments whose prices are not publicly available. The material nature of Investments means that any error in judgement could result in a material valuation error.

Current market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could have a material impact on the financial statements.

The proportion of the fund comprising of these investment types in 2018/19 is at circa 16%, and as these investments are more complex to value, we have identified the Fund's investments in private equity and pooled property investments as higher risk, as even a small movement in these assumptions could have an impact on the financial statements.

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

Our audit approach has included the following procedures:

- Assessing the competence of management experts;
- Reviewing the basis of valuation for property investments and other unquoted investments and assessing the appropriateness of the valuation methods used;
- Comparing the investment value included in the financial statements to direct confirmations from the Fund Managers.
- Where available, reviewing the latest audited accounts for the relevant fund managers and ensuring there are no matters arising that highlight weaknesses in the funds valuation;
- Obtain copies of the ISAE3402 reports over internal control for any control exceptions raised in relation to the valuation of investments; and
- Performing analytical procedures and checking the valuation output for reasonableness against our own expectations.

What are our conclusions?

We have assessed the competence of management experts and have not identified any issues.

Our review of the valuation basis concluded the methods used were appropriate. Our review of the latest financial statements and internal control reports has not highlighted any issues.

Our analytical review did not identify any variances above our set threshold.

Areas of Audit Focus

Other area of audit focus

New ERP System

What is the risk?

From April 2018 a new ERP system was introduced.

We consider this to carry an inherent risk due to the one off nature of the data transfer, which if done incorrectly would impact on the bought forward balances. Also, the mapping within the system can impact on the classification of certain balances within the financial statements. We need to understand the new financial system mapping and walkthrough the new transaction flows.

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

Our audit approach has included the following procedures:

- used data analytics to test opening balances;
- Undertaken analytical review on prior year closing balances and current year opening balances; and
- Tested the of transfer of balances to the new system

What are our conclusions?

We have not identified any issues from the work undertaken.

Opening balances were fairly stated.

Areas of Audit Focus

Other area of audit focus

Pension Liability Assumption

What is the risk?

An actuarial estimate of the pension fund liability to pay future pensions is calculated by an independent firm of actuaries with specialist knowledge and experience.

The estimate is based on a roll-forward of data from the previous triennial valuation, updated where necessary, and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.

There is a risk that the membership data and cash flows provided to the actuary as at 31 March may not be correct, or the valuation uses inappropriate assumptions to value the liability.

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

Our audit approach has included the following procedures:

- reviewed the controls in place to ensure that the data provided from the fund to the actuary is complete and accurate;
- Reviewed the reasonableness of the assumptions used in the calculation against other local government pension fund actuaries and observable data; and
- Agreed the disclosure to the information provided by the actuary.

What are our conclusions?

As noted in the Executive Summary a national issue has resulted in a relatively late change to the pension fund accounts and IAS26 fund liability disclosure. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling. The draft pension fund accounts did not recognise this matter, but officers were aware of the issue and intended to disclose it as a contingent liability. However, since the year-end there has been additional evidence, including the legal ruling by the Supreme Court on 27 June 2019 which rejected the Government's appeal, which suggested that the amounts should in fact be able to be fully calculated and so included in the IAS26 liability disclosed within the financial statements.

The actuary has now estimated the impact of the McCloud ruling on the present value of promised retirement benefits. The estimated increase in value of £9.0 million has now been disclosed at Note 20 to the accounts, with further associated disclosure added to recognise this as a source of estimation uncertainty and post balance sheet event.

We have not identified any issues with the work undertaken so far. We are still to complete our full review of the updated IAS26 disclosures.

Areas of Audit Focus

Other area of audit focus

New Accounting Standards

What is the risk?

IFRS 9 - Financial Instruments

This new accounting standard is applicable for local authority accounts from the 2018/19 financial year and will change:

- How financial assets are classified and measured;
- How the impairment of financial assets are calculated; and
- The disclosure requirements for financial assets.

There are transitional arrangements within the standard; and the 2018/19 CIPFA Code of practice on local authority accounting provides guidance on the application of IFRS 9. However, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty on the accounting treatment.

IFRS 15 – Revenue from contracts

The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.

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

Our audit approach has included the following procedures:

- Assessed the Pension Fund's implementation arrangements that included an impact assessment paper setting out the application of the new standards, transitional adjustments and planned accounting for 2018/19 including;
- For IFRS 9 we considered the classification and valuation of financial instrument assets;
- For IFRS 15 we considered the application to the Fund's revenue streams, and where the standard is relevant test to ensure revenue is recognised when (or as) it satisfies a performance obligation; and
- Check additional disclosure requirements.

What are our conclusions?

We have not identified any issues from the work undertaken.

03 Audit Report

Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAMBRIDGESHIRE COUNTY COUNCIL

Opinion

We have audited the pension fund financial statements for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2019 and the amount and disposition of the fund's assets and liabilities as at 31 March 2019; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the pension fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Draft audit report

Our opinion on the financial statements

Other information

The other information comprises the information included in the "*Statement of Accounts and Annual Governance Statement 2018-2019*", other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Audit Report

Draft audit report

Our opinion on the financial statements

Responsibility of the Chief Financial Officer

As explained more fully in the "*Chief Financial Officer's Responsibilities*" set out on pages 29 and 30, the Chief Financial Officer is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Pension Fund either intends to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of Cambridgeshire County Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

04

Audit Differences

Audit Differences

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

Summary of adjusted differences

We highlight any misstatements greater than £1.59 million which have been corrected by management during the course of our audit.

There are no corrected misstatements of such significance which merit bringing to your attention.

Disclosure Adjustments

We have highlighted to management a number of disclosure adjustments, which have been adjusted within the revised financial statements. None of these were of such significance as to merit being included in this report.

Summary of unadjusted differences

There are no uncorrected misstatements to bring to your attention.

McCloud ruling

As noted in the Executive Summary a national issue has resulted in a relatively late change to the pension fund accounts and IAS26 fund liability disclosure. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling. The draft pension fund accounts did not recognise this matter, but officers were aware of the issue and intended to disclose it as a contingent liability. However, since the year-end there has been additional evidence, including the legal ruling by the Supreme Court on 27 June 2019 which rejected the Government's appeal, which suggested that the amounts should in fact be able to be fully calculated and so included in the IAS26 liability disclosed within the financial statements. The actuary has now estimated the impact of the McCloud ruling on the present value of promised retirement benefits. The estimated increase in value of £9.0 million has now been disclosed at Note 20 to the accounts, with further associated disclosure added to recognise this as a source of estimation uncertainty and post balance sheet event.

05

Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements.

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2018/19 with the audited financial statements.

Financial information in the Statement of Accounts 2018/19 and published with the financial statements was consistent with the audited financial statements.

Other powers and duties

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

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

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of Cambridgeshire Pension Fund's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations.

We have nothing to report in respect of these matters.

06

Assessment of Control Environment

Assessment of Control Environment

Financial controls

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

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

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

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

07 Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 13 February 2019.

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

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit and Accounts Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit and Accounts Committee on 29 July 2019.

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Pension Fund, and its directors and senior management and its affiliates, including all services provided by us and our network to your Pension Fund, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 Month 2019.

We confirm that we have not undertaken non-audit work outside the NAO Code requirements.

	Final Fee 2018/19	Planned Fee 2018/19	Scale Fee 2018/19	Final Fee 2017/18
	£'s	£'s	£'s	£'s
Total Audit Fee – Code work	To be confirmed (Note 2)	22,756 (Note 1)	17,256	22,410

Notes:

* - Includes a proposed additional fee of £5,500 for IAS19 assurance work on behalf of admitted bodies. This remains subject to approval by PSAA.

Note 1 – We anticipate charging an additional fee of £5,500 in 2018/19 to take into account the additional work required to respond to IAS19 assurance requests from admitted bodies and their auditors. This is subject to formal approval by PSAA Ltd under their scale fee variation approval process.

Note 2 – As noted in our Audit Plan, due to the significant risk raised in relation to the valuation of Cambridge & County Bank and Cambridge Building Society we have performed additional audit procedures above that assumed within the scale fee and therefore we will be seeking to charge an additional fee in this respect. We will discuss these additional procedures with management once we have completed the audit and agree a fee for agreement with the PSAA Ltd.

We will confirm our final fees following the completion of our work and report this within our Annual Audit Letter or direct to you depending on timing.

All fees exclude VAT

07 Appendices

Audit approach update

We are required to communicate whether there have been any changes to the audit of the net assets statement from the prior year audit. In 2018/19, the first year of our engagement, we have taken a fully substantive approach to the audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

Appendix B

Summary of communications

Date	Nature	Summary
6 December 2018	Meeting	The Partner and Audit Manager met with key officers of the Pension Fund to discuss the audit and discuss emerging issues for the Audit Plan.
28 March 2019	Meeting/Report	The partner in charge of the engagement met with both the Pension Committee (Morning) and Audit and Accounts Committee (afternoon) to discuss the Audit Plan and areas of focus for the audit. This included confirmation of our independence.
18 June 2019	Meeting	The Partner and Audit Manager met with key officers of the Pension Fund to discuss the progress of the audit and discuss emerging issues.
11 July 2019	Report	The Audit Results Report, including confirmation of independence, was issued to the Audit Committee.
12 July 2019	Meeting	The Audit Partner met with key officers of Cambridgeshire County Council to discuss progress of the audit and discuss emerging issues and the draft Audit Results Report
29 July 2019	Meeting/Report	The partner in charge of the engagement, accompanied by other senior members of the audit team, met with the Audit & Accounts Committee and senior members of the management team to discuss the Audit Results report.

In addition to the above specific meetings and letters the audit team met with the management team multiple times throughout the audit to discuss audit findings.

Required communications with the Regulation, Audit and Accounts Committee

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

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the Regulation, Audit and Accounts Committee (RAAC) of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	28 March 2019, Audit and Accounts Committee – Audit Plan
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	28 March 2019, Audit and Accounts Committee – Audit Plan
Significant findings from the audit	▸ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▸ Significant difficulties, if any, encountered during the audit ▸ Significant matters, if any, arising from the audit that were discussed with management ▸ Written representations that we are seeking ▸ Expected modifications to the audit report ▸ Other matters if any, significant to the oversight of the financial reporting process	29 July 2019, Audit and Accounts Committee – Audit Results Report

Appendix C

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Public Interest Entities / Major Local Audits	For the audits of financial statements of public interest entities our written communications to AAC include: ▸ A declaration of independence ▸ The identity of each key audit partner ▸ The use of non-member firms or external specialists and confirmation of their independence ▸ The nature and frequency of communications ▸ A description of the scope and timing of the audit ▸ Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits ▸ Materiality ▸ Any going concern issues identified ▸ Any significant deficiencies in internal control identified and whether they have been resolved by management ▸ Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to AAC ▸ Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof ▸ The valuation methods used and any changes to these ▸ The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework ▸ The completeness of documentation and explanations received ▸ Any significant difficulties encountered in the course of the audit ▸ Any significant matters discussed with management ▸ Any other matters considered significant	28 March 2019, Audit and Accounts Committee – Audit Plan and 29 July 2019, Audit and Accounts Committee – Audit Results Report

Appendix C

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The adequacy of related disclosures in the financial statements	29 July 2019, Audit and Accounts Committee - Audit Results Report
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Material misstatements corrected by management	29 July 2019, Audit and Accounts Committee - Audit Results Report
Subsequent events	▸ Enquiry of AAC where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	29 July 2019, Audit and Accounts Committee - Audit Results Report
Fraud	▸ Enquiries of AAC to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Pension Fund ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▸ Unless all of those charged with governance are involved in managing the Pension Fund, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▸ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▸ Any other matters related to fraud, relevant to RAAC responsibility.	29 July 2019, Audit and Accounts Committee - Audit Results Report

Appendix C

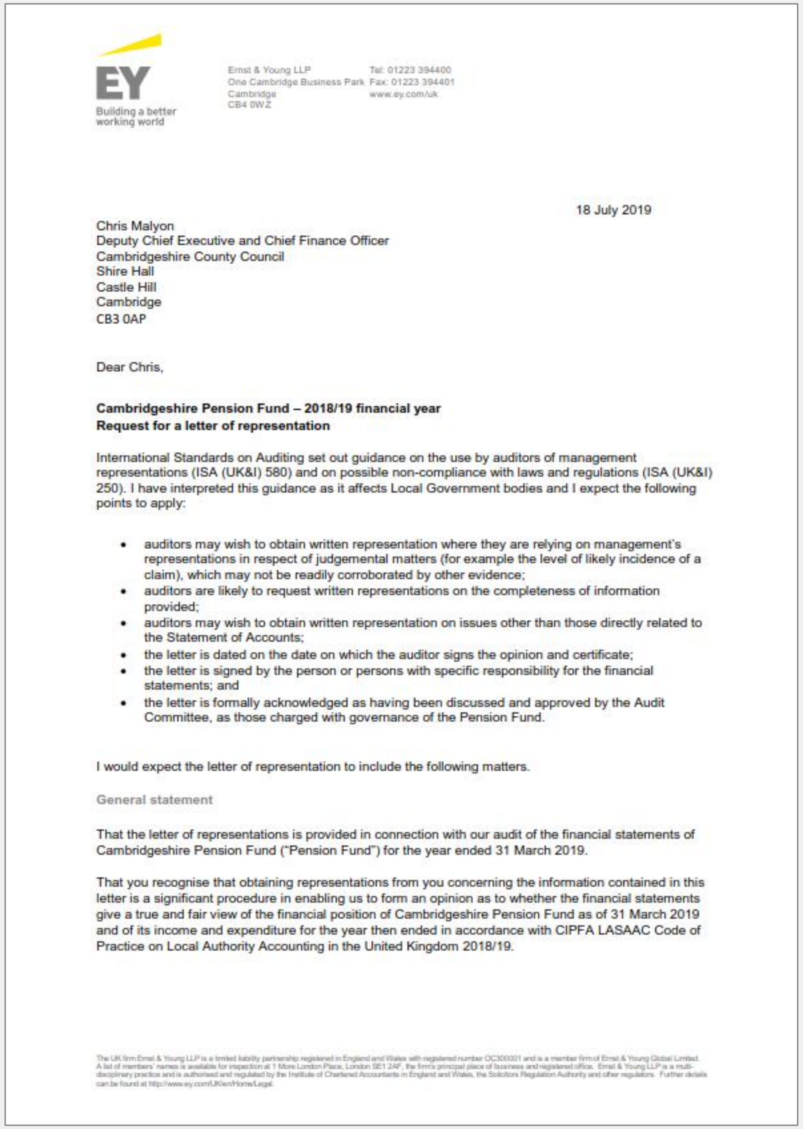
		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Related parties	Significant matters arising during the audit in connection with the Pension Fund's related parties including, when applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and regulations ▸ Difficulty in identifying the party that ultimately controls the Pension Fund	29 July 2019, Audit and Accounts Committee - Audit Results Report
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards ▸ Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place. For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2016: ▸ Relationships between EY, the company and senior management, its affiliates and its connected parties ▸ Services provided by EY that may reasonably bear on the auditors' objectivity and independence ▸ Related safeguards ▸ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▸ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit	28 March 2019, Audit and Accounts Committee - Audit Plan and 29 July 2019, Audit and Accounts Committee - Audit Results Report
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures.	We have received all requested confirmations

Appendix C

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Consideration of laws and regulations	▸ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▸ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	29 July 2019, Audit and Accounts Committee - Audit Results Report
Significant deficiencies in internal controls identified during the audit	▸ Significant deficiencies in internal controls identified during the audit.	29 July 2019, Audit and Accounts Committee - Audit Results Report
Written representations we are requesting from management and/or those charged with governance	▸ Written representations we are requesting from management and/or those charged with governance	29 July 2019, Audit and Accounts Committee - Audit Results Report
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	▸ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	29 July 2019, Audit and Accounts Committee - Audit Results Report
Auditors report	▸ Any circumstances identified that affect the form and content of our auditor's report	29 July 2019, Audit and Accounts Committee - Audit Results Report
Fee Reporting	▸ Breakdown of fee information when the audit planning report is agreed ▸ Breakdown of fee information at the completion of the audit ▸ Any non-audit work	28 March 2019, Audit and Accounts Committee - Audit Plan and 29 July 2019, Audit and Accounts Committee - Audit Results Report

Appendix D – Request for a Letter of Representation

Request for a Management Representation Letter



Ernst & Young LLP
One Cambridge Business Park
Cambridge
CB4 0WZ

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18 July 2019

Chris Malyon
Deputy Chief Executive and Chief Finance Officer
Cambridgeshire County Council
Shire Hall
Castle Hill
Cambridge
CB3 0AP

Dear Chris,

Cambridgeshire Pension Fund – 2018/19 financial year
Request for a letter of representation

International Standards on Auditing set out guidance on the use by auditors of management representations (ISA (UK&I) 580) and on possible non-compliance with laws and regulations (ISA (UK&I) 250). I have interpreted this guidance as it affects Local Government bodies and I expect the following points to apply:

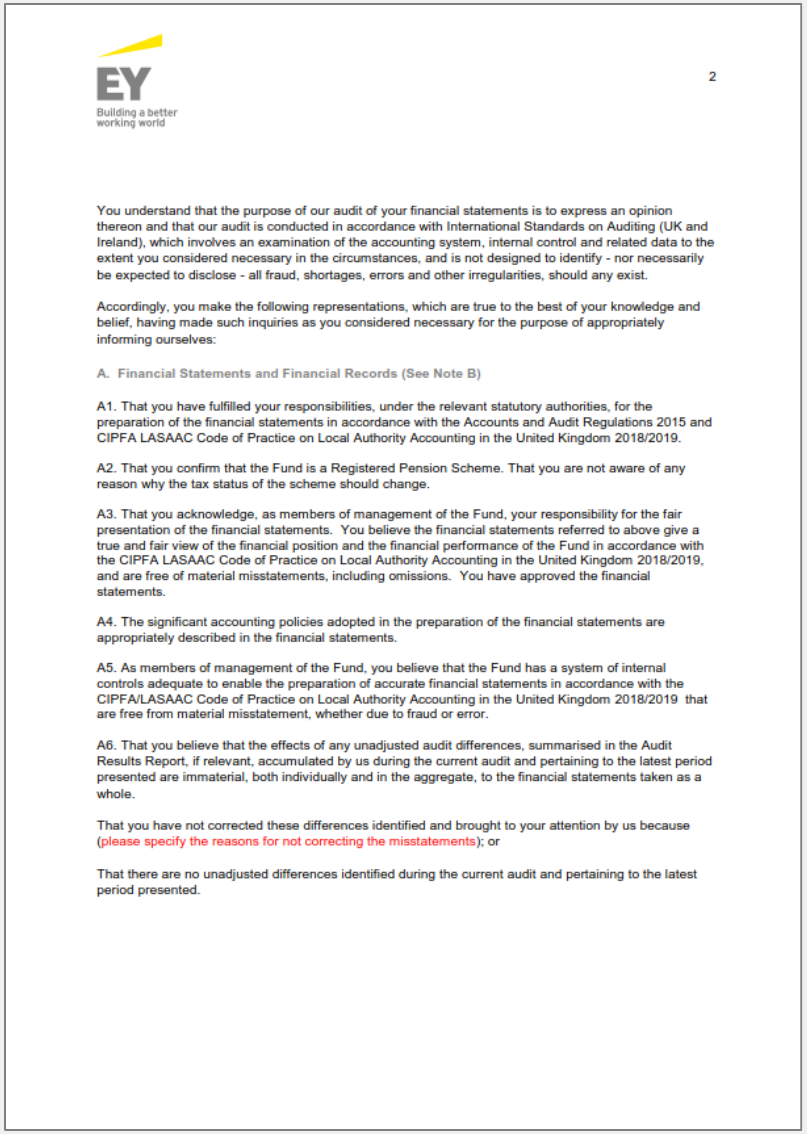
- auditors may wish to obtain written representation where they are relying on management's representations in respect of judgemental matters (for example the level of likely incidence of a claim), which may not be readily corroborated by other evidence;
- auditors are likely to request written representations on the completeness of information provided;
- auditors may wish to obtain written representation on issues other than those directly related to the Statement of Accounts;
- the letter is dated on the date on which the auditor signs the opinion and certificate;
- the letter is signed by the person or persons with specific responsibility for the financial statements; and
- the letter is formally acknowledged as having been discussed and approved by the Audit Committee, as those charged with governance of the Pension Fund.

I would expect the letter of representation to include the following matters.

General statement

That the letter of representations is provided in connection with our audit of the financial statements of Cambridgeshire Pension Fund ("Pension Fund") for the year ended 31 March 2019.

That you recognise that obtaining representations from you concerning the information contained in this letter is a significant procedure in enabling us to form an opinion as to whether the financial statements give a true and fair view of the financial position of Cambridgeshire Pension Fund as of 31 March 2019 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.



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

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

A. Financial Statements and Financial Records (See Note B)

A1. That you have fulfilled your responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/2019.

A2. That you confirm that the Fund is a Registered Pension Scheme. That you are not aware of any reason why the tax status of the scheme should change.

A3. That you acknowledge, as members of management of the Fund, your responsibility for the fair presentation of the financial statements. You believe the financial statements referred to above give a true and fair view of the financial position and the financial performance of the Fund in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/2019, and are free of material misstatements, including omissions. You have approved the financial statements.

A4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

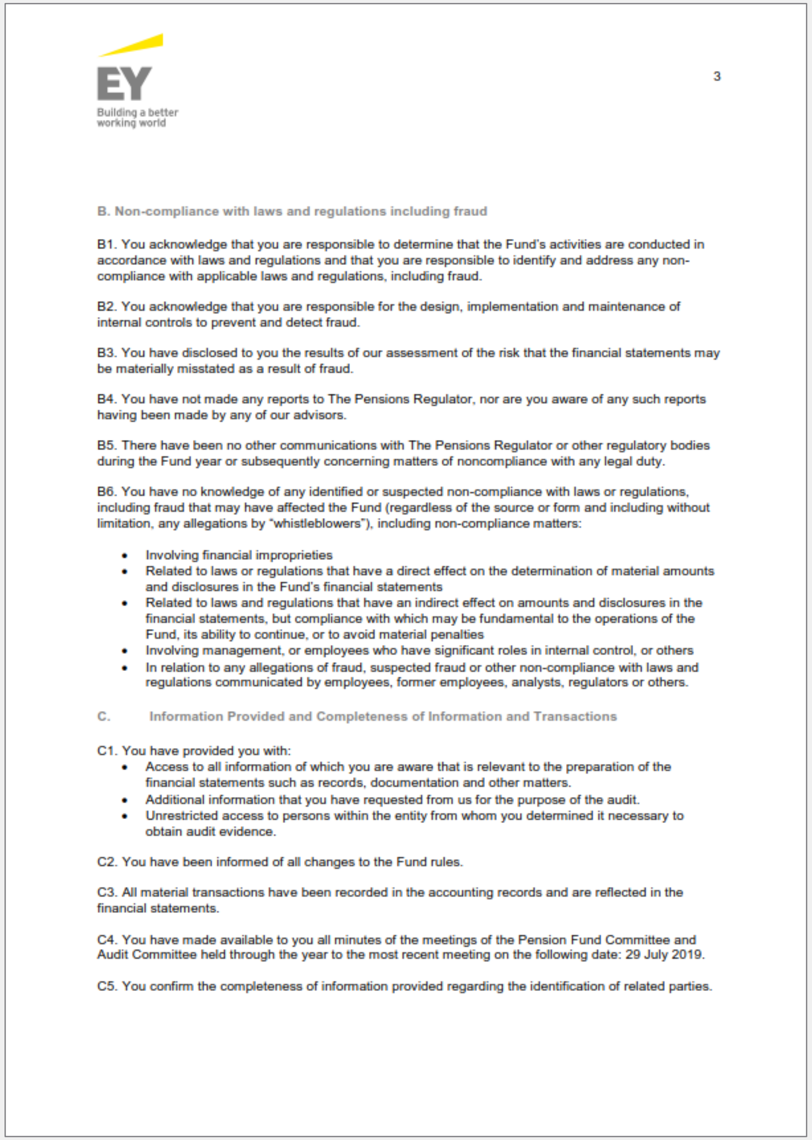
A5. As members of management of the Fund, you believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/2019 that are free from material misstatement, whether due to fraud or error.

A6. That you believe that the effects of any unadjusted audit differences, summarised in the Audit Results Report, if relevant, accumulated by us during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

That you have not corrected these differences identified and brought to your attention by us because (please specify the reasons for not correcting the misstatements); or

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

Appendix D – Request for a Letter of Representation



B. Non-compliance with laws and regulations including fraud

B1. You acknowledge that you are responsible to determine that the Fund's activities are conducted in accordance with laws and regulations and that you are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.

B2. You acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

B3. You have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

B4. You have not made any reports to The Pensions Regulator, nor are you aware of any such reports having been made by any of our advisors.

B5. There have been no other communications with The Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of noncompliance with any legal duty.

B6. You have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Fund (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

- Involving financial improprieties
- Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Fund's financial statements
- Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund, its ability to continue, or to avoid material penalties
- Involving management, or employees who have significant roles in internal control, or others
- In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

C1. You have provided you with:

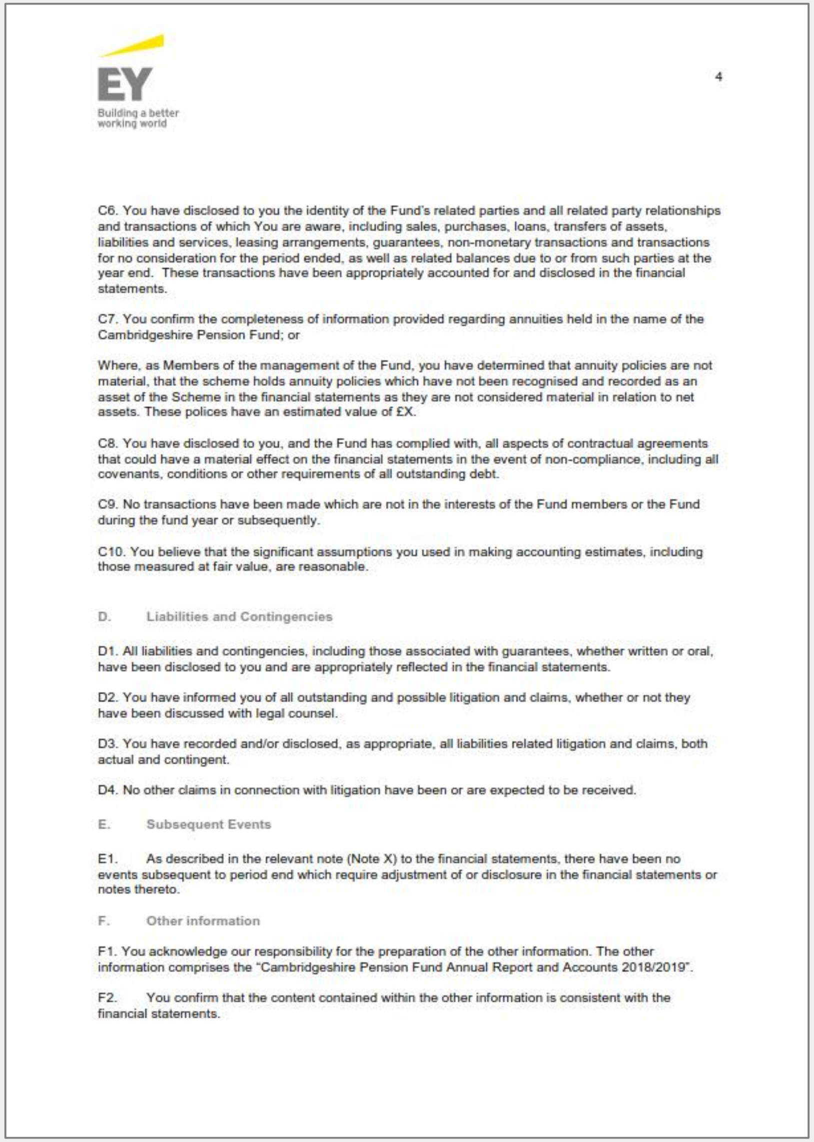
- Access to all information of which you are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters.
- Additional information that you have requested from us for the purpose of the audit.
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

C2. You have been informed of all changes to the Fund rules.

C3. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

C4. You have made available to you all minutes of the meetings of the Pension Fund Committee and Audit Committee held through the year to the most recent meeting on the following date: 29 July 2019.

C5. You confirm the completeness of information provided regarding the identification of related parties.



C6. You have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which You are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

C7. You confirm the completeness of information provided regarding annuities held in the name of the Cambridgeshire Pension Fund; or

Where, as Members of the management of the Fund, you have determined that annuity policies are not material, that the scheme holds annuity policies which have not been recognised and recorded as an asset of the Scheme in the financial statements as they are not considered material in relation to net assets. These polices have an estimated value of £X.

C8. You have disclosed to you, and the Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

C9. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.

C10. You believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.

D. Liabilities and Contingencies

D1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

D2. You have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

D3. You have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent.

D4. No other claims in connection with litigation have been or are expected to be received.

E. Subsequent Events

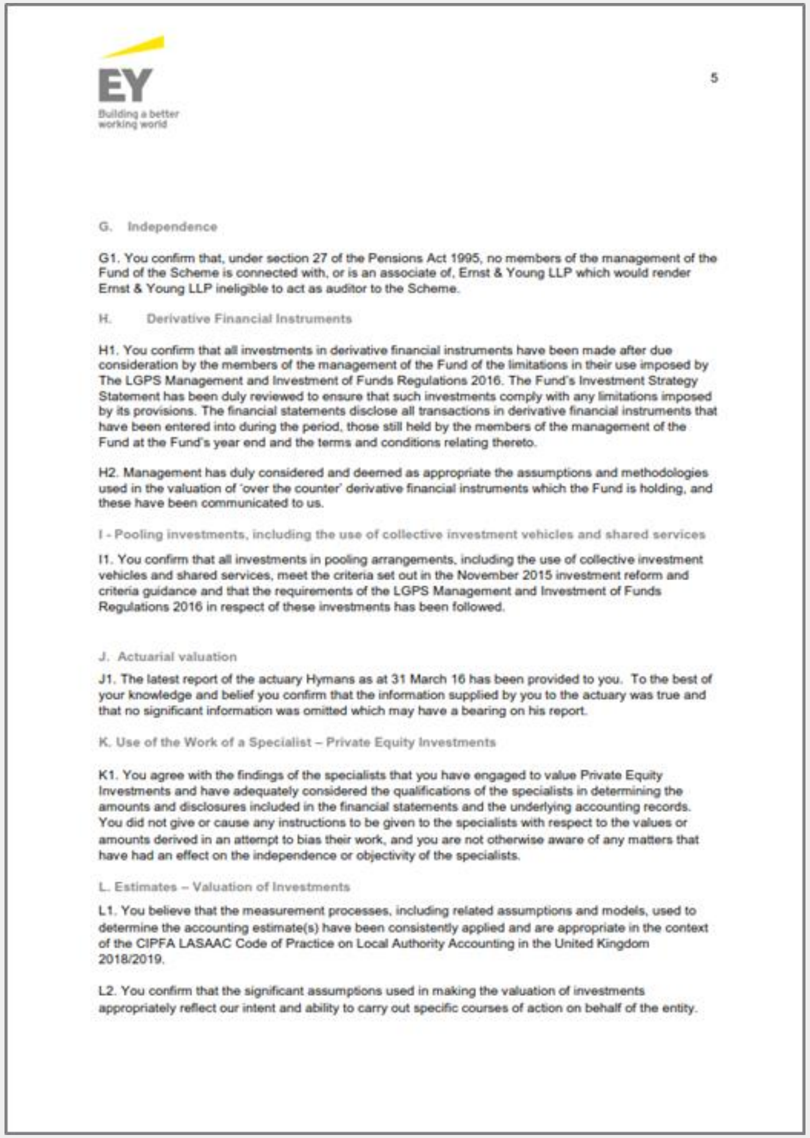
E1. As described in the relevant note (Note X) to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

F1. You acknowledge our responsibility for the preparation of the other information. The other information comprises the "Cambridgeshire Pension Fund Annual Report and Accounts 2018/2019".

F2. You confirm that the content contained within the other information is consistent with the financial statements.

Appendix D – Request for a Letter of Representation



G. Independence

G1. You confirm that, under section 27 of the Pensions Act 1995, no members of the management of the Fund of the Scheme is connected with, or is an associate of, Ernst & Young LLP which would render Ernst & Young LLP ineligible to act as auditor to the Scheme.

H. Derivative Financial Instruments

H1. You confirm that all investments in derivative financial instruments have been made after due consideration by the members of the management of the Fund of the limitations in their use imposed by The LGPS Management and Investment of Funds Regulations 2016. The Fund's Investment Strategy Statement has been duly reviewed to ensure that such investments comply with any limitations imposed by its provisions. The financial statements disclose all transactions in derivative financial instruments that have been entered into during the period, those still held by the members of the management of the Fund at the Fund's year end and the terms and conditions relating thereto.

H2. Management has duly considered and deemed as appropriate the assumptions and methodologies used in the valuation of 'over the counter' derivative financial instruments which the Fund is holding, and these have been communicated to us.

I - Pooling investments, including the use of collective investment vehicles and shared services

I1. You confirm that all investments in pooling arrangements, including the use of collective investment vehicles and shared services, meet the criteria set out in the November 2015 investment reform and criteria guidance and that the requirements of the LGPS Management and Investment of Funds Regulations 2016 in respect of these investments has been followed.

J. Actuarial valuation

J1. The latest report of the actuary Hymans as at 31 March 16 has been provided to you. To the best of your knowledge and belief you confirm that the information supplied by you to the actuary was true and that no significant information was omitted which may have a bearing on his report.

K. Use of the Work of a Specialist – Private Equity Investments

K1. You agree with the findings of the specialists that you have engaged to value Private Equity Investments and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. You did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

L. Estimates – Valuation of Investments

L1. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/2019.

L2. You confirm that the significant assumptions used in making the valuation of investments appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

L3. You confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/2019.

L4. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements due to subsequent events.

M. Specific Representations

We do not require any specific representations in addition to those above.

I would be grateful if you could provide a letter of representation, which is appropriately signed and dated (by the Fund Administrator (s151 Officer), Chair of the Pension Committee and Chair of Audit Committee) on the proposed audit opinion date (currently 31 July 2019) on formal headed paper.

Yours sincerely

Mark Hodgson
Associate Partner
For and on behalf of Ernst & Young LLP

Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

Net Assets Statement category	**Audit Approach in current year**
Investment Assets and Liabilities	Substantively tested all relevant assertions
Long term debtors	Immaterial - Substantively tested assertion for presentation and disclosure
Debtors	Immaterial - Substantively tested assertion for presentation and disclosure
Cash in hand	Substantively tested all relevant assertions
Creditors	Immaterial - Substantively tested assertion for presentation and disclosure

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Agenda Item 11 Pension Fund Account

31-Mar-18 £000		Notes	31-Mar-19 £000
	Dealings with members, employers and others directly involved in the fund:		
128,410	Contributions	7	124,572
4,932	Transfers in from other pension funds	8	4,882
133,342			**129,454**
(99,345)	Benefits	9	(106,259)
(10,126)	Payments to and on account of leavers	10	(11,171)
(109,471)			**(117,430)**
23,871	**Net additions/(withdrawals) from dealing with members**		**12,024**
(16,954)	Management Expenses	11	**(16,889)**
6,917	**Net additions/(withdrawals) including fund management expenses**		**(4,865)**
	Returns on investments:		
38,142	Investment income	13	45,493
(329)	Taxes on income		(85)
70,998	Profit and (losses) on disposal of investments and changes in the value of investments	14a, 17b	182,745
108,811	**Net return on investments**		**228,153**
115,728	**Net increase/(decrease) in the net assets available for benefits during the year**		**223,288**
2,853,578	Opening net assets of the scheme		2,969,306
2,969,306	**Closing net assets of the scheme**		**3,192,594**

Net Asset Statement

31-Mar-18 £000		Notes	31-Mar-19 £000
2,916,032	Investment assets		**3,177,716**
-	Investment liabilities		**(345)**
2,916,032	**Total net investments**	14	**3,177,371**
57,564	Current assets	21	**18,068**
(5,554)	Current liabilities	23	**(3,477)**
52,010	**Net Current Assets**		**14,591**
1,264	Non-current assets	22	632
2,969,306	**Net assets of the Fund available to fund benefits at the end of the reporting period**	**17a**	**3,192,594**

Note: The Fund’s financial statements do not take account of the liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 20.

Notes to the Pension Fund Accounts

1. DESCRIPTION OF THE FUND

The Cambridgeshire County Council Fund is part of the Local Government Pension Scheme (LGPS) and is administered by Cambridgeshire County Council. The County Council is the reporting entity for this Pension Fund. The following description of the Fund is a summary only. For more detail, reference should be made to the Annual Report 2018-19 on pages 1 to 43 and the underlying statutory powers underpinning the scheme.

General

The Fund is governed by the Public Services Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the LGPS Regulations 2013 (as amended);
- the LGPS (Transitional Provisions, Savings and Amendments) Regulations 2014 (as amended);
- the LGPS (Management and Investment of Funds) Regulations 2016.

The Fund is a contributory defined benefit pension scheme administered by Cambridgeshire County Council to provide pensions and other benefits for pensionable employees of Cambridgeshire County Council, the district councils in Cambridgeshire, and a range of other scheduled and admitted bodies within the county area. Teachers, police officers and fire-fighters are not included as they come within other national pension schemes.

The Fund is overseen by the Cambridgeshire Pension Fund Committee, which is a committee of Cambridgeshire County Council.

Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme. Organisations participating in the Cambridgeshire Pension Fund include:

- Scheduled bodies - local authorities and similar bodies whose staff are automatically entitled to be members of the Fund;
- Admitted bodies - other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

As at 31 March 2019 there are 254 (2018: 206) active employers within the Cambridgeshire Pension Fund, including the County Council itself.

The Fund has over 82k, individual members, as detailed below:

	31-Mar-18	31-Mar-19
Number of employers with active members	206	254
Number of employees in scheme:		
County council	9,726	9,829
Other employers	17,771	19,147
Total	**27,497**	**28,976**
Number of Pensioners:		
County council	8,352	8,410
Other employers	9,702	10,365
Total	**18,054**	**18,775**
Deferred pensioners:		
County council	16,962	12,719
Other employers	18,303	14,940
Total	**35,265**	**27,659**
Undecided Leavers:		
County council	*	3,233
Other employers	*	4,266
		7,499
Total members	**80,816**	**82,909**

*included in deferred pensioners at 31 March 2018

Notes to the Pension Fund Accounts (continued)

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2019. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2016. Employers' contributions comprise a percentage rate on active payroll between 11% and 25.1% and deficit payments of fixed cash amounts set for each employer as part of the triennial funding valuation.

Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below:

	Service pre 1 April 2008	Service 1 April 2008 to 31 March 2014
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
Lump Sum	Automatic lump sum of 3 x pension. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

Career Average Revalued Earnings (CARE)

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based upon their pensionable pay in that year at an accrual rate of 1/49th or 1/98th for those members who have taken up the 50/50 option and pay proportionately lower contributions. Accrued pension is updated annually in line with the Consumer Price Index.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. For more details, please refer to the Cambridgeshire Pension Fund scheme handbook available from LGSS Pension Services based at One Angel Square, Angel Street, Northampton NN1 1ED.

Notes to the Pension Fund Accounts (continued)

2. BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2018-19 financial year and its position at year-end as at 31 March 2019. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2018-19.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The pension fund has opted to disclose this information in Note 20. The accounts have been prepared on a going concern basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – Revenue Recognition

Contribution Income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the due date on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

Transfers to and from Other Schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations in Notes 8 and 10.

Individual transfers in/out are accounted for on a cash basis.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on an accruals basis and are included in Transfers In as set out in Note 8. Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

Investment Income

i) Interest income

Interest income is recognised in the Fund Account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

iii) Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

iv) Movement in the net market value of investments

Changes in the net market value of investments are recognised as income or expense and comprise all realised and unrealised profits/losses during the year.

Notes to the Pension Fund Accounts (continued)

Investment Income (Continued)

Stock lending

Stock lending income is recognised in the Fund Account as it accrues. Stock lending income represents the transfer of securities by the Pension Fund to an approved counterparty (“Borrower”), against a receipt of collateral (non-cash), for a fee, subject to the obligation by that same counterparty to redeliver the same or similar securities back to the Lender at a future date. Securities on loan remain assets of the Fund and are recorded in the net assets statement at fair value.

Fund Account – Expense Items

Benefits Payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities and paid in the following month.

Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

Management Expenses

The Fund discloses its pension fund management expenses in accordance with CIPFA’s Accounting for Local Government Pension Scheme Management Expenses (2016).

Administrative Expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the pension’s administration team are charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund in accordance with Council policy.

Oversight and Governance Costs

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund in accordance with Council policy.

Investment Management Expenses

Investment Management expenses are accounted for on an accruals basis.

Fees of external Investment Managers and the Custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. In addition the Fund has negotiated with the following managers that an element of their fee be performance related:

- JO Hambro Capital Management – Global Equities

Where an Investment Manager’s fee note has not been received by the year end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the Fund Account. In 2018-19, £1.6m of fees are based upon such estimates (2017-18: £ 1.5m). In addition, manager fees deducted from pooled funds of £7.2m (2017-18: £7.9m) are estimated based upon information received from Investment Managers.

The cost of obtaining investment advice from external consultants is charged direct to the Fund. All staff costs associated with investment activity are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged to the Fund.

Notes to the Pension Fund Accounts (continued)

Net Assets Statement

Financial Assets

Financial assets are included in the Net Assets Statement on a fair value basis, except for loans and receivables.

Loans and receivables are assets for which the amounts receivable are fixed and determinable and where the Fund has not designated the asset at fair value through profit and loss. This includes contributions owing from employers and cash deposits. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset.

Investment assets, including those within the ACCESS asset pool, but excluding cash held by Investment Managers on the Fund's behalf, are initially recognised at fair value and are subsequently measured at fair value with gains and losses recognised in the Fund Account. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 16). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

Foreign Currency Transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes (see Note 15).

Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

Financial Liabilities

The Fund initially recognises financial liabilities at fair value and subsequently measure them at amortised cost. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability.

Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (see Note 20).

Additional Voluntary Contributions

The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. The Fund has appointed Prudential and Equitable Life as its AVC providers. AVCs are deducted from the individual member's pay and paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts, in accordance with section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, but are disclosed as a note only (see Note 24).

Contingent Assets and Liabilities

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of a narrative in the notes.

Accounting Standards Issued, not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2018 – 2019 requires the disclosure of information relating to the expected impact of changes that will be required by a new standard that has been introduced but not yet adopted. There are no such standards which would materially impact the Fund.

4. CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES

Pension Fund Liability

The net pension fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

The estimated liability is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 19.

Actuarial revaluations are used to set future contribution rates and underpin the Fund’s most significant Investment Management policies, for example in terms of the balance struck between longer term investment growth and short-term investment yield/return.

5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the Balance Sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the Net Assets Statement as 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- **Actuarial Present Value of Promised Retirement Benefits**

Uncertainties: Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied. The actuary has included the McCloud judgement within their calculation shown in note 20.

Effect if actual results differ from assumptions: The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% movement in the discount rate assumption would result in an increase or decrease in the pension liability of £516m, with a 0.5%. A 0.5% movement in assumed earnings inflation would increase or decrease the value of liabilities by approximately £69m, and a one-year increase in assumed life expectancy would approximately increase the liabilities by between 3-5%.

Notes to the Pension Fund Accounts (continued)

- **Cambridge and Counties Bank**

Uncertainties: Cambridge and Counties Bank is not publicly listed and as such there is a degree of estimation involved in the valuation. The Pension Fund has appointed an independent, professional valuer to advise a suitable valuation. The Fund's investment is valued on a market based approach with reference to price/earnings and price to book of comparable public companies.

Effect if actual results differ from assumptions: The investment in the financial statements is £81.1m.There is a risk that this investment may be under or overstated in the accounts. As set out in the independent, professional valuation report, the valuation of the Cambridge and Counties Bank is in the range of £80.6m to £81.7m. The mid-point of this valuation range has been applied within the Fund's accounts.

- **Other Private Equity and Infrastructure**

Uncertainties: All other private equity and infrastructure investments are valued at fair value. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. See Note 16a.

Effect if actual results differ from assumptions: Total private equity and infrastructure investments (excluding Cambridge and Counties Bank – see above) at fair value in the financial statements are £282.8m. There is a risk that this investment may be under or overstated in the accounts. Note 18 gives a price sensitivity of Alternative investments of 24.7%, which indicates that Other private equity and infrastructure values may range from £352.7m to £212.9m.

6. EVENTS AFTER THE BALANCE SHEET DATE

The actuary has included the McCloud judgement impact within their calculation within note 20. There have been no further events since 31 March 2019, and up to the date when these accounts were authorised that require any adjustments to these accounts.

7. CONTRIBUTIONS RECEIVABLE

By category:

2017-18 £000		2018-19 £000
25,322	**Employees' contributions**	**26,427**
	Employers' contributions:	
82,290	Normal contributions	84,341
20,798	Deficit recovery contributions	13,804
103,088	**Total employers' contributions**	**98,145**
128,410		**124,572**

By authority:

2017-18 £000		2018-19 £000
38,591	Administering Authority	**27,027**
82,374	Scheduled bodies	**91,122**
7,445	Admitted bodies	**6,423**
128,410		**124,572**

8. TRANSFERS IN FROM OTHER PENSION FUNDS

2017-18 £000		2018-19 £000
4,932	Individual transfers	**4,882**
4,932		**4,882**

Notes to the Pension Fund Accounts (continued)

9. BENEFITS PAYABLE

By category:

2017-18 £000		2018-19 £000
78,846	Pensions	**84,204**
18,573	Commutation and lump sum retirement benefits	**19,244**
1,926	Lump sum death benefits	**2,811**
99,345		**106,259**

By authority:

2017-18 £000		2018-19 £000
39,324	Administering Authority	**36,750**
51,707	Scheduled Bodies	**60,117**
8,314	Admitted Bodies	**9,392**
99,345		**106,259**

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2017-18 £000		2018-19 £000
358	Refunds to members leaving service	**400**
-	Group transfers	**4,732**
9,768	Individual transfers	**6,039**
10,126		**11,171**

11. MANAGEMENT EXPENSES

2017-18 £000		2018-19 £000
2,277	Administrative costs	**2,018**
14,502	Investment management expenses	**14,544**
175	Oversight and governance costs	**327**
16,954		**16,889**

Fees payable to External Auditors, included within Oversight and governance costs, were £17k during the year (2017-18 £22k).

12. INVESTMENT MANAGEMENT EXPENSES

2017-18 £000		2018-19 £000
12,233	Management fees	**11,904**
524	Performance related fees	**1,068**
1,212	Transaction costs	**606**
533	Other costs	**966**
14,502		**14,544**

Notes to the Pension Fund Accounts (continued)

13. INVESTMENT INCOME

2017-18 £000		2018-19 £000
421	Income from bonds	**424**
15,633	Income from equities	**18,775**
9,952	Pooled investments – unit trusts and other managed funds	**14,461**
6,747	Pooled Property Investments	**7,277**
4,733	Private equity/infrastructure income	**4,001**
441	Interest on cash deposits	**360**
215	Other – securities lending income	**195**
38,142		**45,493**

14. INVESTMENTS

31-Mar-18 £000		31-Mar-19 £000
	Investment assets	
74,578	Bonds	**79,206**
371,765	Equities	**377,322**
1,953,899	Pooled investments	**2,086,961**
206,671	Pooled property investments	**236,858**
274,393	Private equity/infrastructure	**363,874**
31,191	Cash deposits	**27,593**
3,535	Investment income due	**3,992**
-	Amounts receivable for sales	**1,910**
2,916,032	**Total investment assets**	**3,177,716**
	Investment liabilities	
-	Amounts payable for purchases	**(345)**
-	**Total investment liabilities**	**(345)**
2,916,032	**Net investment assets**	**3,177,371**

Notes to the Pension Fund Accounts (continued)

14(a). RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

	Market value 1-Apr-18 £000	Purchases during the year and derivative payments* £000	Sales during the year and derivative receipts* £000	Change in market value during the year £000	Market value 31-Mar-19 £000
Bonds	**74,578**	702	-	3,926	**79,206**
Equities	**371,765**	66,282	(63,531)	2,806	**377,322**
Pooled investments	**1,953,899**	1,310,227	(1,316,014)	138,849	**2,086,961**
Pooled property investments	**206,671**	45,324	(21,495)	6,358	**236,858**
Private equity/infrastructure	**274,393**	95,027	(35,645)	30,099	**363,874**
	2,881,306	1,517,562	(1,436,685)	182,038	**3,144,221**
Derivative contracts:					
• Forward Currency Contracts	-	6	(15)	9	-
	2,881,306	1,517,568	(1,436,700)	182,047	**3,144,221**
Other investment balances:*					
• Cash deposits	**31,191**			723	**27,593**
• Investment income due	**3,535**			-	**3,992**
• Amounts receivable from sales of investments	-			-	**1,910**
• Spot FX contracts	-			(25)	-
• Amounts payable for purchases of investments	-			-	**(345)**
Net investment assets*	**2,916,032**			**182,745**	**3,177,371**
				Note 17a	

*Other investment balances and Net investment assets do not add across as purchases, sales and other movements are not disclosed here, in accordance with CIPFA guidance.

Notes to the Pension Fund Accounts (continued)

14(a). RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES (CONTINUED)

	Market value 1-Apr-17 £000	Purchases during the year and derivative payments* £000	Sales during the year and derivative receipts* £000	Change in market value during the year £000	Market value 31-Mar-18 £000
Bonds	**74,590**	-	-	(12)	**74,578**
Equities	**357,733**	45,642	(26,329)	(5,281)	**371,765**
Pooled investments	**1,898,748**	216,414	(196,223)	34,960	**1,953,899**
Pooled property investments	**192,549**	15,113	(19,066)	18,075	**206,671**
Private equity/infrastructure	**246,179**	57,023	(53,442)	24,633	**274,393**
	2,769,799	334,192	(295,060)	72,375	**2,881,306**
Derivative contracts:					
• Forward Currency Contracts	**-**	18	-	(18)	**-**
	2,769,799	334,210	(295,060)	72,357	**2,881,306**
Other investment balances:*					
• Cash deposits	**41,910**			(1,310)	**31,191**
• Investment income due	**2,714**			-	**3,535**
• Spot FX contracts	**-**			(49)	**-**
• Amounts payable for purchases of investments	**(1,137)**			-	**-**
Net investment assets*	**2,813,286**			**70,998**	**2,916,032**

*Other investment balances and Net investment assets do not add across as purchases, sales and other movements are not disclosed here, in accordance with CIPFA guidance.

Notes to the Pension Fund Accounts (continued)

14(b). ANALYSIS OF INVESTMENTS

31-Mar-18 £000		31-Mar-19 £000
	Bonds	
74,578	**UK –** Public sector quoted	79,206
74,578		**79,206**
	Equities	
357,135	**UK -** Quoted	357,667
14,630	**Overseas -** Quoted	19,655
371,765		**377,322**
	Pooled funds – additional analysis	
68,404	**UK -** Fixed income	70,173
257,953	**UK -** Equity	70,343
228,902	**Overseas -** Fixed income	226,543
1,380,326	**Overseas -** Equity	1,718,324
18,314	**Overseas -** Cash Fund	1,578
1,953,899		**2,086,961**
206,671	Pooled property investments	236,858
274,393	Private equity/ infrastructure	363,874
481,064		**600,732**
31,191	Cash deposits	27,593
3,535	Investment income due	3,992
-	Amounts receivable from sales	1,910
34,726		**33,495**
2,916,032	**Total investment assets**	**3,177,716**
	Investment liabilities	
-	Amounts payable for purchases	(345)
-	**Total investment liabilities**	**(345)**
2,916,032	**Net investment assets**	**3,177,371**

Notes to the Pension Fund Accounts (continued)

14(c). INVESTMENTS ANALYSED BY FUND MANAGER

Market value 31-Mar-18			Market value 31-Mar-19	
£000	% of net investment assets		£000	% of net investment assets
Investments managed by ACCESS asset pool:				
-	-	Link Fund Solutions - ACCESS Global Stock Fund	498,776	15.7
Investments managed outside of ACCESS asset pool:				
67,151	2.3	Adams Street Partners	80,458	2.5
-	-	Allianz Global Investors	12,447	0.4
9,575	0.3	AMP Capital	19,209	0.6
65,850	2.3	Cambridge and Counties Bank	81,100	2.6
10,000	0.3	Cambridge Building Society	14,913	0.5
472,147	16.2	Dodge & Cox Worldwide Investments	-	-
32,669	1.1	Equitix Investment Management	33,341	1.0
46,647	1.6	HarbourVest Partners (UK)	58,546	1.8
472,488	16.2	JO Hambro Capital Management	524,841	16.5
59,054	2.0	M&G Investments	60,888	1.9
-	-	M&G Real Estate	9,759	0.3
26,527	0.9	Partners Group (UK)	37,370	1.2
918,053	31.5	Schroders Investment Management	946,737	29.9
693,644	23.8	UBS Global Asset Management	765,050	24.1
16,339	0.6	UBS Infrastructure	16,742	0.5
25,888	0.9	Cash with custodian	17,194	0.5
2,916,032	**100.0**		**3,177,371**	**100.0**

All the above companies are registered in the United Kingdom.

Notes to the Pension Fund Accounts (continued)

The following investments represent more than 5% of the net assets of the scheme:

Security	Market value 31-Mar-18 £000	% of total fund %	Market value 31-Mar-19 £000	% of total fund %
JO Hambro Capital Management Global Select Fund Sterling Z shares	472,488	15.9	**509,096**	**15.94**
Link Fund Solutions - ACCESS Global Stock	-	-	**498,776**	**15.62**
UBS Global Asset Life North American Equity Tracker	-	-	**180,827**	**5.66**
Schroders International Selection Fund – Strategic Bond	169,848	5.7	**165,656**	**5.19**

14(d). STOCK LENDING

The Fund’s Investment Strategy sets the parameters for the Fund’s stock-lending programme. At 31 March 2019, the value of quoted equities on loan was £66.2m (31 March 2018: £92.7m). These equities continue to be recognised in the Fund’s financial statements. Counterparty risk is managed through holding collateral at the Fund’s custodian. At the year end the custodian held collateral at fair value of £71.4m (31 March 2018: £99.3m) representing 108% of stock lent. Collateral consists of acceptable securities and government debt.

15. ANALYSIS OF DERIVATIVES

Objectives and Policies for Holding Derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the Investment Management Agreement (IMA) agreed between the Fund and the various Investment Managers.

- **Futures**

The economic exposure represents the notional value of stock purchased under futures contracts and is therefore subject to market movements. There were no outstanding exchange traded future contracts at 31 March 2019 or 31 March 2018.

- **Forward Foreign Currency**

To maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the Fund’s quoted equity portfolio is in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, the Fund’s Investment Managers enter into forward foreign currency contracts to take advantage of current exchange rates. There were no open forward currency contracts at 31 March 2019 or 31 March 2018.

- **Options**

In order to minimise the risk of loss of value through adverse equity price movements, equity option contracts can protect the Fund from falls in value in its main investment markets, principally the UK, USA and Europe. There were no outstanding option contracts at 31 March 2019 or 31 March 2018.

Notes to the Pension Fund Accounts (continued)

16. FAIR VALUE

16a. FAIR VALUE HIERARCHY

Valuation of Financial Instruments Carried At Fair Value

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur. The Fund has adopted the classification guidelines recommended in the Practical Guidelines on Investment Disclosures (PRAG/Investment Association, 2016).

Level 1 Assets and liabilities at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index-linked securities and unit trusts.

Level 2 Assets and liabilities at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value. The price used is based upon inputs from observable market data.

Level 3 Assets and liabilities at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which the Cambridgeshire Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines 2015, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate. There has been no change in the valuation techniques used for individual investments during the year.

The following tables analyses the financial assets and liabilities of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable:

Values at 31 March 2019	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Financial assets at fair value through profit and loss	458,106	2,163,820	522,295	3,144,221
Total financial assets	**458,106**	**2,163,820**	**522,295**	**3,144,221**

Values at 31 March 2018	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Financial assets at fair value through profit and loss	468,191	2,002,760	413,890	2,884,841
Total financial assets	**468,191**	**2,002,760**	**413,890**	**2,884,841**

Notes to the Pension Fund Accounts (continued)

All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date. The fair valuation of each class of investment asset is set out below.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the account period	Not required	Not required
Quoted bonds	Level1	Fixed interest securities valued at a market value based on current yields	Not required	Not required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	Not required	Not required
Pooled investments – not exchange traded open ended funds	Level 2	Closing bid and offer prices are published. Closing single price where a single price is published	NAV based pricing set on a forward pricing basis.	Not required
Pooled investments – not exchange traded closed ended funds	Level 3	Closing bid and offer prices are published. Closing single price where a single price is published	NAV based pricing set on a forward pricing basis.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date and lack of liquidity.
Private equity and infrastructure- equity	Level 3	Comparable valuation of similar companies	Price/Earnings or EBITDA multiple	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date.
Private equity and infrastructure - other	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	Share of net assets	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date, and by any differences between audited and unaudited accounts.

Notes to the Pension Fund Accounts (continued)

Sensitivity of Assets Valued at Level 3

Having analysed historical data and current market trends, and consulted with independent investment Advisors, the Fund has determined that the valuation methods described above are likely to be accurate within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2019.

Asset Type	Value as at 31-Mar-19 £000	Assessed valuation range (+/-)	Value on Increase £000	Value on Decrease £000
Property	168,180	14.3%	192,230	144,130
Private Equity	354,115	24.7%	441,490	266,740
Total Assets	**522,295**		**633,720**	**410,870**

16(b). RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

Period 2018-19	Market value 1-Apr- 2018 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Unrealised gains/ (losses) £000	Realised gains/ (losses) £000	Market value 31-Mar-2019 £000
Pooled property investments	139,497	36,990	(13,160)	4,055	798	168,180
Private equity and infrastructure - equity	65,850	20,500	-	(5,250)	-	81,100
Private equity and infrastructure - other	208,543	64,768	(35,645)	17,915	17,434	273,015
Total	**413,890**	**122,258**	**(48,805)**	**16,720**	**18,232**	**522,295**

There were no transfers between levels during the year, and the movements noted above relate to additions or disposals of assets, and gains and losses. Unrealised and realised gains and losses are recognised in the changes in value of investments line of the Fund Account.

Notes to the Pension Fund Accounts (continued)

17. FINANCIAL INSTRUMENTS

17a. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the year.

	31-Mar-18				31-Mar-19	
Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000		Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000
			Financial assets			
74,578	-	-	Bonds	79,206	-	-
371,765	-	-	Equities	377,322	-	-
1,953,899	-	-	Pooled investments	2,086,961	-	-
206,671	-	-	Pooled property investments	236,858	-	-
274,393	-	-	Private equity/ infrastructure	363,874	-	-
-	-		Derivative contracts	-	-	-
	73,422	-	Cash	-	32,300	-
3,535	-	-	Other investment balances	-	5,902	-
-	16,597	-	Debtors	-	13,993	-
2,884,841	**90,019**	**-**		**3,144,221**	**52,195**	**-**
			Financial liabilities			
-	-	-	Derivative contracts	-	-	-
-	-	-	Other investment balances	-	-	(345)
-	-	(5,554)	Creditors	-	-	(3,477)
-	**-**	**(5,554)**		**-**	**-**	**(3,822)**
2,884,841	**90,019**	**(5,554)**	**Total**	**3,144,221**	**52,195**	**(3,822)**
	2,969,306					**3,192,594**

Notes to the Pension Fund Accounts (continued)

17b. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

2017-18 £000		2018-19 £000
	Financial assets:	
72,375	Fair value through profit and loss	**182,038**
-	Amortised cost – realised gains on de-recognition of assets	**723**
-	Amortised cost – unrealised gains	**-**
	Financial liabilities:	
(18)	Fair Value through profit and loss	**9**
(1,359)	Amortised cost – realised losses on de-recognition of assets	**(25)**
-	Amortised cost – unrealised losses	**-**
70,998	**Total gains**	**182,745**

18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and Risk Management

The Fund’s primary long-term risk is that the Fund’s assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund’s forecast cash flows. The Council manages these investment risks as part of its overall Pension Fund Risk Management Programme. Responsibility for the Fund’s Risk Management Strategy rests with the Pension Fund Committee. Risk management policies are established to identify and analyse the risks faced by the Council’s pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund’s Risk Management Strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment Advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in two ways:

- the exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

Notes to the Pension Fund Accounts (continued)

Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund's Investment Managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Fund Investment Strategy.

Other Price Risk – Sensitivity Analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment Advisors, the Council has determined that the following movements in market price risk would have reasonably been possible for the 2018-19 reporting period. The potential price changes disclosed above are broadly consistent with one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment Advisors most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Asset Type	Potential Market Movement +/- (%p.a.)
UK equities	16.6%
Overseas equities	16.9%
Global pooled equities	16.9%
Index-linked bonds	9.2%
Pooled fixed interest bonds	10.5%
Property	14.3%
Alternatives	24.7%
Cash and Other investment balances	0.5%

Notes to the Pension Fund Accounts (continued)

Had the market price of the fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as follows:

31 March 2019 **Asset Type**	**Value as at 31-Mar-19 £000**	**% (rounded) Change**	**Value on Increase £000**	**Value on Decrease £000**
UK equities	**428,009**	16.6	499,059	356,960
Overseas equities	**19,655**	16.9	22,976	16,333
Global pooled equities	**1,718,325**	16.6	2,008,721	1,427,928
Index-linked bonds	**79,206**	9.2	86,493	71,919
Pooled fixed interest bonds	**296,716**	10.5	327,871	265,561
Property	**236,858**	14.3	270,728	202,978
Alternatives	**363,874**	24.7	453,657	274,092
Cash and Other investment balances	**34,728**	0.5	34,902	34,555
Total Assets	**3,177,371**		**3,704,407**	**2,650,326**

31 March 2018 **Asset Type**	**Value as at 31-Mar-18 £000**	**% (rounded) Change**	**Value on Increase £000**	**Value on Decrease £000**
UK equities	**615,088**	16.8	718,423	511,753
Overseas equities	**14,630**	17.9	17,249	12,011
Global pooled equities	**1,385,253**	17.9	1,633,213	1,137,293
Index-linked bonds	**74,578**	9.2	81,439	67,717
Pooled fixed interest bonds	**297,306**	10.2	327,631	266,981
Property	**201,744**	14.3	230,593	172,895
Alternatives	**274,393**	25.5	344,363	204,423
Cash and Other investment balances	**53,040**	0.5	53,305	52,775
Total Assets	**2,916,032**		**3,406,216**	**2,425,848**

Notes to the Pension Fund Accounts (continued)

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest rate risk is routinely monitored by the Council and its investment consultant in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks. The Fund's direct exposure to interest rate movements as at 31 March 2019 and 31 March 2018 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest Rate Risk Sensitivity Analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. An 80 basis point (BPS) (i.e. 0.80%) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy. The Fund's investment consultant has advised that long-term average rates are expected to move less than 80 basis points from one year to the next and experience suggests that such movements are likely. The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS (1.0%) change in interest rates:

31-Mar-18 £000	**Asset Type**	**31-Mar-19 £000**
31,191	Cash and cash equivalents	**27,593**
42,231	Cash balances	**4,707**
74,578	Index-linked securities	**79,206**
297,306	Fixed interest securities	**296,716**
445,306	**Total**	**408,222**

Assets exposed to interest rate risk	**Asset values at 31-Mar-19 £000**	**Impact of 1% increase £000**	**Impact of 1% decrease £000**
Cash and cash equivalents	**27,593**	27,593	27,593
Cash balances	**4,707**	4,707	4,707
Index-linked securities	**79,206**	78,414	79,998
Fixed interest securities	**296,716**	293,749	299,683
Total change in assets available	**408,222**	**404,463**	**411,981**

Exposure to interest rate risk	**Asset values at 31-Mar-18 £000**	**Impact of 1% increase £000**	**Impact of 1% decrease £000**
Cash and cash equivalents	**31,191**	31,191	31,191
Cash balances	**42,231**	42,231	42,231
Index-linked securities	**74,578**	73,832	75,324
Fixed interest securities	**297,306**	294,333	300,279
Total change in assets available	**445,306**	**441,587**	**449,025**

Notes to the Pension Fund Accounts (continued)

Exposure to interest rate risk	**Interest receivable 2018-19 £000**	**Value on 1% increase £000**	**Value on 1% decrease £000**
Cash deposits, cash and cash equivalents	**360**	364	356
Index-linked securities	**424**	428	420
Fixed interest securities	**3,598**	3,598	3,598
Total	**4,382**	**4,390**	**4,374**

Exposure to interest rate risk	**Interest receivable 2017-18 £000**	**Value on 1% increase £000**	**Value on 1% decrease £000**
Cash deposits, cash and cash equivalents	**441**	445	437
Index-linked securities	**421**	425	417
Fixed interest securities	**4,044**	4,044	4,044
Total	**4,906**	**4,914**	**4,898**

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances. Changes to both the fair value of the assets and the income received from investments impact on the net assets available to pay benefits.

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (GBP). The Fund holds both monetary and non-monetary assets denominated in currencies other than GBP.

The Fund’s currency rate risk is routinely monitored by the Council and its investment Advisors in accordance with the Fund’s risk management strategy, including monitoring the range of exposure to currency fluctuations.

Currency Risk – Sensitivity Analysis

Following analysis of historical data with the Fund's Advisors, the Council considers the likely volatility associated with foreign exchange rate movements to be 10.0% (the 1 year expected standard deviation).

A 10.0% (31 March 2018: 10.0%) fluctuation in the currency is considered reasonable based on the Fund Advisors analysis of long-term historical movements in the month-end exchange rates over a rolling 36 month period. This analysis assumes that all other variables, in particular interest rates, remain constant. A 10.0% strengthening/weakening of the pound against the various currencies in which the fund holds investments would decrease/increase the net assets available to pay benefits as follows.

Assets exposed to currency risk	Value at 31-Mar-19 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Overseas Equities	1,737,979	173,798	1,911,777	1,564,181
Overseas Fixed Income	226,543	22,654	249,197	203,889
Overseas Cash Fund	1,578	158	1,736	1,420
Total	**1,966,100**	**196,610**	**2,162,710**	**1,769,490**

Assets exposed to currency risk	Value at 31-Mar-18 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Overseas Equities	1,394,955	139,496	1,534,451	1,255,460
Overseas Fixed Income	228,902	22,890	251,792	206,012
Overseas Cash Fund	18,314	1,831	20,145	16,483
Total	**1,642,171**	**164,217**	**1,806,388**	**1,477,955**

b) Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipts that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency. Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution.

Notes to the Pension Fund Accounts (continued)

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectible deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2019 was £38.7m (31 March 2018: £73.4m). This was held with the following institutions:-

	Rating	31-Mar-18 £000	31-Mar-19 £000
Money market funds			
Northern Trust Global Investors Global Cash Fund	Aaa-mf	31,034	27,427
Bank deposit account			
Barclays Bank	A	42,232	4,707
Bank current accounts			
Northern Trust custody accounts	P-1	157	166
Total		**73,422**	**32,300**

c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payroll costs; and also cash to meet investment commitments.

The Fund has immediate access to its cash holdings, with the exception of holdings that are for a fixed term when the deposit is placed. The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert in to cash. As at 31 March 2019 the value of illiquid assets was £600.7m, which represented 18.8% of the total Fund assets (31 March 2018: £481.1m, which represented 16.2% of the total Fund assets).

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy. All financial liabilities at 31 March 2019 are due within one year.

d) Refinancing Risk

The key risk is that the Fund will be bound to replenish a significant proportion of its Pension Fund financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its investment strategy.

19. FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2016. The next valuation will take place as at 31 March 2019 and will be published in 2020.

The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- to ensure that employer contribution rates are as stable as possible;
- to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return;
- to reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so;
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a maximum period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable. Where an employer's funding level is less than 100%, a deficit recovery plan is put in place requiring additional contributions from the employer to meet the shortfall.

At the 2016 actuarial valuation, the Fund was assessed as 78.4% funded (72.4% at the March 2013 valuation). This corresponded to a deficit of £625m (2013 valuation: £728m) at that time.

The Contribution Objective is achieved by setting employer contributions which are likely to be sufficient to meet both the cost of new benefits accruing and to address any funding deficit relative to the funding target over the agreed time horizon. A secondary objective is to maintain where possible relatively stable employer contribution rates. For each employer in the Fund, to meet the Contribution Objective, a primary contribution rate has been calculated in order to fund the cost of new benefits accruing in the Fund. Additionally, if required, a secondary contribution rate has also been calculated to target a fully funded position within the employer's set time horizon.

The table below summarises the whole fund Primary and Secondary Contribution rates at the 2016 triennial valuation. These rates are the payroll weighted average of the underlying individual employer primary and secondary rates, calculated in accordance with the Regulations and CIPFA guidance.

Primary Rate %	Secondary Rate %		
1 April 2017 to 31 March 2020	2017/2018	2018/2019	2019/2020
18.1%	£26,039,000	£17,959,000	£18,355,000

The Primary rate above includes an allowance of 0.6% of pensionable pay for the Fund's expenses. The average employee contribution rate is 6.3% of pensionable pay. Full details of the contribution rates payable can be found in the 2016 actuarial valuation report and the funding strategy statement on the Fund's website.

At the previous formal valuation at 31 March 2013, a different regulatory regime was in force. Therefore a contribution rate that is directly comparative to the rates above is not provided.

Notes to the Pension Fund Accounts (continued)

Basis of Valuation

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were:

Financial Assumptions

A summary of the main financial assumptions adopted for the valuation of members' benefits are shown below.

		31-Mar-13		31-Mar-16	
Assumption	**Description**	**Nominal**	**Real**	**Nominal**	**Real**
Price inflation (RPI)		3.3%	-	3.3%	-
Price Inflation (CPI)/ Pension increases		2.5%	-	2.1%	-
Pay increases - 2016	RPI minus 0.7% p.a.*	n/a	n/a	2.4%	(0.7)%
Pay increases - 2013	RPI plus 1% p.a.*	4.3%	1.0%	n/a	n/a
Funding basis discount rate	"Gilt-based" discount rate plus an Asset Outperformance Assumption of 1.8% p.a. (2013: 1.6% p.a).	4.6%	n/a	4.0%	n/a

*Plus an allowance for promotional pay increases.

Mortality Assumptions

Future life expectancy based on the actuary's fund-specific mortality review was:

	Active and Deferred Members		Current Pensioners	
Assumed life expectancy at age 65	**Male**	**Female**	**Male**	**Female**
2013 valuation	24.4	26.9	22.5	24.5
2016 valuation	24.0	26.3	22.4	24.4

Note that the figures for active and deferred members assume that they are aged 45 at the valuation date.

Various scaling factors have been applied to the mortality tables to reflect the predicted longevity for each class of member and their dependants.

Other Demographic Valuation Assumptions:

a) **Retirements in ill health -** Allowance has been made for ill-health retirements before Normal Pension Age.

b) **Withdrawals -** Allowance has been made for withdrawals from service.

c) **Family details -** A varying proportion of members are assumed to be married (or have an adult dependant) at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. Husbands are assumed to be 3 years older than wives.

d) **Commutation -** Future pensioners are assumed to elect to exchange pension for additional tax-free cash up to 25% of HMRC limits for service to 31 March 2008 and 63% of HMRC limits for service from 1 April 2008.

e) **50:50 option -** 5.0% of members (uniformly distributed across the age, service and salary range) are assumed to choose the 50:50 option under which they pay 50% lower contributions and receive proportionately lower retirement benefits.

20. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year.

In order to assess the value of the benefits on this basis, the Actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 19). The actuary has also used valued ill health and death benefits in line with IAS 19.

31-Mar-18 £m		31-Mar-19 £m
(4,267)	Present value of promised retirement benefits	**(4,829)**
2,958	Fair value of scheme assets (bid value)	**3,187**
(1,309)	**Net liability**	**(1,642)**

As noted above, the liabilities are calculated on an IAS 19 basis and therefore will differ from the results of the 2016 triennial funding valuation (see note 19) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

Note that the above figures include allowance for the "McCloud ruling", i.e. an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes.

Assumptions Used

	31-Mar-18 % p.a.	31-Mar-19 % p.a.
Inflation/pension increase rate assumption	2.4	2.5
Salary increase rate	2.7	2.8
Discount rate	2.7	2.4

Notes to the Pension Fund Accounts (continued)

21. CURRENT ASSETS

31-Mar-18 £000		31-Mar-19 £000
	Debtors:	
1,544	Contributions due – members	1,847
3,671	Contributions due – employers	5,900
10,117	Sundry receivables	5,614
15,332		13,361
42,232	**Cash balances**	4,707
57,564		18,068

22. NON CURRENT ASSETS

At 31 March 2019, a total of £1,264,000 was still due from the Ministry of Justice, with £632,000 being shown in Current Assets and £632,000 being due after 31 March 2020 shown in Non Current Assets.

23.CURRENT LIABILITIES

31-Mar-18 £000		31-Mar-19 £000
5,113	Sundry payables	3,088
441	Benefits payable	389
5,554		3,477

24. ADDITIONAL VOLUNTARY CONTRIBUTIONS

Market value 31-Mar-18 £000		Market value 31-Mar-19 £000
403	Equitable Life	363
7,741	Prudential	7,683
8,144		8,046

No contributions (2017-18: no contributions) were paid to Equitable Life during the year and total contributions of £737k (2017-18: £799k) were paid directly to Prudential during the year.

25. AGENCY SERVICES

Agency Services represent activities administered by the Fund on behalf of scheme employers which are not included within the Fund Account but are provided as a service and are fully reclaimed from the employer bodies.

2017-18 £000		2018-19 £000
3,605	Unfunded pensions	3,625
3,605		3,625

Notes to the Pension Fund Accounts (continued)

26. RELATED PARTY TRANSACTIONS

Cambridgeshire County Council

The Cambridgeshire County Council Pension Fund is administered by Cambridgeshire County Council. Consequently there is a strong relationship between the Council and the Fund. The Council incurred costs of £2.2m (2017-18: £2.4m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses.

The Council is also the single largest employer of members of the Pension Fund and contributed £21.0m, excluding Local Education Authority schools, to the Fund in 2018-19 (2017-18: £22.1m). At 31 March 2019 there was £0.2m (31 March 2018: £2.0m) due to the Fund by the Council.

Governance

The following Pension Fund Committee members declared a personal interest due to either being a member of the scheme themselves or having a family member in the scheme:-

- Councillor Anne Hay
- Councillor Michael Shellens
- Liz Brennan
- Matthew Pink
- Tracy Roden

County Council members have declared their interests in their Register of Members' Interests. Other members of the Pension Fund Board are required to declare their interests at each meeting.

Cambridge and Counties Bank

The Fund is joint owner, along with Trinity Hall, Cambridge, of Cambridge and Counties Bank (CCB). As the Fund has no controlling interest in the Bank and it is included within the Fund's financial statements as a minority interest. The Council's Section 151 Officer was a Non-executive Director on the Board of CCB, and was replaced by an Officer of the Pension Fund during the year, for which CCB paid £49,688 during the year (2017-18 £40,000) to the Council.

26(a) KEY MANAGEMENT PERSONNEL

The administration of the Fund is provided by LGSS Pensions which is a shared service arrangement between Cambridgeshire County Council and Northamptonshire County Council. The Head of Pensions in the shared service unit reported directly to the LGSS Director of Finance, followed by the Interim Managing Director of LGSS, whose costs are reported in the Northamptonshire County Council statement of accounts. Other key personnel include the Section 151 Officer who is Treasurer to the Fund, and the Head of HR. The Interim Managing Director of LGSS, the Section 151 Officer and the Head of HR are remunerated for their services to the organisation as a whole and it is not possible to identify within the overhead charge from LGSS the proportion of costs relating to these services to the Fund.

27. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments at 31 March 2019 totalled £315.0m (31 March 2018: £210.7m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a period of between three and fifteen years from the date of each original commitment.

28. CONTINGENT ASSETS

Sixteen admitted body employers in the Cambridgeshire Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default, and usually only in the event of premature cessation.

Agenda Item No. 13

TITLE **Internal Audit Progress Report**

To: **Audit & Accounts Committee**

Date: **29th July 2019**

From: **Duncan Wilkinson, LGSS Chief Internal Auditor**

1. PURPOSE

1.1 To report on the main areas of audit coverage for the period 1st March to 30th June 2019 and the key control issues arising.

2. BACKGROUND

2.1 The role of Internal Audit is to provide the Audit Committee and Management independent assurance on the effectiveness of the controls in place to ensure that the Council's objectives are achieved. Internal Audit coverage is planned so that the focus is upon those areas and risks which will most impact upon the Council's ability to achieve these objectives.

RECOMMENDATION

3.1 Audit & Accounts Committee is requested to consider the contents of this report and approve the updates to the Audit Plan at Section 5.1.

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LGSS Internal Audit & Risk Management

Cambridgeshire County Council

Update report

As at 30th June 2019

1. *FINALISED ASSIGNMENTS*

1.1 Since the previous Progress Report in March 2019, the following audit assignments have reached completion, as set out below in Table 1.

Table 1: Finalised Assignments

No.	Directorate	Assignment	Compliance Assurance	Systems Assurance	Organisational impact
1.	Place & Economy	Bus Service Operators Grant	Grant certification provided		
2.	Place & Economy	Additional Highways Maintenance Grant	Grant certification provided		
3.	Cross-Cutting (Cambridgeshire County Council (CCC)-wide)	Agency Staff Compliance	Satisfactory	N/A	Minor
4.	Cross-Cutting (CCC-wide)	Procurement Compliance	Satisfactory	N/A	Minor
5.	Cross-Cutting (CCC-wide)	Fees & Charges Policy & Compliance	Limited	N/A	Minor
6.	Cross-Cutting (CCC-wide)	Grants to Voluntary Organisations Compliance	Satisfactory	Limited	Minor
7.	Cross-Cutting (CCC-wide)	Development of Project Assurance Framework & Project Management Framework	Production of proposed assurance framework and recommendations on project management.		
8.	Cross-Cutting (CCC-wide)	Use Of Invoices	Good	N/A	Minor
9.	Cross-Cutting (CCC-wide)	European Union (EU) Procurement Regulations Compliance	Good	N/A	Minor

10.	Cross-Cutting (CCC-wide)	Risk Management Review	Good	Good	Minor
11.	Cross-Cutting (CCC-wide)	Performance Management	Good	Satisfactory	Minor
12.	People & Communities	Personal Budgets	Good	N/A	Minor
13.	People & Communities	Foster Care Payments	Satisfactory	Satisfactory	Moderate
14.	People & Communities	Coram Cambridgeshire Adoption Contract	Limited	Limited	Minor
15.	Place & Economy	Transport Contract Management	Satisfactory	Satisfactory	Minor
16.	Place & Economy	Section 106 Funding	Good	Good	Minor
17.	Place & Economy	Ely Bypass	Satisfactory	Limited	Minor
18.	LGSS IT	LGSS IT Disaster Recovery	Limited	Limited	
19.	LGSS IT	LGSS IT Procurement	Limited	Limited	
20.	LGSS IT	LGSS IT Governance	Limited	Limited	
21.	Key Financial Systems	Accounts Receivable	Satisfactory	Satisfactory	Minor
22.	Key Financial Systems	Purchase to Pay	Satisfactory	Satisfactory	Minor
23.	Key Financial Systems	Payroll	Satisfactory	Satisfactory	Minor
24.	Key Financial Systems	General Ledger	Satisfactory	Satisfactory	Minor
25.	Key Financial Systems	Bank Reconciliation	Substantial	Substantial	Minor
26.	Key Financial Systems	Treasury Management	Good	Satisfactory	Minor
27.	Key Financial Systems	Financial Systems IT General Controls	Satisfactory	Satisfactory	Minor

28.	Key Financial Systems	Debt Recovery	Limited	Limited	Minor

1.2 Summaries of the finalised reports with satisfactory or less assurance are provided in Section 4. This excludes the reviews of Grants to Voluntary Organisations Compliance and Transport Contract Management, where the audit reports have already been presented in full at the May 2019 meeting, and the report on Ely Bypass which is being separately presented to Committee in full.

1.3 The following audit assignments have reached draft report stage, as set out below in table 2:

Table 2: Draft Reports

No.	Directorate	Assignment
1.	People & Communities	Direct Payments Compliance

1.4 Further information on work planned and in progress may be found in the Audit Plan, attached as Annex A.

2. FRAUD AND CORRUPTION UPDATE

2.1 CURRENT INTERNAL AUDIT INVESTIGATIONS:

A summary of the current investigative caseload of the Internal Audit team is provided below at Table 3. This includes investigations relating to suspected theft, fraud or misuse of funds, which are led by Internal Audit.

Table 3: Internal Audit Investigations Caseload

Case Category	Description of activity or risk example	No.	Outcomes
Investigations	FACT Investigation	**1**	Ongoing support to post-report process.
	Whistleblowing concerns	**2**	Closed, no concerns.
	Allegations regarding misuse of a Direct Payment	**1**	Investigation in progress.
	Manor Farm Tenancy Review	**1**	Draft report stage.
	Libraries cash thefts	**2**	Referred to police.
	Suspected bank mandate fraud at a school	**1**	Initial investigation in progress.
Totals		**8**	

3 IMPLEMENTATION OF MANAGEMENT ACTIONS

3.1 The outstanding management actions as at the end of May 2019 are summarised in Table 4 below, which includes a comparison with the percentage implementation from the previous report (bracketed figures).

3.2 Please note that as this is the first report of the 2019/20 financial year, percentages will have dropped compared to the final quarterly report of 2018/19, as these figures would have included all actions implemented for the entire previous financial year.

3.2 There are currently 16 management actions outstanding. Further detail on all outstanding actions is provided at Annex B.

Table 4: Outstanding Management Actions (Year To Date)

	Category 'Essential' recommendations		Category 'Important' recommendations		Total	
	Number	**% of total**	**Number**	**% of total**	**Number**	**% of total**
Implemented	0	0% (0%)	17	52% (73%)	17	52% (73%)
Actions due within last 3 months, but not implemented	0	0% (0%)	8	24% (7%)	8	24% (7%)
Actions due over 3 months ago, but not implemented	0	0% (0%)	8	24% (20%)	8	24% (20%)
Totals	0		33		33	

4. SUMMARIES OF COMPLETED AUDITS WITH SATISFACTORY OR LESS ASSURANCE

A. CROSS-CUTTING (COUNCIL WIDE) REVIEWS:

A.1 Agency Staff Compliance

Opus LGSS is a joint business venture part owned by Cambridgeshire County Council (CCC) in order to manage the Council's need for agency workers, with the intention of all agency appointments being made via Opus LGSS in the first instance. Internal Audit conducted an audit to test compliance with current procedures and policies in place regarding the appointment of agency staff. This sought to assess the Council's risk of not achieving value for money in its use of agency staff, by ensuring they are not being used inefficiently by filling posts at high costs and/or for long appointment periods.

Internal Audit has given a satisfactory assurance over compliance with the Agency Worker Policy. Overall, compliance had improved from the previous audit in 2017/18, with significant improvements in the approval of extensions to agency staff placements, and sample testing found 100% completion of Disclosure and Barring Service (DBS checks) where these were required.

The primary areas of weakness which remained included a lack of evidenced authorisation for the initial procurement of agency staff, with evidence of authorisation available for 50% of the sample. This does still represent an increase from the finding of the previous audit, where only 25% of cases had evidence of authorisation. The audit also found a lack of recruitment exemptions being completed where non-Opus providers were used, and only 43% of the sample having completed health and safety induction forms.

A number of recommended actions have been agreed with management to address the remaining issues. This includes the introduction of formal reporting to directors and senior managers allowing scrutiny of all agency staff expenditure in their areas, and highlighting any known instances of non-compliance with CCC Agency Worker Policy.

A.2 Fees & Charges Policy Compliance

In 2015/16, Internal Audit conducted a review of fees and charges at

Cambridgeshire County Council, considering how both statutory and non-statutory fees charged by the Council (for services provided and trading activities) are set each year and reviewed. As the Council did not have an adequate policy framework for this area, a draft Fees & Charges Policy and supporting Best Practice Guidance was produced by Internal Audit. On follow-up by Internal Audit, assurances were provided by key officers that the policy and guidance had been agreed at Strategic Management Team (SMT).

The original remit for this review was to carry out compliance testing in order to ascertain whether the Fees and Charges Policy and Best Practice Guidance are being effectively complied with in practice. However, the initial stages of audit field work determined that the Policy and Guidance have not been communicated or embedded into the organisation at all. Following the commencement of this review, the Fees and Charges page on the Council's external website was updated in order to reflect the new policy, however, Internal Audit has found no evidence that this has been communicated to officers, or that the policy is being used in practice to determine fees and charges across the Council. Without the effective communication of this Policy, Internal Audit cannot conduct an effective compliance review of fees and charges against the Council, and therefore limited assurance over compliance is given.

This review also identified that there is little awareness of the total amount of income collected from fees and charges across the Council. While Internal Audit were able to ascertain a list of all the recorded income from fees and charges, this was with the caveat that there may be income on the relevant cost centres which do not relate to fees and charges and, equally, that fees and charges income may not appear on these cost centres.

Four key recommendations have been agreed as a result of this review:

- The Fees & Charges Policy to be approved by Joint Management Team (JMT).
- An owner of the Fees & Charges Policy to be identified as responsible officer for implementing the policy and ensuring compliance.
- A communication strategy to be developed which raises awareness, focusing particularly on key income areas for the Council.
- A review to be undertaken by Finance to identify any areas where non-statutory expenditure is being subsidised, and a formal approval process to be developed and implemented for any such subsidies.

A.3 Development of Project Assurance Framework & Project Management

Internal Audit conducted a review of Project Management Methodologies in

2017/18. This identified limited assurance over the project management systems in place, and limited assurance over compliance. Following this report, it was agreed that Cambridgeshire's Transformation Team would develop a Council-wide Project Management Framework, in consultation with Internal Audit, Finance, Business Intelligence and other relevant services.

The new framework was launched in early 2018/19. During its development, Internal Audit also identified the need for a Project Assurance process to be introduced at Cambridgeshire, to provide greater assurance over the Council's most high-risk projects. This process would ensure that key strategic projects are subject to review at four key points ('gateways') in the project lifecycle, aligned to the gateways defined in the Project Management Framework developed by Transformation. This was discussed with the other services involved and it was agreed that Audit would lead on developing this process.

Internal Audit has now developed a proposed Project Assurance Framework which has been agreed by JMT. As part of this work, a number of areas for improvement in the existing Project Management Framework were also identified and proposals developed by Internal Audit to address these areas, as follows:

- **Adoption of Project Management Manuals**: There is currently no guide or manual for the Council's Project Management Framework. Internal Audit therefore developed a set of proposed draft manuals, to provide greater support and clarity to Council officers undertaking projects using the Project Management Framework.

- **Enforcement of gateway approvals**: The current Project Management Framework is built around four 'gateway' stages in the project management lifecycle, and officers are required to seek 'approval' to progress to the next stage. Currently, there is no guidance regarding the level of approval which is required at each stage, and project managers may select any member of staff to provide 'approval'. Internal Audit has proposed a formal set of project approval requirements, based on project size and risk profile, to ensure that all projects are subject to challenge and scrutiny from officers with sufficient expertise and seniority and that resources are not wasted on projects which do not fit council priorities, are not deliverable, or are managed poorly.

- **Adoption of the new Project Sizing Tool**: The Council's Project Management Framework includes a project sizing tool, which categorises projects as 'normal' or 'large' ('large' projects including an project over £0.5m). This approach does not currently link to any requirements for approvals, such as those outlined in the Council's Scheme of Financial

Management, or processes for the prioritisation of resource in the IT service, Transformation Team or other services, and the only guidance given is that large projects should “rigorously” apply the Project Management Framework. Internal Audit has therefore developed a new Project Sizing Tool which classifies projects as Small / Medium / Large / Strategic, which links to the new Project Management Manuals and Project Assurance Framework also developed by Internal Audit, and also link to existing approval requirements from the Council’s Scheme of Financial Management and Constitution. It is anticipated that this will assist with prioritisation of resources, defining required approvals and outputs, and programme planning and monitoring.

The Transformation Team are currently in the process of launching the new Project Sizing Tool, Project Management Manuals and approvals framework on CamWeb, the staff intranet.

A.4 Performance Management

Internal Audit conducted several reviews relating to performance management, and produced a single overarching report. This included a review of the Corporate Key Performance Indicator framework; a review focused on compliance with the framework in the calculation of individual indicators; and a review of performance management within Council directorates.

Internal Audit has given a satisfactory assurance for the adequacy of the performance management system in place. The Council does have a written Performance Management Framework; however, this document has not been updated since 2013, is not communicated/available to officers, and does not reflect many of the performance management processes undertaken by officers in practice.

Equally, while the Performance Management Framework itself requires review, Internal Audit identified that generally, in practice, there are effective processes for performance management being undertaken across the Council. Therefore an opinion of good assurance is given over officer compliance with good practice.

A number of recommendations have been agreed with management, including reviewing and comprehensively updating the Performance Management Framework, and communicating this to ensure it is available to all staff. The updated framework should include guidance on the development and regular review of Key performance indicators (KPIs), and as part of the KPIs review they should be aligned to the corporate strategy. It is also recommended that Business Intelligence service should consider distinguishing in reporting between KPIs which are designed to drive corporate performance and those which are intended as contextual indicators. It is noted that a review is currently being undertaken around a new corporate strategy and discussions around General Purposes Committee's (GPC's) role in reviewing KPIs, which may further affect the contents of the new framework.

A.5 Procurement Compliance

As part of the 2018/19 Audit Plan, an audit was undertaken to provide assurance that goods and services are procured in compliance with Cambridgeshire County Council's Contract Procedure Rules, and that value for money is achieved through procurement.

The governance opinion from this audit, based on compliance testing of a sample of eight invoices, was that compliance was satisfactory; this means that the control environment has mainly operated as intended, although errors were detected which should have been prevented. The reasons for this assurance rating resulted from two main issues which became apparent during testing:

- **Joint procurement with a neighbouring authority:** An instance was identified where a project was undertaken jointly between Cambridgeshire County Council and Northamptonshire County Council. Northamptonshire had conducted a procurement to obtain a supplier, and the Cambridgeshire team then used the same supplier. However, the procurement had not been undertaken as a joint procurement, and the Cambridgeshire team did not undertake to confirm whether or not Cambridgeshire's Contract Procedure Rules had been complied with, or obtain a procurement waiver, before using the supplier. There is currently limited guidance available to officers within the Contract Procedure Rules on how to govern such situations, and therefore it has been agreed that the guidance will be reviewed with more detail provided.

- **Procurement waivers:** Two instances were identified involving non-compliance with the Contract Procedure Rules, where no waiver (formerly called a procurement exemption) had been approved. These instances were:

    - A service procuring specialist placements for children without any procurement competition. Staff had believed there was no need to comply with Contract Procedure Rules, basing their procurement activity on the Special Educational Needs (SEN) Code of Practice. Prior to the audit, the service had already recognised that they should have obtained an exemption from Control Procedure Rules, had obtained a temporary waiver, and were putting in place a Dynamic Purchasing System agreement to ensure that future procurements are compliant.

  - Another service had chosen a single supplier from a framework contract and engaged with that supplier without a call for tenders, although the framework contract did not allow direct procurement in this way. No waiver had been requested.

Overall there was a positive direction of travel compared to the previous procurement compliance report. In addition to review of the Contract Procedure Rules, it was agreed that the Deputy Head of Procurement would conduct a communications exercise via the Daily Blog to remind staff of requirements under Contract Procedure Rules, and the availability of Procurement Awareness training. It was also agreed that the Head of Finance would write to budget holders to remind them of their obligations under Contract Procedure Rules.

B. PEOPLE & COMMUNITIES DIRECTORATE REVIEWS:

B.1 Foster Care Payments

Children who become looked after (LAC) and are suitable for fostering are placed in homes either with in-house carers, or with carers working for an external independent fostering agency (IFA). Placements are first sought with suitable in-house carers and if none can be found then a placement is found with an IFA. In Cambridgeshire in October 2018 there were 236 children placed with in-house carers and 293 children in IFA placements. The 2018/19 budget for in-house placements and associated costs was £5.5m and for IFAs was £9.7m. The final LAC overspend in 18/19 was £2.8m. In response to a request by the Director of People and Communities, an audit was undertaken of Cambridgeshire's Fostering Service to provide assurance that value for money is achieved through contract management of fostering placements.

Internal Audit has given satisfactory assurance over the control environment and satisfactory assurance over compliance with the controls. Policies and procedures are in place to govern the management of fostering placements but need to be better communicated. While these are generally effective in driving value for money from foster care contracts, Internal Audit has identified several areas where further improvements, and in some cases significant cost savings, could be made.

A number of recommendations have been agreed with management, which includes seeking recovery of £95,976 of expenditure identified by Internal Audit as relating to over-payments, income which has not been invoiced, and expenditure which does not comply with policy. Audit has also identified the potential for savings through reducing payments to IFAs in cases where the Council separately funds home-to-school transport and this cost can therefore be excluded from the scope of the contract. Potential savings of c.£390,000 are possible if the current policy of reducing contracts by £75 per week is fully implemented in practice. Due to the scale of the potential savings, an opinion of moderate organisational impact was given.

B.2 Coram Cambridgeshire Adoption Contract

Adoption work in Cambridgeshire is provided by the Coram Cambridgeshire Adoption (CCA) agency, under a five-year contract with Cambridgeshire County Council, with a total value of £5.75m. As this contract is terminating on 31st July 2019 and being replaced, a review of the contract was undertaken to identify any learning points or areas for improvement in the tender process for the new contract.

Internal Audit gave limited assurance over the control environment for the adoption contract, and limited assurance over the compliance with controls. Weaknesses within the contract documents related to both the performance monitoring and financial processes. The original contract documents provided limited information on the costs associated with the contract, and no details of what the Council's funding was designed to cover or volume specifics; it was anticipated that a Financial Model would be developed and agreed by the two parties.

A Financial Model was developed by CCA but no formal agreement was reached with CCC regarding the model. The Model includes an expectation for a 1% annual uplift on the cost of the contract, which has never been accounted for in Council budgets. The Financial Model also includes an expectation that the contract will be funded in part by CCA commercially trading in adoption placements. The contract did not specify how the financial burden of any overspends would be shared between the two parties.

There is also ambiguity over the expected performance of the contractor in the Contract Documents. There is nothing in the Contract which enables the Council to monitor the financial performance of the contractor, although the Access to Resources team, who have recently taken over contract management, have developed a new and improved set of Key Performance Indicators (KPIs) which better demonstrate expected performance levels. While this means that the Council is provided with a better view of the performance of the contractor, at present there are still no provisions in place which link the performance of the contractor to the payments made by the Council. Without clauses in the contract which tie the payments to the Contractor to the performance levels achieved, there is no way to hold CCA accountable.

A review of actual payments made under the contract identified £1,004,115.82 of additional payments made to CCA from the commencement for the contract to November 2018. These payments were made for a wide range of different reasons, but were not all supported by contractual amendments or formal approval. It was identified that Cambridgeshire County Council were making payments to cover 50% of a projected deficit of c.£300,000 for the 2018/19 financial year at Coram; this was stated as being in line with 'risk share arrangements', however no such arrangements are specified in the contract or Financial Model.

As a result of the findings of the review, a range of recommended actions have been agreed with the service, to ensure that the Council effectively manages and monitors the new contract, and that contract documentation supports this approach. This includes ensuring that the contract includes provision for Open Book contract reviews and links underperformance to financial penalties, as well as introducing an annual reconciliation on all expenditure by CCC and an annual review of KPIs.

C. IT AND INFORMATION GOVERNANCE REVIEWS:

Three IT audits with a limited assurance opinion have recently been completed by the IT Audit team, based at Milton Keynes, across the three LGSS Partners: Cambridgeshire County Council (CCC), Northamptonshire County Council (NCC) and Milton Keynes Council (MKC). This approach has been taken due to the interdependence of the three Councils for IT provision through the LGSS partnership and there being a single LGSS IT management structure. These audits covered IT Disaster Recovery, IT Procurement and IT Governance.

It should be noted that IT at Cambridgeshire County Council is split between LGSS management and CCC management. These reports have focused on systems of control within LGSS IT, and therefore will not reflect any additional compensating controls in place locally within Cambridgeshire. For this reason the close-out workshop, and implementation of actions resulting from these audits, will include the relevant Cambridgeshire County Council IT and Digital staff.

The newly appointed LGSS IT Director has given his full support to the audit process including making his entire management team available for a close-out workshop to discuss findings and identifying relevant actions. Action plans have been agreed with the Director to improve controls. The Audit & Accounts Committee will have an important oversight role in ensuring these that these plans are completed.

C.1 LGSS IT Disaster Recovery

This is an important aspect of corporate governance and although there is significant weakness in Disaster Recovery arrangements these would materialise into impacts on CCC only if there was significant impairment of one or both of the LGSS datacentres and their communication links. Key findings for Disaster Recovery include:

- Absence of effective alignment between business requirements and IT disaster recovery provision.
- Absence of formalised and agreed IT disaster recovery plans.
- No comprehensive or systematic testing of IT disaster recovery capability. Testing has not taken place after the migration of the disaster recovery capability from Scott House to Northamptonshire County Council's (NCC's) data centre.
- In the event of a total loss of the Cambridgeshire data centre there is no alternative communications link to the Northamptonshire data centre, meaning that Council services would not be accessible unless a minimum of networking services remained available at the Cambridgeshire data centre (and potentially not recoverable in a timely manner).

In considering the actions to address these weaknesses Officers will need to take into account the forthcoming move of the Cambridgeshire data centre from the Shire Hall site including the inter-dependencies with our LGSS partners who have data within the Cambridgeshire data centre. This move is likely to affect both the short and medium/long term approach to Disaster Recovery at Cambridgeshire.

C.2 LGSS IT Procurement

This area is important given the nature of this spend includes both technical and cost issues unique to IT.

- IT expenditure is through Council delegated budgets and not via LGSS. There are potential control weaknesses where the Procurement, Business Services and Policy Team are not fully involved at appropriate stages of procurement or for larger, more complex IT procurements. The risk is value for money is not achieved through joint LGSS procurements.
- Comprehensive and detailed IT procurement information is not received for all areas of IT managed budgets. Risk of this is that joint procurement of IT hardware, software and licences not carried out effectively and in accordance with procurement guidance
- Roles and responsibilities for LGSS and Cambridgeshire CC in relation to IT procurement are not always clearly defined.

- There are potential weaknesses in the proactive monitoring of IT related contract's expiry dates.

C.3 LGSS IT Governance

Effective control in this area should drive a consistent and coordinated focus on aligned objectives and deliverables for both individual councils and the demonstrable delivery of shared service objectives / benefits. Key findings were:

- The IT Strategy is not fully aligned to the wider corporate strategy of the Council and aligned to the strategic IT direction of LGSS. It is difficult to establish how effective IT strategic decisions are carried out at present.
- There are significant weaknesses in the processes of IT risk management at present. IT related risks are not regularly integrated into the corporate risk management process.
- There is no internal IT performance management framework or processes at present.
- At present there is no LGSS IT resource management system, different IT organisational structures between Cambridgeshire CC and Northamptonshire and Milton Keynes, robust IT service plans are not in place, and there are different ways of carrying out IT funding.

Since this audit Cambridgeshire County Council has developed an IT and Digital Strategy with Peterborough City Council which is aligned to both Councils' corporate strategy. This Strategy draws on the relevant aspects of the current LGSS IT Strategy.

D. KEY FINANCIAL SYSTEMS REVIEWS:

D.1 Payroll System

The audit of the Payroll system in 2018/19 has resulted in an opinion of satisfactory assurance over the control environment and satisfactory assurance over compliance with the control environment. This represents a reduction in assurance from the previous audit in 2017/18, when an opinion of substantial assurance was given against both controls and compliance.

The reduced level of assurance primarily reflects the fact that as well as the implementation of a new system, HR Transactions have moved away from checking all activity and have instead adopted a risk-based approach to checking. Internal Audit support this approach in principle, but our work found that the documented approach did not reflect the full range of checks performed and we encountered difficulties in finding evidence of checks undertaken, especially in the earlier parts of 2018/19.

Our review also found that, especially in the immediate months after implementation of the new ERP Gold system, working practices were not fully embedded as full functionality, including reporting, was not readily available. Furthermore, systems were not in place to ensure timely action was not taken to respond to overpayments.

Recent audit work has found the system is now generally operating as intended. However it should be noted that the reality of adopting a risk-based checking system, as opposed to the previous system of 100% checking of all activity, is that the system is now based on an acceptance that some errors will not be identified. As a result, while this risk-based system is in place, key officers and Members should be aware that the maximum level of audit assurance that may be awarded in future will be Good, and it will not be possible to award Substantial assurance as the previous system received.

This process change therefore represents a change in the risk appetite over the Payroll system.

D.2 General Ledger System

The Council's 'General Ledger' is the record-keeping system which constitutes a record of all financial transactions across the entire organization. The audit of the General Ledger system in 2018/19 has resulted in an opinion of satisfactory assurance over the control environment, and satisfactory assurance over compliance.

The review identified the need to review processes covering changes to the chart of accounts[1] and journal processing[2] as current arrangements do not provide efficient safeguards over the integrity of the Council's General Ledger.

Additionally, the review found that especially in respect of payroll control accounts, unreconciled items have not been cleared on a timely basis.

D.3 Accounts Payable System

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[1] The Council's 'chart of accounts' is the definitive list of all the separate accounts which are used within the general ledger. This is used by the accounting software to aggregate information.

[2] Journals are transactions which are used to move income, expenditure and budget from one account to another within the General Ledger. For instance, if an item of expenditure was incorrectly charged to the wrong budget, this would be corrected through a journal.

For the Accounts Payable review, an audit opinion of satisfactory assurance was provided for both the control system and compliance with controls. The reduced level of assurance compared to 2017/18, when substantial assurance was given for both controls and compliance, relates to several findings. One significant factor was the occurrence of duplicate payments, although it is important to note that these were not due to fundamental system control weaknesses but rather manual error/intervention.

In addition, the recent implementation of specialist software to identify/prevent duplicate payments should significantly reduce the potential for duplicate payments in the future. Other issues were identified in relation to the supplier amend and manual processes. A lack of compliance with purchasing procedures was identified (namely retrospective purchase orders) but this has reduced during the year.

Detail of agreed recommendations is at Annex C.

D.4 Accounts Receivable System

For the Accounts Receivable system, an audit opinion of satisfactory assurance was provided for both the control system and compliance with controls. This represented a reduction in assurance compared to 2017/18, when an opinion of good assurance was given for both controls and compliance.

The review of the Accounts Receivable system identified that reporting and Key Performance Indicators (KPIs) in relation to the clearance of suspense items needed to be developed, although Internal Audit analysis found that in practice significant volumes of items were cleared each month. In addition, a customisation of the system functionality designed to allocate part payments to invoices did not operate as intended and had to be turned off in June 2018.

Detail of agreed recommendations is at Annex C.

D.5 Debt Recovery System

An opinion of limited assurance was given for the control environment and compliance with controls in relation to the Debt Recovery system.

The review of the Debt Recovery system identified that debt reporting needs to be improved, particularly in relation to debt trends, supporting narrative and causal factors, as Internal Audit analysis identified that debt and aged debt levels remain high and that as at February 2019 no write offs had been processed since the start of the year.

The review also identified that automated reminder letters were not in use and manual letters were not being issued in a timely manner.

Detail of agreed recommendations is at Annex C.

5. OTHER AUDIT ACTIVITY

5.1 UPDATES TO THE INTERNAL AUDIT PLAN 2019/20

In each Progress Report, Internal Audit outlines any proposed changes or updates to the annual Audit Plan in light of additional pressures and/or the evolving risk profile of the Council.

5.1.1 Pressures on the Internal Audit Plan:

The following audits represent areas of pressure on the Internal Audit Plan. To date it has been possible to manage this pressure within the Plan due to four audits which have been identified as no longer required (see Section 5.1.2, below):

- **Manor Farm Tenancy Investigation:** As a result of the complexity of this review being greater than originally expected, it has been necessary to increase the time allowance for the investigation. This has been managed within the existing Investigations time budget, however this will mean that any further investigations identified during the course of the 2019/20 year are likely to create a time pressure which requires further amendments to the Internal Audit Plan.

- **County Farms Process & Practice:** As a result of findings during the course of the investigation into the Manor Farm Tenancy, it has become necessary for Internal Audit to also undertake a full review of the systems and processes within the County Farms Team, as a separate audit report.

- **CHAPS Payments Review:** Internal Audit is undertaking a short health check review on the key controls in the CHAPS payment process, to give extra assurance that the control environment is robust and sufficient to ensure payments are appropriately authorised and to protect the Council against fraud. This follows reports of a CHAPS fraud at a London Borough Council; while there is no reason to believe that the control weaknesses in the affected authority exist in the Cambridgeshire processes, a proactive review to confirm this is recommended. This review will examine system and procedural controls / compliance, including management authorisations, in relation to CHAPS payments.

- **Highways Commercial Group:** Internal Audit has been requested to continue to provide support to the Commercial Group in 2019/20.

5.1.2 Proposed revisions to the Audit Plan:

The following audits are proposed for removal from the Internal Audit Plan:

- **Key Inspection Action Plans:** The Executive Director of People & Communities has confirmed that this audit can be removed from the Audit Plan as there are other processes in place to provide assurance.

- **Flood Resilience Fund Grant:** This grant review can be incorporated as part of another grant review in the Audit Plan and therefore a separate review is not required.

- **Broadband Grant:** This audit is not required as the Council has neither received nor spent any Broadband Grant funding in 2018/19.

- **SWIM Grant:** This review is no longer required as the SWIM project has now ended and there is no further expenditure to review.

ANNEX A

CCC INTERNAL AUDIT PLAN 2019/20

Summary of Progress:

Total Completed Audits from 2019/20 Audit Plan	**2**
Total Audits at Draft Report Stage	**1**
Total "Ongoing" Work ***(i.e. which does not have a specific end date, but will close at the end of the financial year)***	**10**
Total Open Audits	**19**
Total Not Yet Opened Audits	**50**

Full Audit Plan:

Audit	Status	Quarter Opened	Quarter Closed
VAT	NOT OPENED		
Unannounced Visits	NOT OPENED		
Development of Project Assurance Framework	ONGOING	Q1	N/A
Project Assurance of High Risk Projects	NOT OPENED		
Business Continuity	OPEN	Q1	
Financial Planning, Demand Management and Control	NOT OPENED		
Financial Regulations Monitoring & Compliance, including Delegated Authorities	NOT OPENED		
Capital Project Variations and Overspends	NOT OPENED		
Contract Management - Cambridgeshire Energy Performance Contracting Project	NOT OPENED		
Contract Management - Eastern Highways Alliance	NOT OPENED		
Contract Management - Provision of Community Equipment Services	NOT OPENED		

Contract Management - Home and Community Support Service Framework	NOT OPENED		
Contract Management – Supported Living Services for Adults with a Learning Disability	NOT OPENED		
Contract Management - Integrated Drug and Alcohol Treatment System	NOT OPENED		
Contract Management - Cambridgeshire Lifestyle Services	OPEN	Q1	
High Value Supplier Contract Management Reviews	NOT OPENED		
Business Continuity for Key Contracts	NOT OPENED		
Contract Management Policy and Guidance	OPEN	Q1	
Transformation Fund Benefits Realisation	NOT OPENED		
Fees and Charges Policy & Compliance	NOT OPENED		
Annual Key Policies & Procedures Review	NOT OPENED		
Key Performance Indicators	NOT OPENED		
Corporate Key Performance Indicator Framework	NOT OPENED		
Procurement Governance	NOT OPENED		
Procurement Compliance	NOT OPENED		
Procurement Waivers for Procurement Outside Contract Procedure Rules	NOT OPENED		
Consultancy Policy Compliance	NOT OPENED		
LGSS Law Ltd	OPEN	Q1	
Regulation of Investigatory Powers Act Policy Compliance	NOT OPENED		
Property Asset Disposals & Acquisitions Policy Compliance	NOT OPENED		
County Farms Process & Practice	OPEN	Q1	
Fire Safety Checks	OPEN	Q1	
Most Economically Advantageous Tenders	NOT OPENED		
Rental Income	OPEN	Q1	
This Land Limited	OPEN	Q1	
Annual Whistleblowing Policy Report and Awareness	NOT OPENED		
Direct Payments Compliance	NOT OPENED		
Troubled Families Grant	ONGOING	Q1	N/A
Schools Payroll and Safe Recruitment	NOT OPENED		
Disabled Facilities Grant	OPEN	Q1	
Special Educational Needs Placements	NOT OPENED		

Annual Safeguarding Assurance	NOT OPENED		
Key Inspection Action Plans	CANCELLED		
Provision of Section 17 Financial Assistance	OPEN	Q1	
Strategic Approach to Schools Charging	NOT OPENED		
Adult Social Care Finance	NOT OPENED		
Safeguarding the Assets of Clients in External Establishments	NOT OPENED		
Other People & Communities Risk Based Audits	NOT OPENED		
Safeguarding Clients' Personal Assets - Compliance	NOT OPENED		
Highways Contract Open Book Review	OPEN	Q1	
Highways Commercial Group	ONGOING	Q1	N/A
Street Lighting PFI Open Book Review	NOT OPENED		
Waste PFI Renegotiation of Contract	ONGOING	Q1	N/A
Local Transport Capital Block Funding	OPEN	Q1	
Bus Service Operators	CLOSED	Q1	Q1
Pothole Action Fund	OPEN	Q1	
Cycle City Phase II	OPEN	Q1	
National Productivity Fund	OPEN	Q1	
Safer Roads Funding	OPEN	Q1	
SWIM Grant	CANCELLED		
Cambridgeshire Challenge Fund	NOT OPENED	Q1	
Flood Resilience Fund	CANCELLED	Q1	
Coroners Service	OPEN	Q1	
Additional Highways Maintenance Grant	CLOSED	Q1	Q1
Broadband Grant	CANCELLED		
Complaints Process	NOT OPENED		
Accounts Receivable	NOT OPENED		
Purchase to Pay	NOT OPENED		
CHAPS Payments Review	OPEN	Q1	
Payroll	NOT OPENED		
General Ledger	NOT OPENED		
Bank Reconciliation	NOT OPENED		
Treasury Management	NOT OPENED		
Annual Assurance on Risk Management	NOT OPENED		
Debt Recovery	OPEN	Q1	
Pensions	NOT OPENED		
Risk Management			
Annual Governance Statement/Code of Corporate Governance	NOT OPENED		
General Data Protection Regulations Implementation	NOT OPENED		

Information Technology Audit Plan	NOT OPENED		
Financial Systems IT General Controls	NOT OPENED		
Fraud Referrals			
Fraud Investigations			
Community Transport Investigation 2019 - 20	OPEN	Q1	
Manor Farm Tenancy Review	OPEN	Q1	
Concessionary Travel Investigations (ad hoc)			
National Fraud Initiative	ONGOING	Q1	N/A
Advice & Guidance	ONGOING	Q1	N/A
Freedom of Information Requests	ONGOING	Q1	N/A
Follow-Ups of Agreed Actions	ONGOING	Q1	N/A
Audit Plan	ONGOING	Q1	N/A
Committee Reporting	ONGOING	Q1	N/A
Management Reporting	ONGOING	Q1	N/A
Information Management Board	ONGOING	Q1	N/A
Schools Causing Concern	ONGOING	Q1	N/A

ANNEX B

Summary of Outstanding Recommendations – under 3 months

(Recommendations as at the end May 2019).

Audit	Risk level	Summary of Recommendation	Target Date	Status
Accuracy of Account Coding on the Financial Ledger	I	**Data Cleanse of Mis-coded Transactions:** The focus will be on ensuring that the coding issues are corrected going forward. Given resource pressure within the Finance team, a data cleanse will be undertaken, focusing on correcting more material/high-value items. Internal Audit have agreed to supply information on high-value miscoded transactions identified as part of the review. The intention will be to ensure that material misscoding is corrected by the end of the closedown period. Finance will also develop guidance on how to correctly code shared income/expenditure between Cambridgeshire and Peterborough Councils. This is likely to include re-introducing separate account codes specifically for this type of expenditure.	30/04/19	The Head of Finance noted that an initial review of the mis-coded expenditure indicated that this was not material in respect of the production of the Council's accounts and as such a full data cleanse has not been undertaken. **Revised target date: TBC**
Fostering Contract Management	I	**Failure to recharge other Local Authorities:** The service should work with Finance to agree an estimate for the true cost of in-house placements. Linked to this, the service's policy and guidance should be updated to include a charging policy for external children placed with in-house carers. It is recommended that this should include the £200 weekly charge for the Council's overheads for maintaining these placements (or an alternative overhead	31/05/19	The Interim Residential and Placements Manager reported that the process of monthly invoicing has been agreed with one Local Authority. The other Local Authorities has been written to regarding recharging placement. **Revised target date 31.07.19**

		cost if agreed with Finance) and quarterly invoicing for all such placements.		
Fostering Contract Management	I	**Overpayments to Level 6 Carers:** Review the payments to this couple to establish whether they are reasonable and in line with policy, and whether placements with the couple represent value for money in terms of the costs paid per child. Update the file and inform the Business Systems teams of any decisions regarding this couple, ensuring that any decision to continue with varying the usual terms of the foster carer scheme for this couple, if it is confirmed as being value for money, are fully documented with a clear approval from the Head of Service.	31/05/19	The Interim Residential and Placements Manager reported that this is partially complete, mainly due to the historical nature of this agreement and time it has taken to locate the agreement. The agreements have been located and reviewed and shared with Legal Services for a view. **Revised target date: TBC**
Annual Assurance on Risk Management	I	**Directorate Risk Registers are not up to date:** As a minimum, The C&CS Directorate Risk Registers should be brought up to date and then reviewed on a quarterly basis. The C&CS (now the C&DS) Risk Register will be reviewed by the end of May by the C&DS Management Team	31/05/19	The C&CS Directorate Risk Register is due to be reviewed during July 2019 by the C&CS Management Team. **Revised target date: 31st July 2019**
Annual Assurance on Risk Management	I	**Directorate Risk Registers are not reported to the relevant committee:** The C&CS Directorate Risk Registers should be reported to the relevant Committee at least twice a year. The C&CS (now the C&DS) Risk Register will be reviewed and reported to General Purposes Committee twice a year. Will discuss with Democratic Services to add to the agenda.	31/05/19	The Head of Emergency Planning will meet with Democratic Services to confirm the dates when the C&DS register will be reviewed by the General Purposes Committee. **Revised target date: 31st July 2019**

Transport Contract Management	I	**Monitoring Schedule:** The monitoring procedure should be reviewed and updated. This should include a procedure to ensure that suppliers who are found to have breached the Terms and Conditions of the contract are re-monitored sometime in the next two months, ideally with multiple supplier routes monitored after a breach. A process should also be introduced to ensure that all suppliers are monitored at least once per year. The service should consider introducing reporting to senior management a summary of breaches at the end of each term, with serious breaches and terminations reported immediately at management discretion. The breaches record spreadsheet and monitoring history spreadsheet should be amalgamated into a single document.	31/05/19	The Quality Manager reported that a termly report will be presented to Senior Management at the end of the summer term with a whole year summary report. The monitoring team is reviewing schedules to ensure all suppliers can be monitored yearly. There will be a new process to close the circle of monitoring and breach records to ensure clear visibility of actions taken. **Revised target date: 30th September 2019**
Transport Contract Management	I	**Length of Call For Tenders:** Minimum tender times of at least one week should be established for all regular tenders, and the service should aim to allow more time than this in most cases.	31/05/19	The Quality Manager reported that the actual process are yet to be written up and will send through once written (in conjunction with the new Contracts officer once in Post) **Revised target date: 31st August 2019**
Transport Contract Management	I	**Emergency Procurements:** Emergency contracts should not be let for longer than until the end of the school term, during which time they can be re-tendered using a longer tender time.	31/05/19	The Quality Manager reported that the actual process are yet to be written up and will send through once written (in conjunction with the new Contracts officer once in Post) **Revised target date: 31st August 2019**

Summary of Outstanding Recommendations – over 3 months

(Recommendations as at the end May 2019).

Audit	Risk level	Summary of Recommendation	Target Date	Status
3rd Party Assurance	I	**Contracts do not have third party assurance requirements:** Officers responsible for commissioning high-value contracts with suppliers, who are likely to hold or process large volumes of personal data, should consider including in their specifications that the Council must be provided with appropriate third party assurance over the security of systems. IT and Procurement officers should be aware of the possibility of including these requirements in specifications, and provide advice and guidance to officers commissioning such contracts.	31/05/18	The Business Intelligence Manager confirmed work is progressing on this recommendation but that it is proving more resource-intensive and taking longer than originally anticipated. The Data Protection Officer said they have been contacting all relevant contract managers to advise them that they need to update their contract with the GDPR amendments, and they have received acknowledgments back from the services that they have done this. Internal Audit received a copy of the contract register and there are instances where the services still needs to reply. **Revised target date: TBC**

Direct Payments Compliance	I	**Monitoring done by Direct Payment Support Services:** The role of the Direct Payment Support Services in relation to the type and frequency of monitoring they carry out on accounts must be clarified. Direct Payment Monitoring Officers should monitor a sample of trackers with the relevant invoices to ensure Purple/Penderels are paying out money in accordance with the service user's Care and Support plan. Risks: • Service users could misuse their money without detection • The Council may not be getting value for money from their chosen Direct Payment Support Service	30/04/18	The Internal Audit team are now reviewing the direct payments contract processes as part of the 2018/19 Direct Payments audit review. This audit is expected to be completed within the next few weeks. Emerging findings are subject to change as audit work continues but currently it anticipated that this outstanding action will be incorporated into more up to date recommendations in this latest audit. Recommendations are yet to be finalised but will be shortly. **Revised target date: 31st July 2019**
Use of Consultants	I	**Control over Expenditure:** Procurement should produce a report detailing expenditure on consultants and interims and share this with members of SMT and HR on a quarterly basis. This should improve the ability of senior management and HR to identify and address areas of high spend; areas which may be nearing EU Procurement Thresholds; and areas where consultants or interims have been in post for extensive time periods.	31/01/19	This action is being addressed through the Consultancy Policy work and HR and Procurement took proposals for this to JMT on 7th March 2019. The HR Policy Manager stated that a report on the number of consultants engaged by CCC and spending on these consultants went to JMT on the 27th of June where Service Directors committed to reviewing all current consultants placements. A report on the number of consultants/spend is going to the Audit and Accounts committee on the 29th of July **Revised target date: This is expected to be closed as of the current Audit & Accounts Committee Meeting.**

Use of Consultants	I	**Succession Planning:** Several instances were identified by the review of interims remaining in post for significant time periods. A review should be undertaken of all posts currently occupied by interims and plans should be developed to transition these into permanent arrangements through development of existing staff, external recruitment processes etc. Long-term succession plans should be developed for these posts, and other posts which have been occupied by interims over the past three years. When a repeat exemption to contract procedure rules is approved for appointments of consultants or interims, the Procurement team should follow-up with the service to ensure an appropriate long-term solution is being put in place, as at present it appears that while services are prompted to consider alternative arrangements at the point of exemption approval, there is a risk that this is then forgotten about afterwards. Repeat exemptions where Procurement advice is not being taken should be flagged by the Procurement team to senior management at the Council.	31/01/19	Internal Audit has sought to contact the Director of Business Improvement and Development but at the time of writing has not received an update regarding current progress with this action. Audit will continue seeking to obtain an update to provide verbally at the meeting. **Revised target date: TBC**

Use of Consultants	I	**Associate Advisers:** The framework contract for Associate Advisors was let in 2011 and expired in March 2015. Since then repeat exemptions have been approved. The Associate Advisers framework contract should be re-tendered in an open procurement process immediately.	31/01/19	The Director of Learning advised that the Associate Advisers framework is currently between Legal and Procurement. **Revised target date: 31st July 2019**
Use of Consultants	I	**Independent Persons:** 'Independent Persons' in Children's Social Care are a specialist group of consultants who may be called upon to undertake investigations into social care complaints, according to statutory requirements. The Use of Consultants review identified concerns that individuals are appointed to these roles via word of mouth rather than a formal process. Around £15k was spent with these individuals in 2016/17, so the consolidated spend over several years would breach the £25k threshold at which a procurement process is required. It was therefore recommended that a framework contract should be put in place for Children's Social Care Independent Persons. Identified individuals should be invited to submit bids to join the framework as part of an open procurement process.	31/01/19	Internal Audit are in discussions with the Service Director, Children & Safeguarding, Peterborough & Cambridgeshire regarding this action. The service feel that a framework contract might not be the correct solution, so the service wishes to undertake further review of the current state of expenditure on these roles, and understand how best to commission them in future. Internal Audit will follow this up and support the service in identifying an appropriate solution. **Next update due: TBC**

Information Governance Policies	M	**Asset management policies and procedures:** A complete physical asset register, listing the council staff member responsible for the asset should be created If assets are not managed or lost there is a risk of data breaches occurring (and not identified) leading to reputational or financial damage.	30/09/17	This action was initially proposed to be closed. However the new Head of IT has indicated that he is keen to seek to implement the action. It is now being addressed by the Application, Database and Business Intelligence Manager through the Gate 0 process for ERP as a new project. Once this is initiated an idea of future timescales can be given. **Revised target date: TBC**
Safe Recruitment Compliance	M	**Flag Overdue DBS Information:** Internal Audit review identified that DBS checks which are recorded in employee files are not always also recorded on Oracle. To assist HR and managers in easily identifying any overdue DBS information, it was agreed that for all employees involved in regulated activities and who require an Enhanced DBS check, a flag should appear on ERP Gold until DBS information has been entered. This will reduce the risk that follow-up action to ensure all DBS checks are in place may not be undertaken.	31/12/17	The LGSS Head of HR Policy and Projects stated that they need to discuss progress against this action with the Transactions Team. **Revised target date: TBC**

ANNEX C

Recommendations arising from Key Financial Systems Reports

Actions agreed at time of writing.

No.	Report	Issues & Risks (Precis)	Recommendation	Management Response	Manager Responsible & *Target Date*
1.	**Accounts Payable**	**Non-Commercial Supplier Amendments:** Internal Audit have reviewed the supplier amendment process and undertaken sample testing. Our review confirmed that the new process requires verification checks to be undertaken to ensure requests to amend commercial supplier bank details is legitimate. However, It was confirmed that verification checks on bank detail changes were not undertaken in relation to non-commercial suppliers. The decision was taken by the Head of Finance Operations.	The decision not to undertake verification checks on bank detail changes in relation to non-commercial suppliers should be endorsed by the Director of Social Care and S151 Officer at each client to ensure they are prepared to accept the increased risk of financial abuse.	The current process for non-commercial suppliers has been in place for in excess of ten years (for instance individual service users). There are no clear ways for AP to check that bank accounts are valid as we are unable to directly contact the payees, therefore there is sole reliance on the service area (council employees) to send in the request. AP would look to seek endorsement from the 151 Officer and Director of social Care at each client. Non-commercial suppliers should all be duly authorised though the service area process prior to the internal form being sent to AP.	Responsible Manager: Alison Balcombe. Target Date: 30.6.2019

No.	Report	Issues & Risks (Precis)	Recommendation	Management Response	Manager Responsible & *Target Date*
2.	**Accounts Payable**	**Bank Detail Amendments** Sample testing of 15 supplier amendments included 6 bank detail amendments. Testing identified that sufficient evidence was not recorded to confirm what verification checks were undertaken.	When any verification checks are undertaken in relation to supplier amendments the Supplier Maintenance Team should record relevant details to evidence that sufficient checks have been undertaken. This would both evidence that the process is operating as intended and support investigations in the event of queries from suppliers or any instances of bank mandate fraud. This should be done in a proportionate manner and Internal Audit considers it would be most efficient to record the following details on the ERP diary note function: • date, time and nature of the check undertaken (e.g. 'searched supplier on the internet and called finance department'); • the person spoken to at the supplier; and • whether written confirmation of the request from the supplier was required and provided.	The supplier maintenance team will be reminded to record the details in the diary note functionality as per the recommendation on the ERP diary note function.	Responsible Manager: Alison Balcombe. Target Date: 30.6.2019

No.	Report	Issues & Risks (Precis)	Recommendation	Management Response	Manager Responsible & *Target Date*
3.	**Accounts Payable**	**Missing Goods Receipt Tasks:** Discussions with the Accounts Payable Service Manager established that the way services can respond to missing goods receipt tasks in ERP may create further delays in the payments process. Where a goods receipt (GR) has not been created for an invoice, a workflow task to create a GR is sent to the requisitioner by the AP Team. If the requisitioner creates a GR via this task, the invoice will then be paid via the 3 way match. However, if the requisitioner creates a GR outside of the work flowed task, the three-way match cannot take place unless the requisitioner then matches that GR to the invoice. The need for requisitioners to create a good receipt (GR) within the work-flowed task once an invoice has been received appears to represent partly a design flaw and partly a training need, as requisitioners should be informed that failure to create a GR within the assigned work-flow will lead to problems with payment.	The Accounts Payable Team should conduct an awareness raising exercise to ensure that users are aware of purchasing procedures. This should include guidance on the most efficient way to create a goods receipt when required by missing GR task workflow. This awareness raising exercise could include: • Utilising client wide communication methods such as 'Friday Focus' broadcasts. • Updating on-line training material. • Identification of services/individuals that are consistently not complying with purchases procedures and targeted communications to help improve compliance amongst those services/individuals. Investigation into whether the wording missing GR task workflow could be amended to highlight that end users should complete the GR using the workflow task.	AP are currently reviewing all of the processes and ensuring they are fit for purpose with aligned 'Quick Cards' for end users to ensure that the guides are comprehensive and clear. Process maps will also be published. This exercise is due to be completed by the end of Q2. This exercise will conclude with the publication of all processes relevant to end users to ensure they are aware of the purchasing procedures and how specific system tasks should be actioned. Workshops are held with key service areas where requested and additional training provided. This has been ongoing during 2018/19. In addition we are working with groups of Finance Business Partners so that they have awareness of the PO and GRN processes to support budget holders. Drop in sessions are held as and when required, with refresher sessions also held.	Responsible Manager: Alison Balcombe. Target Date: 31.10.2019

No.	Report	Issues & Risks (Precis)	Recommendation	Management Response	Manager Responsible & *Target Date*
4.	**Accounts Payable**	**‘Additional Line’ Approval:** It is recommended that this method of approving additional spend above tolerances is not used to approve the full value of any invoice as it weakens expenditure controls by not subjecting an invoice to a full 3 way match to confirm that goods/services have been received. Where the full value of an invoice is processed as an additional line it increases the risk of duplicate payments occurring as described in paragraph 5.2.4 above (additional line approval user error). This method for approving the full value of an invoice makes it more difficult/less efficient for budget holders to verify goods/services have been received prior to approving invoices. This increases the risk that budget holders approve invoices in error.	The additional line approval process should not be used to approve the full value of an invoice. Where the PO amount has already been reached, any subsequent invoices should not be paid until either: • the PO is amended and re-approved; or • a new PO is raised and approved. In either case, a new GR should be created against the PO to provide confirmation that the goods and services have been approved and ensure the 3 way match is used to approve invoices for payment. Additional line approval of an invoices full value weakens otherwise robust controls over expenditure and increases the risk of erroneous or duplicate payments.	AP will no longer use the additional line approval process for the entirety of an invoice. Where an invoice is received and the value of the PO has been reached the service will be required to follow the PO Amend process. The additional line approval process will continue to be used for the part payments of invoices as per the system design. AP are also planning to review the wider processes around draw down orders including the potential for alerts to budget holders when a PO is nearing its limit. However such changes will require a significant amount of development and will have to go through the full Change Request Process with an impact assessment. It should be outlined that we may be restricted by system capabilities and would need to seek Unit 4 advice. This could also increase resource requirements in AP due to additional process steps for AP. It should also be noted that Fiscal will also pick any potential duplicates up should there be an exceptions.	Responsible Manager: Alison Balcombe. Target Date: 31.10.2019

No.	Report	Issues & Risks (Precis)	Recommendation	Management Response	Manager Responsible & ***Target Date***
5.	**Accounts Payable**	**Multiple Supplier Accounts:** Where a supplier has different bank accounts for different purposes these cannot be consolidated into one supplier on the system and so multiple suppliers exist in the system. There is a risk that duplicate payments could occur where multiple supplier accounts are set up for each set of supplier bank details. The risk of duplicate payments occurring due to multiple supplier accounts is minor as both suppliers would need to have a valid PO, and as PO numbers are system generated these would both have different numbers. If a duplicate invoice was assigned to the wrong supplier in error the system would flag a warning message to alert the AP processing officer. Whilst this could be overridden the likelihood is considered low and a high level of human error would be required for this scenario to result in a duplicate payment.	A review should be undertaken to identify any multiple supplier accounts that may exist twice in error rather than as required. For any such cases identified the second supplier account should be deleted. This will further reduce the risk of duplicate payments occurring and make supplier maintenance and creditor analysis more efficient in the future.	This review is planned during Q2 or Q3. Ordinarily the data cleanse would be performed earlier but to negate risk of duplicate payments and also to allow transactional continuity we are looking to see if Unit 4 have a supplier merge functionality where if a supplier is deactivated transactional history is moved to the live supplier account. Where there are duplicate suppliers, Fiscal will reduce the risk of potential duplicate payment through the algorithms built in the software that identity duplicate invoice numbers, amounts, dates, etc.	Responsible Manager: Alison Balcombe. Target Date: 31.12.2019

No.	Report	Issues & Risks (Precis)	Recommendation	Management Response	Manager Responsible & *Target Date*
6.	**Accounts Payable**	**Direct Coding Process:** Legacy PO numbers were not migrated from the old system to the new ERP system. This resulted in many invoices carrying a non-ERP PO number that could not be matched in ERP. The agreed work around was to direct code the invoice and workflow to the relevant budget holder to approve the payment. The direct coding functionality is still available in the system. The risk of potential duplicate payments or internal fraud in the future is significantly mitigated by the following: • From the 15.9.2018 no invoices with legacy numbers are being accepted; • Invoice payments can only be made to existing ERP suppliers; • Budget holder approval is required for all direct coding invoices; and • The AP Team have implemented a policy to return any invoices without a valid ERP PO number to the supplier.	The direct coding approval process should no longer be used to approve invoices for payment.	Legacy POs will no longer be accepted and any invoice quoting a legacy PO will be returned to the supplier and the service will be required to raise a new PO. The only exception to this will be the supplier LGSS Law. Due to the volume of aged invoices AP will continue to use direct coding for this supplier until the aged backlog is cleared. It should also be noted that Fiscal will also pick any duplicates that may occur through direct coded LGSS Law invoices.	Responsible Manager: Alison Balcombe. Target Date: 30.6.2019

No.	Report	Issues & Risks (Precis)	Recommendation	Management Response	Manager Responsible & ***Target Date***
7.	**Accounts Payable**	**Manual Upload Process:** In this process, details of payments to be made are extracted from source systems and added to a spreadsheet. The spreadsheet is then sent to the AP Team who upload the spreadsheet into ERP. Access to the manual upload spreadsheet is controlled by the AP team and has to be requested by officers. The spreadsheet is designed so that once the officer in the service populates the spreadsheet they click a button that locks the spreadsheet so that it cannot be amended. Another officer is then required to approve the spreadsheet before it is uploaded into ERP by the AP Team. Sample testing of 15 manual upload spreadsheets identified that in 5 cases spreadsheets were not approved by a second officer in the service. They were actually approved by an AP officer. This represents a significant compliance issue as: • in these cases there is a lack of appropriate approval and separation of duties in the service; and • it is not appropriate for AP officers to approve manual upload payments.	The Accounts Payable Team should not upload into ERP any manual upload spreadsheets for payment unless: • it has been approved by two officers from the service; and • the approving officer is an appropriate budget holder with sufficient approval limits.	The AP Team will only upload a spreadsheet for payment into ERP if: 1. The spreadsheet has been locked and approved by two officers from the service and the second officer is the agreed approver as per the AP Teams list of approvers. 2. Where the spreadsheet has not been approved but the accompanying email is from the agreed approver as per the AP Teams list. The email must also provide the number of payments on the spreadsheet and the total value of the payments on the spreadsheet. This will be checked against the spreadsheet to ensure the volume and value match. In both cases the AP Team will check that the agreed approver has been involved. If not, and if the criteria above are not met the spreadsheet will not be uploaded and sent back to the service. In all cases appropriate evidence will be retained by AP.	Responsible Manager: Alison Balcombe. Target Date: 31.8.2019

No.	Report	Issues & Risks (Precis)	Recommendation	Management Response	Manager Responsible & ***Target Date***
8.	**Accounts Payable**	**Manual Upload Process (2)** As above.	The Accounts Payable Team should clarify, update and re-issue the procedure document to ensure it makes clear roles and responsibilities in relation to manual upload spreadsheets, in particular for approval and upload	The procedure document will be amended as per the recommendation and will reflect the controls described in the management response to the previous recommendation.	Responsible Manager: Alison Balcombe. Target Date: 31.8.2019

No.	Report	Issues & Risks (Precis)	Recommendation	Management Response	Manager Responsible & *Target Date*
1.	**Accounts Receivable**	**Additional Auto-Allocation Process** Internal Audit confirmed that the built-in ICON and ERP functionality to auto-allocate receipts to the correct customer account and invoice number is operating as intended. However, in an effort to deliver additional allocation functionality, the built in auto-allocation designed to allocate part payments within ERP was customised. This work was undertaken by a consultant who was employed to undertake a range of development and support work prior to go live. This customisation did not work as intended and had to be turned off. It is important to note that this did not have any impact on the accuracy of customer debt balances or the general ledger. Internal Audit confirmed that the customised allocation functionality was turned off 20 June 2018 and has not yet been reactivated in order to prevent re-occurrences of this issue. Were this not the case it is likely that our assurance opinion on the implementation of system controls would be limited. Internal Audit have confirmed with the Business Systems Team that the number of transactions affected by this issue has vastly reduced and that only 155 transactions remain.	Internal Audit recommends that the customised allocation remains switched off permanently. Any decision by the AR Team to re-instate the customised allocation must be endorsed by senior management at all three clients and should be informed by: • A resource/benefit analysis including the impact on manual suspense account clearance. • The resources, cost and skills required to ensure the customised allocation delivers as intended. • The testing required to ensure the customised allocation will work as intended. The customised allocation should not be re-instated on the live system environment until extensive testing categorically proves it will operate as intended and will not have any adverse impact on debt recovery reminder letters or any other system process.	At present there is no plan to re-instate auto allocation, unless Unit 4 have a more sophisticated and robust version of auto-allocation where there is no risk of allocations against incorrect transactions.	Responsible Manager: Alison Balcombe. Target Date: Complete.

No.	Report	Issues & Risks (Precis)	Recommendation	Management Response	Manager Responsible & *Target Date*
2.	**Accounts Receivable**	**Incorrect Allocations to Suspense** Sample testing of unallocated receipts identified that 29 of 30 receipts were correctly auto-allocated by ERP to suspense. One case was identified where sufficient information had been provided by the customer to allow for auto-allocation to the correct invoice but the receipt was still allocated to suspense. The Business Systems Team established the reason the auto-allocation failed to allocate to the invoice in this case was due to an issue with a piece of code used in a BizTalk validation table rather than the ERP system itself. This code derives customer/invoice details for matching and had a flaw that in certain circumstances meant that the correct customer and invoice values were not found. The Business Systems Team have analysed this issue have implemented a change which should ensure increased reliability of the BizTalk code and prevent this issue from occurring in the future. It is important to note that this issue does not represent a flaw in ERP, or result in payments not being receipted in the system.	Monitoring should be undertaken by the Business Systems Team on a regular agreed basis to provide assurance that the recently implemented fix in BizTalk is working to ensure that all items that can be are being auto-allocated to the correct customer invoice by the system. Any future instances of this issue in the auto-allocation process should be investigated and reported to the LGSS AR Management Team.	The underlying issue which was fixed in BizTalk relates to a specific coding logic which caused the allocation of a customer receipt to suspense when it could have been correctly allocated. The logic is static and does not change with the variation in data seen through this daily interface. It is not therefore expected that the logic will change in the normal course of events – and so it is unlikely that a regular review will identify any further logic issues with the underlying system code. We propose that a further review is undertaken in Q2 2019/20 to validate this and then either close the action or, if further issues are found, agree a suitable interval for a planned review. The AR Management Team will also work closely with Business System if there are any future instance of this issue.	Responsible Manager: Peter Borley Cox Target Date: 30.9.2019

No.	Report	Issues & Risks (Precis)	Recommendation	Management Response	Manager Responsible & ***Target Date***
3.	**Accounts Receivable**	**Clearance of Suspense Accounts:** The timely clearance of suspense items is important as delays in manually allocating receipts to customer invoices and cost centres can have an impact on debt recovery. There are currently no targets or KPIs in relation to the clearance of suspense accounts so it is difficult for Internal Audit to give an opinion on whether items are cleared in a timely manner. However, matters have been identified through testing, analysis and discussions with AR officers: • AR Staff in the Income Processing Team have reported that there is not yet a formally agreed and documented procedure to govern the review of suspense accounts. • The lack of targets/KPIs in relation to suspense clearance makes it difficult to assess performance and required resource levels. • Weekly reporting of suspense movement only provides net movement figures rather than the actual number of suspense items cleared, and therefore does not give a complete picture of performance. • Reporting to the LGSS Management Board on suspense items only covers the ZICO2 suspense account and does not provide information on aged suspense items.	A documented procedure to govern the review of suspense accounts should be developed. These procedures should document: • Roles and responsibilities in relation to review and clearance of all suspense accounts; • The prioritisation of suspense accounts, large items and aged items. • Realistic targets/KPIs to help ensure that suspense account clearance is timely and how performance will be monitored.	A full suite of appropriate KPIs are in development within Income. New reports have been produced which are circulated with Finance Business Partners to support unallocated income, particularly complex cases. A full monthly documented reconciliation is now performed to evidence outstanding items as at month end. Service Reviews and drop in sessions are being rolled out during 2019/20 for closer working with Partners. The above actions will be documented in a procedure document that will also cover roles and responsibilities in relation to review and clearance of all suspense accounts and the clearance of suspense items and suspense accounts will be prioritised within Income Processing.	Responsible Manager: Alison Balcombe. Target Date: 31.7.2019

No.	Report	Issues & Risks (Precis)	Recommendation	Management Response	Manager Responsible & ***Target Date***
4.	**Accounts Receivable**	**Aged Suspense Items:** Internal Audit undertook snapshot analysis of the main ZICO2 suspense account to establish whether aged suspense items were being cleared. This identified that there has been significant reductions in aged items between September 2018 and March 2019 but that a number of items still remain from quarter one of the financial year 2018/19, in particular at NCC.	Aged items should be subject to a targeted review and if they cannot be allocated to invoices they should be removed from suspense and allocated to a fortuitous income code in the same way that suspense items from legacy systems have been.	Following the creation and circulation of the reports to Finance Business Partners, this is also key focus on high volume/high value areas. There are process improvements underway in key areas, such as Libraries. Regularly meetings are being held with appropriate budget holders and Finance Business Partner to continually review this suspense account. A 'write back' process is to be developed in collaboration with Partners to agree a process and timeframe for aged items to be potentially moved into a separate control account.	Responsible Manager: Alison Balcombe. Target Date: 30.9.2019

No.	Report	Issues & Risks (Precis)	Recommendation	Management Response	Manager Responsible & ***Target Date***
5.	**Accounts Receivable**	**Customer Failure to Provide Reference:** From discussions with AR officers it was established that a significant proportion of items in suspense are the result of customers failing to provide the required/correct reference numbers. Items allocated to suspense could be significantly reduced if customers were educated regarding the need to provide accurate references when making payments.	The Head of Finance Operations should consider undertaking a review of suspense items to establish if there are particular services whose customers consistently fail to provide the required reference numbers. If such services are identified the AR Team should liaise with those services in order to develop communication plans to help educate customers and ensure they provide accurate reference numbers.	There is targeted activity underway in areas which are lacking in information to enable allocation. Commencing in Q1 2019 is a targeted focus on key areas such as Schools and Libraries. In addition information has been provided by LGSS teams, such as Financial Assessments in providing prefixes to customer accounts to enable prompt allocation. We will continue to monitor the descriptions provided by customers and address the data accordingly. Where the customer consistently quotes an unrecognisable description, we are exploring the possibility of creating allocation rules within Icon to manage these payments, which will reduce the number going into suspense. In addition we will also target these customers and request more meaningful information.	Responsible Manager: Alison Balcombe. Target Date: 30.11.2019

No.	Report	Issues & Risks (Precis)	Recommendation	Management Response	Manager Responsible & ***Target Date***
6.	**Accounts Receivable**	**Reporting on Suspense Items** Current reporting on suspense items and clearance rates does not include the Customer Suspense account (known as the 999 account) or the Direct To Bank suspense account and is lacking sufficient information to give a complete picture of suspense balances and clearance activity. The Head of Finance Operations is currently developing a suite of KPIs and has confirmed that a review of reporting will be undertaken in conjunction with the LGSS Reporting Team.	Suspense account reporting should be provided to clients on a regular agreed basis and should include: • All suspense accounts for each client. • Volumes and values of new suspense items. • Volumes and values of items cleared from suspense. • Volumes and values of aged suspense items. • Performance against agreed KPIs.	As part of the development of a full suite of appropriate KPIs, a new suite of reports will be developed and provided to clients. The reports will provide data on all suspense accounts and values and volumes of new suspense items, aged suspense items and items cleared from suspense. Reporting will also include ongoing performance against the new KPIs. The frequency of this reporting will be agreed with clients.	Responsible Manager: Alison Balcombe Target Date: 30.9.2019

No.	Report	Issues & Risks (Precis)	Recommendation	Management Response	Manager Responsible & *Target Date*
1.	**Debt Recovery**	**Automated Reminders Turned Off** Automated reminders are currently disabled on the ERP system. At present Debt Recovery officers must manually initiate this process to issue each letter. The Debt Recovery Team report that automated reminder letters are switched off as there is a lack of confidence that that letters produced via the automated process will contain accurate debt balances. It has not been possible for Internal Audit to conduct testing on automated letter accuracy while the system remains switched off. Based on sample testing of 105 debts which were at least 30 days overdue at the point of testing, for the majority of debts first reminder and final notice letters are being issued. At Milton Keynes and Northamptonshire this figure was 90% or greater and at Cambridgeshire 74% of debts tested had a first reminder issued and 68% a final notice. Agreed timelines for letters to be issued are not currently being met.	Internal Audit recommend that automated reminder letters are enabled on the system to ensure initial debt recovery activity is timely and to support effective debt recovery. To facilitate this, a review should be undertaken of the reminder letters process to determine if and when the automated letter functionality should be re-introduced. This review should include: • Clarity over the specific reasons why the functionality remains switched off. • An assessment of whether any testing of the automated reminder letter functionality is required prior to re-launching on the system. • Consideration to altering the timelines for reminder letters. The Head of LGSS Revenues and Benefits should seek agreement from each client regarding re-introducing automated reminder letters and any changes to the current timelines.	Income allocation backlogs delayed the issue of reminders during a large part of 2018/19. Business as usual allocation has been agreed with the income processing team and consideration of turning on auto – reminders is underway. The timelines for issuing of automated reminders are being reviewed before turning on the auto reminders as the service needs to take operational factors into consideration and demand management planning in order to support the demand this creates. An indicator that measures active and inactive debt (i.e. a high % of debt is in the relevant management stage) is being created to measure debt management alongside the value of debts to ensure that action for all debts is taken in a timely manner. A review of invoices raised and cleared in 2018/19 across all clients does not indicate that the lack of automated reminders has impacted on overall collection, with in year collection above or near 90% for all clients. It should further be noted that the increase in reported debt will also be due to the lack of write-offs undertaken in 2018/19.	Responsible Manager: Robin Bates Target Date: 30 September 2019

No.	**Report**	**Issues & Risks (Precis)**	**Recommendation**	**Management Response**	**Manager Responsible & *Target Date***
2.	**Debt Recovery**	**Debt Write Off Approval:** Sample testing of debt write-offs identified that in 7 out of 10 cases the debt had been written off on the General Ledger without the work flow having been completed and, therefore, without all of the appropriate authorisations. This means that debts can and have been written off without Budget Holder and Debt Recovery Manager approval. This issue was raised during our review and is currently being investigated by the Service Delivery Manager at MKC who is liaising with the Business Systems Team. There has not been a root cause or solution identified yet but initial investigations suggest that there is a technical issue or issues that in some cases is causing the work flow to close before it is completed.	Investigations into the root cause and potential fixes to address the issue of write offs being processed without appropriate authorisations in the system should be completed as a matter of priority. Any fixes identified or new processes developed should be robustly tested before implementation on the live system.	Whilst Debt Recovery can assist, advise and test this, the resolution sits within the functional development team in Business systems and until a new solution is provided a manual bulk write-off process has been put in place.	Responsible Manager: Peter Borley Cox Target Date: 30 September 2019

No.	Report	Issues & Risks (Precis)	Recommendation	Management Response	Manager Responsible & *Target Date*
3.	**Debt Recovery**	**Debt Write Off Reconciliation** A factor in the issue above (debt had been written off on the General Ledger without the write off work flow having been completed) not being identified prior to Internal Audit testing is that the system does not have a reconciliation report to support Debt Recovery Managers in ensuring that all write offs processed have been updated to the General Ledger and that all write offs on the General Ledger have been appropriately authorised.	Debt Recovery Managers should liaise with Business Systems Team to develop a reconciliation report within the system to identify any write offs that have not been properly authorised, processed and updated on the General Ledger.	The bulk write-off of invoices is a workaround process and is more time consuming than the intended workflow approval system, however resource will be applied to it whilst we await a revised process from Business Systems. The requirement for a suite of reconciliation reports was identified by debt recovery during implementation but has not yet been delivered by the Functional Development team. It will be included as a requirement as part of the overall review of the write off process	Responsible Manager: Robin Bates Target Date: 30 September 2019

No.	Report	Issues & Risks (Precis)	Recommendation	Management Response	Manager Responsible & ***Target Date***
4.	**Debt Recovery**	**Debt Recovery Write Offs** As at the end of February 2018 Internal Audit analysis identified that no write offs had been processed at CCC although there were 475 items with a value of £243,613.63 had been proposed for write off and were awaiting review and authorisation. Given the high level of aged debt and the relatively low number of proposed write offs in 2018/19 there is a risk that further bad debt exists which will require write-off, but has yet to be identified. When write offs are not reviewed in a timely manner there is also a risk of inaccurate financial reporting.	The Debt Recovery Team should undertake a review of potential write offs covering: • debts currently proposed for write-off; • debts over 12 months old to establish any cases where recovery activity has been exhausted and that therefore should be written off. Any debts that are identified as suitable for write off should be sent to budget holders for approval and written off in ERP as a matter of priority. The approval requirements for write offs within the Debt Recovery Service should be agreed and implemented within ERP as a matter of priority so that the appropriate officers can process any proposed write offs in a timely manner. This is essential to ensuring that the system controls over write offs are implemented as designed and complied with in practice. This should include the process by which budget holders may request write-off of a debt which should be communicated to budget holders.	Work has already commenced on cleansing the aged debt to identify potential write-off cases with a view that there will be a bulk write off process whilst we await a solution from the Business Systems team. In addition work is underway to discuss with partners their requirements with regard to a revised write-off process, including a change to the approval process for write off – to agree values that can be delegated by partners. All of these changes are part of the prioritisation of the next 12 months ERP programme of work.	Responsible Manager: Robin Bates Target Date: 30 September 2019

No.	Report	Issues & Risks (Precis)	Recommendation	Management Response	Manager Responsible & ***Target Date***
5.	**Debt Recovery**	**Debt Reporting:** The Internal Audit review identified scope for improvements in debt reporting to provide a full picture of debt to all relevant stakeholders.	Detailed information on debt should be reported to each client on a regular and agreed basis. This reporting should include: • Clearly presented aged debt analysis with a particular emphasis on increases in long term debt. • Narrative on causal factors of debt levels and trends. • Information on remedial action to address high and increasing aged debt levels. • Detailed information on proposed and confirmed write offs. • Detail and analysis of the highest debtors. • Information on invoices raised and debts collected • Information on debts collected as a result of debt recovery activity/the performance of Debt Recovery Teams.	A review of reporting across all clients has been undertaken and a draft reporting pack template has been issued for stakeholder comments and will be issued in June 2019 covering all of these points.	Responsible Manager: Robin Bates Target Date: 30 June 2019

No.	Report	Issues & Risks (Precis)	Recommendation	Management Response	Manager Responsible & ***Target Date***
6.	**Debt Recovery**	**Debt Reporting (2)** See above.	Debt reports relating to Cambridgeshire were based on the previous directorate structure rather than reflecting the current structure of the Council. Therefore, there is a risk that debt figures by directorate are not accurate as some cost centres may not be included in the correct directorate. Debt activity and analysis reporting for Cambridgeshire should be updated to ensure it accurately reflects the cost centres and debt balances in each directorate.	Changes to the directorate structure in Cambridgeshire had not been communicated to Debt Recovery. Enquires are now underway to determine the correct structure and identify the changes required within ERP Gold hierarchy to match that.	Responsible Manager: Robin Bates Target Date: 30 September 2019
1.	**ERP Gold IT Controls**	**Disaster Recovery Resilience:** To date there has not been a successful disaster recovery test of ERP Gold including its interfaces to the Cambridge data centre. <u>Risk</u>: Negative impact on Council's service delivery and financial control if some or all of the ERP Gold functionality is impaired.	1. Necessary technical work needs to be undertaken to enable ERP Gold and its interfaces to enable successful cutover to Cambridge. 2. A full test of ERP Gold cutover to Cambridge data centre, including interfaces, will be undertaken following the completion of 1 above.		Head of IT Northamptonshire Head of Business Systems and Change Target Date: 1 July 2019

No.	Report	Issues & Risks (Precis)	Recommendation	Management Response	Manager Responsible & ***Target Date***
2.	**ERP Gold IT Controls**	**Disaster Recovery Cutover** ERP Gold cutover arrangements to the Cambridge data centre for ERP Gold are not documented in any business continuity plan. Partner Councils unable to plan business continuity arrangements due to no documented Return To Operation (RTO) in the event that of cutover to Cambridge has been activated. <u>Risk</u>: Clients unaware of the Return to Operation figure for some or all of ERP Gold functionality in the event of cutover of ERP Gold to the Cambridge data centre. Loss time in restoring ERP functionality through not having a business continuity plan that includes cutover to Cambridge in its scope.	The Business Systems and Change Business Continuity Plan (BCP) should include cutover arrangements to Cambridge for ERP Gold in its scope. The BCP should document a Return to Operation (RTO) time period for ERP Gold in the event that cutover over to the Cambridge is necessary. The ERP Gold programme Board should be informed of Business Continuity arrangements including testing of BC arrangements and the RTO for Cambridge cutover. Note: The completion of this action is dependent on the delivery of MAP1		Head of IT Northamptonshire Head of Business Systems and Change Target Date: 1 July 2019

No.	Report	Issues & Risks (Precis)	Recommendation	Management Response	Manager Responsible & *Target Date*
3.	**ERP Gold IT Controls**	**User/Role configuration:** It is important that the system has been configured to enforce appropriate separation of duties/roles, including high risk role combinations. To date there is no review of high-risk ERP Gold role combinations. Risk: Fraud leading to financial loss for the partner Councils.	The Business Systems & Change team should review high risk ERP Gold role combinations with the business process owners in Accounts Payable, Receivable, Income Processing and HR Transactions & Payroll. The review should articulate the risk of such combinations (if any) e.g. "Maintain a fictitious vendor and enter a Vendor invoice for automatic payment". The review should identify management actions taken e.g. role(s) removed from users or alternatively a business justification for retaining the high risk role combination roles and sign off by a senior officer e.g. LGSS Finance Director.		Head of Business Systems & Change Target Date: 1 September 2019
4.	**ERP Gold IT Controls**	**Systems Access:** Access to the system is secure and only available to those who need access to specific modules. The ERP Gold User Access Policy is not communicated to users. Risk: Lack of user awareness of ERP Gold User Access Policy leads to data breach	The ERP Gold User Access Policy needs to be communicated to users at the three partner councils.		Head of Business Systems & Change Target Date: 1 July 2019

No.	Report	Issues & Risks (Precis)	Recommendation	Management Response	Manager Responsible & ***Target Date***
5.	**ERP Gold IT Controls**	**Audit Trail:** Audit logs are maintained and reviewed for inappropriate activity and to support investigations and data breaches Only 5 of 93 ERP Gold database table audit trails are switched on. No review to identify any compensating application audit trails. <u>Risk</u>: Inability to investigate fraudulent use of ERP Gold due to lack of evidence.	The Business Systems and Change team should undertake a review to ensure there are audit trails in place for key AR, AP, GL and HR processes, either at the application or database levels. In some instances the Head believes that the issue is access permission levels rather than lack of audit trials e.g. audits trails that disappear once a transaction is completed. In these instances user permissions will need to be changed.		Head of Business Systems & Change Target Date: 1 October 2019

Agenda Item No: 14

COMMUNITY TRANSPORT UPDATE REPORT DEFERRAL

To:	**Audit & Accounts Committee**
Meeting Date:	**29th July**
From:	**Chief Internal Auditor**
Purpose:	**To inform the Committee of the deferral of the next Community Transport Update Report until September.**
Recommendation:	**The Committee is asked to note the deferral of the report.**

	Officer contact:		***Member contacts:***
Name:	Duncan Wilkinson	Names:	Councillor Mike Shellens
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1. BACKGROUND

1.1 There was a major review of Community Transport in Cambridgeshire, culminating in the public meeting on July 31st 2018. A twelve-page Action Plan, presented by the Chief Executive, was reviewed in detail. Additional actions were agreed during the meeting, and these have been added to a final full action plan.

1.2 During the meeting it was agreed that Audit & Accounts would maintain oversight of the implementation of recommendations, to ensure they are carried out as planned. The most recent update on Action Plan progress was brought to the meeting of the Committee on the 28th May 2019.

2. MAIN ISSUES

2.1 Given the small number of actions left to complete, many of which are not expected to be completed until after the July 29th meeting, it has been agreed that the next report would be deferred to September when a more comprehensive update is likely to be available.

2.2 The key outstanding action relates to the Council reclaiming any money due in respect of State Aid or any inappropriate competitive advantage conferred on FH&E as a result of historic grant awards. A meeting with FH&E to negotiate the final settlement was scheduled for early July, with the Deputy Chief Executive and Executive Director of Place and Economy. As this meeting was cancelled by FH&E it is not yet possible to report on the outcomes of this process.

2.3 This meeting is in the process of being rearranged and it is expected that negotiations will conclude in time for a full report to Committee in September.

<u>SOURCE DOCUMENTS GUIDANCE</u>

Source Documents	**Location**
N/A	

Agenda Item No. 15

INTEGRATED RESOURCES AND PERFORMANCE REPORT FOR THE PERIOD ENDING 31ST MAY 2019

To:	**Audit & Accounts Committee**		
Date:	**29 July 2019**		
From:	**Chief Finance Officer**		
Electoral division(s):	**All**		
Forward Plan ref:	**N/A**	*Key decision:*	**N/A**
Purpose:	**To present financial and performance information to assess progress in delivering the Council's Business Plan.**		

Recommendations: **The committee is asked to note the following recommendations made to General Purposes Committee on 16 July:**

a) Approve the carry forward of £39.3m capital funding from 2018/19 to 2019/20 and beyond as set out in section 6.6 and Appendix 5.

b) Approve -£37.0m revised phasing of capital funding for schemes as set out in section 6.6.

c) Agree the additional capital grants and Section 106 funding of £1.7m as outlined in section 6.6.

d) Note the reduction in Schools Condition Funding and approve additional prudential borrowing of £578,543 to offset the reduction, as set out in section 6.6.

e) Note the £6.6m reduction in prudential borrowing in 2019/20 in relation to the capital schemes as set out in section 6.6, and the £1.6m reduction in prudential borrowing in 2020/21, as set out in section 6.7.

f) Approve additional prudential borrowing of £3m in 2019/20 and future years for the Spring Common Academy scheme, as set out in section 6.8.

g) Approve additional prudential borrowing of £295k in 2019/20 for the Meads Farm scheme, as set out in section 6.9.

h) Note and comment on performance information as set out in section 8.

i) Approve the proposed revised approach to performance reporting set out in section 8.

j) Approve the continuous development of financial reporting to Committees, as detailed in section 9.

k) Agree to earmark £297k within reserves for Records Management, for deployment as set out in Appendix 3.

	Officer contact:		***Member contacts:***
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1. PURPOSE

1.1 To present financial and performance information to assess progress in delivering the Council's Business Plan.

2. OVERVIEW

2.1 The following summary provides a snapshot of the Authority's performance against its indicators around outcomes, its forecast financial position at year-end and its key activity data for care budgets. The presentation of performance information has been revised due to the Council's new priority outcomes – all existing KPIs are still included. Section 8 sets out details of the new outcomes and proposes a revised approach to performance reporting at GPC and Service Committees.

2.2 The key issues included in the summary analysis are:

- The overall revenue budget position is showing a forecast year-end pressure of +£0.8m (+0.2%); this is largely within People & Communities (P&C) (£3.7m pressure), Commercial & Investment (C&I) (£0.6m pressure) and LGSS Operational (£0.6m pressure), partially offset by forecast underspends of -£1.9m in Funding Items, -£1.3m in Place & Economy, -£0.7m in Corporate Services and -£0.25m in LGSS Managed. See section 3 for details.

- The Capital Programme is forecasting a balanced budget at year-end. This includes use of the capital programme variations budget. See section 6 for details.

3. REVENUE BUDGET

3.1 A more detailed analysis of financial performance is included below:

Key to abbreviations

CS Financing – Corporate Services Financing
DoT – Direction of Travel (up arrow means the position has improved since last month)

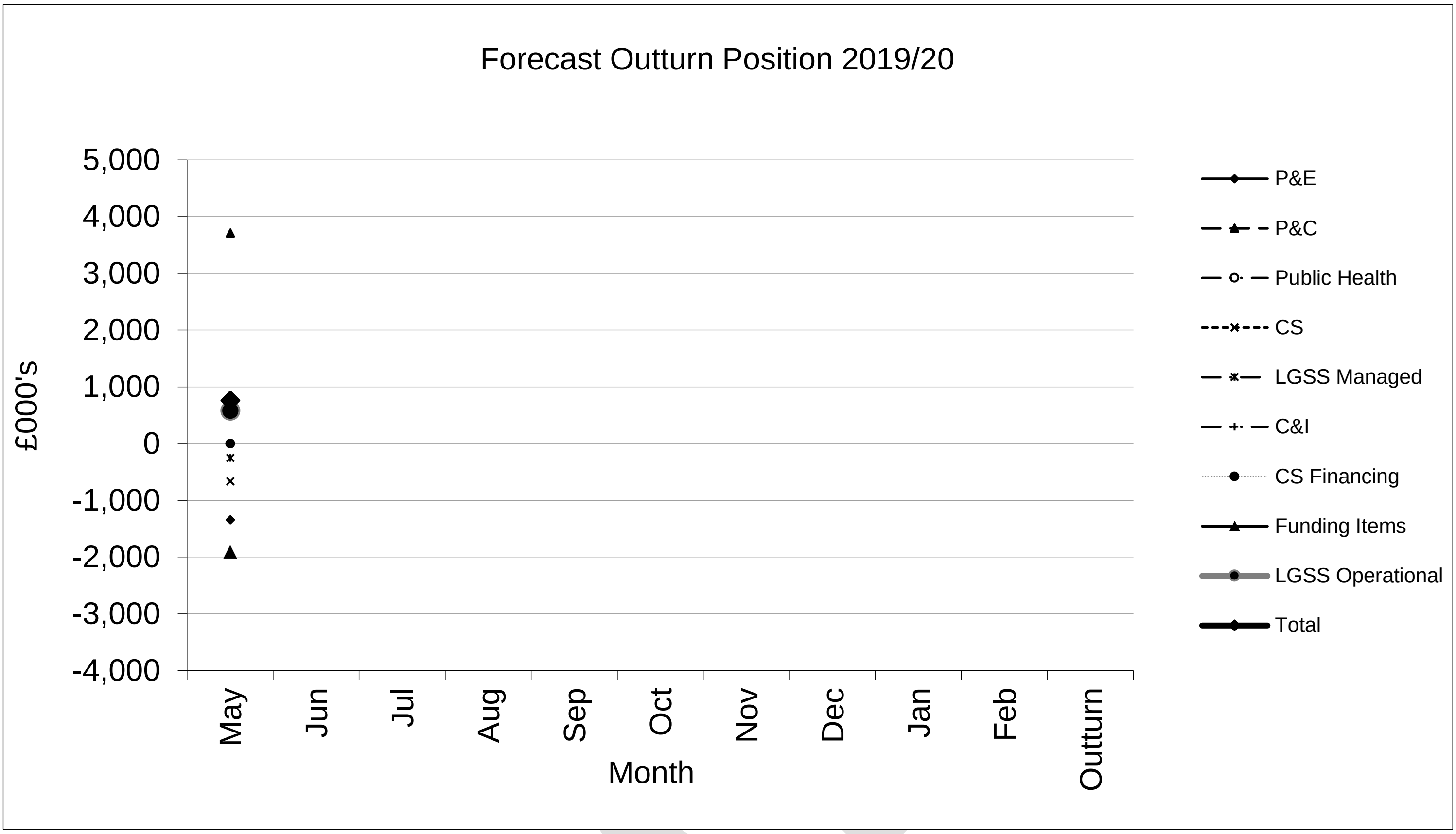
Original Budget as per Business Plan £000	Forecast Variance (April) £000	Service	Current Budget for 2019/20 £000	Actual (May) £000	Forecast Variance (May) £000	Forecast Variance (May) %	Overall Status	DoT
57,504	0	Place & Economy	52,783	821	-1,341	-2.5%	Green	↑
254,936	0	People & Communities	259,737	47,450	3,719	1.4%	Red	↓
390	0	Public Health	390	-6,925	0	-	Green	↔
10,221	0	Corporate Services	9,370	2,027	-661	-7.1%	Green	↑
14,048	0	LGSS Managed	14,457	2,194	-250	-1.7%	Green	↑
-9,502	0	Commercial & Investment	-9,493	373	626	-	Red	↓
28,161	0	CS Financing	28,161	-2,628	0	0.0%	Green	↔
355,758	**0**	**Service Net Spending**	**355,405**	**43,312**	**2,093**	**0.6%**	**Red**	↓
20,357	0	Funding Items	20,357	11,619	-1,910	-9.4%	Green	↑
376,115	**0**	**Subtotal Net Spending**	**375,762**	**54,931**	**183**	**0.0%**	**Red**	↓
		Memorandum items:						
8,161	0	LGSS Operational	8,112	4,275	582	7.2%	Amber	↓
	0	**Grand Total Net Spending**	**383,874**	**59,207**	**765**	**0.2%**	**Red**	↓
170,024		Schools	170,024					
554,300		**Total Spending 2019/20**	**553,898**					

[1] The budget figures in this table are net.

[2] For budget virements between Services throughout the year, please see Appendix 1.

[3] The budget of £390k stated for Public Health is cash limit budget. In addition to this, Public Health has a budget of £24.7m from ring-fenced public health grant, which makes up its gross budget.

[4] The ‘Funding Items’ budget comprises the £8.7m Combined Authority Levy, the £407k Flood Authority Levy and £11.2m change in general and corporate reserves budget requirement. The forecast outturn on this line reflects any variance in the amount received from corporate grants and business rates from what was budgeted; a negative outturn indicates a favourable variance, i.e. more income received than budgeted.



3.2 Key exceptions this month are identified below.

3.2.1 **Place & Economy:** -£1.341m (-2.5%) underspend is forecast at year-end.

	£m	%
• **Parking Enforcement**– a -£0.650m underspend is forecast. Bus lane enforcement is providing additional income in excess of the budget set. This income is difficult to predict and therefore the budget holder will monitor the financial position on a regular basis, updating the forecast accordingly.	-0.650	(-%)
• **Highways Development Management** – a -£0.500m underspend is forecast. There is an expectation that Section 106 and Section 38 fees will come in higher than budgeted for new developments which will lead to an overachievement of income. However, this is an unpredictable income stream and the forecast outturn is updated regularly.	-0.500	(-%)

- A combination of more minor variances sum with the above to lead to an overall outturn of -£1.341m. For full details see the P&E Finance & Performance Report, (https://tiny.cc/29na9y).

3.2.2 **People & Communities:** +£3.719m (+1.4%) pressure is forecast at year-end.

	£m	%
• **Strategic Management - Adults –** a -£2.475m underspend is forecast. This is due to £2.475m of funding from the Social Care Support and Improved Better Care Fund (IBCF) grants being applied to partially mitigate opening pressures in Older People's and Physical Disabilities Services detailed in the next two notes	-2.475	(-49%)

below, in line with one of the specific purposes of those grants. The IBCF spending plan will need to be agreed by Health and Wellbeing Board as part of the annual Better Care Fund process.		
• **Older People's Services** – a +£4.458m pressure is forecast. *Older People's and Physical Disability Services* (OP/PD) have experienced increases in the unit costs of, and the number of people in, the most expensive types of care since the start of the previous financial year (concentrated in the last five months). This has resulted in both an opening pressure, as costs by the start of 2019/20 were higher than assumed when budgets were set in the third quarter of 2018/19, and a projected increase in that pressure in-year as the unit cost trend is expected to continue. Part of this pressure is as a result of a continuing focus on discharging people from hospitals as quickly as is appropriate, which can result in increasing numbers of people in expensive types of care, at least in the short-term. This has the further impact of increasing cost as supply in that sector is limited, exacerbated by competing in some areas with the NHS for similar types of high cost care placements. Improving discharge processes and integrated commissioning are key mitigations being worked on. The opening pressure is addressed partly through application of part of the Social Care Support and Improved Better Care Fund (IBCF) grants, shown against the *Strategic Management – Adults line* as noted above.	+4.458	(+8%)
• **Physical Disabilities Services**– a +£0.436m pressure is forecast. This reflects the carried forward pressure from 2018/19. This was due to an increase in client numbers and the number of people with more complex needs requiring more expensive types of care going up. The total savings expectation in this service for 2019/20 is £269k, and this is expected to be delivered in full through the Adults Positive Challenge Programme of work, designed to reduce demand, for example through a reablement expansion and increasing technology enabled care to maintain service user independence.	+0.436	(+4%)
• **Home to School Transport - Special** – a +£0.300m pressure is forecast. We are continuing to see significant increases in pupils with Education Health Care Plans (EHCPs) and those attending special schools, leading to a corresponding increase in transport costs. Alongside this, we are seeing an increase in complexity of need resulting in assessments being made by the child/young person's Statutory Assessment Case Work Officer that they require individual transport, and, in many cases, a passenger assistant to accompany them. A strengthened governance system around requests for costly exceptional transport requests introduced in 2018/19 is resulting in the avoidance of some of the highest cost transports as is the use of personal transport budgets offered in place of costly individual taxis. The P&C Finance &	+0.300	(+3%)

Performance Report, (https://tiny.cc/8ioa9y) outlines further actions being taken to mitigate the position.

• **SEND Specialist Services** – a +£0.300m pressure is forecast within the Statutory Assessment Team due to the ceasing of a grant that has funded additional capacity in previous years, which is still required to meet demand for statutory deadlines for Education Health Care Plans (EHCP) assessments and reviews. Whilst not currently included in the figures, a significant pressure is expected on the High Needs Block of the Dedicated Schools Grant (DSG). This is a ring-fenced grant and as such overspends do not affect the Council's bottom line but are carried forward as a deficit balance into the next year. In 2018/19 we saw a total DSG overspend across SEND services of £8.7m which, combined with underspends on other DSG budgets, led to a deficit of £7.2m carried forward into 2019/20. Given the ongoing increase in numbers of pupils with EHCPs it is likely that a similar overspend will occur in 2019/20, however this will become clearer as we move towards the start of the new academic year.	+0.300	(+3%)
• **Looked After Children Placements** – a +£0.350m pressure is forecast. Recent activity in relation to gang related crime has resulted in additional high cost secure placements being required. These are one off costs and we will be asking for reserves to fund this. In addition, we have not seen the numbers of children in care decrease yet; though this is still expected. We have seen a net increase in in house foster carers and the commissioning service has reduced some unit costs of placements.	+0.350	(+2%)
• **Children in Care** – a +£0.350m pressure is forecast. A pressure of c£350k is anticipated across Staying Put (£125k) and Unaccompanied Asylum Seeking Children (Over 18) budgets (£225k). In both areas the central government grant does not match anticipated expenditure. Work is underway to further refine this forecast	+0.350	(+2%)

- A combination of more minor variances sum with the above to lead to an overall outturn of +£4.389m. For full details see the P&C Finance & Performance Report, (https://tiny.cc/8ioa9y).

3.2.3 **Public Health:** a balanced budget is forecast for year-end. There are no exceptions to report this month; for full details see the PH Finance & Performance Report, (https://tiny.cc/ypoa9y).

3.2.4 **Corporate Services:** -£0.661m (-7.1%) underspend is forecast.

	£m	**%**
• **PCC Shared Services** – a +£0.300m pressure is forecast. PCC Shared Services has a savings target of £711k in 2019/20; of this £311k has already been identified and it is expected that a further £100k can be made in year. The remaining £300k saving target is not expected to be met in 2019/20.	+0.300	(+56%)

Central Services and Organisation-Wide Risks– a -£0.582m underspend is forecast. This -£582k is being reported to offset the £582k overspend on LGSS Cambridge Office.	-0.582	(-42%)
Demography Reserve– a -£0.322m underspend is forecast. This -£322k is being reported as a mitigation to offset pressures.	-0.322	(-100%)

- A combination of more minor variances sum with the above to lead to an overall outturn of +£0.661m. For full details see the CS & LGSS Finance & Performance Report, (https://tiny.cc/2uoa9y).

3.2.5 **LGSS Managed:** -£0.250m (-1.7%) underspend is forecast.

	£m	%
IT Managed – a -£0.250m underspend is forecast. This is due to an in-year saving on laptop replacement, as some of the stock purchased using capital budget will be used in this year.	-0.250	(-6%)

- For full details see the CS & LGSS Finance & Performance Report, (https://tiny.cc/2uoa9y).

3.2.6 **CS Financing:** a balanced budget is forecast for year-end. There are no exceptions to report this month; for full details see the CS & LGSS Finance & Performance Report, (https://tiny.cc/2uoa9y).

3.2.7 **Commercial & Investment**: +£0.626m (-%) pressure is forecast at year-end.

	£m	%
Housing Investment (This Land Company) – a +£0.475m pressure is forecast. This relates to interest received on loans made to This Land, and the underachievement is a result of land values (contingent on planning progress and independent valuation) and the company's readiness to receive construction loan financing.	+0.475	(+8%)

- A combination of more minor variances sum with the above to lead to an overall outturn of +£0.684m. For full details see the C&I Finance & Performance Report, (https://tiny.cc/nzoa9y).

3.2.8 **Funding Items:** a -£1.910m underspend is forecast at year-end. This is due to 2018/19 surplus Council Tax and NNDR surpluses as set out in section 5.2.

3.2.9 **LGSS Operational:** +£0.582m (+7.2%) pressure is forecast at year-end.

	£m	%
LGSS Cambridge Office – a +£0.582m pressure is forecast. Of this £460k relates to a shortfall against the trading target for LGSS. Further trading is not currently being pursued whilst the review of the LGSS operating model is ongoing. This pressure is offset by funds held in corporate services as this risk had been anticipated at budget setting.	+0.582	(+7%)

- For full details see the CS & LGSS Finance & Performance Report, (https://tiny.cc/2uoa9y).

Note: *exceptions relate to Forecast Outturns that are considered to be in excess of +/- £250k.*

4. KEY ACTIVITY DATA

4.1 The latest key activity data for: Looked After Children (LAC); Special Educational Needs (SEN) Placements; Adult Social Care (ASC); Adult Mental Health; Older People (OP); and Older People Mental Health (OPMH) can be found in the latest P&C Finance & Performance Report, (https://tiny.cc/8ioa9y), (section 2.5).

5. FUNDING CHANGES

5.1 Where there has been a material change in 2019/20 grant allocations to that budgeted in the Business Plan (BP) i.e. +/- £175k, this will require Strategic Management Team (SMT) discussion in order to gain a clear and preferred view of how this additional/shortfall in funding should be treated. The agreed approach for each grant will then be presented to the GPC for approval.

5.2 Council Tax and NNDR Surpluses from 2018/19

Based upon the latest information on the 2018/19 Council Tax and NNDR surpluses declared by the Districts, and recent similar trends across four of the five districts, it is affordable for the Council to recognise £1.910m of this in revenue this year. Looking ahead, for 2019/20 onwards the Council is making greater use of district Council tax base growth estimates rather than relying on trend percentage uplifts.

It is therefore proposed that £1.910m Council Tax and NNDR surplus is recognised in revenue in 2019/20.

6. CAPITAL PROGRAMME

6.1 A summary of capital financial performance by service is shown below:

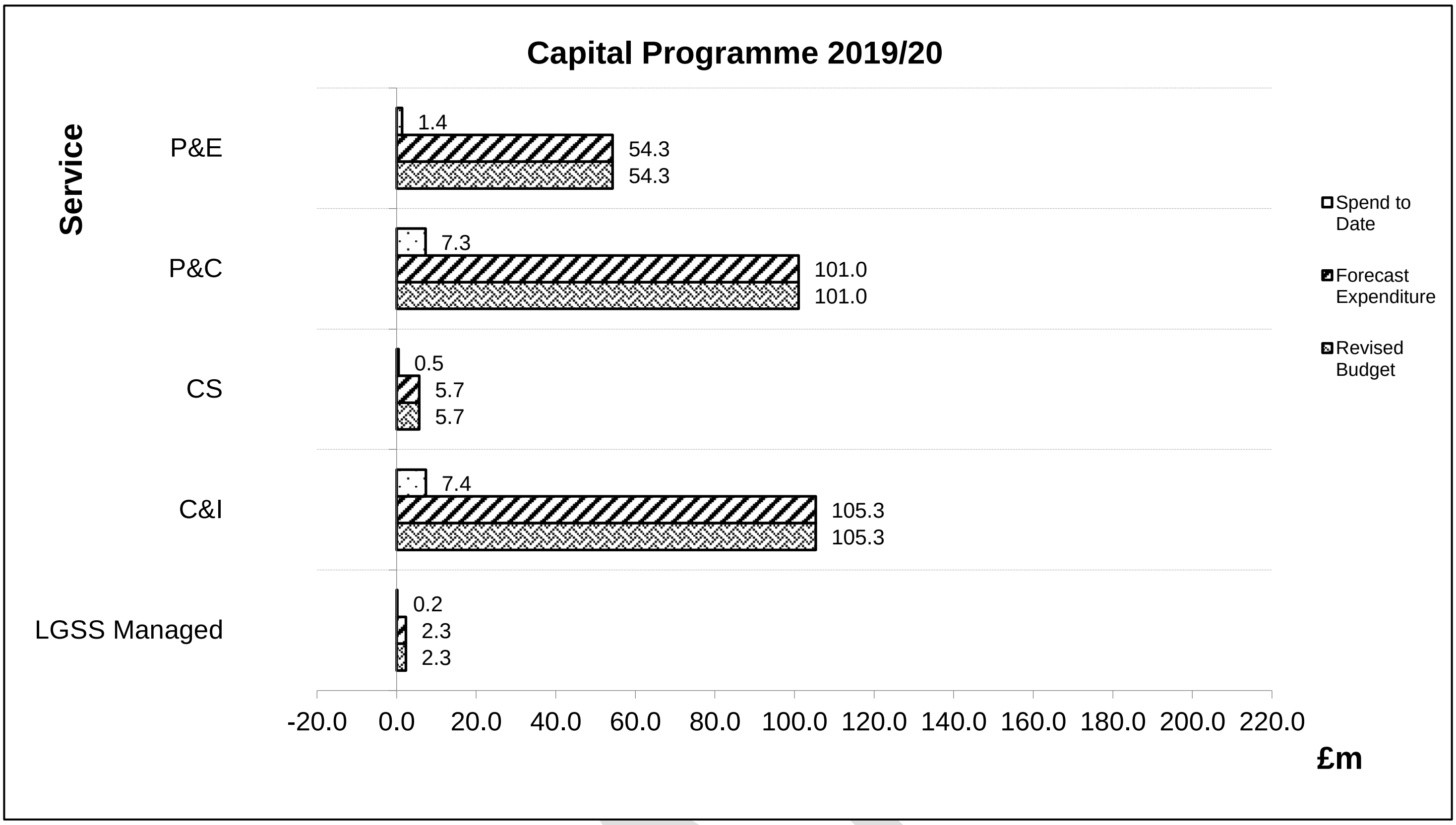
2019-20						TOTAL SCHEME	
Original 2019/20 Budget as per Business Plan £000	Service	Revised Budget for 2019/20 £000	Actual-Year to Date (May) £000	Forecast Variance - Outturn (May) £000	Forecast Variance - Outturn (May) %	Total Scheme Revised Budget (May) £000	Total Scheme Forecast Variance (May) £000
43,908	P&E	54,310	1,408	-	0.0%	410,592	-
129,267	P&C	101,001	7,284	-	0.0%	674,287	-
3,457	CS	5,725	478	-	0.0%	22,939	-
2,827	LGSS Managed	2,339	214	-	0.0%	6,688	-
90,443	C&I	105,330	7,401	-	0.0%	303,871	-
-	Outturn adjustment	-	-	-	-	-	-
269,902	**Total Spending**	**268,705**	**16,785**	**-**	**0.0%**	**1,418,377**	**-**

Notes:

1. The 'Revised Budget' incorporates any changes in the funding available to what was originally budgeted. A breakdown of the use of the capital programme variations budget by service is shown in section 6.2.

2. The reported P&E capital figures do not include Greater Cambridge Partnership, which has a budget for 2019/20 of £29.7m and is currently forecasting an in-year underspend of £11.0m at year-end.

3. The 'Total Scheme Forecast Variance' reflects the forecast variance against budget of the total expenditure for all active capital schemes across all financial years.



Note: The 'Revised Budget' incorporates any changes in the funding available to what was originally budgeted.

6.2 A summary of the use of capital programme variations budgets by services is shown below. As forecast underspends are reported, these are offset with a forecast outturn for the variation budget, leading to a balanced outturn overall up to the point when re-phasing exceeds this budget.

2019-20					
Service	**Capital Programme Variations Budget £000**	**Forecast Variance - Outturn (May) £000**	**Capital Programme Variations Budget Used £000**	**Capital Programme Variations Budget Used %**	**Revised Forecast Variance - Outturn (May) £000**
P&E	-13,505	0	0	0.00%	0
P&C	-13,399	0	0	0.00%	0
CS	-1,431	0	0	0.00%	0
LGSS Managed	-585	0	0	0.00%	0
C&I	-26,312	0	0	0.00%	0
Outturn adjustment	-	-	-	-	-
Total Spending	**-55,232**	**0**	**0**	**0.00%**	**0**

6.3 A more detailed analysis of current year key exceptions this month by programme for individual schemes of £0.25m or greater are identified below.

6.3.1 **Place & Economy:** a balanced budget is forecast at year-end. There are no exceptions to report this month; for full details see the P&E Finance & Performance Report, (https://tiny.cc/29na9y).

6.3.2 **People & Communities:** a balanced budget is forecast at year-end. There are no exceptions to report this month; for full details see the P&C Finance & Performance Report, (https://tiny.cc/8ioa9y).

6.3.3 **Corporate Services:** a balanced budget is forecast at year-end. There are no exceptions to report this month; for full details see the CS & LGSS Finance & Performance Report, (https://tiny.cc/2uoa9y).

6.3.4 **LGSS Managed:** a balanced budget is forecast at year-end. There are no exceptions to report this month; for full details see the CS & LGSS Finance & Performance Report, (https://tiny.cc/2uoa9y).

6.3.5 **Commercial & Investment**: a balanced budget is forecast at year-end. There are no exceptions to report this month; for full details see the C&I Finance & Performance Report, (https://tiny.cc/nzoa9y).

6.4 A more detailed analysis of total scheme key exceptions this month by programme for individual schemes of £0.25m or greater are identified below:

6.4.1 **Place & Economy:** a total scheme balanced budget is forecast. There are no exceptions to report this month; for full details see the P&E Finance & Performance Report, (https://tiny.cc/29na9y).

6.4.2 **People & Communities:** a total scheme balanced budget is forecast. There are no exceptions to report this month; for full details see the P&C Finance & Performance Report, (https://tiny.cc/8ioa9y).

6.4.3 **Corporate Services:** a total scheme balanced budget is forecast. There are no exceptions to report this month; for full details see the CS & LGSS Finance & Performance Report, (https://tiny.cc/2uoa9y).

6.4.4 **LGSS Managed:** a total scheme balanced budget is forecast. There are no exceptions to report this month; for full details see the CS & LGSS Finance & Performance Report, (https://tiny.cc/2uoa9y).

6.4.5 **Commercial & Investment**: a total scheme balanced budget is forecast. There are no exceptions to report this month; for full details see the C&I Finance & Performance Report, (https://tiny.cc/nzoa9y).

6.5 A breakdown of the changes to funding has been identified in the table below.

Funding Source	**B'ness Plan Budget £m**	**Rolled Forward Funding[1] £m**	**Revised Phasing £m**	**Additional/ Reduction in Funding £m**	**Revised Budget £m**	**Outturn Funding £m**	**Funding Variance £m**
Department for Transport (DfT) Grant	16.0	0.5	-0.3	1.4	**17.6**	17.6	-
Basic Need Grant	6.9	-	-	-	**6.9**	6.9	-
Capital Maintenance Grant	4.7	-	-	-1.1	**3.5**	3.5	-
Devolved Formula Capital	1.0	2.0	-	-0.2	**2.8**	2.8	-
Specific Grants	8.4	0.0	-	0.7	**9.1**	9.1	-
S106 Contributions & Community Infrastructure Levy	19.4	3.3	-13.0	0.4	**10.2**	10.2	-
Capital Receipts	45.4	10.4	-10.5	-	**45.3**	45.3	-
Other Contributions	24.6	3.2	-	0.0	**27.7**	27.7	-
Revenue Contributions	10.1	-	-	-	**10.1**	10.1	-
Prudential Borrowing	133.4	20.0	-13.2	-4.7	**135.4**	135.4	0.0
TOTAL	**269.9**	**39.3**	**-37.0**	**-3.6**	**268.7**	**268.7**	**0.0**

[1] Reflects the difference between the anticipated 2018/19 year end position used at the time of building the initial Capital Programme budget, as incorporated within the 2019/20 Business Plan, and the actual 2018/19 year end position.

6.6 Key funding changes (of greater than £0.25m or requiring approval):

2019/20 funding changes

Funding	**Service**	**Amount (£m)**	**Reason for Change**
Rolled Forward Funding	All Services	+£39.3	The Capital Programme Board has reviewed overspends and underspends at the end of 2018/19, and many of these are a result of changes to the timing of expenditure, rather than variations against total costs. As such, this funding is still required in 2019/20 to complete projects. Of the £39.3m funding to be carried forward, £20.0m relates to prudential borrowing, of which £13.8m relates to a rephasing of the Housing Schemes. Further details are available in Appendix 5, which shows capital roll-forwards. **General Purposes Committee is asked to approve the carry forward of £39.3m capital funding from 2018/19 to 2019/20 and beyond.**
Revised Phasing	All Services	-£37.0	There have been some changes to schemes since the 2019/20 Business Plan was finalised. The following schemes have been rephased resulting in the following changes to their 2019/20 funding requirement: **P&E, - £3.5m:** • Waste – Household Recycling Centre (HRC) Improvements (-£3,266k) • Guided Busway (-2,960k) • Highways Maintenance (carriageways only from 2015/16 onwards) (+2,723k) **P&C, -£30.9m** • Sawtry Infants (-2,254k) • Sawtry Junior (-2,325k) • Histon Additional Places (-6,588k) • Waterbeach Primary School (-293k) • WING Development – Cambridge (-6,304k) • Northstowe secondary (+£2,644k) • North West Fringe secondary (-2,618k) • Fenland Secondary, Wisbech (-9,125k) • Cambourne West secondary (-430k) • Samuel Pepys (-2,539k) Other schemes below the de minimis make up the difference. **Capital programme variations budgets, -£2.6m:** In 2016/17 the Capital Programme Board recommended that a ‘Capital Programme

			Variations' line be included for each Service, which effectively reduces the capital programme budget. Capital programme variations budgets were included in the 2019/20 Business Plan, but these have been revised for 2019/20 as a result of the rolled forward and revised phasing exercise carried out in May 19 as above. **General Purposes Committee is asked to approve the -£37.0m revised phasing of funding in relation to schemes as set out above.**
Additional/ Reduction in Funding (Specific Grants and Section 106 contributions)	P&E and P&C	+£1.7	**<u>P&E, +£1.8m:</u>** **Pothole Action Fund, +£0.8m:** Cambridgeshire County Council has received £0.8m of additional grant funding from DfT for the purpose of repairing potholes and protecting local roads from future severe weather, either through permanent patching repairs or preventative resurfacing works. **Highways England, +£0.56m:** A new grant has been awarded in 2019/20 (£0.560m) via Highways England through the Department for Transport's (DfT) Designated Funds Programme, providing a contribution to the feasibility, design and delivery of the Northstowe Heritage Facility. **Additional Section 106 contributions, +£0.4m:** Additional Section 106 contributions of £0.400m are being made from developers in relation to the St Neots Northern Footway and Cycle Bridge. **<u>P&C, -£0.1m:</u>** **Additional SEN grant, £0.5m:** Additional SEN grant was announced by Central Government on 30th Jan 2019 (£524k). **Reduction in Schools Condition Funding, -£0.6m:** A reduction in Schools Condition Funding of £578,543 was announced by Central Government in March 2019 reflecting Academy converters. **General Purposes Committee is asked to agree the additional capital grants and Section 106 funding of £1.7m as outlined above.**

Additional/ Reduction in Funding (Prudential borrowing)	P&C	+£0.6	As noted above, a reduction on Schools Condition Funding of £578,543 was announced by Central Government in March 2019 reflecting Academy converters. This funding is still required for schools condition works; additional prudential borrowing is therefore requested to offset the reduction in grant funding. **General Purposes Committee is asked to note the reduction in Schools Condition Funding and to approve additional prudential borrowing of £578,543 to offset the reduction.**
Additional/ Reduction in Funding (Prudential borrowing)	P&C	-£6.6	A saving of £1m on the tender and overall scheme cost for Northstowe Secondary has resulted in a reduction in the required prudential borrowing of £1m in 2019/20. An overall cost reduction of the scheme to amalgamate Eastfield Infant and Westfield Junior School as requested by the Children and Young People's Committee of £7.2m is expected, with £5.585m of this being seen in 2019/20. This will result in a reduction in the required prudential borrowing of £5.6m in 2019/20. **General Purposes Committee is asked to note this £6.6m reduction in prudential borrowing in 2019/20 in relation to the above schemes.**

6.7 Key funding changes (of greater than £0.25m or requiring approval):

Future years' funding changes to Total Schemes

Funding	**Service**	**Amount (£m)**	**Reason for Change**
Additional/Reduction in Funding (Prudential borrowing)	P&C	-£1.6m	As outlined above, an overall cost reduction of the scheme to amalgamate Eastfield Infant and Westfield Junior School as requested by the Children and Young People's Committee of £7.2m is expected, of which £1.646m relates to future years (2020/21). **General Purposes Committee is asked to note the £1.6m reduction in prudential borrowing in 2020/21 in relation to the St Ives, Eastfield / Westfield / Wheatfields scheme.**

6.8 At the July 2019 meeting of the Children and Young People (CYP) Committee, the committee was asked to recommend to General Purposes Committee the inclusion of the Spring Common Academy capital scheme in the 2019/20 capital programme. Further work has been undertaken in liaison with the school's Headteacher to identify the priorities for capital investment to address basic need and the suitability of accommodation at Spring Common Special School. The re-assessment of the school's current accommodation has identified the need to provide the school with spaces which are suitable for 175 children and young people aged 2–19 with complex special educational needs and disabilities (SEND). The original milestone 1 report produced July 2017 was costed at £7.2million. By appointing a project team, including a design and build contractor, to revisit the original report, the size and value of the scheme has been reduced. The estimated total cost for the new scheme is £3m. The report to CYP Committee can be found here, with details in section 2.31 to 2.39. The scheme will be funded by borrowing; the annual cost of borrowing for this scheme will start in 2022/23 at £166k, and decreases each year thereafter.

General Purposes Committee is asked to approve additional prudential borrowing of £3m in 2019/20 and future years for the Spring Common Academy scheme.

6.9 Additional funding is £295k requested in 2019/20 for the Meads Farm project. This project is to demolish the existing house at Meads Farm and to replace it with a new dwelling. The purpose of the scheme is to comply with the Council's obligations as Landlord. To do this, we need a structurally safe and habitable dwelling, as now defined by the Homes (Fitness for Human Habitation) Act 2018. The current dwelling has significant structural issues and is beyond economic repair, as confirmed in the structural report and subsequent letter. Subsequently planning consent has been obtained for demolition of the existing dwelling and a new 3 bedroom detached dwelling to be built on the site. The scheme will be funded by borrowing; the annual cost of borrowing for this scheme will start in 2020/21 at £16k, and decreases each year thereafter.

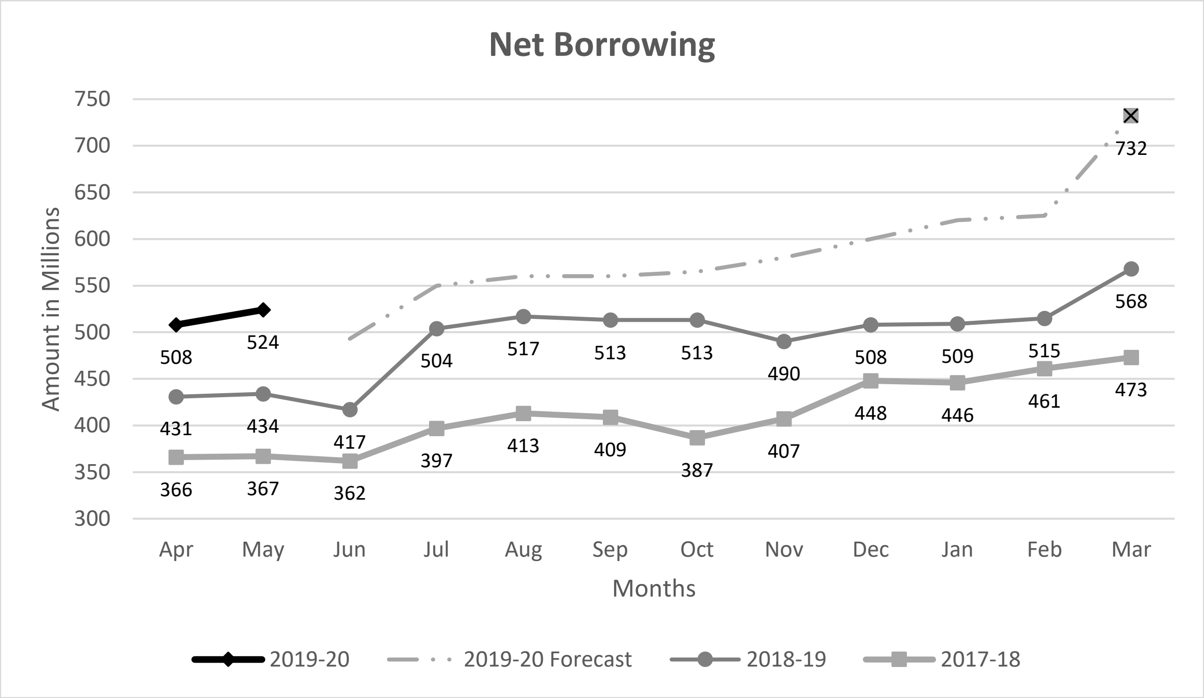
General Purposes Committee is asked to approve additional prudential borrowing of £295k in 2019/20 for the Meads Farm scheme.

7. BALANCE SHEET

7.1 A more detailed analysis of balance sheet health issues is included below:

Measure		**Year End Target**	**Actual as at the end of May 2019**
Level of debt outstanding (owed to the council) 91 days +, £m	Adult Social Care	£3.37m	£9.29m
	Sundry	£1.71m	£5.51m

7.2 The graph below shows net borrowing (borrowings less investments) on a month by month basis and compares the position with the previous financial year. At the end of May 2019, investments held totalled £74m (excluding 3rd party loans) and gross borrowing totalled £598m, equating to a net borrowing position of £524m. Of the gross borrowing, it is estimated that £172m relates to borrowing for Invest to Save or Invest to Earn schemes, including loans we have issued to 3rd parties in order to receive a financial return.



7.3 The Council's cash flow profile – which influences the net borrowing requirement - varies considerably during the year, due to the timing difference between outgoing payments (payroll, supplier payments etc) and income streams (grants, council tax etc.). As illustrated by the comparative 2017-18 and 2018-19 actual net borrowing positions, cash flows at the beginning of the year are typically stronger than at the end of the year, as many grant receipts are received in advance of spend. The 2019-20 net borrowing position is expected to take a similar path, rising more substantially towards the end of the financial year as capital projects are progressed to completion and financed.

7.4 The Treasury Management Strategy Statement (TMSS) sets out the plan for treasury management activities over the forthcoming year. It identifies the expected levels of borrowing and investments based upon the Council's financial position and forecast capital programme. When the 2019-20 TMSS was set in February 2019, it anticipated that net borrowing would reach £732.1m by the end of this financial year.

7.5 From a strategic perspective, the Council continues to temporarily utilise cash-backed resources in lieu of additional borrowing (known as internal borrowing) and where borrowing is undertaken loans are raised for shorter terms, both to generate net interest cost savings and consequently holding less investments reduces the Councils exposure to credit risk. However, this approach carries with it interest rate risk and officers continue to monitor options as to the timing of any potential longer term borrowing should underlying interest rates be forecast to rise in a sustained manner.

7.6 There is a link between the capital financing borrowing requirement, the net borrowing position and consequently net interest costs. However, the Debt Charges budget is prudently formulated with sensitivity to additional factors including projected levels of cash-backed reserves, forecast movements in interest rates, and the overall borrowing requirement for the Council over the life of the Business Plan and beyond.

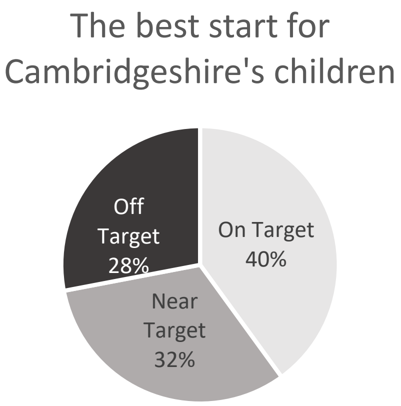
7.7 Further detail around the Treasury Management activities can be found in the latest Treasury Management Report, (https://tinyurl.com/y6t9eojk).

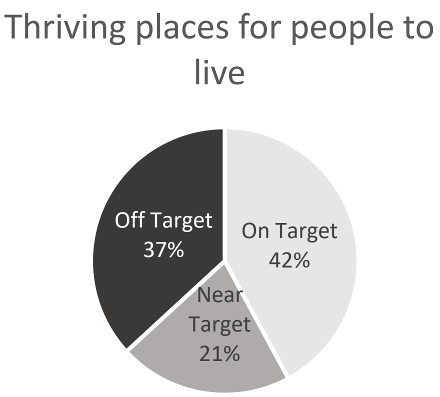
7.8 The Council’s reserves include various earmarked reserves (held for specific purposes), as well as provisions (held for potential liabilities) and capital funding. A schedule of the Council’s reserves and provisions can be found in Appendix 2.

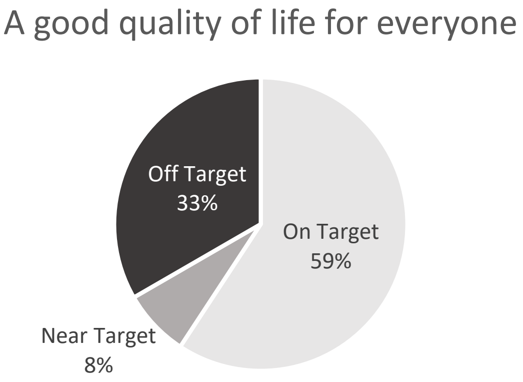
8. PERFORMANCE

8.1 In February 2019 Full Council agreed a new corporate strategy, with 3 Council outcomes, instead of the previous 7. Existing KPIs have been reorganised into these three outcome areas, as follows:

	On Target	**Near Target**	**Off Target**	**No Target**	**Total**
The best start for Cambridgeshire's children	10	8	7	7	32
Thriving places for people to live	8	4	7	15	34
A good quality of life for everyone	16	2	9	2	29
Total	**34**	**14**	**23**	**24**	**95**







Direction of travel for the outcome areas is not available as the baskets of indicators are newly organised into these groups.

The master file of performance indicators and latest Corporate Risk Register are available at https://tinyurl.com/yd96a2vw. Commentary on the new outcome areas is as follows:

8.2 The best start for Cambridgeshire's children

Current performance shows 8 out of 10 primary-aged children and 9 out of 10 secondary-aged children attend schools judged 'good' or 'outstanding' by Ofsted. All children attending nurseries are attending 'good' or 'outstanding' settings. Nearly 9 out of 10 children attending special schools are attending 'good' or 'outstanding' schools.

In 2018, 61.4% of children taking end of Key Stage 2 tests achieved reading writing and maths combined at the expected standard, this was an improvement compared to previous year but below target and national average. At Key Stage 4, the average Attainment 8 score increased slightly in comparison to the previous year. It is slightly below target but above national average.

Performance in persistent absence from school and fixed term exclusions are both better than statistical neighbour and national averages.

In children's services caseloads are high which is reflected in rate of children with child protection plans and the number of looked after children. Work is underway to address this.

8.3 Thriving places for people to live

Current performance figures show that more than 8 out of 10 adults in contact with secondary mental health services are living independently (better than target) and 15% of this client group are in employment (also better than target).

In the last biennial carers' survey, just over a third of carers supported by the local authority said they were satisfied or very satisfied with their support, which is just under target.

The proportion of learning disability service users in paid employment is low and there is an action plan to improve this.

Latest performance information shows that 99.8% of all streetlights are working, and the total energy use is within 1% of target (10.96 million KwH) and is currently 10.90 million KwH over the most recent 12 month period.

The provisional total for people killed or seriously injured on the roads to the end of February 2019 (381) is lower than the same period in the previous year (409) but has increased since December 2018 (354). However, the overall trend is downward and the Highways and Community Infrastructure Committee is monitoring a Road Safety Action Plan to reduce the number of people killed or seriously injured on the county's roads.

Current performance shows that 96.8% of premises in Cambridgeshire have access to at least superfast broadband, which is better than target.

The number of successful County Matter planning applications has increased since last quarter, with 100% of applications determined within 13 weeks or within a period agreed by the applicant up until March 2019, up from 90% at the end of December 2018.

The percentage of schemes delivered to the agreed programme dates has also increased from 88% to 93% since the last quarter and is close to the target of 95%.

8.4 **A good quality of life for everyone:**

The year to date targets for the number of Personal Health Plans produced and number of healthy eating groups held are being exceeded month on month by 105% (147) and 106% (51) by the end of April 2019 respectively.

However, the year to date targets for Personal Health Plans completed by pre-existing GP based and extended services are not being met as of April 2019 with 56% (63) and 29% (17) of the targets being met respectively. Although it should be noted that new targets have been set for the new financial quarter when counts were reset.

Clients that completed weight loss courses and achieved a 5% weight loss has also increased from 27% in March 2019 to 36% in April 2019, exceeding the target of 30%. The number of children recruited for weight management programmes who maintained or reduced their BMI Z score has also increased from 67% in March 2019 to 100% in April 2019, also exceeding the target of 80%. However, the number of healthy eating groups held by pre-existing GP based services has declined slightly below target at 96% (43). The number of clients completing their PHPs is not meeting the target, currently at 75% (21) of the year to date target. Again, it should be noted that the counts and targets have been reset with the new financial year.

Current performance shows the number of new people entering long term care last year compared favourably to the Eastern region as a whole. 9 out of 10 people who were supported by the reablement service (a short term service which supports people to recover after crisis) did not subsequently need a long-term service. This is well above the national average. It is anticipated that performance in signposting to further info or advice only, rather than long term services, will improve also as Adult Early Help and Neighbourhood Cares teams employ community and voluntary resources.

Current performance figures show that in 95% of adult safeguarding enquiries outcomes were at least partially achieved (a nationally defined indicator) and more than 80% of people who have used these services say they have made them feel safer.

Performance in delayed transfers of care remains off-target. The Council is continuing to invest considerable amounts of staff and management time into improving processes, identifying clear performance targets and clarifying roles & responsibilities. We continue to work in collaboration with health colleagues to ensure correct and timely discharges from hospital. Delays in arranging residential, nursing and domiciliary care for patients being discharged from Addenbrookes remain the key drivers of ASC bed-day delays.

8.5 **Proposal for revised approach to corporate performance reporting**

Recent reports have aggregated the status of indicators that are monitored by service committees into pie charts to give an overall view on whether the Council is on target for service delivery and outcomes for each area. This style was chosen in a workshop with GPC in order to balance the need to allow service committees to be responsible for the services they oversee, and to choose which indicators they are monitoring, but also to allow for a summary position to be shown so as to keep the IRPR focused on high level strategic issues. There has been feedback that this is not showing Members what they need. Issues include:

- It is not clear which specific indicators are red or green
- The pie charts show a snapshot value

- Sometimes the basket of indicators change, for example following a service committee review
- The commentary on each pie chart is so summarised that it does not offer enough detail for Members to engage with the detail of the issues
- The timelines for the report do not allow for fully integrated commentary to be prepared
- Performance indicators often lag significantly behind the time period the finance report refers to
- The detail of performance issues is often covered in service committees which can allow time for in depth discussion of the issues

8.6 It is therefore proposed that General Purposes Committee receives a quarterly performance report, organised by outcome area, separate from the finance report, which features exceptions that are above a materiality threshold set by the number of people or items affected by the performance indicator. Exceptions will be determined as 10% below target or 5% above target. The report will consist of the information relevant to the indicator from the Policy and Service Committee report, with the same information about history, commentary, and forecast performance. It will include a summary page showing the percentage of indicators at or off target by outcome area.

8.7 The purpose of the performance discussion at GPC is for Members to provide an update on key areas of high and low performance and explore whether by acting as a whole Council performance can be corrected or further improved (or shared across other areas). Members will have discussed the information at Policy and Service Committees in the fortnight prior to GPC so should be in a position to explain actions taken as a result of that discussion. The recommendation of the report is therefore proposed to remain 'to note and comment'.

8.8 Although the substantive proposal is to detached performance monitoring from financial monitoring at Committees, the activity data sections: metrics which link key areas of activity driving costs (e.g. LAC placements / Adults placements / SEND placements) will be retained within finance reports to inform the financial position.

8.9 Policy and Service Committees should receive a quarterly performance report, based on a set of KPIs determined by the Committee which relate to the areas the Committee is responsible for, and organised by outcome area. The performance report will provide an indicator to a page, with appropriate commentary, a chart of historical performance and a forecast of future performance; an example is shown in Appendix 4.

8.10 It is proposed that the performance indicators do not change as a result of this format change and that review cycles continue as they would have done. Reports will be made in June, September, December and March, each providing information up to the end of the previous quarter. This will allow time for information collection, indicator calculation, and discussion by management teams, before entering the Committee report drafting and preparation cycle.

8.11 GPC also plays a general, strategic role in business planning. Information and insight about the needs of the county which do not specifically relate to the services the Council provides will help GPC to be aware of the world outside the direct services the Council provides. The Joint Strategic Needs Assessment core dataset is an excellent basis for this information, if supplemented by further datasets. This would cover (approximately – detailed specification subject to further discussion):

- Population growth and characteristics (JSNA)
- Drivers for change (JSNA)
- New developments (JSNA)
- Economy – deprivation (JSNA)
- Economic activity and sectors (added)
- Labour market (added)
- Education, training and skills amongst adults (added)
- Benefit and welfare claimants (JSNA)
- Disease prevalence (JSNA)
- Health and care use (JSNA)
- Community safety (added)
- Education, training and skills amongst young people (JSNA)

General Purposes Committee is asked to approve the revised approach to performance reporting as set out above in section 8.

9. FINANCE REPORTING

9.1 To coincide with the review of performance reporting outlined in the previous section, consideration has also been given to the financial elements of this report for the year ahead. Financial monitoring reports (management accounts) are produced on a monthly basis (between May and year-end) and considered by officers and lead members and then published in the public domain at: https://www.cambridgeshire.gov.uk/council/finance-and-budget/finance-&-performance-reports/ , (https://tinyurl.com/yd96a2vw).

9.2 A review to standardise reporting formats across Committees was completed ahead of the 2018-19 financial year and to coincide with the introduction of the ERP Gold system which overhauled financial reporting to budget holders and budget reviewers that forms the basis of the consolidated information which is published. This has held through the 2018-19 financial year largely successfully, with queries and challenge in the Committee forums focused on the content of the financial monitoring rather than the format, and a reduced tendency to incrementally bespoke reports to different audiences to meet individual requests.

9.3 Regular and real-time financial monitoring is an essential component of the Council’s budgetary control: a key focus for the LA given the constrained funding environment and a complex and volatile demand-led spending picture. A further recent development has been the regular incorporation of the savings tracker as part of the financial reporting provided to Committees. To sustain the strong governance “pyramid” that Committee oversight brings to financial monitoring and review at all levels of the organisation, the approach to periodic reporting is suggested as follows:

a) Finance Reports – produced monthly and published online (May - Year End)
b) Reported to Committees – at all scheduled substantive Committee meetings (but not reserve dates, as this prompts uneven reporting instigated by other (often non-financial) business)
c) Tracker – 3 times per annum

9.4 At the beginning of 2019-20 the opportunity will also to be taken to re-prioritise the order of the service committee reports and streamline more technical sections, removing repetition, so that content is focused on concise accounts of the forecast position on an exception/recent change basis. Drawing on good practice at another county council, greater standardisation and summary will also be brought to the capital monitoring sections, in order to distinguish between changes in cost and slippage/accelerated spend.

9.5 Although the substantive proposal is to detached performance monitoring from financial monitoring at Committees, the activity data sections: metrics which link key areas of activity driving costs will be retained within finance reports to inform the financial position.

General Purposes Committee is asked to approve the continuous development of financial reporting to Committees, as detailed above in section 9.

10. ALIGNMENT WITH CORPORATE PRIORITIES

10.1 A good quality of life for everyone

There are no significant implications for this priority.

10.2 Thriving places for people to live

There are no significant implications for this priority.

10.3 The best start for Cambridgeshire's children

There are no significant implications for this priority.

11. SIGNIFICANT IMPLICATIONS

11.1 Resource Implications

This report provides the latest resources and performance information for the Council and so has a direct impact.

11.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications within this category.

11.3 Statutory, Legal and Risk Implications

There are no significant implications within this category.

11.4 Equality and Diversity Implications

There are no significant implications within this category.

11.5 Engagement and Consultation Implications

No public engagement or consultation is required for the purpose of this report.

11.6 Localism and Local Member Involvement

There are no significant implications within this category.

11.7 Public Health Implications

There are no significant implications within this category.

Implications	**Officer Clearance**
Have the resource implications been cleared by Finance?	Yes Name of Financial Officer: Chris Malyon
Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by Finance?	No Name of Legal Officer: Not applicable
Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?	No Name of Legal Officer: Not applicable
Have the equality and diversity implications been cleared by your Service Contact?	No Name of Officer: Not applicable
Have any engagement and communication implications been cleared by Communications?	No Name of Officer: Not applicable
Have any localism and Local Member involvement issues been cleared by your Service Contact?	No Name of Officer: Not applicable
Have any Public Health implications been cleared by Public Health	No Name of Officer: Not applicable

Source Documents	**Location**
P&E Finance & Performance Report (May 19) P&C Finance & Performance Report (May 19) PH Finance & Performance Report (May 19) CS and LGSS Cambridge Office Finance & Performance Report (May 19) C&I Finance & Performance Report (May 19) Performance Management Report & Corporate Scorecard (May 19) Capital Monitoring Report (May 19) Report on Debt Outstanding (May 19)	1st Floor, Octagon, Shire Hall, Cambridge

APPENDIX 1 – transfers between Services throughout the year (only virements of £1k and above (total value) are shown below)

	P&C	**Public Health**	**P&E**	**CS Financing**	**Corporate Services**	**LGSS Managed**	**C&I**	**LGSS Op**	**Financing Items**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Opening Cash Limits as per Business Plan	254,936	390	57,504	28,161	10,221	14,048	-9,502	8,161	20,357
Greater Cambridge Partnership budgets not reported in CCC budget					-602				
Transfer of LGSS Change Form Agreement for the Local Safeguarding Monies	50							-50	
Budget Build correction- Impact of Local Government Pay offer on CCC Employee Costs					-430	430			
External audit fees budget transfer					27	-27			
19/20 Council tax income generation proposal to precept income codes					200				
Transfer of Cultural & Community Services from P&E to P&C	4,721		-4,721						
Movement of Contract Efficiency saving target from Corporate Services					49		-49		
Inflation allocation adjustment for Children's Services Legal from CS	30				-30				
Remove Traded Services Central income target from Central Services Risks budget.					-58		58		
Correction of apprenticeship levy					-7	7			
Current budget	**259,737**	**390**	**52,783**	**28,161**	**9,370**	**14,458**	**-9,493**	**8,111**	**20,357**
Rounding	0	0	0	0	1	1	0	-1	0

APPENDIX 2 – Reserves and Provisions

Fund Description	Balance at 31 March 2019	2019-20		Forecast Balance 31 March 2020	Notes
		Movements in 2019-20	Balance at 31 May 2019		
	£000s	£000s	£000s	£000s	
General Reserves					
- County Fund Balance	12,850	4,699	17,549	16,784	
- Services					
1 P&C	0	0	0	0	
2 P&E	0	0	0	0	
3 CS	0	0	0	0	
4 LGSS Operational	112	0	112	0	
subtotal	12,962	4,699	17,661	16,784	
Earmarked					
- Specific Reserves					
5 Insurance	4,060	-31	4,029	4,029	
subtotal	4,060	-31	4,029	4,029	
- Equipment Reserves					
6 P&C	8	0	8	8	
7 P&E	0	0	0	0	
8 CS	3	0	3	3	
9 C&I	56	0	56	0	
subtotal	67	0	67	11	
Other Earmarked Funds					
10 P&C	286	0	286	286	
11 PH	2,886	0	2,886	2,586	
12 P&E	5,927	-100	5,827	6,162	Includes liquidated damages in respect of the Guided Busway
13 CS	3,193	0	3,193	3,358	
14 LGSS Managed	63	0	63	0	
15 C&I	684	0	684	679	
16 Transformation Fund	24,504	5,975	30,479	19,227	Savings realised through change in MRP policy.
17 Innovate & Cultivate Fund	1,561	0	1,561	1,127	
subtotal	39,104	5,875	44,979	33,426	
SUB TOTAL	**56,193**	**10,543**	**66,736**	**54,250**	
Capital Reserves					
- Services					
18 P&C	29,463	0	29,463	29,463	
19 P&E	6,069	113	6,182	1,000	
20 LGSS Managed	0	0	0	0	
21 C&I	20,415	13,200	33,615	0	
22 Corporate	54,694	8,138	62,832	53,224	Section 106 and Community Infrastructure Levy balances.
subtotal	110,641	21,451	132,092	83,687	
GRAND TOTAL	**166,834**	**31,994**	**198,828**	**137,937**	

In addition to the above reserves, specific provisions have been made that set aside sums to meet both current and long term liabilities that are likely or certain to be incurred, but where the amount or timing of the payments are not known. These are:

Fund Description	**Balance at 31 March 2019**	**2019-20**		**Forecast Balance 31 March 2020**	**Notes**
		Movements in 2019-20	**Balance at 31 May 2019**		
	£000s	**£000s**	**£000s**	**£000s**	
- Short Term Provisions					
1 P&E	0	0	0	0	
2 P&C	200	0	200	200	
3 CS	0	0	0	0	
4 LGSS Managed	3,460	0	3,460	3,460	
5 C&I	0	0	0	0	
subtotal	3,660	0	3,660	3,660	
- Long Term Provisions					
6 LGSS Managed	3,613	0	3,613	3,613	
subtotal	3,613	0	3,613	3,613	
GRAND TOTAL	**7,273**	**0**	**7,273**	**7,273**	

APPENDIX 3 - Records Management Option Appraisal

As part of the Council's Digital Information Strategy there is a commitment to move away from paper records to digital/electronic records as well as effectively and efficiently managing the paper files which need to be kept. CCC currently manages over 20,000 boxes of paper records, this options appraisal considers the different options to manage both Live and Archived (non-live) records.

Evaluation Methodology

In ensuring an objective outcome is achieved for the option evaluation, the selected options have been examined against a set of evaluation criteria and the flowing process:

- Evaluation criteria is pre-defined and the same criteria is used for appraising all options.
- Individual options are given a score (1-3 with 1 being the lowest and 3 the highest) to indicate how well they can fulfil each evaluation criterion with a positive outcome.
- Finance/Cost is an important area and therefore this has been scored from 2-10 (2 - most expensive option to 10 - least expensive option).
- The 'recommended' option is determined based on an overall balanced score being achieved by the selected option.

Option Evaluation Criteria

The evaluation criteria focuses on the following areas:

- **Design, Scope and Efficiency:** How each option meets the Organisation's strategic objectives and demonstrates flexibility to meet current and future needs:
  a) To provide alternative and effective ways to deliver services, currently hosted in Shire Hall and across the County
  b) To redesign the way in which we work as an organisation, supporting and embracing flexible ways of working which can support the modern workforce
  c) Moving to more efficient methods of managing records, ensuring consistency, reliability and security
- **Financial:** Assessment of the costs and affordability
- **Risk Assessment:** Understand the scope of risk, potential impacts and mitigations. This will include assessing the length of time implementing the option and its potential impacts.

OPTIONS EXAMINED

Five options were examined in this evaluation exercise:

- **Option 1** – Do Nothing (on site storage) – leave records in paper format and store onsite as required.
- **Option 2** – Outsource Full Storage – send all paper records to store offsite then to scan on demand (digitise) those records which need to be recalled.
- **Option 3** – Self Digitise all paper records over 7.5 - 8 years
- **Option 3A** – Self Digitise all paper records over 4 years
- **Option 4** – Outsource Digitisation of paper files with lifespan >10 years.

Evaluation Outcome

The following are the scores of each option against the evaluation criteria. A high score indicates the option is capable of meeting the majority of the requirements or delivering the best possible outcome. Scoring from 1-3 (1=does not meet, 2=meets and 3=exceeds), with the exception of Financial which is scored on a scale from 2 – 10 with 10 being the most cost effective.

Evaluation Criterion	**Option 1**	**Option 2**	**Option 3**	**Option 3A**	**Option 4**
Design, Scope and Efficiency	1	2	3	3	3
Financial (see Appendix C)	4	10	6	8	2
Risk Assessment	1	2	1	1	2
Total Score	**6**	**14**	**10**	**12**	**7**

Option 2 – Offsite storage is the preferred option.

Approach to the rationalisation of Live (open) files

The Council's Digital Information Strategy states that services should be moving towards managing electronic files, likewise through physical office moves every team needs to review the documents they hold with the overall aim for services to reduce and digitise their records.

With the support of JMT (Joint Management Team) - Change Champions, Service staff and Project team members are identifying assets held, their location, format and status. This information will be used to update the corporate information asset register.
The approach to rationalisation is:

1. Challenge the physical storage of services by meeting with representatives (Change champions for the service). Mapping out each building and reviewing physical storage. Identifying the following:
    - Out of date information that is no longer required/outside retention.
    - Highlight where the information is held elsewhere physically and / or digitally.
    - Confirm what legislation covers the retention.
    - Where there is scope to reduce space used to store stationery and other consumables.
2. Services to pare down and destroy those documents which are not needed.
3. Of that which remains, determine what records need to be :
    - Stored off site
    - Stored on site
    - Scanned

Some very limited scanning can take place for paper records held by services, however there will not be any wide scale scanning of paper records.

TOTAL COSTS – REQUEST FOR EARMARKED FUNDS

Planned deployment

	Records Manager	Support Staff	Scanning
2019/2020	£51K	£45K	£50K
2020/2021	£51K	£100K	
Total	£102K	£145K	£50K

Total = £297K

General Purposes Committee is requested to agree to earmark £297k within reserves for Records Management, for deployment as above.

APPENDIX 4 – Performance New Indicator Per Page Report

Indicator 50: GUM ACCESS - % seen within 48 hours (% of those offered an appointment) May-19

Target	Current Month	Previous Month	Direction for Improvement	Change in Performance
80.00%	87.00%	89.00%	↑	↓

Statistical Neighbours Mean (2017/18)	England Mean (2017/18)	RAG rating
N/A	N/A	G

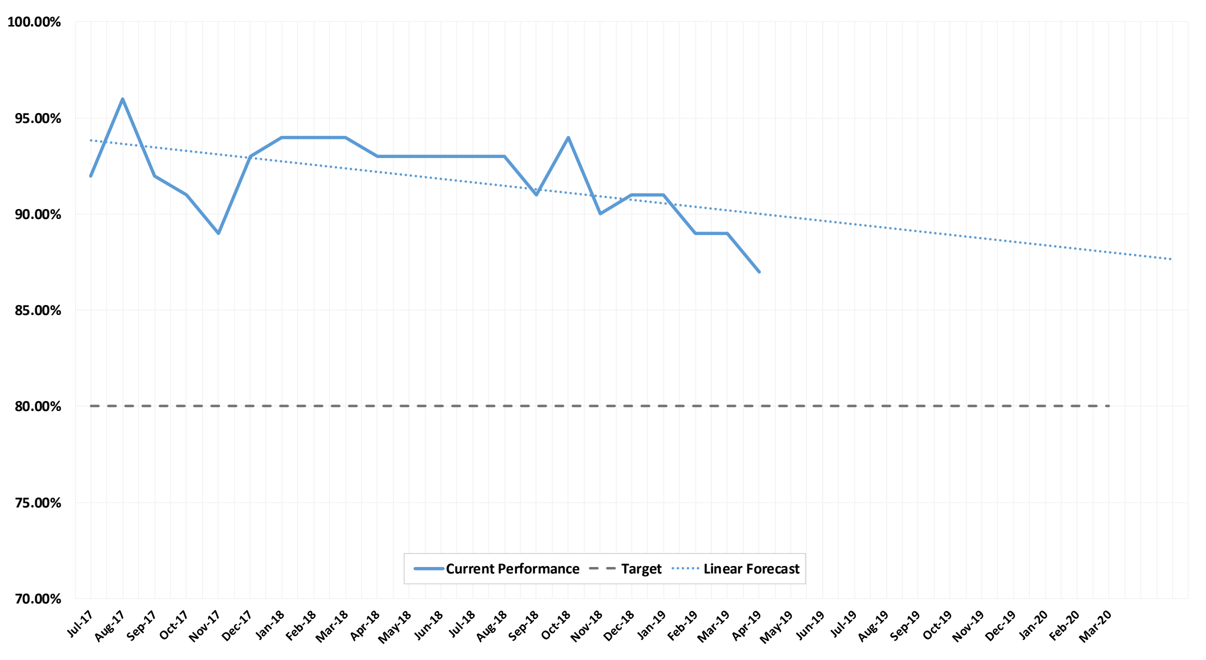
Indicator Description

Description + Rationale of Indicator

Useful Links

Local Authority Interactive Tool (LAIT):
https://www.gov.uk/government/publications/local-authority-interactive-tool-lait

LG Inform:
https://lginform.local.gov.uk/



Commentary

CHANGE IN FIGURES

COMPLETE WHITE FIELDS - COLUMNS P AND Q

Offsets | Partial offsets

		EXPENDITURE								FUNDING					Reason for Change in Spend / Rephasing	Is there a detailed plan for spend in place? Y/N
Scheme Ref.	Scheme Name	Up to 2018-19 (£k)	2019-20 (£k)	2020-21 (£k)	2021-22 (£k)	2022-23 (£k)	2023-24 (£k)	Later Yrs (£k)	TOTAL (£k)	Grants (£k)	Dvp Cont. (£k)	Other Cont. (£k)	Capital Receipts (£k)	Borrowing (£k)		
A/C.01.018	Pathfinder Primary, Northstowe	-197	197	-	-	-	-	-	0	-	-	-	-	-	Rolled forward funding from 2018/19	
A/C.01.020	Godmanchester Bridge, (Bearscroft Development)	-181	181	-	-	-	-	-	0	-	-	-	-	-	Rolled forward funding from 2018/19	
A/C.01.021	North West Cambridge (NIAB site) primary	-40	50	-10	-	-	-	-	0	-	-	-	-	-	Rolled forward funding from 2018/19 and slight slippage	
A/C.01.024	Clay Farm / Showground primary, Cambridge	-89	89	-	-	-	-	-	-0	-	-	-	-	-	Rolled forward funding from 2018/19	
A/C.01.027	Ramnoth Primary, Wisbech	-181	181	-	-	-	-	-	-	-	-	-	-	-	Rolled forward funding from 2018/19	
A/C.01.028	Fulbourn Phase 2	357	-257	-100	-	-	-	-	0	-	-	-	-	-	Rolled forward funding from 2018/19	
A/C.01.029	Sawtry Infants	171	-2,425	2,254	-	-	-	-	-	-	-	-	-	-	Scheme currently being rescoped	
A/C.01.030	Sawtry Junior	-300	-2,025	2,325	-	-	-	-	-	-	-	-	-	-	Scheme currently being rescoped	
A/C.01.032	Meldreth	-113	63	50	-	-	-	-	-	-	-	-	-	-	Rolled forward funding from 2018/19, rephasing £50k into 2020/21	
A/C.01.034	St Neots, Wintringham Park	30	-0	-30	-	-	-	-	0	-	-	-	-	-	Rolled forward funding from 2018/19	
A/C.01.037	Chatteris New School	-243	0	243	-	-	-	-	-0	-	-	-	-	-	Rolled forward funding from 2018/19	
A/C.01.038	Westwood Primary, March, Phase 2	-20	20	-	-	-	-	-	0	-	-	-	-	-	Rolled forward funding from 2018/19	
A/C.01.039	Wyton Primary	-42	-	42	-	-	-	-	0	-	-	-	-	-	Rolled forward funding from 2018/19	
A/C.01.040	Ermine Street, Alconbury, Phase 2	2	-100	98	-	-	-	-	-	-	-	-	-	-	Rolled forward funding from 2018/19	
A/C.01.041	Barrington	-128	-	128	-	-	-	-	-0	-	-	-	-	-	Rolled forward funding from 2018/19	
A/C.01.043	Littleport 3rd primary	-	-130	130	-	-	-	-	-	-	-	-	-	-	Small amount of slippage expected, work has not yet commenced	
A/C.01.044	Loves Farm primary, St Neots	-5	-50	55	-	-	-	-	-	-	-	-	-	-	Rolled forward funding from 2018/19	
A/C.01.045	Melbourn Primary	0	-0	-	-	-	-	-	0	-	-	-	-	-	Rolled forward funding from 2018/19 with small saving expected on overall project	
A/C.01.046	Sawston Primary	-104	-100	204	-	-	-	-	-	-	-	-	-	-	Rolled forward funding from 2018/19	
A/C.01.048	Histon Additional Places	-129	-6,459	3,688	2,630	270	-	-	-	-	-	-	-	-	The Planning application for the relocation of Histon & Impington Infant School to the Buxhall Farm site and its corresponding change in age range to become an all-through primary school providing 420 places has been deferred until July 2019 on the advice of colleagues in Planning. This is to allow more time to prepare the case as it needs to meet higher tests than usual as Buxhall Farm is in the Green Belt.	
A/C.01.061	Gamlingay Primary School	-250	250	-	-	-	-	-	0	-	-	-	-	-	Rolled forward funding from 2018/19	
A/C.01.062	Waterbeach Primary School	-93	-200	293	-	-	-	-	-	-	-	-	-	-	Rolled forward funding from 2018/19	
A/C.01.063	St Neots Eastern Expansion	-84	84	-	-	-	-	-	-	-	-	-	-	-	Saving made on contingency and risk	
A/C.01.065	New Road Primary	-245	100	145	-	-	-	-	-0	-	-	-	-	-	Rolled forward funding from 2018/19	
A/C.01.066	Bassingbourn Primary School	49	-49	-	-	-	-	-	-	-	-	-	-	-	Project tender was lower than anticipated resulting in a saving on this project	
A/C.01.067	WING Development - Cambridge	-24	-6,280	3,504	2,550	250	-	-	-	-	-	-	-	-	Housing delays have resulted in this project being delayed by a year	
A/C.01.068	St Philips Primary School	7	10	1,620	-855	-732	-50	-	-	-	-	-	-	-	This project has been brought forward a year, with savings made on the overall propject	
A/C.01.069	Caldecote Primary	10	-	-	-10	-	-	-	-	-	-	-	-	-	Rephasing	
A/C.02.003	Littleport secondary and special	-52	52	-	-	-	-	-	0	-	-	-	-	-	Rolled forward funding from 2018/19	
A/C.02.004	Bottisham Village College	-126	160	-34	-	-	-	-	0	-	-	-	-	-	Rolled forward funding from 2018/19	
A/C.02.006	Northstowe secondary	2,644	-1,000	-2,644	-	-	-	-	-1,000	-	-	-	-	-1,000	Savings of £1m made on tender. In-year spend lower than anticipated due to higher than budgeted spend in 2018/19	
A/C.02.007	North West Fringe secondary	-0	-2,618	-10,082	8,000	4,318	382	-	-	-	-	-	-	-	Housing delays have resulted in this project being delayed by at least a year	
A/C.02.008	Cambridge City secondary	-535	400	135	-	-	-	-	0	-	-	-	-	-	Rolled forward funding from 2018/19	
A/C.02.009	Alconbury Weald secondary and Special	-	-	-	-	-	-	-	-	-	-	-	-	-		
A/C.02.010	Cambourne Village College	873	-705	-18	-	-	-	-	150	-	-	-	-	150	Roll backward adjustment of -£873k. Also +£150k additional funding by prudential borrowing for temp accommodation approved by GPC at the 26th March 2019 meeting (Jan 19 IRPR)	
A/C.02.011	New secondary capacity to serve Wisbech	-25	-9,100	-12,875	20,500	1,000	500	-	-	-	-	-	-	-	Slippage from September 2019 to January 2020 start date on site. Delays cause by a combination of delays linked to Highways and a need to rescope from an 8FE build to a 4FE build	
A/C.02.012	Cromwell Community College	148	-	-148	-	-	-	-	-	-	-	-	-	-	Rolled forward funding from 2018/19	
A/C.02.015	Sir Harry Smith	-1	-150	-1,649	-100	1,765	135	-	-	-	-	-	-	-	Completion now not anticipated until 2023	
A/C.02.016	Cambourne West secondary	-160	-270	430	-	-	-	-	-	-	-	-	-	-	Rolled forward funding from 2018/19	
A/C.03.003	LA maintained Early Years Provision	-2,073	2,073	-	-	-	-	-	-	-	-	-	-	-	Rolled forward funding from 2018/19	
A/C.04.004	Morley Memorial Primary	-2	2	-	-	-	-	-	-0	-	-	-	-	-	Rolled forward funding from 2018/19	
A/C.04.006	Sawtry Village Academy	711	-711	-	-	-	-	-	-	-	-	-	-	-	Rolled forward funding from 2018/19	
A/C.04.007	William Westley	-1	1	-	-	-	-	-	-	-	-	-	-	-	Rolled forward funding from 2018/19	
A/C.04.008	St Ives, Eastfield / Westfield / Wheatfields	-55	-5,530	-1,646	-	-	-	-	-7,231	-	-	-	-	-7,231	The Children and Young People's Committee requested a review of the capital scheme for the amalgamation of Eastfield Infant and Westfield Junior schools in St Ives with the target of reducing the cost to the original £7m identified in the Capital Programme plus any receipts to accrue from sale of part of the school sites. In the intervening period, a review of the latest demographic forecasts indicates that the demand for places is lower than previously expected, resulting in a requirement for a 420 place primary school rather than the 630 places originally anticipated. Further consultation is required with the schools and their community to determine whether the two governing bodies wish to proceed with the amalgamation proposals.	
A/C.05.001	School Condition, Maintenance & Suitability	-	1,123	-	-	-	-	-	1,123	-55	-	-	-	1,178	Additional prudential borrowing request for £599k re Abbey Meadows approved by GPC at meeting 28th May 2019 (Outturn 1819 IRPR). Also a reduction on Schools Condition funding announced March 2019 (reflects Academy converters) which will be offset by a request for additional borrowing (£578,543). Plus additional SEN Funding 2019-20 announced Jan 2019	
A/C.07.001	School Devolved Formula Capital	-1,983	1,791	-	-	-	-	-	-192	-192	-	-	-	-	Rolled forward £1983k carried forward from 2018/19. This is partially offset by a reduction in School Devolved Formula Capital announced in March 2019 of £191,617 reflecting academy converters. Anticipated expenditure reduced to offet reduction.	
A/C.08.001	Trinity School Hartford, Huntingdon	-53	53	-	-	-	-	-	0	-	-	-	-	-	Rolled forward funding from 2018/19	
A/C.08.006	Highfields Phase 2	-44	-	44	-	-	-	-	-	-	-	-	-	-	Rolled forward funding from 2018/19	

CHANGE IN FIGURES

COMPLETE WHITE FIELDS - COLUMNS P AND Q

Offsets Partial offsets

		EXPENDITURE								FUNDING					Reason for Change in Spend / Rephasing	Is there a detailed plan for spend in place? Y/N
Scheme Ref.	Scheme Name	Up to 2018-19 (£k)	2019-20 (£k)	2020-21 (£k)	2021-22 (£k)	2022-23 (£k)	2023-24 (£k)	Later Yrs (£k)	TOTAL (£k)	Grants (£k)	Dvp Cont. (£k)	Other Cont. (£k)	Capital Receipts (£k)	Borrowing (£k)		
A/C.08.007	Samuel Pepys	11	-2,550	2,539	-	-	-	-	-	-	-	-	-	-	Samuel Pepys is operating at capacity and a detailed feasibility study of the site has established that either additional site area needs to be acquired or the school needs to be relocated to a new site in order to enable the school to expand to meet the increased demand for places for children and young people with complex SEND in the local area. The associated costs of these options need to be reviewed to inform a decision on next steps in liaison with the Head teacher and governing body.	
C/C.1.005	Children's Services IT System	-895	895	-	-	-	-	-	-	-	-	-	-	-	Staff time and consultants' time on the project that was planned for 18/19 will now take place in 19/20	
C/C.2.006	CPSN Replacement	-1,341	-1,490	-	-	-	-	-	**-2,831**	-	-	-	-	-2,831	Revised timescale due to previous contract having been extended. An overall underspend is expected of which £450k has been reallocated to Essential Business Systems Upgrade and £520k reallocated to Mosaic.	
C/C.2.010	IT Infrastructure Refresh	-215	215	-	-	-	-	-	-	-	-	-	-	-	Rephasing of spend into 2019/20	
C/C.2.011	Replacement of office networking	-55	55	-	-	-	-	-	-	-	-	-	-	-	Rephasing of spend into 2019/20	
B/C.1.009	Major Scheme Development & Delivery	-	175	-	-	-	-	-	**175**	175	-	-	-	-	Approved virement of £175k from Delivering the Transport Strategy Aims as Stuntey Cycle route already set up	
B/C.1.019	Delivering the Transport Strategy Aims	-1,711	1,546	-	-	-	-	-	**-165**	-175	-	10	-	-	Rephasing of schemes into 2019/20 (£1711k). Also approved virement of £175k to Major Schme Development & Delivery as Stuntey Cycle route already set up. Plus £10k additional funding: Parish Fenstanton £5k Dry Drayton £5k.	Y
B/C.2.001	Carriageway & Footway Maintenance including Cycle Paths	-457	457	-	-	-	-	-	-	-	-	-	-	-	Rolled forward funding from 2018/19	
B/C.2.005	Traffic Signal Replacement	-1,070	1,070	-	-	-	-	-	-	-	-	-	-	-	Rolled forward funding from 2018/19	
B/C.3.001	Highways Maintenance (carriageways only from 2015/16 onwards)	2,723	-	-	-1,577	-1,146	-	-	-	-	-	-	-	-	Cambridgeshire Highways contract efficiency savings not able to realise in 18/19, therefore taken from future years. LTP underspends were utilised in 18/19 to reduce borrowing.	
B/C.4.001	Ely Bypass	-469	469	-	-	-	-	-	-	-	-	-	-	-	Rephasing of costs into 2019/20 - Outstanding land costs	Y
B/C.4.006	Guided Busway	-	-2,960	2,960	-	-	-	-	-	-	-	-	-	-	To match likely spend for Busway for which land costs are still outstanding.	
B/C.4.021	Abbey - Chesterton Bridge	-1,325	1,325	-	-	-	-	-	-	-	-	-	-	-	Rephasing of spend into 2019/20	Y
B/C.4.023	King's Dyke	-3,124	3,124	-	-	-	-	-	-	-	-	-	-	-	Rephasing of spend into 2019/20	
B/C.4.028	A14	-	150	-	-	-	-	-	**150**	150	-	-	-	-	Additional funding - Cycling schemes £150k HE Grant	
B/C.5.012	Waste – Household Recycling Centre (HRC) Improvements	-164	-3,102	1,659	3,245	-1,638	-	-	-	-	-	-	-	-	Rephasing of spend	Y
B/C.5.029	Energy Efficiency Fund	-151	151	-	-	-	-	-	-	-	-	-	-	-	Rephasing of spend into 2019/20	Y
B/C.6.101	Development of Archives Centre premises	-397	397	-	-	-	-	-	-	-	-	-	-	-	Rephasing of spend into 2019/20 - will complete in 2019/20	Y
B/C.6.108	New Community Hub / Library Service Provision Darwin Green	-	-	-	-	-	-	-	-	-	-	-	-	-		
B/C.6.111	Community Hubs - Sawston	-689	689	-	-	-	-	-	-	-	-	-	-	-	Delays due to legal issues re land	Y
B/C.7.002	Investment in Connecting Cambridgeshire	-5,633	5,633	-	-	-	-	-	-	-	-	-	-	-	Rephasing of BT payments	
F/C.1.117	Commercial Investments	-537	537	-	-	-	-	-	-	-	-	-	-	-	Rephasing of spend - more investments expected in 2019/20	
F/C.1.118	Smart Energy Grid Demonstrator scheme at the St Ives Park and Ride	-98	98	-	-	-	-	-	-	-	-	-	-	-	Rephasing of spend into 2019/20	
F/C.1.119	Babraham Smart Energy Grid	-69	69	-	-	-	-	-	-	-	-	-	-	-	Rephasing of spend into 2019/20	
F/C.1.120	Trumpington Smart Energy Grid	-22	22	-	-	-	-	-	-	-	-	-	-	-	Rephasing of spend into 2019/20	
F/C.1.121	Stanground Closed Landfill Energy Project	-57	57	-	-	-	-	-	-	-	-	-	-	-	Rephasing of spend into 2019/20	
F/C.1.122	Woodston Closed Landfill Energy Project	-39	39	-	-	-	-	-	-	-	-	-	-	-	Rephasing of spend into 2019/20	
F/C.1.123	Renewable Energy - Mere Farm, Soham	-23	23	-	-	-	-	-	-	-	-	-	-	-	Rephasing of spend into 2019/20	
F/C.1.240	Housing schemes	-13,780	13,780	-	-	-	-	-	-	-	-	-	-	-	Loans to This Land that were due to be issued in 2018/19 are now expected to be made in 2019/20	
F/C.2.112	Building Maintenance	-738	738	-	-	-	-	-	-	-	-	-	-	-	Schemes not completed in 2018/19 due to delays in the tendering process will be completed in 2019/20	
F/C.3.109	Community Hubs - East Barnwell	-131	131	-	-	-	-	-	-	-	-	-	-	-	Expenditure will take place once planning permission has been granted, which is expected to happen in 2019/20	
F/C.3.114	MAC Joint Highways Depot	-582	582	-	-	-	-	-	-	-	-	-	-	-	Work to start once agreement with partners is in place, which is expected in 2019/20	
F/C.3.116	Shire Hall Relocation	-2,338	2,338	-	-	-	-	-	-	-	-	-	-	-	Negotiations related to land purchase caused delays in the transactions for land - a deposit will be paid in May 2019 and the remainder paid when planning permission is granted in the autumn.	
		-	-	-	-	-	-	-	-	-	-	-	-	-		
NEW SCHEMES																
B/C.6.106	New Community Hub / Library Provision Cambourne	-190	190	-	-	-	-	-	-	-	-	-	-	-	Work part of a bigger programme not just the Library	
B/C.6.107	New Community Hub / Library Provision Clay Farm	-42	42	-	-	-	-	-	-	-	-	-	-	-	Work complete, awaiting invoicing and costs from City Council	
B/C.6.110	Milton Road Library	-431	431	-	-	-	-	-	-	-	-	-	-	-	Work to be undertaken this year	Y
0	Cambridge Central BIPC	-51	51	-	-	-	-	-	-	-	-	-	-	-	Work to be completed this year	
0	Replace two existing Mobile Libraries	-275	275	-	-	-	-	-	-	-	-	-	-	-	Long procurement process to be completed this year	
B/C.4.017	Cambridge Cycling Infrastructure	-766	766	-	-	-	-	-	-	-	-	-	-	-	Rolled forward funding from 2018/19	Y
B/C.4.022	Cycling City Ambition Grant	-34	34	-	-	-	-	-	-	-	-	-	-	-	Rolled forward funding from 2018/19	Y
A/C.01.013	Fourfields, Yaxley	-59	59	-	-	-	-	-	-	-	-	-	-	-	Rolled forward funding from 2018/19	
C/C.1.001	Essential CCC Business Systems	-66	216	150	150	-	-	-	**450**	-	-	-	-	450	Some underspend from CPSN Replacement reallocated to this project for minor IT work	
C/C.1.004	Mosaic	-497	1,017	-	-	-	-	-	**520**	-	-	-	-	520	Some underspend from CPSN Replacement reallocated to this project to cover additional Mosaic costs	
C/C.2.008	Disaster Recovery facility for critical business systems	-353	353	-	-	-	-	-	-	-	-	-	-	-	Rephasing of spend into 2019/20	
C/C.2.009	Pro-active upgrade to Exchange email systems	-238	238	-	-	-	-	-	-	-	-	-	-	-	Rephasing of spend into 2019/20	
C/C.2.012	Laptop refresh	-224	224	-	-	-	-	-	-	-	-	-	-	-	Rephasing of spend into 2019/20	

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0	Libraries PNET Refresh	-443	443	-	-	-	-	-	-	-	-	-	-	-	Rephasing of spend into 2019/20	
0	Improved Audio-Visual and Skype	-59	59	-	-	-	-	-	-	-	-	-	-	-	Rephasing of spend into 2019/20	
F/C.2.111	Shire Hall	-81	81	-	-	-	-	-	-	-	-	-	-	-	Rephasing of spend into 2019/20	
0	Marwick Centre Roof Repairs	-113	113	-	-	-	-	-	-	-	-	-	-	-	Rephasing of spend into 2019/20	
potholes	Pothole Action Fund	-	802	-	-	-	-	-	**802**	802	-	-	-	-	Additional funding - Paid from CA with main LTP funding	
0	St Neots Northern Footway and Cycle Bridge	-	400	-	-	-	-	-	**400**	-	400	-	-	-	Additional funding	
Challenge	Challenge Fund	-708	708	-	-	-	-	-	-	-	-	-	-	-	Rolled forward funding from 2018/19	
Safer Roads	Safer Roads Fund	-146	146	-	-	-	-	-	-	-	-	-	-	-	Rolled forward funding from 2018/19	
Exacom	S106 monitoring database Exacom	-22	22	-	-	-	-	-	-	-	-	-	-	-	Rephased into 2019/20	
0	Northstowe Heritage Centre	-	560	120	-	-	-	-	**680**	680	-	-	-	-	Funding for Northstowe Heritage Facility, funded by Highways England via DfT Designated Funds Programme	
B/C.4.032	Scheme Development for Highways Initiatives	-748	748	-	-	-	-	-	-	-	-	-	-	-	Rephased into 2019/20	
0		-	-	-	-	-	-	-	-	-	-	-	-	-	Rephasing into 2019-20	
0		-	-	-	-	-	-	-	-	-	-	-	-	-		
0		-	-	-	-	-	-	-	-	-	-	-	-	-		
0		-	-	-	-	-	-	-	-	-	-	-	-	-		
		-41,498	**1,362**	**-6,421**	**34,533**	**4,087**	**967**	**-**	**-6,969**	**1,386**	**400**	**10**	**-**	**-8,764**		