AUDIT AND ACCOUNTS COMMITTEE

Cambridgeshire County Council

Date:Tuesday, 27 March 2018

Democratic and Members' Services
Quentin Baker
LGSS Director: Lawand Governance

Shire Hall
Castle Hill
Cambridge
CB3 0AP

14:00hr

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

AGENDA

Open to Public and Press

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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Agenda Item: 2

AUDIT AND ACCOUNTS COMMITTEE: MINUTES

Date: 23rd January 2018

Time: 2.00 – 3.40 p.m.

Place: KV Room, Shire Hall, Cambridge

Present: Councillors: I Bates (Substitute for P Hudson) S Crawford, M McGuire M Shellens, (Chairman) T Rogers (Vice Chairman) D Wells and J Williams

Apologies: Councillor P Hudson

Action

59. DECLARATIONS OF INTEREST - none

60. MINUTES OF THE MEETING HELD ON 21st NOVEMBER 2017

The minutes of the meeting held on 21ST November 2017 were confirmed as a correct record and were signed by the Chairman.

Matters arising;

a) **Minute 53 Transformation Fund Monitoring Report** - transformation scheme (A/R 6.165) for Occupational Therapy to support Delayed Transfers of Care, the Chairman asked as an **action that officers investigate what proportion of current delayed transfers was down to the Council and Hinchingbrooke Hospital as opposed to Addenbrooke's Hospital** and that he be provided with a written response outside of the meeting. — **Rob Sanderson (RVS) to contact Liz Robin / Charlotte Black**

b) **Minute 54. Internal Audit Progress Report to 31st October 2017 - re the risk management health check and benchmarking review – progress to be included in the next Internal Audit Progress Report.** — **Duncan Wilkinson/ Mairead Kelly**

61. AUDIT AND ACCOUNTS MINUTE ACTION LOG FOR JANUARY 2018 COMMITTEE MEETING

The Minute Action Log

It was noted that:

- The timetable for The Workforce Strategy had been further delayed and would not now be going to January General Purposes Committee (GPC) or February Council for approval as Strategic Management Team (SMT) had requested that it should be updated to take account of the staff survey. **Lynsey Fulcher had provided an e-mail update to the Chairman on 18th January and they would be meeting in order for him to view the revised Strategy and suggest any changes in advance of it going to GPC.** **L Fulcher**

- In relation to the response to 7 'Safer Recruitment in Schools Update' a further clarification to the response included on the Minute action log was sent to the Committee on 22nd January and is included as Appendix 1 to these minutes.

- In relation to the response provided on Item 14 - Transformation Fund Monitoring Report there was a request for a briefing note on the management structure of the new People and Communities directorate in the context of overall Council structures and spans of control. This had been provided in an e-mail to the Chairman on 18th January and the full Committee on 19th January which had attached the report presented to the Adults Committee. A similar report had also been considered and agreed by the Children and Young People's Committee and the structure had been agreed by the Staffing and Appeals Committee and General Purposes Committee. Therefore in terms of member involvement, the structure had been seen and agreed by a considerable number of members of the Council.

The following issues were raised in relation to the Minutes and the Action Log:

- **Page 32-33 Item 9 Minute 48 Cambridgeshire Music – Recruitment problems Update** In his absence, Councillor Hudson had asked Democratic Services to bring to the attention of the Committee and place on the record his personal thanks to the solution provided by Tom Kelly, the Deputy Section 151 Officer, as set out in the response text. This outlined that the Executive Director delegates a standing sign off for Cambridgeshire Music posts that generate a surplus above their costs, to be obtained in individual cases ahead of a job offer, rather than ahead of launching the recruitment process. The Chairman confirmed that the Head of the Music Service was satisfied with the agreed approach which would be of considerable assistance.

- **Page 34 Item 10 Annual External Auditor Letter** - There was still an outstanding request from the November Committee meeting to provide an update on the breakdown of what was involved in the line reading "£710,000 arising from unadjusted misstatements identified in the prior period in relation to the accounts" **Action: The deputy Section 151**

officer undertook to provide this information following the meeting. **T Kelly**

- **Audit and Accounts Training Plan** – **Running through the detail of a non- contentious project** - It was originally agreed that the session for the Committee, requested by the Chairman, should be before the March meeting. This had been brought forward to the current meeting, however, **due to officer illness on the day of the Committee, this session had to be postponed and a new date would need to be arranged in due course.** **M Kelly / RVS**

- **Item 11 Final ISA 260 Audit Report a) Appendix II Recommendations and Action Plan pages 105-106 action request for an update on the status of the management responses where the timeframe was completion by December or before.** As an oral update it was indicated that the majority of this information was included in the close down report later on the agenda. **Action: The Deputy 151 Officer agreed to provide a note outside of the meeting which would include detail on the position on retention of school records and school payroll providers.** **Tom Kelly**

The Minute action log was noted.

62. CLOSEDOWN PROGRESS REPORT

This report provided the Committee with an update on progress on Closedown and the production of the Accounts for 2017-18. It also included an update on the implications of the forthcoming changes to the statutory deadlines for the production of the Accounts.

Sections 2 and 6 of the report detailed the changes that had been undertaken in respect of closedown planning in order to achieve the earlier closure, including the following, which also includes information from questions raised at the meeting:

- **Revised Closedown timetable**. Some items which were previously undertaken after year end would be undertaken prior to year-end.

- **Increased use of estimates -** as there would not be time for final actuals to be confirmed, this would require appropriate judgements to be disclosed within the Accounts, with the assumptions / judgements / methodology to be looked at by the external auditors at an earlier stage with the actual outcomes revisited again later. For External Audit this did not represent additional work as the estimates would be reviewed at an earlier stage. Prior period adjustments would be required where errors were later identified. A definitive list of the estimates to be used for the Draft Accounts would be brought to the Committee meeting on the 27th March. It was clarified that at that stage they would not all have all been audited.

- **Budget Holder Guidance** - An intranet site had been created to provide supporting information to budget managers, with guidance notes**,** instructions and deadlines e due to be circulated to budget managers in February.

- **Interim Audit**. One key component of the Plan was reducing the amount of audit work that would need to take place in June/July. Further information on the Interim Audit was provided in Section 3 of the report.

- **Resources –** Following the conclusion of the 2016-17 Statement of Accounts, the previous Closedown Accountant had moved to another post, creating a vacancy. This post had been offered to a candidate with year-end public sector experience with a start date pending. In addition, one-off resources had been identified to increase capacity in the team through time limited interim support, as well as deployment of trainee accountant capacity from elsewhere within the finance team".

It was highlighted that BDO and Council officers were currently still in discussion regarding the appropriate accounting treatment for Cambridgeshire Housing and Investment Company (CHIC), a wholly owned Council company. 2017-18 would be the first financial year that the Cambridgeshire County Council accounts would include disclosures relating to CHIC and it was likely that Group Accounts would be required. These would include notes on governance and risks. An update on progress would be included in the further report to be submitted in March.

Issues raised by Members in the subsequent discussion included:

- The Chairman suggesting that what was missing from the list was non-quoted investments with regard to pensions.

- Seeking clarification regarding whether with officers working on early estimates and then later having to work on the actuals for the following year, this did in fact represent an increase in workload. In response it was explained that as some key areas would now to be brought forward e.g. valuations of fixed assets previously undertaken in February / March were now already completed, while adult social care payments could be simplified by adjusting the payment date.

The Deputy Section 151 officer stated, that in his opinion it did not represent more work, but the same amount compressed into a tighter time period. What it would allow would be to free up officer resources later to devote more time to monitoring / preparing the next year budget estimates.

- The Chairman asked what was BDO's view regarding CHIC. Barry Pryke from BDO explained that they would be auditing it in terms of compliance with the CIPFA Code of Practice and financial reporting standards and as part of their value for money work.

- As a clarification to the suggestion from the Chairman that the Council was lending to CHIC some considerable time ahead of the company becoming profitable in its own right, it was explained that this was the planned business model of the company and of residential development start-ups generally. The security and financing of much of the land acquisition by CHIC was underpinned by the capital receipts receivable by the Council for the sale of the same assets to CHIC. **Action: The Chairman requested that BDO investigate whether there were examples of such companies operated by other authorities.** **Barry Pryke**

- **Action: There was a request that the Deputy Section 151 officer provide a simplified explanation for the Committee on the CHIC business model, financial mechanisms and identified risks, along with the report submitted to the Commercial and Investment Committee.** **Tom Kelly**

- In response to a question raised regarding whether the transfer of a significant number of properties (over 20) to CHIC would affect the Council balance sheet, it was explained that the assets would transfer out from the Council's Accounts but would be shown in the, to be created, group accounts. As a follow up, the Vice Chairman asked why the Pension Fund accounts were not shown in the same way. While some explanation was provided, **it was agreed that the Vice Chairman would receive a more detailed explanation outside of the meeting. Action** **Tom Kelly to arrange that Pensions contact Vice Chairman**

- The Chairman raised the issue of resilience should the newly recruited closedown accountant fall ill or wish to take leave during the most crucial time period. In reply it was explained that the repositioning and planning of staffing resources meant that there was less emphasis on one person due to the support to be provided by the graduate trainee and the other staffing resources as previously explained. The Deputy Section 151 Officer expressed confidence that there would be sufficient staffing resource to deal with follow up questions from BDO. The Chairman asked a similar question regarding whether BDO's staffing resources would be sufficient to cope with any unexpected illness etc. Barry Pryke explained that the team was very much the same as the previous year, which provided continuity and now a greater understanding of how of the Council's systems operated. He believed there were sufficient people to undertake the necessary work, aided by some of the work being undertaken earlier.

It was resolved

To note the report and to receive a further update report at the March Committee meeting.

63. INTEGRATED RESOURCES AND PERFORMANCE REPORT FOR THE PERIOD ENDING 30TH NOVEMBER 2017

In introducing the report, (published as a draft for this Committee, as it had been prepared in advance of the same report received by General Purposes Committee that morning) the Deputy Section 151 Officer highlighted that the revenue budget was showing a stable position from the previous report. The current forecast was that the overall Council budget would be exceeded by £4.2m at year-end, a decrease of £21k from that reported in October. This included increases in the People and Communities budget pressures offset by improvements in the forecast for funding items, as set out in section 3 of the report.

Although the position continued to be challenging, with looked after children numbers in particular reaching a high level (following the national trend) savings of £28.2m were on track against a target of £33.4m. Paragraph 3.1.2 set out details of Strategic Management Team's proactive response to address the predicted deficit.

The Capital Programme was forecasting a balanced budget at year end which included use of £13.4m (49%) of the Capital variations Budget as detailed in section 6 of the report. As further explanation of the table at the top of page 59 above paragraph 6.2 using Economy, Transport and Environment (ETE) as an example, the three bar charts showed the spend to date of £29m (top horizontal bar), the Forecast Expenditure (middle horizontal bar) which was £76m and the Revised budget (bottom horizontal bar) which also showed £76m as slippage would be used by the end of the year.

Councillor Bates highlighted an issue that had been raised in relation to recommendation c) of the report which was to approve an additional £197k of prudential borrowing in 2017-18 for County

Farms investment projects as detailed in section 6.8. There was a timing issue as this was also a recommendation to Commercial and Investment Committee which was not meeting until later in the week and was the responsible committee to consider the matter. Therefore, recommendation c) had only been agreed in principle. As a result of this and other issues on the capital programme approval process, this was to be referred on to Constitution and Ethics Committee for a clarification note to be provided.

In discussion there was a request for further clarity, on the performance indicators set out on page 49 as listed below as, as currently represented on the pie charts they did not provide sufficient explanation particularly:

- what was meant by "near to target"?
- did decreasing always mean getting worse, there was no comparison to a previous period to provide context?
- does this page, or somewhere later on explain what the key changes were for outcomes?
- how does the 6.62 **days lost through sickness** compare to previous periods or to public sector norms? In response it was explained that this was a slight improvement on the previous month. In terms of comparison with other public sector organisations such as the NHS, this was a relatively low level of sickness. **It was suggested that a comparison figure with the previous year would be helpful to include.** **T Barden**
- The Chairman highlighted that in respect of a transformation report previously received, it had provided more detail on projects. In response, it was explained that the information provided was not designed to replace transformation update reports.

On page 50:

- One column headed 'Trends since April 2017 staying the same or increasing' - it was suggested that it would provide greater clarity if the column headed 'April 2017 the year start' also included actual numbers, to give context and to be able to see the extent of change.

- **Page 57 –** Change in P&C indicators: on the text reading: *"Following discussion with GPC earlier in the current year, a revised set of measures are being developed with service leads. The 2016/17 indicators will continue to be reported until the new ones have been signed off by the service"* there was a request for an update on progress.

In response to some of the queries raised above, it was clarified that the aim of the format was to provide General Purposes

Committee (who were the client Committee for the report) with an easy-to-view, high level, strategic summary. The detail on performance indicators (of which there were 87) was provided in the separate reports to the individual service committees being the appropriate place to receive and comment on and monitor the detail on the performance indicators within their terms of reference.

It was explained that the update provided was not the complete picture, as service committees were currently looking at their individual basket of indicators to establish their appropriateness going forward. Once this exercise had been completed, this would go back to the Service Committee meetings and following that, would be included in an updated version on within the GPC report. **Action**: **In terms of the timetable for revised performance indicators, the lead officer would check and provide an update outside of the meeting and also give further consideration to improving the clarity of the information provided.**

T Barden

- **Page 64 - table with details of level of debt outstanding owed to the Council -** the Chairman expressed his continued concerns regarding the level of money that the Council were missing out on. The position to the end of November were still considerably higher than the targets for year end and he queried whether they could be achieved. In response it was explained that more realistic targets had been set for debt recovery on outstanding invoices going forward as agreed by GPC earlier in the year. To provide context, the County Council had only written off circa £300k of outstanding debt compared to the hundreds of millions of pounds that it billed. **Action: The Chairman asked for an update briefing within the next month on progress in advance of the next update progress report to be included for the May Committee.** *(note this would be a change from what was currently on the forward plan which showed a progress report on debt recovery coming to the March Committee meeting)*

T Kelly to raise with Chris Law regarding briefing Chairman / Vice Chairman

RVS to amend forward plan

- With reference to pages 73-80, the Chairman expressed his continued concern regarding Children and Young People Committee area budget overspends which for the last three years he had been promised would become more accurate. Another Member suggested that in respect of ‘Home to School Transport’ some benchmarking should be looked at with other authorities to compare performance, as this area had been a particular concern for many years. In discussion the Chairman of the Economy and Environment Committee reminded the Committee that in respect of ‘Children in Care’ / ‘Looked after Children (LAC) Placements’ which the Chairman and Vice Chairman was particularly concerned about, these were demand-led services and were difficult to predict, as children were often taken into care during the year. They also needed to be seen in the context of a County with a continued growing population and therefore increased demand on services. Another Member however questioned why it was year-on-year the demand for the services continued to be underestimated / under budgeted for. In response the Deputy Section 151 Officer acknowledged that the LAC / child protection figures had grown larger than expected, leading to the budget pressures which was also compounded by the savings figures sought each year. Going forward the budgets were being set at more realistic levels, an example being the LAC budget which for the current year was £14.5m and would be increased to £19m for 2018-19. It was highlighted that GPC who had met that morning would be recommending to Full Council an additional 2.99% Council Tax increase to help finance the pressures.

Due to the continued concerns it was recommended and agreed that **officers should provide a presentation as part of the next Committee on historical demography and budget pressures and how the Children's Budget would address these for 2018-19 and beyond. This should involve the two officers present, along with the Director of Children's Services.** **T Kelly / T Barden / L Williams**

64. CHANGE IN ORDER OF THE AGENDA - FENLAND ASSOCIATION FOR COMMUNITY TRANSPORT (FACT) UPDATE CLARIFICATION OF DATE OF SPECIAL MEETING

The Chairman (with reference to the item on the Forward Agenda Plan) asked for an oral update on the possible date for the special meeting to discuss the FACT report. The Head of Internal Audit clarified that the date would not now be in March but was more likely to be April / May and would require a meeting of at least two to three hours.

65. INTERNAL AUDIT PROGRESS REPORT TO 31ST DECEMBER 2017

This report provided an update on the main areas of audit coverage and the key control issues arising for the period 1st November 2017 to 31st December 2017.

Paragraph 1.1 to the main report appendix listed the audit assignments which had reached completion since the previous Committee report with Section 6 providing more detail on the summaries of completed audits with satisfactory or less assurance. Table 2 set out the audit assignments which had reached draft report stage. Further information on work planned and in progress was set out in the Audit Plan attached as Appendix A.

Section 2 - 'Fraud and corruption update' – included details of:

- The investigations caseload of the Internal Audit team provided in Table 3.
- Details of the National Fraud Initiative.

Outstanding management actions at the end of November 2017 were summarised in Table 5, which included a comparison with the percentage implementation reported at the previous Committee. A summary of the outstanding recommendations, and the progress with implementing them, was provided in Appendix B of the report. Regarding the request made at the previous meeting for an update on the status of the management responses where the timeframe was for completion by December or before, the intention had been to provide an oral update. This was unable to be actioned at the meeting due to the absence of the Audit and Risk Manager as a result of sickness. **Action; the requested updates should be provided outside of the meeting.** **M Kelly**

Section 5 'Other Audit Activity' provided an update on ;

- Project Management Methodologies
- Pressures on the Internal Audit Plan detailing changes to the Plan.

The Chairman requested **that an update on the agreed 'Risk management health check and benchmarking review' agreed at the last meeting to be undertaken by the Council's insurers, Zurich should be provided as part of the Internal Audit Progress Report for the next meeting.** **M Kelly**

It was resolved:

To note the contents of the update report.

66. AUDIT AND ACCOUNTS FORWARD AGENDA PLAN

In advance of the meeting, the members of the Committee had been circulated by email a request from the Finance Team to move the current dates in May and July to better accommodate the requirements for reporting on the Accounts and to give as much time as possible to provide finalised versions. As a result of the above and the earlier update on the likely availability of the external consultant FACT investigation report, in discussion the following changes / dates were agreed:

- The May meeting date would be kept, but might become the meeting to consider the FACT report.
- **To hold an additional meeting on 12th June to receive the draft Accounts and possibly other reports currently scheduled for the May meeting.** **RVS**

- **To move the current date of Thursday 26th July to Monday 30th July** **RVS**

The Forward Plan with the above changes was noted.

67. DATE OF NEXT MEETING – 2.00 P.M. 27th MARCH 2018

Chairman
27th March
2018

Agenda Item: 3

AUDIT AND ACCOUNTS COMMITTEE MINUTES ACTION LOG FOR MARCH 2018 COMMITTEE MEETING

NO	TITLE OF REPORT / MINUTE AND ACTION REQUESTED	LEAD	PROGRESS / RESPONSE
ACTIONS ARISING FROM THE MINUTES OF THE 7th JUNE MEETING 2016 COMMITTEE MEETING			
1.	**MINUTE 214 - ISA 260 UPDATE REPORT - REGISTRATION OF LAND PURCHASED FOR HIGHWAYS PURPOSES**		
	There was a request for a six month progress update on the 18 month project to register all 6,000 parcels of land purchased for highways schemes with the Land Registry.	**Mike Atkins / Camilla Haggett (re-Rhodes)**	A further report has been scheduled for the May 2018 meeting **Action ongoing**
ACTIONS ARISING FROM THE MINUTES OF THE JULY 2016 COMMITTEE MEETING			
2.	**MINUTE 226. MINUTES**		
	Minute 213 'Systems in place to ensure that Section 106 Funds do not go unspent' **The November 2016 Committee meeting agreed that updates either to the Committee or to the Chairman should be provided on a six monthly basis.**	**Tom Kelly**	**Next update due in March 2018. (Action: Tom Kelly)** **ACTION ONGOING**

ACTIONS ARISING FROM THE MINUTES OF THE 29th NOVEMBER 2016 COMMITTEE MEETING			
3.	**MINUTE 261 – CAMBRIDGESHIRE COUNCIL WORKFORCE STRATEGY UPDATE**		
	There was a request that once implemented, there should be a regular quarterly report on the Action Plan progress.	**Martin Cox / Lynsey Fulcher**	The main report lead Lynsey Fulcher had agreed in December to meet with the Chairman early in the New Year to arrange a suitable dates to discuss a draft. **ACTION ONGOING**
ACTIONS ARISING FROM THE MINUTES OF THE 21st NOVEMBER 2017 COMMITTEE MEETING			
4.	**MINUTE 49 - ANNUAL EXTERNAL AUDIT LETTER**		
	a) Where all material misstatements identified had been rectified by the accounts sign off date **It was requested that in future years the Executive Summary should include this information.**	**L Clampin BDO**	External Audit agreed to make this change in future letters. **ACTION ONGOING**
	b) Page 64 bullet 4 regarding audit differences which remained uncorrected. The **Chairman requested Finance provide more details of the line reading £710,000 arising from unadjusted misstatements identified in the prior period in relation to the accounts.**	**T Kelly**	An e-mail response was sent to the Chairman and Vice Chairman with the clarification information on 12th February and is included as Appendix 1 to these Minutes. **ACTION COMPLETED**

5.	**MINUTE 50 - FINAL ISA 260 AUDIT COMPLETION REPORT**		
	a) Regarding Appendix II Recommendations and Action Plan and particularly pages 105-106 **Action there was a request for an update to be provided by the next meeting on the status of the management responses where the timeframe was completion by December or before.**	**Tom Kelly**	**ACTION ONGOING**
	b) Pages 114 the Chairman highlighted an example of a very long sentence with over 100 words and **asked that in future External Audit should avoid using such long sentences.**	**BDO to take account in all future reports.**	To be monitored. **ACTION ONGOING**
6.	**MINUTE 54 - INTERNAL AUDIT PROGRESS REPORT TO 31ST OCTOBER 2017**		
	Appendix B - updates requested for future meetings where target dates were not shown or had been passed. The Head of Internal Audit confirmed that updates would be included in the next Internal Audit Progress report which was standard practice.	**M Kelly**	The report to the January Committee meeting had not been able to provide a full update in this respect due: • the Christmas break and the number of staff Council taking extended leave • more importantly due to the timetable issues the report not having been vetted by Strategic Management Team (SMT) in advance of its inclusion on the Audit and Accounts Committee agenda as normally this resulted in SMT sending reminders on outstanding actions.

ACTIONS ARISING FROM THE MINUTES OF THE 23rd JANAURY 2018 COMMITTEE MEETING			
7.	**MINUTE 60 - MINUTES 21st NOVEMBER 2017**		
	Matters arising; **a) Minute 53 Transformation Fund Monitoring Report** - transformation scheme (A/R 6.165) for Occupational Therapy to support Delayed Transfers of Care, the Chairman asked as an **action that officers investigate what proportion of current delayed transfers was down to the Council and Hinchingbrooke Hospital as opposed to Addenbrooke's Hospital** and that he be provided with a written response outside of the meeting. b) **Minute 54. Internal Audit progress Report to 31st October 2017 - re the risk management health check and benchmarking review – progress to be included in the next Internal Audit Progress Report.**	**Rob Sander-son (RVS) to contact Liz Robin / Charlotte Black** **Duncan Wilkin-son/ Mairead Kelly**	A response email was sent to the Chairman on 25th January and the cover e-mail text is included as Appendix 2 to this action log. This has been included on the current Internal Audit Progress Report included on the current agenda.

8.	**61. AUDIT AND ACCOUNTS MINUTE ACTION LOG FOR JANUARY 2018**		
	a) The timetable for The Workforce Strategy		It was reported to the January Committee that there had been further delays regarding the timetable.
	b) **Page 34 Item 10 Annual External Auditor Letter** - outstanding request from the November Committee meeting to provide an update on the breakdown of what was involved in the line reading "£710,000 arising from unadjusted misstatements identified in the prior period in relation to the accounts" **The Deputy Section 151 Officer undertook to provide this information following the meeting.**	**T Kelly**	See the response at 4b) included earlier in this log **ACTION COMPLETED**
	c) **Audit and Accounts Training Plan – Running through the detail of a non- contentious project** - It was originally agreed that the session requested by the Chairman, should be before the March meeting.	**M Kelly / RVS**	This had been brought forward to the January Committee meeting. However, due to officer illness on the day of the Committee, this session had to be postponed and a new date will need to be arranged in due course. **ACTION ONGOING**
9.	**MINUTE 62. CLOSEDOWN PROGRESS REPORT**		
	a) **Cambridgeshire Housing & Investment Company** (**CHIC) Action: request for BDO to investigate other examples of**	**B Pryke**	This information provided by BDO in the form of a report from the Smith Institute was e-mailed to the Committee on 13th March. **ACTION COMPLETED.**

	such companies operated by other authorities.		
	b) CHIC Action: There was a request that the Deputy Section 151 officer provide a simplified explanation for the Committee on the CHIC business model, financial mechanisms and identified risks, along with the report submitted to the Commercial and Investment Committee.	**T Kelly**	Links to the Commercial and Investment Reports on CHIC from their December 2017 and January 2018 meetings providing the explanation were circulated to the full Committee in an e-mail dated 22nd February 2018. The same e-mail also sought feedback on the contents and whether any areas would benefit from additional explanation / coverage. **ACTION COMPLETED**
	c) Question on why the Pension Fund accounts were not shown in the same way as CHIC e.g. as group accounts. **it was agreed that the Vice Chairman would receive a more detailed explanation outside of the meeting.**	**Tom Kelly to arrange that Pensions contact Vice Chairman**	A response was sent on 13th February to the Vice Chairman and is included at Appendix 3 which explained the difference in the two types of accounts with CHIC owned by the Council while the Pension Fund is not. **ACTION COMPLETED**
10.	**MINUTE 63 – INTEGRATED RESOURCES AND PERFORMANCE REPORT**		
	a) DAYS LOST THROUGH SICKNESS **Action: It was suggested that a comparison figure with the previous year would be helpful to include.**	**T Barden**	The Committee are asked to note that the figure is calculated as a rolling 12 month total. A comparison to 2016-17 will be included from the report covering January, until the figure for the end of year 2017-18 is available. **ACTION COMPLETED**

	b) **TIMETABLE FOR REVISED PERFORMANCE INDICATORS** **Action: The lead officer would check and provide an update outside of the meeting.**	**T Barden**	A note was provided to the Committee in an email dated 15th March. This indicated that a revised indicator set will be included in the report covering the March 2018 period, which will be produced in April and considered by GPC in May. **ACTION COMPLETED**
	c) PAGE 64 LEVEL OF DEBT OUTSTANDING OWED TO THE COUNCIL – **i) Action: The Chairman asked for an update briefing within the next month on progress in advance of the next update progress report to be included for the May Committee.** **ii) Action: Amend Forward Plan to show next Debt Recovery Report going to May and not the March meeting to harmonise with next GPC Report**	**T Kelly to raise with Chris Law regarding briefing Chairman / Vice Chairman** **RVS to amend forward plan**	Progress on this action was currently the subject of follow up action. Updated on latest Plan.
	d) Due to the continued concerns it was recommended and agreed that **officers should provide a presentation to the next Committee on historical demography and budget pressures and how the Children's**	**T Kelly / T Barden / L Williams**	A presentation is included as an item on the current agenda.

	Budget would address these for 2018-19 and beyond.		
11.	**INTERNAL AUDIT PROGRESS REPORT TO 31ST DECEMBER 2017**		
	a) Regarding the request made at the previous meeting for an **update on the status of the management responses where the timeframe was for completion by December or before,** the intention had been to provide an oral update. This was unable to be actioned at the meeting due to the absence of the Audit and Risk Manager as a result of sickness. **Action; the requested updates should be provided outside of the meeting.**	**M Kelly**	The updates are included in the March Report on the agenda. **ACTION NOW COMPLETED**
	b) **update on the 'Risk management health check and benchmarking review' undertaken by the Council's insurers, Zurich should be provided as part of the Internal Audit Progress Report for the next meeting.**	**M Kelly**	The update is included in the March Report on the agenda. **ACTION COMPLETED**
12.	**MINUTE 66. AUDIT AND ACCOUNTS FORWARD AGENDA PLAN**		
	a) The May meeting date would be kept, but might become the meeting to consider the FACT report.		Reflected on current agenda plan.

	b) To hold an additional meeting on 12th June to receive the draft Accounts and possibly other reports currently scheduled for the May meeting. **c) To move the current date of Thursday 26th July to Monday 30th July**	**RVS** **RVS**	The meeting has been scheduled and invites sent out and CMIS updated. **ACTION COMPLETED** The meeting has been rescheduled and Members informed and CMIS updated. **ACTION COMPLETED**

APPENDIX 1

MORE DETAILS OF THE LINE READING £710,000 ARISING FROM UNADJUSTED MISSTATEMENTS IDENTIFIED IN THE PRIOR PERIOD IN RELATION TO THE ACCOUNTS.

Dear Cllrs Shellens and Rogers,

Further to the action below the line, here is some further explanation:

In the 2015-16 ISA260 BDO calculated an unadjusted audit difference of +£710k consisting of projected estimates of changes that would be needed to the expenditure total in the Income & Expenditure statement (I&E) and the net assets total in the Balance Sheet.
This consisted of a projected,

- £468k adjustment needed to the expenditure figure in the I&E due to an estimation/judgemental difference in the movement in Pension Fund asset values provided to the actuary and the year-end values included in the Pension Fund's accounts

+ 1,178k adjustment needed to the expenditure figure in the I&E due to a projected overstatement of accrued expenditure calculated by BDO based on over-accruals found in their sample testing.
(This means that BDO found that either too much expenditure was adjusted into 2016-17 in error as a "paid in advance" accrual or too high an income figure was accounted for in 2015-16 in error through debtor accruals; both of these errors having the effect that too low a figure for expenditure was accounted for in 2015-16 and was accounted for 2016-17 instead.)

For the 2015-16 accounts this gave a net +£710k estimated adjustment needed to the expenditure in the I&E and a corresponding -710k estimated adjustment to the net assets accruals total in the Balance Sheet.

As the 2015-16 estimated 710k related to accruals, in the 2016-17 ISA260 BDO included this as an adjustment to the 2016-17 balances (the reverse of the 2015-16 adjustment).

If the 710k had been put through as an adjustment in 2015-16 then the final expenditure in the I&E for 2016-17 would have been 710k lower as it would have been accounted for in 2015-16 instead.
Similarly the final net assets balance in the 2016-17 Balance Sheet would have been £710k higher.

We do not have any further breakdown of how BDO calculated their estimated projected errors- and to some extent there projection methodology is a matter for them which they are unlikely to share any further in addition to the above, and talking to us about the individual errors that arose in 2015/16 during that audit.

Many thanks

Tom Kelly
Head of Finance
LGSS – Cambridgeshire County Council
01223 703599

APPENDIX 2

Dear Councillor Shellens,

I have been asked to respond to your query, about hospital discharge delays, in the Audit and Accounts Committee. In particular, I understand that you were keen to know the relative proportion of delayed transfers of care from hospital attributable to the County Council and those attributable to the NHS. You also asked about the differences between Addenbrookes and other hospitals, and in particular Hinchingbrooke. In answer to those specific questions, the proportion of Delayed transfers of care attributable to Adult Social Care (CCC) is 32% in Addenbrookes and 16% in Hinchingbrooke and Peterborough (NWAFT). Additionally, 8% are attributable to both Adult Social Care and the NHS in Addenbrookes and 10% in Hinchingbrooke and Peterborough Hospitals (NWAFT). The NHS is accountable for the remainder.

For your information, I have attached the latest available data from the Department of Health (unfortunately there is always an 8 week time lag in the publication of data). You will see from the data contained within the dashboard that the situation at Addenbrookes (CUHFT) is very different to Hinchingbrooke and Peterborough (NWAFT). This is for a variety of reasons, partly the size of the hospital and its tertiary nature, but also other local factors. E.g. the size of the older population (South Cambs has the largest older population in the County) and the availability of services such as Home Care.

I would be happy to discuss further if you have any other questions.

Regards,

Richard O'Driscoll
Head of Commissioning (Adults)
Cambridgeshire County Council,
Shire Hall,
Castle Hill,
Cambridge
CB3 OAP

Tel: 01223 729186
Mob: 07557 030430

Appendix 3

Dear Cllr Rogers

I have an action from a recent audit and accounts committee to provide further detail on the accounting for the Cambridge and Counties Bank, and how this is accounted for by the pension fund, in contrast to the Cambridgeshire Housing and Investment Company, which is owned by the Council.

External audit have continued to accept that the pension fund does not produce consolidated accounts including the CC Bank. Richard Perry, Pension Services Financial Manager has advised as follows:

International Financial Reporting Standard 10 (IFRS 10) outlines the requirements for the preparation and presentation of consolidated financial statements, requiring entities to consolidate entities it controls. Control requires exposure or rights to variable returns and the ability to affect those returns through power over an investee.

Although as an equity shareholder the Pension Fund has rights to variable returns of the bank (i.e. dividends), it does not in its own right have the powers to affect those returns. The Pension Fund's rights and obligations and the role of management are set out in a Shareholders Agreement (jointly with Trinity Hall):

- *The actual day-to-day management of the company is vested in the board. Each of Trinity Hall and the Pension Fund can appoint one director but as the minimum number for directors is 5 (and a quorum of 4) the degree of influence that the Fund's Director can exert is limited by the need to persuade the rest of the board.*

- *Each shareholder does exert a degree of "negative control" as the Shareholders Agreement lists matters that need the approval of <u>both</u> the College and the Council. Most of these are what might be called "structural matters" rather than control of day-to-day operations.*

I would note that even if the Fund failed the "control" test, there is an exemption from the requirement to produce consolidated accounts for "investment entities" which would include Pension Funds.

As the Council, rather than the pension fund, is the owner of CHIC, by contrast, there is not an exemption and additionally, at present 2 of the 3 CHIC directors are also statutory senior officers of the Council, hence the likelihood we will need to produce consolidated (group) accounts for CHIC and the Council. Let me know if you would like to talk through further

Tom Kelly Head of Finance LGSS – Cambridgeshire County Council 01223 703599

Agenda Item No. 4

SAFER RECRUITMENT IN SCHOOLS UPDATE

To: **Audit and Accounts Committee**

Date: 26.03.18

From:

Electoral Division(s): **All**

Purpose: Safer Recruitment Update

Key Issues: To update the Committee on the Schools Intervention Service monitoring of the Leadership of Safeguarding including safer recruitment in maintained schools

	Officer contact:
Name:	Chris Meddle
Post:	Senior Education Adviser
Email:	Chris.meddle@cambridgeshire.gov.uk
Tel:	01223 703564

1. BACKGROUND

1.1 Safer recruitment is a statutory safeguarding requirement for schools. Expectations are outlined in Keeping Children Safe in Education 2017. This document is being updated by the Department for Education and will be republished in September 2018.

2. MAIN ISSUES

2.1 The Committee requires assurances that Cambridgeshire maintained schools are compliant with statutory safer recruitment procedures and the wider leadership of safeguarding.

2.2 The Education Directorate carries out regular safeguarding reviews in schools, which include a focus on safer recruitment.

2.3 To facilitate this the Education Directorate Safeguarding and Safer Recruitment Report is presented regularly to the Audit and Accounts Committee.

3. EDUCATION ADVISER SAFEGUARDING REVIEWS

3.1 The two members of the Education Adviser team continue to carry out safeguarding reviews in maintained schools and in academies that buy the service on a traded basis. The reviews continue to cover the Leadership of Safeguarding but specifically cover the following areas which are interest to members:

- employment files are reviewed,
- child protection files are reviewed,
- that safer recruitment procedures are effective,
- that the Single Central Record is compliant and
- that the leadership of safeguarding is effective.

3.2 Only 5 schools still require a full review at the time of writing this report and they are scheduled for completion by the end of April.

3.3 Reviews are a mix of full reviews and health checks for new Headteachers in schools where a full review had been previously carried out.

3.4 No major safeguarding issues have emerged from these reviews, but in one case there is a return visit planned for March to ensure that recommendations have been followed up. This is an improved position since the last report.

3.5 The School Intervention Service has been using a new more detailed review tool to ensure that safeguarding in schools including safer recruitment is effective in schools. The review covers the OFSTED inspection framework and focuses significantly on safer recruitment as well as the wider culture of safeguarding. The review continues to scrutinise the school Single Central Record to ensure that it meets statutory requirements as well promoting good safeguarding practice within the school. The review also looks carefully at a range of employment files to ensure that they contain the statutory information required by keeping Children Safe in Education (2017) and that the files match the Single Central Record. We are currently working with the LGSS audit team to ensure that the reviews complement the detailed audits that they carry out.

3.6 The School Improvement Service plan the order for schools to be reviewed based on the OFSTED inspection cycle. It remains the aim of the team to review maintained schools before they are inspected. Some schools are reviewed as a result of emerging concerns and some schools have received health checks before inspection.

3.7 Academies can purchase a safeguarding review. Two schools in one Multi Academy Trust has already been reviewed this term.

3.8 The Director of People and Communities has discussed the future of reviews with the Senior Education Adviser. Schools are independently governed and managed and safeguarding is the responsibility of the governing body, Full reviews are likely to be charged for in the next academic year unless the Schools Intervention Service intervenes because of concerns about the school. It is intended to update the committee on these plans as they progress. It is expected that schools will see the value of an independent review of their safeguarding systems, practices and processes.

4. OFFICE FOR STANDARDS IN EDUCATION, CHILDREN'S SERVICES AND SKILLS (OFSTED) OUTCOMES

4.1 Ofsted review the culture of safeguarding and judges how effectively the school keeps the children safe. Areas inspected include safer recruitment, the vetting and checking of volunteers, child protection, personal safety, online safety, prevent, health and safety and site security.

4.2 There have been 46 maintained schools inspected this academic year and 100% have been judged as effective for safeguarding. All had previously received a safeguarding review. This is the best position Cambridgeshire has been in.

5. OFFICE FOR STANDARDS IN EDUCATION, CHILDREN'S SERVICES AND SKILLS – (OFSTED) COMPLAINTS

5.1 The Local Authority (LA) reviews safeguarding complaints about maintained schools, academies and independent schools received by Ofsted and passed on to the LA. These are followed up and the Director responds to Ofsted. None of the safeguarding complaints received during this term have referred to safer recruitment.

5.2 The two Education Advisers continue to work closely with the Local Authority Designated Officer when allegations are made about adults in schools working with children.

6. THE LEADERSHIP OF SAFEGUARDING

6.1 The Schools Intervention Service have set up a comprehensive training programme for all schools on the Leadership of Safeguarding. This is provided on a traded basis. A poster has been produced for schools outlining the daily weekly, monthly, termly and annual monitoring expectations of school leaders including governors. Five of the seven safeguarding modules have been delivered and the programme is being repeated next year. The training is open to academies.

6.2 The training programme includes the following modules:

- The Leadership of safeguarding
- The wider safeguarding culture
- Safer recruitment

- Complaints and allegations
- Child protection and the monitoring of vulnerable groups
- Safeguarding policies and website compliance
- Health and safety

6.3 The training is supported through the Education Adviser page of the Cambridgeshire Knowledge Hub where a library of safeguarding resources has been made available for schools.

6.4 The Education Adviser team has been asked to provide safeguarding reviews and training for a large local Multi Academy Trust which operates over thirty schools. This is being delivered on a traded basis.

6.5 We are also providing bespoke training on the Leadership of Safeguarding on request to governing bodies. One governing body has been trained this term with another two governing bodies requesting training in April. The team has also delivered two county training sessions to governors through the Governor Services training programme.

7. SAFER RECRUITMENT TRAINING

Schools can continue to access nationally accredited safer recruitment training provided by Cambridgeshire Governor Services. They also have the option of choosing their own provider or using an online NSPCC training module. One Multi-Academy Trust has received safer recruitment from our team this term and another has requested training next term. The Senior Education Adviser frequently delivers safer recruitment training

8. CHILD PROTECTION TRAINING

8.1 A strength of Cambridgeshire is that the Education Child Protection Service continues to train every Designated Person in Cambridgeshire schools. The training has a module on safer recruitment.

Background Papers: none

Agenda Item No: 6

CAMBRIDGESHIRE COUNTY COUNCIL EXTERNAL AUDIT 2017/18 AUDIT PLAN

To:	**Audit and Accounts Committee**
Date:	**20st March 2018**
From:	**BDO**
Electoral Division(s):	**All**
Purpose:	To communicate to those charged with Governance our 2017/18 Audit Plan which identifies the audit risks relevant to the financial statements and use of resources of Cambridgeshire County Council for the year ending 31 March 2018, and our audit response to those risks.
Key Issues:	For the financial statements audit, we are required to consider significant audit risks that require special audit attention. For the use of resources audit, the National Audit Office (NAO) has defined sub criteria, each of which we will consider as part of our risk assessment process: • Informed decision making • Sustainable resource deployment • Working with partners and other third parties
Recommendation:	To note the 2017/18 Audit Plan

	Report Contacts:
Name and Email:	Lisa Clampin BDO Engagement Lead Barry Pryke BDO Engagement Manager Lisa.clampin@bdo.co.uk barry.pryke@bdo.co.uk
Tel:	01473 320 716 or 01473 320 793

CAMBRIDGESHIRE COUNTY COUNCIL

AUDIT PLAN

Audit for the year ending 31 March 2018

Date of issue: 12 March 2018

CONTENTS

INTRODUCTION

PURPOSE AND USE OF OUR REPORT

We have pleasure in presenting our Audit Planning Report to the Audit and Accounts Committee. This report forms a key part of our communication strategy with you, a strategy which is designed to promote effective two-way communication throughout the audit process.

It summarises the planned audit strategy for Cambridgeshire County Council ('the Council') for the year ending 31 March 2018; comprising materiality, key audit risks and the planned approach to these; together with the audit timetable and the BDO team. Audit planning is a collaborative and continuous process and our audit strategy, as reflected in this report, will be reviewed and updated as our audit progresses. In particular, we will review our approach following our interim audit site visit. We will communicate any significant changes to our audit strategy, should the need for such change arise.

The planned audit strategy has been discussed with Management to ensure that it incorporates developments in the business during the year under review, the results for the year to date and other required scope changes.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. As the purpose of the audit is for us to express an opinion on the Council's financial statements for the year ending 31 March 2018, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we consider internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work is not for the purpose of expressing an opinion on the effectiveness of internal control.

This report has been prepared solely for the use of the Audit and Accounts Committee. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person.

AUDIT QUALITY

BDO is totally committed to audit quality. It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections. BDO welcome feedback from external bodies and is committed to implementing all necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department), the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US public companies) and CPAB (Canadian Public Accountability Board), the firm undertakes a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years. We have also implemented additional quality control review processes for audits of listed companies and public interest entities.

More details can be found in our latest Transparency Report at www.bdo.co.uk.

YOUR BDO TEAM

Core team

Lisa Clampin
Engagement Lead

Barry Pryke
Engagement Manager

Ross Beard
Senior Auditor

Name	Contact details	Key responsibilities
Lisa Clampin **Engagement Lead**	Tel: 01473 320 716 lisa.clampin@bdo.co.uk	Oversee the audit and sign the audit report
Barry Pryke **Engagement Manager**	Tel: 01473 320 793 barry.pryke@bdo.co.uk	Management of the audit
Ross Beard **Senior Auditor**	Tel: 01473 320 785 ross.beard@bdo.co.uk	Day to day supervision of the on-site audit

Lisa Clampin is the engagement lead and has the primary responsibility to ensure that the appropriate audit opinion is given on the financial statements.

In meeting this responsibility, she will ensure that the audit has resulted in obtaining sufficient and appropriate evidence to provide reasonable, but not absolute, assurance that:

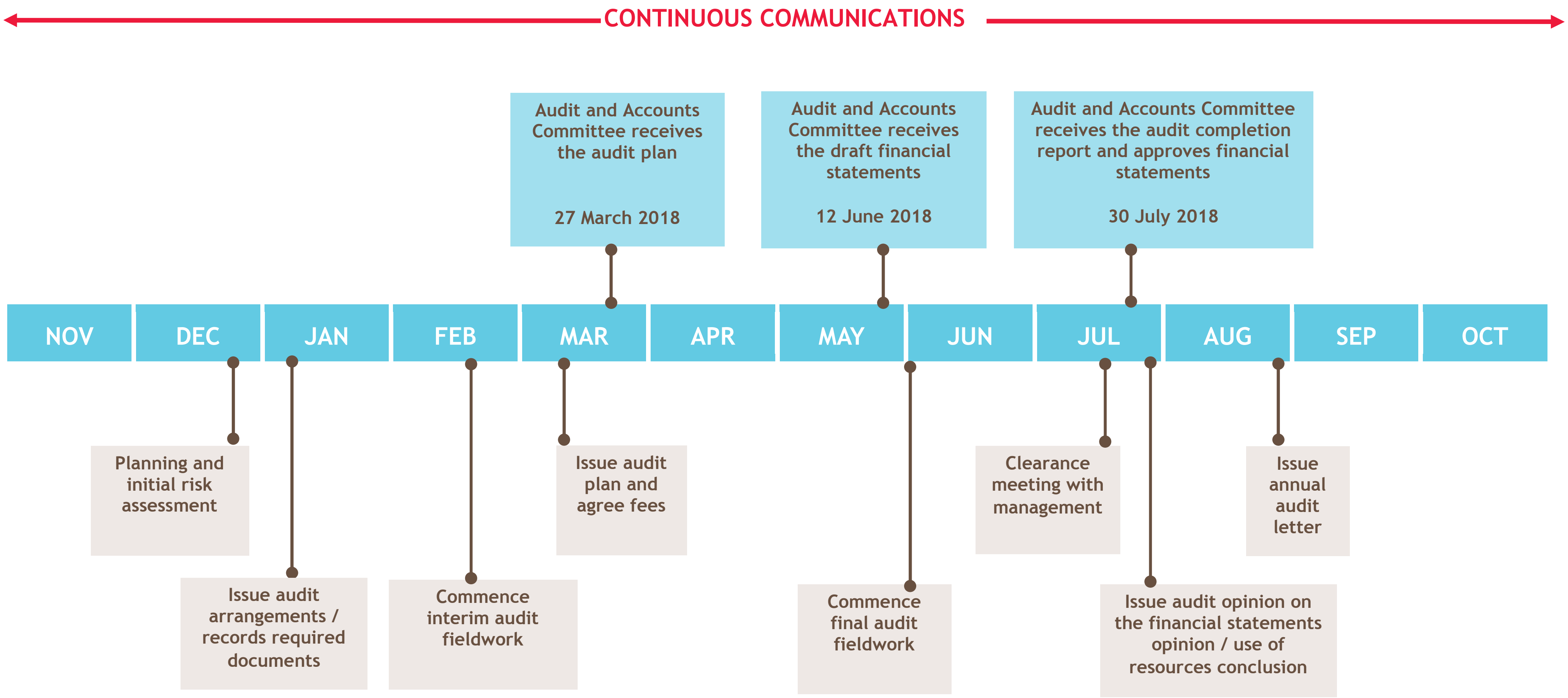
- the financial statements are free from material misstatement, whether due to fraud or error
- the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Lisa is also responsible for the overall quality of the engagement.

ENGAGEMENT TIMETABLE

TIMETABLE

The timeline below identifies the key dates and anticipated meetings for the production and approval of the audited financial statements and completion of the use of resources audit.



AUDIT SCOPE AND OBJECTIVES

SCOPE AND OBJECTIVES

Our audit scope covers the audit in accordance with the National Audit Office (NAO) Code of Audit Practice (the Code), International Standards on Auditing (UK) and other guidance issued by the NAO.

Our audit objective is to form an opinion on whether:

FINANCIAL STATEMENTS		OTHER INFORMATION	WGA CONSOLIDATION	USE OF RESOURCES
1 The financial statements give a true and fair view of the financial position of the Council and its expenditure and income for the period in question.	2 The financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.	3 Other information published together with the audited financial statements is consistent with the financial statements (including the governance statement).	4 The return required to facilitate the preparation of Whole of Government Accounts (WGA) consolidated accounts is consistent with the audited financial statements.	5 The Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

ADDITIONAL POWERS AND DUTIES

6 Where necessary:

- consider the issue of a report in the public interest
- make a written recommendation to the Council.

7 Where necessary:

- consider electors' questions about the accounts and consider objections
- apply to the court for a declaration that an item of account is contrary to law
- consider whether to issue an advisory notice or make an application for judicial review.

MATERIALITY

COUNCIL MATERIALITY

We have determined materiality based on professional judgement in the context of our knowledge of the Council, including consideration of factors such as industry developments, financial stability and reporting requirements for the financial statements.

We determine materiality in order to:

- Assist in establishing the scope of our audit engagement and audit tests
- Calculate sample sizes
- Assist in evaluating the effect of known and likely misstatements on the Council's financial statements.

	MATERIALITY	CLEARLY TRIVIAL THRESHOLD
Cambridgeshire County Council	£16,300,000	£326,000

Please see Appendix I for detailed definitions of materiality and triviality.

Planning materiality for the Council has been based initially on 1.75% of prior year gross expenditure. This will be revisited when the draft financial statements are received for audit.

The clearly trivial amount is based on 2% of the materiality level.

OVERALL AUDIT STRATEGY

We will perform a risk based audit on the Council's financial statements and use of resources

This enables us to focus our work on key audit areas.

Our starting point is to document our understanding of the Council's business and the specific risks it faces. We discussed the changes to the business and management's own view of potential audit risk to gain an understanding of the Council's activities and to determine which risks impact on our audit. We will continue to update this assessment throughout the audit.

For the financial statements audit, we also confirm our understanding of the accounting systems in order to ensure their adequacy as a basis for the preparation of the financial statements and that proper accounting records have been maintained.

For the use of resources audit, we consider the significance of business and operational risks insofar as they relate to 'proper arrangements', including risks at both sector and authority-specific level, and draw on relevant cost and performance information as appropriate.

We then carry out our audit procedures in response to audit risks.

Audit risks and planned audit responses

For the financial statements audit, under International Standard on Auditing 315 "Identifying and assessing the risks of material misstatement through understanding the entity and its environment", we are required to consider significant risks that require special audit attention.

In assessing a risk as significant, we exclude the effects of identified controls related to the risk. The ISA requires us at least to consider:

- Whether the risk is a risk of fraud
- Whether the risk is related to recent significant economic, accounting or other developments and, therefore, requires specific attention
- The complexity of transactions
- Whether the risk involves significant transactions with related parties
- The degree of subjectivity in the measurement of financial information related to the risk, especially those measurements involving a wide range of measurement uncertainty
- Whether the risk involves significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual.

For the use of resources audit, the NAO has defined sub criteria, each of which we will consider as part of our risk assessment process:

- informed decision making
- sustainable resource deployment
- working with partners and other third parties.

Internal audit

We will ensure that we maximise the benefit of the overall audit effort carried out by internal audit and ourselves, whilst retaining the necessary independence of view.

We understand that internal audit reviews have been undertaken across a range of accounting systems and governance subjects. We will review relevant reports as part of our audit planning and consider whether to place any reliance on internal audit work as evidence of the soundness of the control environment.

Fraud risk assessment

We have discussed with management its assessment of the risk that the financial statements may be materially misstated due to fraud and the processes for identifying and responding to the risks of fraud.

Management believe that the risk of material misstatement due to fraud in the Council's financial statements is low and that controls in operation would prevent or detect material fraud. We are informed by management that there have not been any cases of significant or material fraud to their knowledge.

We are required to discuss with those charged with governance their oversight of management's processes for identifying and responding to risks of all fraud.

We expect Audit and Accounts Committee Members, as those charged with governance, to let us know if there are any actual, suspected or alleged instances of fraud of which they are aware.

KEY AUDIT RISKS AND OTHER MATTERS

Key: ■ Significant risk [SR] ■ Normal risk [NR]

AUDIT RISK AREAS - FINANCIAL STATEMENTS			
RISK	**DESCRIPTION**	**PLANNED AUDIT RESPONSE**	**EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE**
Management override [SR]	The primary responsibility for the detection of fraud rests with management. Their role in the detection of fraud is an extension of their role in preventing fraudulent activity. They are responsible for establishing a sound system of internal control designed to support the achievement of departmental policies, aims and objectives and to manage the risks facing the organisation; this includes the risk of fraud. Under auditing standards there is a presumed significant risk of management override of the system of internal controls.	We will: • Test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. • Review accounting estimates for evidence of management bias and evaluate whether this represents a risk of material misstatement. • Obtain an understanding of the business rationale for significant transactions that are outside the normal course of business for the entity or that otherwise appear to be unusual.	Not applicable.
Revenue recognition [SR]	Under auditing standards there is a presumption that income recognition presents a fraud risk. In particular, we consider there to be a significant risk in respect of the existence (recognition) and accuracy of the revenue and capital grants that require conditions to be met before they may be recognised as revenue in the comprehensive income and expenditure statement (CIES). We also consider there to be a significant risk in relation to the existence and accuracy of fees and charges income recorded in the CIES. In the public sector the risk of fraud in revenue recognition is modified by Practice Note 10 (PN10), issued by the Financial Reporting Council. PN10 states that auditors should also consider the risk that material misstatements may occur through the manipulation of expenditure recognition. This risk is identified as being relevant to cut-off of expenditure where testing will be focussed.	We will: • Carry out audit procedures to gain an understanding of the Council's internal control environment for the significant income and expenditure streams, including how this operates to ensure that expenditure is recognised in the correct accounting period. • Test an increased sample of grants subject to performance and / or conditions to confirm that the conditions of the grant have been met before the income is recognised in the CIES. • Test an increased sample of fees and charges income to ensure it has been recorded in the correct period. • Test an increased sample of expenditure to ensure it has been recorded in the correct period and accounted for in accordance with the CIPFA Code of Practice on Local Authority Accounting ('the CIPFA Code').	Government grant funding will be agreed to information published by the sponsoring Department.

KEY AUDIT RISKS AND OTHER MATTERS
Continued

AUDIT RISK AREAS - FINANCIAL STATEMENTS			
RISK	**DESCRIPTION**	**PLANNED AUDIT RESPONSE**	**EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE**
Property, plant and equipment valuations **[SR]**	Local authorities are required to ensure that the carrying value of property, plant and equipment (PPE) is not materially different to the current value or fair value (as applicable dependent on the category of asset) at the balance sheet date. Management engages external valuers to undertake a rolling revaluation programme which ensures that all assets are revalued at least once every five years. Assets are valued as at 1 April of the financial year in question and certain assets, based on type and value, are subject to a desktop valuation as at 31 March. There is a risk over the valuation of land and buildings where valuations are based on assumptions where relatively small adjustments to those assumptions can have a material impact on the asset values.	We will: • Review the instructions provided to the external valuer and review the valuer's skills and expertise to determine whether we can rely on management's expert. • Confirm that the basis of valuation for assets valued in year is appropriate based on their usage. • Review the reasonableness of assumptions used in the valuation of land and buildings; and the Council's critical assessment of the external valuer's conclusions. • Review the reasonableness of assumptions used in both rolling forward the 1 April valuation to the balance sheet date and assessing the value of assets not included in the revaluation exercise.	We will review independent data that shows indices and price movements for classes of assets against the percentage movements recognised by the Council.

AUDIT RISK AREAS - FINANCIAL STATEMENTS			
RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Related party transactions **[SR]**	There is a risk that related party transaction disclosures are omitted from the financial statements, or do not accurately reflect the underlying related party transaction, resulting in material misstatement. This risk is heightened in 2017/18 due to both changes in councillors following local elections in May 2017 and the operation of This Land Group (formerly Cambridgeshire Housing Investment Company), a wholly owned subsidiary of the Council. Transactions with related parties can be material to the users of accounts for qualitative reasons even if they do not exceed the materiality threshold applied to the financial statements as a whole.	We will: • Document the related party transactions identification procedures in place, including review of communication with councillors and senior officers regarding the requirement to declare their interests • Discuss with management (and review) councillor and senior management declarations to ensure there are no potential related party transactions which have not been disclosed.	Companies House data will be used to identify councillor and senior management interests.
Pension liability assumptions **[SR]**	The net pension liability comprises the Council's share of the market value of assets held in the Cambridgeshire Pension Fund and the estimated future liability to pay pensions. An actuarial estimate of the pension fund liability is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on the most up to date membership data held by the pension fund 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 the valuation is not based on accurate membership data or uses inappropriate assumptions to value the liability. Relatively small adjustments to assumptions used can have a material impact on the Council's share of the scheme liability.	We will: • Review the consulting actuary report over the competency and experience of the actuary and reasonableness of assumptions used. • Review the competence of the management expert (actuary). • Obtain assurance over the controls for providing complete and accurate data to the actuary. • Agree the disclosures to the information provided by the pension fund actuary. • Follow up any points of concern raised by the consulting actuary.	We will agree disclosures to the report received from the actuary. We will use the PwC consulting actuary report for the review of the methodology of the actuary and reasonableness of the assumptions.

KEY AUDIT RISKS AND OTHER MATTERS
Continued

AUDIT RISK AREAS - FINANCIAL STATEMENTS			
RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Cash flow statement [SR]	Previous audits have identified material misstatements in the cash flow statement presented for audit. Preparation of the cash flow statement requires detailed analysis of the movement in a range of account balances. Incorrect analysis of these balances or failure to identify balances which impact on the values in the cash flow statement increases the risk that associated amounts are not accurately recognised.	We will: • Determine the steps taken by management to address the causes of the misstatements identified in previous years. • Review the consistency of the statement with other areas of the financial statements and other underlying records where relevant. • Ensure each line of the cash flow statement complies with detailed guidance contained within the CIPFA Code.	Not applicable.
Senior officer remuneration [NR]	The prior year audit identified errors in the disclosure of senior officer remuneration, including inconsistencies with the applicable guidance, omission of remunerative benefits required for inclusion and inaccuracy of other remuneration values disclosed. Disclosures relating to senior officer remuneration are considered to be material by nature.	We will: • Agree disclosures in the draft financial statements to the requirements of the CIPFA Code. • Agree senior officer remuneration to underlying payroll records and evidence from other entities where officers are not on the Council's payroll.	Payroll evidence from Peterborough City Council, LGSS Law and other entities that employ officers included in the Council's disclosure.
Changes in presentation of the Comprehensive Income and Expenditure Statement [NR]	The Council has made changes to the directorate structure and the services which fall within those directorates. Directorates created during 2017/18 include: • Place & Economy • People & Communities These changes will require a restatement of the 2016/17 Comprehensive Income & Expenditure Statement (CIES). There is a risk that these presentational changes are not correctly applied in the financial statements.	We will: • Review the restatement prepared to ensure that it is in line with the internal management reporting used for decision making. • Check that the mapping of transactions in the restated CIES is consistent with the mapping of 2017/18 transactions under the new directorate structure and that the restatement reconciles to the 2016/17 audited financial statements.	Not applicable.

KEY AUDIT RISKS AND OTHER MATTERS
Continued

AUDIT RISK AREAS - FINANCIAL STATEMENTS			
RISK	**DESCRIPTION**	**PLANNED AUDIT RESPONSE**	**EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE**
Treatment of revenue expenditure funded from capital under statute (REFCUS) **[NR]**	The prior year audit identified that REFCUS transactions included non-enhancing capital expenditure on Council assets. REFCUS accounting also led to misstatements in the 2015/16 financial statements.	We will test a sample of REFCUS transactions and confirm that they have been correctly recognised and presented in the CIES.	Not applicable.
Intragroup transactions **[NR]**	In the prior year, income from local authority maintained schools for services provided by the Council (including cleaning and catering services and financial advisory services) was included within the Council's CIES, as was the related expenditure from the school's perspective. The Code requires intragroup income and expenditure with local authority maintained schools to be excluded from the financial statements. Failure to apply the requirements of the Code may result in misstatements relating to the existence of associated income and expenditure.	We will confirm that the Council's financial statements exclude income and expenditure transactions in respect of services provided by the Council to local authority maintained schools.	Not applicable.
City Deal accounting **[NR]**	In 2016/17 the Council's accounting treatment for its City Deal grant was adjusted to reflect the absence of any conditions associated with the grant, recognising the full grant as income and a current/non-current debtor for grant not yet received. As required by the Code, the grant should remain in the Capital Grants Unapplied Account until expenditure is incurred, at which point is should transfer to the Capital Adjustment Account. The treatment of the City Deal grant is complex, increasing the risk that in-year transactions are inaccurately recognised or are incorrectly presented in the financial statements.	We will: • Confirm that there have been no changes to the terms and conditions associated with the City Deal grant. • Review the accounting treatment applied to the grant, including reconciliation of amounts transferred to the Capital Adjustment Account to expenditure incurred on City Deal projects.	Not applicable.

KEY AUDIT RISKS AND OTHER MATTERS
Continued

AUDIT RISK AREAS - FINANCIAL STATEMENTS			
RISK	**DESCRIPTION**	**PLANNED AUDIT RESPONSE**	**EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE**
Provisions and contingent liabilities associated with the guided busway [NR]	The Council is involved in ongoing litigation with a contractor regarding a dispute over the construction of the Guided Busway. In previous years the Council has disclosed in its contingent liabilities note that it is possible it will incur legal costs as a result. There is a risk that disclosures may not reflect the latest status of the ongoing litigation.	We will: • Ascertain the current status of the litigation • Review the Council's disclosure of costs or liabilities related to the litigation and confirm that they are in accordance with the CIPFA Code.	Not applicable.
This Land Group (formerly Cambridgeshire Housing Investment Company) [NR]	This Land Group has entered into material transactions during the year which may result in a requirement to prepare group accounts. The Council has not previously prepared group accounts. There is a risk that when determining whether or not it should consolidate This Land Group into its accounts, and subsequently preparing group accounts if required, the Council may not comply with the applicable accounting framework.	We will: • Review the Council's rationale on whether or not to prepare group accounts. • If group accounts are prepared, we will review the Council's working papers to ensure that consolidation has been executed in accordance with the CIPFA Code.	Not applicable.
De-recognition of replaced infrastructure assets [NR]	The Council does not maintain a detailed asset register to support the infrastructure assets balance recognised in the financial statements. There is a risk that information relating to the Council's infrastructure assets is insufficiently detailed, resulting in balances associated with replaced infrastructure assets not being correctly derecognised.	We will: • Test a sample of infrastructure additions to confirm that the correct accounting treatment has been applied, including de-recognition of assets which have been replaced.	Not applicable.

KEY AUDIT RISKS AND OTHER MATTERS
Continued

AUDIT RISK AREAS - USE OF RESOURCES			
RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Sustainable resource deployment [SR]	The Council's latest Business Plan 2018-2023 includes a balanced budget for 2018/19 but identifies that the Council needs to make savings of £82.7m over the next 5 years. Whilst the Council has a track record of achieving significant levels of savings, transformation is needed in order to continue to deliver this quantum of savings. Successful transformation underpins the Council's medium term financial strategy and will require robust financial management arrangements to be in place. We have therefore raised sustainable resource deployment as a significant risk.	We will review the reasonableness of the assumptions used in the Medium Term Financial Strategy, including the budget re-alignment outcome, and consider the reasonableness of the assumptions applied in the forecasts in respect of cost pressures and government grant reductions. We will review the progress being made in respect of the Transformation Programme, including how the programme is being managed in the context of the new arrangements associated with devolution.	
Informed decision making [SR]	The Council's Business Plan includes a number of revenue generating activities. These include creating This Land Group (formerly the Cambridgeshire Housing and Investment Company) and the proposed use of £100m of capital receipts to purchase commercial assets. The Council is seeking innovative ways of generating funds to support service delivery and mitigate the reduction in government funding. The Council will need to ensure it has put in place the appropriate governance arrangements and corporate arrangements to comprehensively and effectively plan and successfully deliver the income generating activities. We have therefore raised a significant risk in relation to informed decision making.	We will review the This Land Group business case and progress to date with schemes that are in the pipeline or have been approved. We will also review the governance and corporate arrangements in place to monitor the company. We will discuss with management the planned proposals for the £100m spend on commercial assets and conduct a review of relevant detailed business cases.	

INDEPENDENCE

INDEPENDENCE

Under Auditing and Ethical Standards, we are required as auditors to confirm our independence to 'those charged with governance'. In our opinion, and as confirmed by you, we consider that for these purposes it is appropriate to designate the Audit and Accounts Committee as those charged with governance.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ending 31 March 2018.We have not identified any potential threats to our independence as auditors.

On the following page, we have recorded details of non audit services we plan to deliver.

We confirm that the firm complies with the Financial Reporting Council's Ethical Standards for Auditors and, in our professional judgement, is independent and objective within the meaning of those Standards.

In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit engagement partner and audit staff is not impaired. These policies include partner and manager rotation after 5 and 10 years respectively. The table below sets out the length of involvement of key members of the audit team and the planned year of rotation.

Should you have any comments or queries regarding this confirmation we would welcome their discussion in more detail.

INDEPENDENCE - ENGAGEMENT TEAM ROTATION

SENIOR TEAM MEMBERS	NUMBER OF YEARS INVOLVED	ROTATION TO TAKE PLACE IN YEAR ENDED
Lisa Clampin - Engagement lead	3	2020/21
Barry Pryke - Engagement manager	3	2026/27
Engagement Quality Control Reviewer	3	2022/23

FEES

FEES SUMMARY

Our proposed fees, excluding VAT, for the year ending 31 March 2018 are:

	2017/18 Planned £	2016/17 Actual £
Code audit fee	94,061	94,061
Fees for non audit services - audit related (see below)	TBC	3,650
Fees for non audit services - other	Nil	Nil
TOTAL FEES	TBC	97,711

NON AUDIT SERVICES FEES ANALYSIS	£	£
Non audit services:		
Skills Funding Agency subcontracting grant certification	TBC	3,650
Total	**TBC**	**3,650**

The Education and Skills Funding Agency (ESFA) has not yet issued guidance to the Council regarding 2017/18 assurance requirements for the certification of the ESFA subcontracting grant. Once the scope of the assurance requirements has been confirmed, we will agree our fee with management.

Code audit fee invoices have been raised as set out below:

- First instalment £47,030.50 in July 2017
- Second instalment £47,030.50 in January 2018

Following our firm's standard terms of business, full payment is due within 14 days of receipt of invoice. Fee invoices for any other services will be raised as the work is completed.

Amendments to the proposed fees

If we need to propose any amendments to the fees during the course of the audit, where our assessment of risk and complexity are significantly different from those reflected in the proposed fee or where we are required to carry out work in exercising our additional powers and duties, we will first discuss this with the Chief Finance Officer. If necessary, we will also prepare a report outlining the reasons why the fee needs to change for discussion with the Audit and Accounts Committee.

Fees for other audit related services such as objections, will be raised as the work is completed.

Our fee is based on the following assumptions

- The complete draft financial statements and supporting working papers will be prepared to a standard suitable for audit. All balances will be reconciled to underlying accounting records.
- Key dates will be met, including receipt of draft accounts, Governance Statement and working papers prior to commencement of the final audit fieldwork.
- We will receive only one draft of the financial statements prior to receiving the final versions for signing.
- Within reason, personnel we require to hold discussions with will be available during the period of our on-site work (we will set up meetings with key staff in advance).

APPENDIX I: MATERIALITY

CONCEPT AND DEFINITION

- Materiality is the amount by which misstatement in the financial statements could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The concept of materiality applies not only to monetary misstatements but also to other disclosures in the financial statements.
- We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. At the planning stage we set an overall level of materiality for the financial statements as a whole based on our understanding of the elements of the financial statements that are likely to be of greatest significance to users. Lower materiality levels may be set for specific classes of transactions, balances or disclosures where appropriate. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

REASSESSMENT OF MATERIALITY

- We will reconsider materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality if we had been aware.
- Further, when we have performed all our tests and are ready to evaluate the results of those tests (including any misstatements we detected) we will reconsider whether materiality combined with the nature, timing and extent of our auditing procedures, provided a sufficient audit scope. If we conclude that our audit scope was sufficient, we will use materiality to evaluate whether uncorrected misstatements (individually or in aggregate) are material.
- You should be aware that any misstatements that we identify during our audit, both corrected and uncorrected errors, might result in additional audit procedures being necessary.

UNADJUSTED ERRORS

- We will communicate to you all uncorrected misstatements, including omission, identified during our audit, other than those which we believe are ‘clearly trivial’.
- We will request that adjustments be made to correct such errors. However, where you choose not to do so we will request written representations from the Board of Directors confirming that in their opinion these uncorrected misstatements are immaterial, both individually and in aggregate and that, in the context of the financial statements taken as a whole, no adjustments are required.
- Should any misstatements remain uncorrected we will consider the implications for our audit report.

The matters raised in our report prepared in connection with the audit are those we believe should be brought to the attention of the organisation. They do not purport to be a complete record of all matters arising. No responsibility to any third party is accepted.

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CAMBRIDGESHIRE COUNTY COUNCIL BDO PENSION FUND PLANNING REPORT FOR THE YEAR ENDING 31ST MARCH 2018

To:	**Audit and Accounts Committee**
Date:	**30th May 2017**
From:	**County Council External Auditors BDO**
Purpose:	**To report on BDO's Planning Report for 2017/18 financial year for review by the Committee in terms of any risks they believe should be included.**
Recommendation:	**Audit and Accounts Committee is recommended to approve the Plan.**

	Officer contact:
Name:	David Eagles
Post:	BDO Engagement Lead
Email:	david.eagles@bdo.co.uk
Tel:	01473 320 728

1. BACKGROUND

1.1 The purpose of the report attached as an appendix is to highlight and explain the key issues which we believe to be relevant to the audit of the financial statements of the Cambridgeshire County Council Pension Fund for the year ended 31 March 2018.

1.2 It forms a key part of our communication strategy with you, a strategy which is designed to promote effective two-way communication throughout the audit process. Planning is an iterative process and our plans, reflected in the attached report, will be reviewed and updated as our audit progresses.

2. MAIN ISSUES

Included in the Report as an attachment to this cover report.

Source Documents	**Location**
Attached Planning report	

CAMBRIDGESHIRE COUNTY COUNCIL PENSION FUND

PLANNING REPORT TO THE AUDIT AND ACCOUNTS COMMITTEE

Audit for the year ended 31 March 2018

27 March 2018

BDO

CONTENTS

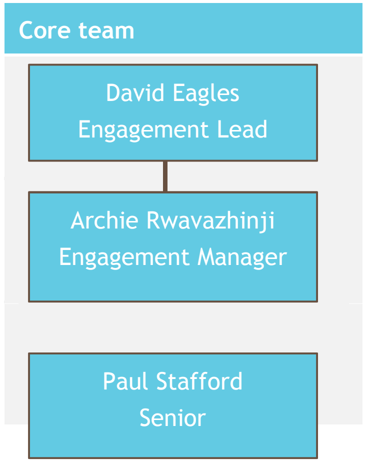
INTRODUCTION

PURPOSE AND USE OF OUR REPORT

The purpose of this report is to highlight and explain the key issues which we believe to be relevant to the audit of the financial statements of the Cambridgeshire County Council Pension Fund for the year ended 31 March 2018. It forms a key part of our communication strategy with you, a strategy which is designed to promote effective two-way communication throughout the audit process. Planning is an iterative process and our plans, reflected in this report, will be reviewed and updated as our audit progresses.

This report has been prepared solely for the use of the Audit and Accounts Committee and Pension Fund Committee. In preparing this report, we do not accept or assume responsibility for any other purpose, or to any other person, except when expressly agreed by our prior written consent. If others choose to rely on the contents of this report, they do so entirely at their own risk.

YOUR BDO TEAM



Name	Contact details	Key responsibilities
David Eagles **Engagement Lead**	Tel: 01473 320728 david.eagles@bdo.co.uk	Oversee the audit and sign the audit report
Archie Rwavazhinji **Engagement Manager**	Tel: 01473320738 Archie.Rwavazhinji@bdo.co.uk	Management of the audit
Paul Stafford **Senior**	Tel: 01473 320 850 Paul.stafford@bdo.co.uk	Day to day supervision of the on-site audit

David Eagles is the Engagement Lead and has the primary responsibility to ensure that the appropriate audit opinion is given on the financial statements.

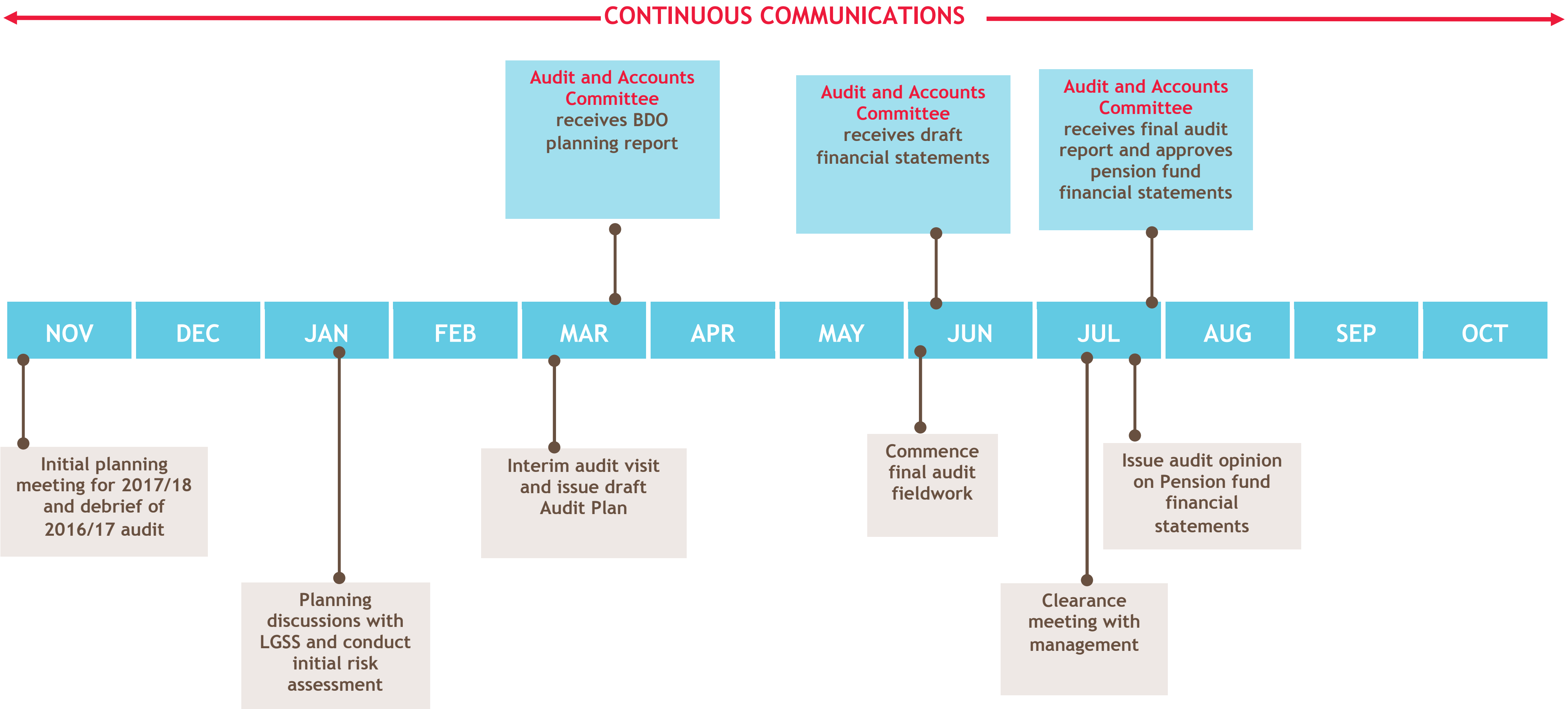
In meeting this responsibility, he will ensure that the audit has resulted in obtaining sufficient and appropriate evidence to provide reasonable, but not absolute, assurance that the financial statements are free from material misstatement, whether due to fraud or error.

David is also responsible for the overall quality of the engagement.

ENGAGEMENT TIMETABLE

TIMETABLE

The timeline below identifies the key dates and anticipated meetings for the production and approval of the audited financial statements.



AUDIT SCOPE AND OBJECTIVES

SCOPE AND OBJECTIVES

Our audit scope covers the audit in accordance with the National Audit office (NAO) Code of Audit Practice, International Standards on Auditing (UK) and other guidance issued by the NAO.

Our audit objective is to form an opinion on whether:

FINANCIAL STATEMENTS		OTHER INFORMATION	ADDITIONAL REQUIREMENTS
1 The financial statements give a true and fair view of the financial transactions of the pension fund for the period, and the amount and disposition at the period end of the assets and liabilities, other than liabilities to pay pensions and benefits after the period end.	2 The financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.	3 Other information published together with the audited financial statements is consistent with the financial statements.	4 Review the pension fund annual report and report on the consistency of the pension fund financial statements within the annual report with the pension fund financial statements in the statement of accounts.

MATERIALITY

MATERIALITY

	MATERIALITY	CLEARLY TRIVIAL THRESHOLD
Pension fund overall materiality	£28,500,000	£570,000
Specific materiality for other financial statement areas:		
- Contributions	£6,272,000	£125,000
- Other fund account balances	£9,297,000	£185,000

Please see Appendix I for detailed definitions of materiality and triviality.

Planning materiality for the pension fund financial statements will initially be based on 1% of net assets. Specific materiality (at a lower level) may be considered appropriate for certain financial statement areas and we set materiality for contributions at 5% of contributions receivable and for other fund account balances at 7.5% of the total expenditure.

At this stage, the above figures are based on the prior year net assets and income and expenditure figures. This will be revisited when the draft financial statements are received for audit.

The clearly trivial amount is based on 2% of the materiality level.

OVERALL AUDIT STRATEGY

We will perform a risk based audit on the pension fund financial statements

This enables us to focus our work on key audit areas.

Our starting point is to document our understanding of the pension fund and the specific risks it faces. We discussed the changes to the fund, such as scheme regulations, and management's own view of potential audit risk during our planning visit in order to gain an understanding of the activities and to determine which risks impact on our audit. We will continue to update this assessment throughout the audit.

We also confirm our understanding of the accounting systems in order to ensure their adequacy as a basis for the preparation of the financial statements and that proper accounting records have been maintained.

We then carry out our audit procedures in response to risks.

Risks and planned audit responses

Under International Standard on Auditing 315 "Identifying and assessing the risks of material misstatement through understanding the entity and its environment", we are required to consider significant risks that require special audit attention.

In assessing a risk as significant, we exclude the effects of identified controls related to the risk. The ISA requires us at least to consider:

- Whether the risk is a risk of fraud
- Whether the risk is related to recent significant economic, accounting or other developments and, therefore, requires specific attention
- The complexity of transactions
- Whether the risk involves significant transactions with related parties
- The degree of subjectivity in the measurement of financial information related to the risk, especially those measurements involving a wide range of measurement uncertainty
- Whether the risk involves significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual.

Internal audit

We will ensure that we maximise the benefit of the overall audit effort carried out by internal audit and ourselves, whilst retaining the necessary independence of view.

We understand that internal audit reviews have been undertaken across a range of accounting systems and governance subjects. We will consider these reports as part of our audit planning and consider whether we are able to place any reliance on internal audit work as evidence of the soundness of the control environment.

Management assessment of fraud

We have discussed with management its assessment of the risk that the financial statements may be materially misstated due to fraud and the processes for identifying and responding to the risks of fraud.

Management believe that the risk of material misstatement due to fraud in the pension fund financial statements is low. Potential fraud could include failure to receive all contributions due from employers or paying for fictitious pensioners or continuing to pay pensions to deceased pensioners. Management consider that controls in operation would prevent or detect material fraud in these areas. We are informed by management that there have not been any cases of significant or material fraud to their knowledge.

The Pension Committee and Board has oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks. This is discharged through the reviews undertaken by internal audit.

To corroborate the responses to our inquiries of management, please let us know if there are any other actual, suspected or alleged instances of fraud of which you are aware.

New Auditing Standards from 2017/18

This is the first year of application of a revised set of ISAs applicable to the UK. These include enhanced requirements in respect of the audit of disclosures, other information published with the accounts and of going concern, as well as changes to the structure and content of the audit opinion.

KEY AUDIT RISKS AND OTHER MATTERS

Key: ■ Significant risk ■ Normal risk

AUDIT RISK AREAS - FINANCIAL STATEMENTS			
RISK	**DESCRIPTION**	**PLANNED AUDIT RESPONSE**	**EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE**
Management override	Under ISA (UK) 240 "The Auditor's responsibility to consider fraud in an audit of financial statements", there is a presumed significant risk of management override of the system of internal controls. The primary responsibility for the detection of fraud rests with management. Their role in the detection of fraud is an extension of their role in preventing fraudulent activity. They are responsible for establishing a sound system of internal control designed to support the achievement of the fund's policies, aims and objectives and to manage the risks facing the fund; this includes the risk of fraud.	Our audit is designed to provide reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. We are not responsible for preventing fraud or corruption, although our audit may serve as a deterrent. We consider the manipulation of financial results through the use of journals and management estimates as a significant fraud risk. In every organisation, management may be in a position to override routine day to day financial controls. Accordingly, our audit has been designed to consider this risk and adapt procedures accordingly.	Not applicable.
Fair value of investments (unquoted investments - excluding Cambridge & Counties Bank)	The investment portfolio includes unquoted investment holdings valued by the fund manager. The valuation of these assets may be subject to a significant level of assumption and estimation and valuations may not be based on observable market data. In some cases, the valuations are provided at dates that are not coterminous with the pension fund's year end and need to be updated to reflect cash transactions (additional contributions or distributions received) since the latest available valuations. As a result, we consider there to be a significant risk that investments are not appropriately valued in the financial statements. The valuation of Cambridge & Counties Bank is considered separately as a non-significant risk below.	We will obtain direct confirmation of investment valuations from the fund managers and request copies of the audited financial statements (and member allocations) from the fund. Where the financial statement date supporting the valuation is not conterminous with the pension fund's year end, we will confirm that appropriate adjustments have been made to the valuations in respect of additional contributions and distributions with the funds. We will review the methods and assumptions used and consider whether investments have been correctly valued in accordance with the relevant accounting policies.	Direct confirmation of fund valuation and audited financial statements for private equity investments.

KEY AUDIT RISKS AND OTHER MATTERS
Continued

AUDIT RISK AREAS - FINANCIAL STATEMENTS			
RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Pension liability assumptions	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.	We will review the controls in place to ensure that the data provided from the fund to the actuary is complete and accurate. We will review the reasonableness of the assumptions used in the calculation against other local government pension fund actuaries and other observable data. We will agree the disclosure to the information provided by the actuary.	We will use the PwC consulting actuary report for the review of the methodology of the actuary and reasonableness of the assumptions.
Revenue recognition (CCC contributions)	Under ISA (UK) 240 there is a presumption that income recognition presents a fraud risk. We have rebutted this presumed significant risk as the majority of income is from contributions, which is a highly controlled stream (with limited subjectivity or opportunity for manipulation), and levels of contributions are set by the scheme actuary. However, the majority of contributions are from a single employer, Cambridge County Council (CCC). Therefore, there is a risk that manipulation may occur within the CCC contributions, but this is not regarded as significant. We have scoped out from this specific risk the contributions received from other bodies, as it would require significant manipulation of multiple bodies for any misstatement to be material.	We will undertake substantive testing of contributions receivable by the fund from CCC, on a sample basis, to verify the monthly contributions received by the pension fund and trace these back to returns issued to the pension fund and the employer payroll records. For a sample of individual members, we will verify their inclusion in the employer payroll and seek to confirm that employer contribution rates are in line with the latest rates set by the actuary, and member rates are in accordance with the LGPS contributions table.	We will check a sample of contributions receivable from the Council to the Council's payroll records to ensure that the correct amounts have been paid by the employee and employer.

KEY AUDIT RISKS AND OTHER MATTERS
Continued

AUDIT RISK AREAS - FINANCIAL STATEMENTS			
RISK	**DESCRIPTION**	**PLANNED AUDIT RESPONSE**	**EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE**
Fair value of investments (Cambridgeshire and Counties Bank)	The investment in Cambridge & Counties Bank (CCB) is unquoted and is valued by an external valuer appointed by the fund (Grant Thornton). The valuation of the investment is in based upon the unquoted results of the bank and includes an element of assumption and estimation. There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements. However, from our experience gained by reviewing the valuation basis in the prior year, and our expectation that the same basis will be applied this year, we have concluded this does not present a significant risk of misstatement.	We will review the valuation of the bank completed by the external valuer and the significant assumptions made in this valuation. As part of this we will consult with a valuation specialist within the firm to help assess the reasonableness of the valuation. We will ensure that investments have been correctly valued in accordance with the relevant accounting policies.	External market comparators to Pension Fund's valuation drivers.
Consideration of related party transactions - key management personnel disclosures	We consider if the disclosures in the financial statements concerning related party transactions are complete, accurate and in line with the requirements of the accounting standards.	We will document the related party transactions identification procedures in place and review relevant information concerning any such identified transactions. We will discuss with management and review members' and Senior Management declarations to ensure that there are no potential related party transactions which have not been disclosed. This is something we will require you to include in your management representation letter to us.	Not applicable.

INDEPENDENCE

INDEPENDENCE

Under Auditing and Ethical Standards, we are required as auditors to confirm our independence to 'those charged with governance'. In our opinion, and as confirmed by you, we consider that for these purposes it is appropriate to designate the Audit and Accounts Committee as those charged with governance.

Our internal procedures are designed to ensure that all partners and professional staff are aware of relationships that may be considered to have a bearing on our objectivity and independence as auditors. The principal statements of policies are set out in our firm-wide guidance. In addition, we have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. The procedures require that engagement leads are made aware of any matters which may reasonably be thought to bear on the firm's independence and the objectivity of the engagement lead and the audit staff. This document considers such matters in the context of our audit for the period ended 31 March 2018.

Our appointment by the Audit Commission (and confirmed by Public Sector Audit Appointments Limited) covers both the Council and Pension Fund. We do not consider this to be a threat to our independence and objectivity.

We have not identified any potential threats to our independence as auditors.

We have confirmed that we have not provided any non-audit services.

We confirm that the firm complies with the Financial Reporting Council's Ethical Standards for Auditors and, in our professional judgement, is independent and objective within the meaning of those Standards.

In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit engagement partner and audit staff is not impaired. These policies include partner and manager rotation. The table in appendix II sets out the length of involvement of key members of the audit team and the planned year of rotation.

Should you have any comments or queries regarding this confirmation we would welcome their discussion in more detail.

INDEPENDENCE - ENGAGEMENT TEAM ROTATION

SENIOR TEAM MEMBERS	NUMBER OF YEARS INVOLVED	ROTATION TO TAKE PLACE IN YEAR ENDED
David Eagles - Engagement lead	3	31 March 2021
Archie Rwavazhinji - Engagement manager	2	31 March 2027

INDEPENDENCE

INDEPENDENCE - AUDIT QUALITY CONTROL		
ROLE	**NUMBER OF YEARS INVOLVED**	**ROTATION TO TAKE PLACE IN YEAR ENDED**
Engagement Quality Review Partner	3	31 March 2021

FEES

FEES SUMMARY

Our proposed fees, excluding VAT, for the year ended 31 March 2018 are:

	£
Code audit fee (pension fund)	22,410
TOTAL FEES	22,410

Fee invoices have been raised as set out below:

- First instalment £11,205 in July 2017
- Second instalment £11,205 in January 2018.

The fee set out above is the base Scale fee. It has not been adjusted to reflect any ongoing risks and consequent additional audit resource requirements to address such. This position will be closely monitored and any additional risk work that we consider necessary will be discussed and agreed with the Pension Fund.

Our fee is based on the following assumptions

The complete draft financial statements and supporting work papers will be prepared to a standard suitable for audit. All balances will be reconciled to underlying accounting records.

Key dates will be met, including receipt of draft accounts and working papers prior to commencement of the final audit fieldwork.

We will receive only one draft of the pension fund financial statements prior to receiving the final versions for signing.

Within reason, personnel we require to hold discussions with will be available during the period of our on-site work (we will set up meetings with key staff in advance).

APPENDIX I: MATERIALITY

CONCEPT AND DEFINITION

- The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements.
- We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.
- Materiality therefore has qualitative as well as quantitative aspects and an item may be considered material, irrespective of its size, if it has an impact on (for example):
  - Narrative disclosure e.g. accounting policies, going concern
  - Instances when greater precision is required (e.g. related party transactions disclosures).
- International Standards on Auditing (UK & Ireland) also allow the auditor to set a lower level of materiality for particular classes of transaction, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

CALCULATION AND DETERMINATION

- We have determined materiality based on professional judgement in the context of our knowledge of the pension fund, including consideration of factors such as sector developments, financial stability and reporting requirements for the financial statements.
- We determine materiality in order to:
  - Assist in establishing the scope of our audit engagement and audit tests
  - Calculate sample sizes
  - Assist in evaluating the effect of known and likely misstatements on the financial statements.

APPENDIX I: MATERIALITY
Continued

REASSESSMENT OF MATERIALITY

- We will reconsider materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality if we had been aware.
- Further, when we have performed all our tests and are ready to evaluate the results of those tests (including any misstatements we detected) we will reconsider whether materiality combined with the nature, timing and extent of our auditing procedures, provided a sufficient audit scope. If we conclude that our audit scope was sufficient, we will use materiality to evaluate whether uncorrected misstatements (individually or in aggregate) are material.
- You should be aware that any misstatements that we identify during our audit, both corrected and uncorrected errors, might result in additional audit procedures being necessary.

UNADJUSTED ERRORS

- In accordance with auditing standards, we will communicate to the Audit and Accounts Committee all uncorrected misstatements identified during our audit, other than those which we believe are ‘clearly trivial’.
- Clearly trivial is defined as matters which will be of a wholly different (smaller) order of magnitude than the materiality thresholds used in the audit, and will be matters that are clearly inconsequential, whether taken individually or in aggregate.
- We will obtain written representations from the Audit and Accounts Committee confirming that in their opinion these uncorrected misstatements are immaterial, both individually and in aggregate and that, in the context of the financial statements taken as a whole, no adjustments are required.
- There are a number of areas where we would strongly recommend/request any misstatements identified during the audit process being adjusted. These include:
  - Clear cut errors whose correction would cause non-compliance with statutory requirements, management remuneration, other contractual obligations or governmental regulations that we consider are significant.
  - Other misstatements that we believe are material or clearly wrong.

Agenda Item No: 8

CLOSEDOWN PROGRESS REPORT

To:	**Audit and Accounts Committee**
Date:	**27th March 2018**
From:	**Group Accountant**
Electoral division(s):	**All**
Forward Plan ref:	**N/A** *Key decision:* **No**
Purpose:	**This report is to provide the Committee with an update on progress on Closedown and the production of the accounts and seek approval of the Accounting Policies for 2017-18.** **The report includes an update on the implications of the forthcoming changes to the statutory deadlines for the production of the accounts in place for 2017-18.**
Recommendation:	**The Committee is asked to note the report and to approve the Accounting Policies to the County Council's Statement of Accounts for 2017-18.**

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1. INTRODUCTION

1.1 This report is to provide the Committee with an update on the production of the 2017-18 Statement of Accounts for Cambridgeshire County Council and the Cambridgeshire County Council Pension Fund .

2. BACKGROUND TO THE PENSION ACCOUNTS

2.1 The Pension Fund will be preparing the Annual Report and Statement of Accounts in line with the Chartered Institute of Public Finance and Accountancy and the Local Authority (Scotland) Accounts Advisory Committee (CIPFA/LASAAC) Code of Practice for Local Authority Accounting in the United Kingdom 2017-18 and associated CIPFA guidance.

2.2 The document as a whole will be subject to independent audit by the Fund's auditors, BDO LLP (BDO), who will issue an opinion as to whether there is consistency between:

a) The Fund's Annual Report and the Statement of Accounts; and
b) With the Statement of Accounts for the Fund as published in the County Council's Statement of Accounts.

They will also consider the Fund's compliance with applicable law and the CIPFA/LASAAC Code of Practice for Local Authority Accounting in the United Kingdom 2017-18.

2.3 The Fund has a separate audit team to the County Council's main accounts and therefore this paper updates the Audit and Accounts Committee of the intended audit approach for the Pension Fund.

3. PENSION FUND AUDIT PLAN

3.1 The key audit areas identified are:

Audit Area	Issue	Mitigation
Investment Valuation Accuracy	Some investments, such as Private Equity, involve complex and lengthy valuation processes which are not completed in time to include in the Statement of Accounts.	Such investments have been identified already and the treatment agreed with the Auditors is to use the last available valuation, adjusted for additional cash movements (additional investments and distributions) to arrive at an estimated year end value. Additional assurance of the estimated value will be sought from Investment Managers, and compared to formal valuations received until the signing of the audit report. Where estimates are materially different to valuations received, an adjustment would be made.
Investment Valuation for Cambridge &	The Fund's holding requires specialist	The Fund has previously instructed Grant Thornton to carry out a valuation of this asset. This approach will be

Counties Bank	valuation for inclusion in the Statement of Accounts.	taken again this year. Grant Thornton have been appointed and their draft valuation report is due to be available for consideration by the auditor by the end of April 2018.
Investment Valuation for Cambridge Building Society	The Fund holds a stake in the Building Society and requires appropriate valuation.	Due to the size of this investment (£15m) it has been agreed with the auditor that valuation on a cost basis would be acceptable.
Fair Value Level Determinations	The Fund needs to categorise financial instruments into three levels, indicating the reliability of information used to determine fair value.	The Fund adopted the classification guidelines recommended in the Practical Guidelines on Investment Disclosures (PRAG/Investment Association, 2016) when preparing the levels for 2016-17. These classification guidelines will again be applied to financial instruments held at 31 March 2018. Instruments held at 31 January 2018 will be classified and made available to the auditor at the interim stage, for their review.

The audit timetable is as follows

Audit Stage	Objective	Dates
Interim Phase 1	BDO to complete their planning stage, carry out controls testing and prepare for initial testing of transactions from 1 April 2017 to 31 December 2017.	15-26 January 2018
Interim Phase 2	BDO to complete initial testing of transactions, review key audit areas and prepare for final testing. Template Annual Report and Statement of Accounts to be made available for review.	19-30 March 2018
Pension Committee meeting	To consider the draft Annual Report and Statement of Accounts.	24 May 2018
Audit and Accounts Committee meeting	To table the draft Statement of Accounts (reproduced from the Annual Report and Statement of Accounts) and identify any further areas that the Committee wish to	12-14 June 2018 – to be confirmed.

	address.	
Final Audit	BDO to complete all substantive testing and fieldwork required.	4-15 June 2018
Pension Committee meeting	To consider the final Annual Report and Statement of Accounts.	26 July 2018
Audit and Accounts Committee meeting	To table the final Statement of Accounts (reproduced from the Annual Report and Statement of Accounts).	30 July 2018
Anticipated signing of audit report.	To provide an audit opinion on the Annual Report and Statement of Accounts for the Pension Fund.	This will be dependant upon the progress of the County Council's audit, but is anticipated to be in time for the statutory deadline of 30 September 2018

4. UPDATE ON PROGRESS – PENSION FUND

4.1 BDO started the interim audit on the 15 January 2018. The auditors have provided the following feedback on their first stage interim audit: 'We updated our planning and completed our initial risk assessment as per plan and we do not have anything to report to the committee. We will present our audit plan in the meeting'.

4.2 In terms of preparing the accounts

- Officers have sent out Related Party questionnaires to collect information relevant to the necessary disclosures required.
- Work to finalise the template accounts is nearing completion.

5. UPDATE ON PROGRESS – COUNTY COUNCIL ACCOUNTS

5.1 As a key part of the plan to achieve the earlier close timescales involves completing tasks earlier. Further to the previous update report below is a list of tasks that are now in progress or have been completed:

i. **Valuations –** the valuations for the 1st April Revaluations are currently being audited as part of the interim audit. This is ahead of schedule in comparison to previous years, when it was audited during the main audit. This is advantageous as it is a considerable piece of work as these values form a significant part of the Council's balance sheet.

ii. **Pensions –** the Pensions accounting team have received the information requested well ahead of the deadline to ensure that we will receive the information required to complete the accounts at the earliest opportunity.

iii. **Schools Payroll –** the authority has been in constant contact with Education Personnel Management (EPM) to ensure that we receive the information needed from them for both the interim and final audit. The dialogue with EPM is much more collaborative than in previous years, which gives us confidence that the issues experienced in previous years will not be repeated.

6. UPDATE ON RESOURCES

6.1 One area that has been identified as a potential risk to achieving the reduced timescales has been the lack of resilience due to the reliance on key individuals in order to meet the majority of key deadlines.

6.2 The Integrated Closedown team have recruited a Closedown Accountant to work primarily on the CCC statement of accounts. The Closedown Accountant started in February 2018 and is getting up to speed to with work to ensure that the Council is able to meet the reduced timescales to provide an audited statement of accounts.

6.3 In addition to this recent recruitment, the Integrated Closedown team are also bringing in additional interim support to facilitate the changes required to achieve the new deadlines. This will be funded by the Cambridgeshire Finance Team, with any additional funding required provided by the Integrated Finance Team. Recruitment Agencies have been contacted and it is expected that this resource will be in place by the 31st March.

6.4 Subsequently, there is greater comfort that sufficient resources will be in place to enable the reduced timescales to be achieved. However, there are some risks due to the lack of familiarity with Cambridgeshire County Council processes, which will be managed by the Group Accountant leading the accounts.

7. CHANGES TO ACCOUNTING POLICIES

7.1 A number of accounting policy changes have been identified as being required that were not required for previous financial years. These relate to

a. **Capitalisation of Interest Costs** – to ensure that the full cost (including interest) incurred on any borrowing costs are capitalised;

b. **Increasing the De-minimus from £1k - £4k** – to help produce the accounts quicker by focussing on higher value accruals; and

c. **Changing the approach on the accounting treatment for Infrastructure asset additions –** this change is to acknowledge that Infrastructure spending (such as that spent enhancing roads) is replacing previous expenditure and adjusting the asset values accordingly.

7.2 A copy of the proposed accounting policies that would be included within the financial statement are detailed in Appendix 1 for the Committee's approval.

8. ALIGNMENT WITH CORPORATE PRIORITIES

8.1 Developing the local economy for the benefit of all

There are no significant implications for this priority.

8.2 Helping people live healthy and independent lives

There are no significant implications for this priority.

8.3 Supporting and protecting vulnerable people

There are no significant implications for this priority.

9. SIGNIFICANT IMPLICATIONS

9.1 Resource Implications

There are no significant implications within this category.

9.2 Statutory, Risk and Legal Implications

There are no significant implications within this category.

9.3 Equality and Diversity Implications

There are no significant implications within this category.

9.4 Engagement and Consultation Implications

There are no significant implications within this category.

9.5 Localism and Local Member Involvement

There are no significant implications within this category.

9.6 Public Health Implications

There are no significant implications within this category.

There are no background Papers

APPENDIX 1 - ACCOUNTING POLICIES

GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2016-17 financial year and its position at the year-end of 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2016-17*, supported by *International Financial Reporting Standards (IFRS).* The accounts are prepared on a historical cost basis, i.e. expenditure is included on the basis of the price actually paid rather than any additional allowance being made for changes in the purchasing power of money, modified by the revaluation of certain categories of property, plant and equipment. The accounting policies have been consistently applied where appropriate.

BASIS OF ACCOUNTING

The following accounting concepts have been applied in preparing the accounts:

- Relevance: the information in the accounts is useful in assessing the Council's performance;
- Reliability: the information in the accounts is complete, prudently prepared, reflects the substance of transactions and is free of deliberate or systematic bias or material errors;
- Comparability: a consistent approach to accounting policies is used in preparing the accounts to ensure that it may be compared to previous years. Where there is a change in accounting policy that has a material effect on the information, this has been disclosed. Application of the terms of the Code ensure comparability;
- Understandability: the Council endeavours to ensure that an interested reader can understand the accounts;
- Materiality: in using its professional judgment, the Council considers the size and nature of any transaction, or set of transactions. An item is considered material where its omission or misstatement would reasonably change the substance of the information presented in the accounts;
- Going Concern: the accounts have been prepared on the assumption that the functions of the Council will continue in operational existence for the foreseeable future;
- Primacy of Legislative Requirements: the Council operates through the power of statute. Where legislation prescribes the treatment of transactions, then the accounting concepts outlined above may not be applied.

THE DE MINIMIS THRESHOLD

The de minimis threshold level has been set at £4,000

ACCRUALS OF INCOME AND EXPENDITURE

Revenue accounts are maintained on an accruals basis. Expenditure is charged to the revenue accounts in the year in which goods and services are received and, similarly, income is credited in the year to which it relates, regardless of the timing of cash payments or receipts. For example, accrued income is recognised where an amount is earned in the current accounting year, but is

expected to be received in a subsequent year. Deferred income reflects any income which has been received in advance of it being earned, and is recognised when it can be matched with the year in which it is earned.
Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of receivables is written down and a charge made to revenue for the income that might not be collected.

PROPERTY, PLANT AND EQUIPMENT

The Property, Plant and Equipment category refers to assets that are expected to be used for more than one year. All expenditure on the acquisition, creation, or enhancement of property, plant and equipment has been capitalised on an accruals basis, subject to the following accounting policies.

Recognition

New acquisitions are brought into the accounts at cost within the appropriate Property, Plant and Equipment balance and are then revalued during the following year. Expenditure on construction of new assets is also brought into the accounts at cost and included either within the Infrastructure category or Assets Under Construction. For capital schemes held within Assets Under Construction, once all the assets which are created or enhanced by a capital scheme become operational, the value is transferred to the appropriate category of Property, Plant and Equipment. Assets costing less than £10,000, or revalued to less than £10,000 and all non-PFI vehicles and equipment are charged to the Comprehensive Income and Expenditure Statement. The assets of local authority maintained schools are recognised in the Council's financial statements, subject to the usual accounting requirements for long-term assets. Therefore, if there are any specific arrangements in place whereby the control of the asset does not lie with the local authority, then the asset will not be recognised. The Council reviews all schools on an individual basis to determine where the control lies; at present, all community schools are held within the Council's Balance Sheet, whereas all academy schools are not. The Council transfers academy school assets on a 125-year lease, and as such they are subject to lessor finance lease policies (see leases policy, pages 109-110). Long-term assets of foundation schools governed by a separate trust with no local authority control present are not consolidated, along with the long-term assets of most voluntary aided and voluntary controlled schools. This is due to the legislation contained within the School Standards and Framework Act 1998, as amended, that stipulates all non-playing field land shall be transferred by the local authority to the relevant diocese or trust. Only where there are specific lease, or other arrangements in place, does the Council hold the assets of these schools on the Council's Balance Sheet.

Infrastructure Asset Additions and De-recognitions

Capital Expenditure incurred on the enhancement of existing infrastructure assets will be added to the value of the asset included within the asset register. Consequently, a de-recognition of the existing asset will occur, writing out the value attributable to the asset that has been enhanced/replaced (including any associated depreciation)

Measurement

The Council carries out a rolling revaluation programme that ensures that all Property, Plant and Equipment required to be measured at current value is reviewed at least every five years. In order to ensure that values are kept in line with current values, in the interim the Council undertakes a material misstatement analysis annually and adjusts for any material variances if required. This analysis involves a) a desktop valuation of assets over a certain value, b) a market review undertaken by the Council's external valuers, and if necessary, c) an indexation analysis that includes an assessment of when a depreciated replacement cost asset was last revalued and application of an index to it based on Building Cost Information Service (BCIS) forecasts and land value estimations for every year since the asset was last revalued. The threshold value used to determine which assets are subject to a desktop valuation is reviewed each year – the aim is to set this threshold at such a level that it reduces any variances in value below a material level in order that a further indexation analysis is not required.

Assets contained within Property, Plant and Equipment required to be measured at fair value are revalued every year. The effective date of revaluation for the rolling programme and all Surplus Assets is 1 April at the commencement of the year in question, however as part of the material misstatement exercise, some assets are revalued again as at 31 March of the year in question and are potentially adjusted for indexation between 1 April and 31 March.
Infrastructure has been included in the Balance Sheet at depreciated historical cost, whilst Community Assets, and Assets Under Construction have been included at historical cost. The cost therefore includes the original purchase price of the asset and the costs attributable to bringing the asset to a working condition for its intended use.

The value of Infrastructure assets within the accounts includes a lump sum removal in 1998 when Peterborough City Council was formed, becoming independent of Cambridgeshire County Council. This lump sum is not broken down on an asset-by-asset basis. Other additions and enhancements are recorded at cost on a project-by-project basis rather than by asset, therefore additions and enhancements may relate to a number of individual Infrastructure assets.
Land and Building assets and Vehicles, Plant, Furniture and Equipment assets have been included in the Balance Sheet at their current value. Operational Property, Plant and Equipment is valued using Existing Use Value whereas specialised assets are valued using Depreciated Replacement Cost. The valuation of the farms estate, included within the Land and Building figures, is based on a discounted cash flow of future rental income and capital receipts, which is a type of Existing Use Valuation. Assets identified as surplus to requirements are measured at fair value based on highest and best use. Assets that are subject to part disposals are revalued in the year of disposal.

Assets held at current or fair value are split into land and building components, with the building element further subdivided in order to be depreciated over appropriate estimated useful lives. The four building components used are Roof, Structure, Machinery and Equipment, and Externals.

Capitalisation of Borrowing Costs

Borrowing costs that are:

■ Directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset;
■ When it is probable that they will result in future economic benefits or service potential to the Council; and
■ The costs can be measured reliably;

shall be capitalised and form part of the cost of that non current asset.

Where the Council borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Council shall apply a capitalisation rate to the expenditures on that asset. The capitalisation rate shall be the weighted average of the borrowing costs that are outstanding during the period.

The amount of borrowing costs capitalised shall not exceed the amount of borrowing costs incurred during the period.

The commencement of capitalisation begins when all of the following conditions are met:
■ Expenditure in respect of the asset are incurred;
■ Finance costs in respect of the asset are incurred; and
■ Activities that are necessary to develop an asset are in progress.
Capitalisation ceases when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete.

Capitalisation should be suspended during periods in which active development is interrupted.

Depreciation

Land is held at current value and not depreciated. Property, Plant and Equipment assets other than land, are depreciated over their useful economic lives using the straight-line method. An exception is made regarding depreciation for assets without a determinable finite useful life (i.e. Community Assets) and assets that are not yet available for use (i.e. Assets Under Construction). Depreciation is applied using the following month convention (except for Infrastructure), where depreciation is not charged in the month of acquisition but a full month's depreciation is charged in the month of disposal.
Useful economic lives for depreciating Property, Plant and Equipment assets are as follows:
■ Buildings (including Surplus Assets) – 5 to 50 years, in line with the Council's componentisation policy which specifies different useful economic lives according to the type and condition of the component;
■ PFI schemes only: Vehicles, Plant, Furniture and Equipment– 3 to 26 years; (Vehicles, Plant, Furniture and Equipment outside of PFI schemes are not capitalised)
■ Infrastructure – 40 years.

Upon a review of asset lives, depreciation is calculated over the revised remaining useful life of the asset.

FAIR VALUE MEASUREMENT

The Council measures some of its non-financial assets such as Surplus Assets and Investment Properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

■ In the principal market for the asset or liability, or
■ In the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.
When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.
The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

 Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date

 Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

 Level 3 – unobservable inputs for the asset or liability.

CAPITAL ACCOUNTING

Two reserve accounts are required in the Council's Balance Sheet for capital accounting adjustments:

■ **The Revaluation Reserve** - this contains the balance of the surpluses or deficits arising on the periodic revaluation of property, plant and equipment. The Revaluation Reserve contains only gains recognised since 1 April 2007, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account;

■ **The Capital Adjustment Account** - this absorbs the timing differences arising from the different arrangements for accounting for the consumption of property, plant and equipment and for financing the acquisition, construction, or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement, via charges for depreciation, impairment losses and amortisations which are initially debited to the Comprehensive Income and Expenditure Statement. These are then transferred in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account. Reconciling postings from the Revaluation Reserve convert the fair value figures to a historical cost basis. The account is also credited with the amounts set aside by the Council to finance the costs of acquisition, construction and enhancement.

The above accounts are not available to fund future expenditure.

CAPITAL RECEIPTS

When an asset is disposed of, the value of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement. Any receipts from disposals, net of costs of disposal, are also credited to the Comprehensive Income and Expenditure Statement. Costs associated with disposal can be funded from the associated capital receipt as long as they are less than 4% of the value of the proceeds. Any disposal costs over this level must therefore be funded by revenue.

The gain, or loss, on the disposal of a long-term asset is the amount by which the disposal proceeds, net of disposals costs, are more (gain) or less (loss) than the balance sheet value of the long-term asset. Any previous revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account on disposal.

Income that is not reserved for the repayment of external loans, and has not been applied in financing capital expenditure, is shown on the Balance Sheet within the Usable Capital Receipts Reserve.

CHARGES TO REVENUE FOR LONG-TERM ASSETS

Revenue accounts are debited with the following amounts to record the real cost of holding long-term assets during the year:

- Depreciation attributable to the assets used by the relevant service (as per the Depreciation policy on page 102);
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which they can be written off;
- Amortisation of intangible long-term assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment losses, or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (see the Debt Redemption policy on page 114). Depreciation, revaluation and impairment losses, and amortisations are therefore replaced by the contribution in the General Fund Balance by an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Some expenditure is incurred during the year that may be treated as capital under statutory provisions but does not result in the creation of a long-term asset (e.g. expenditure on academy schools). Instead of capitalising this expenditure, it is charged to the relevant service in the Comprehensive Income and Expenditure Statement. Where the Council has determined to meet the cost of this expenditure from existing capital resources, those resources are also credited to the relevant service in the Comprehensive Income and Expenditure Statement. Where the Council has determined to meet the cost of expenditure by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

HERITAGE ASSETS

Heritage Assets are a distinct class of asset which are reported separately from property, plant and equipment and intangible assets. The Council holds these assets principally for future generations because of their contribution to knowledge, the environment and the culture of the County.

The code requires authorities to recognise heritage assets where the Council has information on the cost or value of the asset. Where information on cost or value is not available, and the cost of obtaining this information outweighs the benefits to the users of the financial statements, the asset is not recognised on the Council's Balance Sheet but commentary is included in the notes to the financial statements. Where valuations are made, an appropriate method is adopted; this may include, for example, insurance valuations of museum collections.

The Council’s different classes of Heritage Assets are treated as follows:

- Archives collections – recognised in the Balance Sheet at insurance valuation where available;
- Museum collections – recognised in the Balance Sheet at insurance valuation;
- Art works – recognised in the Balance Sheet at insurance valuation;
- Archaeological artefacts and ecofacts – not recognised on balance sheet due to a lack of reliable valuation information;
- Civic regalia – not recognised on balance sheet due to being considered as immaterial and a lack of reliable valuation information.

The Council reviews the carrying amounts of heritage assets carried at valuation on a yearly basis to ensure they remain current. Depreciation is not charged on heritage assets which have indefinite lives, but impairment reviews are carried out where there is physical deterioration or if new doubts as to the authenticity of the Heritage Asset exist.

INVESTMENT PROPERTIES

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm’s length. Properties are not depreciated but are revalued annually according to market conditions. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

FINANCIAL LIABILITIES

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument (e.g. Public Works Loan Board borrowing). Financial liabilities are initially measured at fair value and subsequently carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus any accrued interest). Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Comprehensive Income and Expenditure Statement in the year of repurchase / settlement. However where repurchase has taken place, as part of a restructuring of the loan portfolio that involves the modification or exchange of existing financial instruments, the premium or discount is respectively deducted from, or added to, the amortised cost of the new or modified loan. The write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.
Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain, or loss, over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to, or from, the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

FINANCIAL ASSETS

Financial assets are classified as loans or receivables that have fixed or determinable payments but are not quoted in an active market.
Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. Loans and receivables are initially measured at fair value and subsequently carried at their amortised cost. Annual credits to the ‘Financing and investment income and expenditure’ line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made this means that the amount presented in the Balance Sheet is the outstanding principal receivable. The interest credited to the Comprehensive Income and Expenditure Statement for the loans is the amount receivable for the year in the loan agreement.
Where assets are identified as impaired, because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the ‘Financing and investment income and expenditure’ line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset’s original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the ‘Financing and investment income and expenditure’ line in the Comprehensive Income and Expenditure Statement.

GOVERNMENT GRANTS
Government grants, and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that the Council will comply with the conditions attached to the payments, and the grants or contributions. There are two types of stipulations; conditions and restrictions:

■ Conditions are stipulations that specify that the future economic benefits or service potential embodied in transferred assets are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor;

■ Restrictions are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential are required to be returned to the transferor if not deployed as specified.

The key difference between a condition and a restriction is that a condition requires the grant funder or donor to have a right to the return of their monies or the donated asset (or similar equivalent compensation). However, if recovery of the grant/ donation is only possible indirectly by, for instance, legal action for breach of contract or withholding payment of other monies due separately to the Council without a right to have done so, then this will amount to a restriction rather than a condition.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as payables. When conditions are satisfied, the grant or contribution is credited to the Comprehensive Income and Expenditure Statement and reversed out of the General Fund Balance in the Movement in Reserves Statement.

Where the grant has yet to be used to finance capital expenditure it is posted to the Capital and Contributions Unapplied Reserve. Where it has been applied it is posted to the Capital Adjustment Account. Amounts in the Capital Grants and Contributions Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

COUNCIL TAX

In England, billing authorities act as agents on behalf of major preceptors in collecting council tax. This is because the legislative framework for the Collection Fund states that billing authorities and major preceptors share proportionately:
■ the risks and rewards that the amount of council tax collected could be less or more than predicted;
■ the effect of any bad debts written off;
■ the movement in the impairment provision.

The Council, as a major preceptor, is therefore required to include the appropriate share of the Council Tax receivables in its Balance Sheet as well as an appropriate share of the Collection Fund surplus / deficit for the year within its Comprehensive Income and Expenditure Statement.

LONG-TERM CONTRACTS

Long term contracts are accounted for on the basis of charging the surplus or deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

PRIVATE FINANCE INITIATIVE (PFI) SCHEMES

PFI contracts are agreements to receive services, where the responsibility for making available the long-term assets needed to support the delivery of those services passes to the PFI contractor in return for an annual fee. The Code of Practice requires that PFI contracts are accounted for in a manner consistent with the adoption of *International Financial Reporting Interpretations Committee (IFRIC) 12: Service Concession Arrangements* as contained in the Government's *Financial Reporting Manual (FreM),* and means that assets and liabilities are recognised on the Council's Balance Sheet where the Council substantially controls the use of the assets involved and any associated residual interest. As the Council is deemed to control the services that are provided under its PFI schemes and, as the ownership of the property, plant, and equipment will pass to the Council at the end of the contract, the Council carries the long-term assets used under the contracts on the Balance Sheet in line with the requirements of *IFRIC 12*.

The original recognition of these assets is at historical cost the year after they are made available for use, and when revalued, at current value in existing use. This is matched by the recognition of an equivalent liability for amounts due to the scheme operator to pay for the capital investment. PFI assets are revalued and depreciated in the same way as any other property, plant, and equipment owned by the Council.
Annual unitary charges that are paid by the Council to PFI operators can be analysed into five elements:

- Current value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- Finance cost – an interest charge on the outstanding Balance Sheet liability calculated by applying the implicit interest rate in the lease to the opening lease liability for the year. This is debited to the 'Financing and investment income and expenditure' line;
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the 'Financing and investment income and expenditure' line in the Comprehensive Income and Expenditure Statement;
- Payment towards the liability – applied to write down the Balance Sheet liability towards the PFI operator;
- Life cycle replacement costs – this refers to the replacement of individual components within the PFI asset portfolio to ensure that the condition of the whole property meets the agreed standard throughout the life of the PFI contract. A proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out. Prudent provision for PFI schemes is made within the annual unitary charge, based on the part of the unitary payment that goes to write down the matching liability for assets recognised on the Balance Sheet.

Central government support for PFI schemes is in the form of PFI credits. These are a measure of the private sector investment which is supported by central government departments and are a promise that PFI revenue grant can be claimed once the project is operational. The level of PFI credits determines the amount of grant that can be claimed by the Council, which is calculated as an annuity based on the level of PFI credits and the contract length. (Further detail on the PFI contracts is given in the PFI note, note 39.)

LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.
Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

- **Council as Lessee**

Finance leases
Property, plant and equipment assets held under a finance lease are recognised on the Balance Sheet at the commencement of the lease at its fair value at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor and initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability and contingent rents are charged as expenses in the years in which they are incurred.
Lease payments are apportioned between a charge for the acquisition of the interest in the property, plant or equipment and a finance charge.
As with other long-term assets, the Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue towards the deemed capital investment in accordance with statutory requirements (see the Debt Redemption policy on page 114). Depreciation, revaluation and impairment losses, and amortisations are therefore replaced by the contribution in the General Fund Balance by an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

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

- **Council as Lessor**

Finance leases
Where the Council grants a finance lease on a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the

Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between a charge for the acquisition of the interest in the property (applied to write down the lease debtor (together with any premiums received)), and finance income.

However, in the case of academy schools the Council does not recognise a long term debtor on the Balance Sheet. This is because the assets are transferred as 125 year leases which is deemed too long to be certain of any receivable value at the end of the lease period.

Any gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, it is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating leases

Where the Council grants an operating lease over a property, or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are 'adjusting' and 'non-adjusting' events, both favourable and unfavourable, that occur between the end of the reporting year and the date when the Statement of Accounts is authorised for issue.

An 'adjusting' event is where evidence of the conditions of that event existed at the Balance Sheet date. A 'non-adjusting' event is indicative of conditions that arose after the Balance Sheet date, but prior to the issue of these accounts.

Material events that relate to conditions that did not exist at the Balance Sheet date are disclosed by way of a note to the financial statements.

CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition, and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement cash, and cash equivalents, are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

BENEFITS PAYABLE DURING EMPLOYMENT

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

TERMINATION BENEFITS

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

POST EMPLOYMENT BENEFITS

The majority of employees of the Council are members of two separate pension schemes:

- **The Teachers' Pension Scheme**, administered by Capita Teachers' Pensions on behalf of the Department for Education (DFE);
- **The Local Government Pension Scheme**, administered by Cambridgeshire County Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees of the Council.

The Teachers' Pension Scheme

The arrangements for the Teachers' Pension Scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pension Scheme in the year.
Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

The Local Government Pension Scheme (LGPS)

The LGPS is accounted for as a defined benefits scheme as follows:

■ The liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of projected earnings for current employees;

■ Liabilities are discounted to their value at current prices using a discount rate.

■ The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:

► quoted securities – market value

► unquoted securities – professional estimate

► unitised securities – average of the bid and offer rates

► property – market value;

■ The change in the net pension liability is analysed into service cost and remeasurement components.

Service Cost elements comprise:

► **Current service cost**: the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;

► **Past service cost**: the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Cost of Services in the Comprehensive Income and Expenditure Statement;

► **Net interest on the net defined benefit liability** (i.e. the net interest expense for the Council) – the change during the year in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit liability at the beginning of the year, taking into account any changes in the net defined benefit liability during the year as a result of contribution and benefit payments.

Remeasurements comprise:

► **Expected return on plan assets**: excluding amounts included in the net interest on the net defined benefit liability. These are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;

► **Actuarial gains and losses**: changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement;
► **Contributions paid to the pension fund**: cash paid as employers contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. This means that there are appropriations to and from the Pensions Reserve in the Movement in Reserves Statement to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners, and any such amounts payable but unpaid at the year-end.

OVERHEADS AND THE ALLOCATION OF SUPPORT SERVICE COSTS

The CIPFA Code now allows the Council to present the Cost of Services section of its Comprehensive Income and Expenditure Statement (CIES) on a Directorate basis, to mirror the Council's internal reporting structure. The requirement to use the SeRCOP Service headings prescribed by CIPFA has been removed from the Code.

As support service and overheads costs are reported under the Corporate Services, Assets & Investments, LGSS Managed and LGSS Operational Directorate headings in the Council's monthly Integrated Resources and Performance Reports (IRPR), they will also be presented on this basis within the Statement of Accounts. Therefore the cost of overheads and support services are no longer reapportioned within the Council's Statement of Accounts. Instead the costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

RESERVES

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts through the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year and recorded against the Cost of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. The Council's reserves are categorised as follows:
■ **Usable reserves** - those reserves that contain resources that a council can apply to the provision of services, either by incurring expenses or undertaking capital investment, whether or not there are particular restrictions on exactly what the resources can be applied to. The Council's usable reserves include the General Fund balance and Earmarked reserves;

■ **Unusable reserves** – those that a council is not able to utilise to provide services. This category of reserves includes:
► Reserves that hold unrealised gains and losses (the Revaluation Reserve), where amounts will only become available to provide services (or limit resources in the case of losses) once the gains/ losses are realised as the assets are disposed of.
► Adjustment accounts which deal with situations where income and expenditure are recognised statutorily against the General Fund balance on a different basis from that expected by

accounting standards as adopted by the Code. The accounts will carry either a debit balance (showing that the Council is required by statute to fund its expenditure more slowly than accounting standards would expect) or a credit balance (where the Council has set resources aside under statute earlier than accounting standards require). Examples of this category of reserves are the Capital Adjustment Account, Pensions Reserve and the Accumulated Absences Account.

DEBT REDEMPTION

The Council is required to make a provision for the repayment of debt in accordance with guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003. A change in policy was introduced in 2015-16 for the proportion of the provision that relates to the historic debt liability that had accumulated to 31st March 2010. Up until 2014-15 this element of the provision was calculated using Option 1 of the Guidance, the “Regulatory Method”, which based the calculation on 4% of the Capital Financing Requirement, amended for Adjustment A, on a reducing balance basis. From 2015-16 this debt liability will be provided for using an annuity calculation methodology, allowable under the DCLG Guidance.

Capital expenditure incurred from 2010-11 onwards will be subject to Minimum Revenue Provision (MRP) in the year after the asset has become operational. MRP will be provided for under Option 3 of the DCLG Guidance and will be based on the estimated useful life of the assets, using the equal annual instalment method.

Estimated life periods will be determined under delegated powers. To the extent that expenditures do not create an asset and are of a type that are subject to estimated life periods that are referred to in the guidance, these estimated life periods will generally be adopted by the Council. In view of the variety of types of capital expenditure incurred by the Council, which is not in all cases capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. The determination as to which schemes shall be deemed to be financed from available resources, and those which will remain as an outstanding debt liability to be financed by borrowing or other means will be assessed under delegated powers.

The policy will be reviewed annually to ensure prudence is achieved from using the options available and the option to delay charges until the year after the asset comes into operation (the MRP holiday) will be used where applicable.

Where it is considered prudent to do so, non-operational assets will be excluded from the MRP calculation and any under or over provisions that are identified for previous years will be taken into consideration in the calculation of the current year’s provisions and adjusted accordingly.

PROVISIONS

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that will probably require settlement by a transfer of economic benefits or service potential, and where a reliable estimate can be made of the amount of the obligation.

Provisions are presented on the face of the Balance Sheet as either current or non-current liabilities. Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

CONTINGENT LIABILITIES

Contingent liabilities are possible obligations that arise from past events that may or may not be incurred by the Council depending on the outcome of one or more uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the financial statements but are disclosed as a note to the financial statements.

VALUE ADDED TAX (VAT)

The Comprehensive Income and Expenditure Statement excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from it.

INTERESTS IN COMPANIES AND OTHER ENTITIES

The Council is required to produce Group Accounts alongside its own financial statements where it has material interests in subsidiaries, associates and/or joint ventures. The Council has involvement with a number of entities, and where the interests are not material the nature and value of the relationship is disclosed within the single entity accounts. In line with the Code requirements on group accounts and consolidation, maintained schools within the county are considered to be entities controlled by the Council. The income, expenditure, assets, liabilities, reserves and cash flows of these schools are recognised within the Council's single entity accounts rather than group accounts.

INTEGRATED RESOURCES AND PERFORMANCE REPORT FOR THE PERIOD ENDING 31ST JANUARY 2018

To:	**Audit & Accounts Committee**
Date:	**27th March 2018**
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 to General Purposes Committee on 27th March 2018:**

a) Analyse resources and performance information and note the significant remedial action being taken.

b) Approve an additional £171k of prudential borrowing in 2017/18 for the Shire Hall relocation project, as set out in section 6.8.

c) Note the changes to capital funding and prudential borrowing requirements as set out in section 6.8.

d) Approve an additional £359k of prudential borrowing in 2017/18, to offset the increased use of capital receipts for additional capitalisation of redundancies as set out in section 6.9.

e) Approve an additional £196k of prudential borrowing in 2017/18 for capitalisation of feasibility work originally included in the St Ives Smart Energy Grid Business Case, as set out in section 6.10.

f) Approve an additional £75k of prudential borrowing in 2018/19 for adaptations work on the Scaldgate Youth and Community Centre, as set out in section 6.11.

g) Approve an additional £495k of prudential borrowing in 2018/19 for replacement of computers and equipment as part of the Libraries People's Network refresh, as set out in section 6.12.

	Officer contact:		***Member contacts:***
Name:	Tom Kelly	Names:	Councillors Count & Hickford
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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.

Data available as at: 31 January 2018

Outcomes

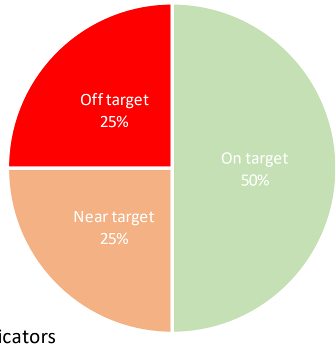
88 indicators about outcomes are monitored by service committees
They have been grouped by outcome area and their status is shown below

Older people live well independently

Increasing

4 indicators

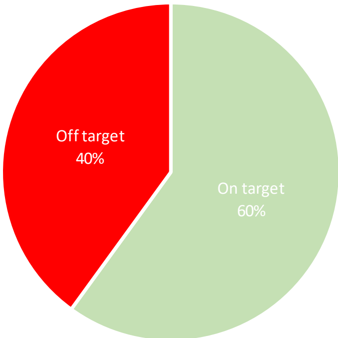
People with disabilities live well independently



Stayed the same

4 indicators

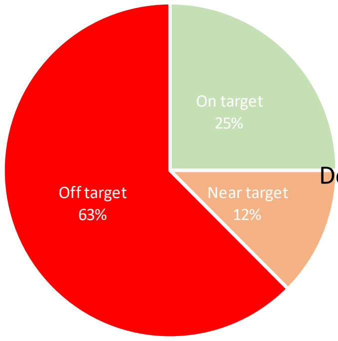
Adults and children are kept safe



Stayed the same

6 indicators, 1 of which do not have targets

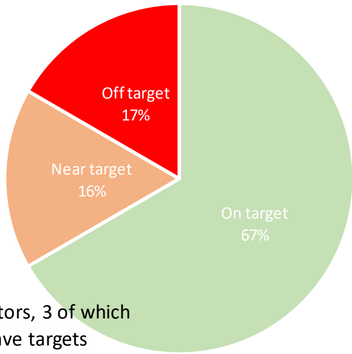
People live in a safe environment



Decreasing

12 indicators, 4 of which do not have targets

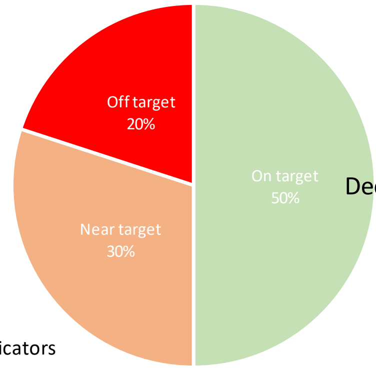
The Cambridgeshire economy prospers to the benefit of all residents



Stayed the Same

15 indicators, 3 of which do not have targets

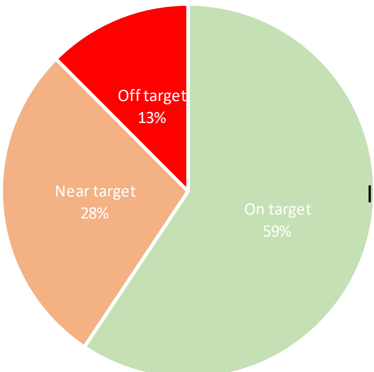
Places that work with children help them to reach their potential



Decreasing

10 indicators

People lead a healthy lifestyle and stay healthy for longer



Increasing

35 indicators, 3 of which do not have targets

Our Transformation Programme is on track	Sustain a high performing, talented, engaged and resilient workforce
26 Early ideas ↓ 119 Business cases in development ↑ 23 Projects being implemented↔ Transformation Fund: 35 projects rated Green ↑ 4 rated Amber (reflecting some need to re-phase savings) ↔ 2 rated Red (risk of non-delivery of savings or benefits) ↓	As of the end of January 2018 we had lost 5.95 days on average per staff member to sickness during the last 12 months. This is lower than the average number of days lost per staff member at the end of 2016/17 (6.91 days).

Finance and Risk

Revenue budget forecast

+£4.1m (1.2%) variance at end of year

RED

This is a £0.225m improvement in the revenue forecast since last month.

This is a £6.4m improvement in the anticipated capital programme delivery compared to last month.

Capital programme forecast

-£40.8m underspend forecast, comprising +£6.4m more delivered on non-housing schemes than originally anticipated and -£47.2m relating to housing schemes

GREEN

Residual risk score	Green	Amber	Red
Number of risks	0	9	1

*Latest Review: January 2018

Number of service users supported by key care budgets

Older people aged 65+ receiving long term services

	Jan-18	Trend since Apr-17
Nursing	444	Stayed the same
Residential	858	Increasing
Community	2,327	Increasing

Adults aged 18+ open to disability services receiving long term services

	Jan-18	Trend since Apr-17
Nursing	25	Stayed the same
Residential	322	Increasing
Community	1,923	Increasing

Children open to social care

	Jan-18	Trend since Apr-17
Looked after children	702	Increasing
Child protection	502	Decreasing
Children in need*	2,022	Increasing

*Number of open cases in Children's Social Care (minus looked after children and child protection)

Public Engagement

	Jan-18	Trend since Aug-17
Contact Centre Engagement	15,774 Phone Calls	Decreasing
	5,324 Other	Increasing
Website Engagement (cambridgeshire.gov.uk)	166,567 Users	Increasing
	254,656 Sessions	Increasing

The number of service users is a key indicator of the demand for care budgets in social care, inforamtion about the contacts with the public across web and phone channels is a key indicator of both service delivery and transformation.

2.2 The key issues included in the summary analysis are:

- The overall revenue budget position is showing a forecast year-end pressure of +£4.1m (+1.2%), a decrease of £225k on the forecast pressure reported in December; there have been increases in Corporate Services and Commercial & Investment (C&I), more than offset by improvements in the forecast for Place & Economy (P&E) and Public Health. See section 3 for details.

- The Capital Programme is forecasting £6.4m more of the capital programme being delivered than originally anticipated, excluding Housing schemes which are forecasting an in-year underspend of -£47.2m. This gives an overall forecast underspend of -£40.8m. This includes forecast use of £21.0m (77%) 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	Service	Current Budget for 2017/18 £000	Forecast Variance (December) £000	Forecast Variance (January) £000	Forecast Variance (January) %	Overall Status	DoT
38,682	Place & Economy	42,030	143	-112	-0.3%	Green	↑
237,311	People & Communities	239,504	6,779	6,774	2.8%	Red	↑
200	Public Health	386	-170	-283	-	Green	↑
15,542	Corporate Services	4,760	239	289	6.1%	Amber	↓
6,500	LGSS Managed	11,691	168	162	1.4%	Amber	↑
2,702	Commercial & Investment	8	650	754	-	Amber	↓
22,803	CS Financing	24,227	-2,006	-2,006	-8.3%	Green	↔
323,740	**Service Net Spending**	**322,606**	**5,803**	**5,578**	**1.7%**	**Red**	↑
24,377	Funding Items	23,305	-1,520	-1,520	-6.5%	Green	↔
348,117	**Total Net Spending**	**345,911**	**4,283**	**4,058**	**1.2%**	**Red**	↑
	Memorandum items:						
7,746	LGSS Operational	9,531	29	-14	-0.1%	Green	↑
212,873	Schools	212,873					
568,736	**Total Spending 2017/18**	**568,315**					

1 The budget figures in this table are net, with the 'Original Budget as per BP' representing the Net Budget column in Table 1 of the Business Plan for each respective Service.

2 For budget virements between Services throughout the year, please see Appendix 1.

3 The budget of £387k stated for Public Health is its cash limit. In addition to this, Public Health has a budget of £26.0m from ring-fenced public health grant, which makes up its gross budget.

4 The 'Funding Items' budget (previously been referred to as 'Financing Items') comprises the £23m Combined Authority Levy and the £384k Flood Authority Levy. 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.

3.1.1 Across the Council, the strategic management team is directing a proactive response through financial management and transformation activity to address the predicted deficit.

The response to the pressures arising includes:

- increasing savings achievable from contractual efficiencies, as part of the rolling procurement review capability, now established and overseen by the Commercial Board.

- bringing forward savings, efficiencies and income maximisation identified for future years where this is possible on a department-by-department basis

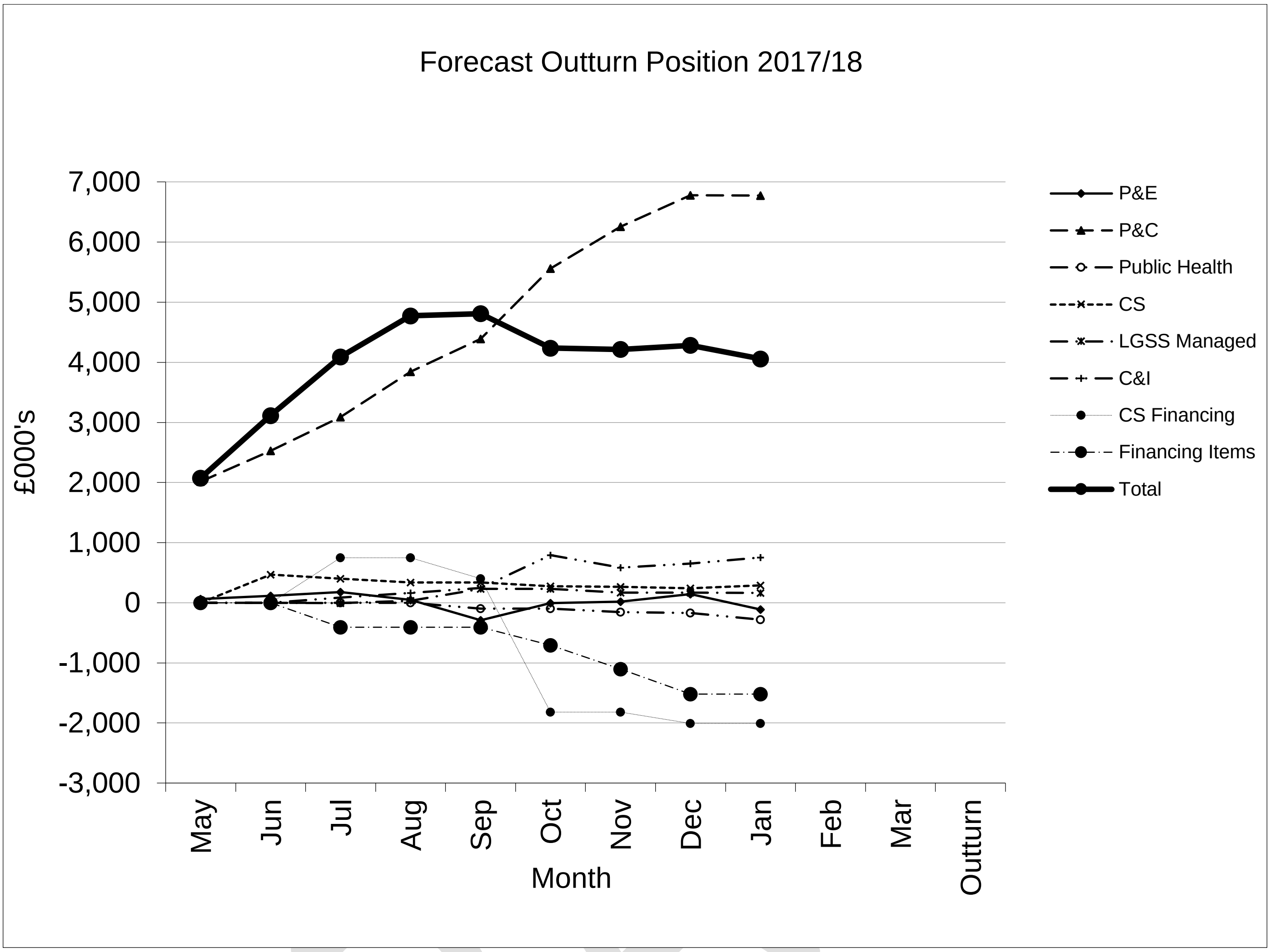
- maximising grant income and retention with appropriate application to current pressures

- review of earmarked and held funds and releasing these where no longer required

- benefitting from opportunities for reduced cost or additional income through collaboration across partners.

- at the November General Purposes Committee (GPC) meeting the Committee noted Peterborough City Council's request to the Chief Executive to explore delivery of further shared services with other local authorities to protect front line services and asked that these opportunities were also explored on behalf of Cambridgeshire County Council. This programme of work has commenced, with opportunities being taken for collaboration and expertise sharing already where these arise.

To date across these measures mitigations totalling £6.2m have been identified.



3.1.2 The Council has enhanced its financial reporting processes in recent months as the level of budgetary challenge has continued to increase. The outlook for demand services remains a risk as services face the winter months - service management teams are planning responses that nonetheless improve the financial position in that context.

The Council has significant budget flexibility to respond to these risks and uncertainties. In addition to the measures already identified and listed in section 3.1.1, SMT has identified significant one-off mitigation in the following areas which will be released in a planned way to respond to and smooth resource needs in the remainder of the financial year, while delivering an improved outturn, compared to the pressures currently reported.

Grant and funding review	There is significant potential to re-prioritise grant funded activity, especially in response to Adults Services pressures as these emerge in winter at a local level, in collaboration with the NHS. This is part of a planned approach across at least the next 2 years.
Balance sheet & financial provision review	There are opportunities to review and release funds previously held for specific risks or uncertainties that can be re-directed in the current context. This forms a regular and routine part of financial and management activity.
Commercial income	As the remit of the Commercial and Investment Committee widens, we view that there are opportunities for an improved position reported by traded and shared services in the remainder of the year.
Workforce	Vacancy and recruitment review activity will continue to forecast financial impacts and deploy existing workforce to key priorities.

3.2 Key exceptions this month are identified below.

3.2.1 **Place & Economy:** -£0.112m (-0.3%) underspend is forecast at year-end.

	£m	%
• **Highways Other** – a -£639k underspend is forecast, which is an increase of -£335k on the underspend previously reported in October. This is due to additional Highways income that has been achieved which would normally be re-invested in preventative maintenance work. However, until the spend on the Waste budget is clearer, this funding is being held to cover the pressure on the Waste budget rather than being re-invested. This budget is also expected to cover a pressure on the winter maintenance service.	-0.639	(-146%)

- For full and previously reported details see the P&E Finance & Performance Report (https://tinyurl.com/y9a74v2o).

3.2.2 **People & Communities:** +£6.774m (+2.8%) pressure is forecast at year-end.

Due to the material overspend in Children's Services, the full narrative regarding those variances, provided to the CYP Committee is available in Appendix 3 to this report.

	£m	%
• **Looked After Children (LAC) Placements –** a +£3.2m pressure is forecast, which is an increase of £300k on the pressure previously reported in December. The majority of this increase is the result of delayed savings that were forecast for planned placement moves and one new high cost secure accommodation placement that has recently been commissioned. External placement numbers (excluding unaccompanied asylum seeking children (UASC) but including 16+ and supported accommodation) at the end of January are 355, which is 3 less than reported at the end of December. However the composition of placement types and costs indicates that a small but significant number of children are in receipt of very intensive and costly packages of support which has increased since last month. The Access to Resources team are working with providers to ensure that support and cost matches need for all children. Actions being taken to address the forecast pressure are outlined in Appendix 3.	+3.249	(+19%)
Learning Disability Partnership – a +£2.9m pressure is forecast, which is an increase of £527k on the pressure previously reported in December. Overall this is due to higher than expected demand pressures throughout the year and lower levels of savings than required. A detailed review of expected saving delivery in the last quarter has resulted in a reduction in the projected savings for the year. This reduction is due to capacity being needed to negotiate with providers around fee uplifts (reducing potential costs), the speed of reassessment work not being as high as anticipated, and delays caused by providers	+2.917	(+4%)

and the NHS in other regions not engaging sufficiently with savings work.

- **Older People's Services** – a £1.4m pressure is forecast, which is a decrease of £427k on the pressure previously reported in October. This improvement reflects a reduced number of service-users receiving care over several months compared to the trend of the first half of the year. This will be kept under review in light of any pressures during the winter period. +1.431 (+3%)

- **Children in Care** – a £557k pressure is forecast, which is an increase of £113k on the pressure previously reported in December. This increase is as a result of increases across both the under 18 & over 18 Unaccompanied Asylum Seeking Children and 14-25 LAC Team budgets mainly due to the number of clients being supported and latest income expectations from the Home Office, together with an increase in the in-house fostering forecast due to additional placements being made. +0.557 (+4%)

  Actions being taken to address the forecast pressure are outlined in Appendix 3.

- **Strategic Management – Adults –** a £4.1m underspend is forecast. A technical adjustment has been made to the reporting of an underspend relating to the assumed re-prioritisation of grant funded activity in response to Adults Services pressures as they emerge. This was previously reported against the Executive Director line, and is now reported under Strategic Management – Adults, reflecting the reducing of pressures in that area. In addition, the net underspend across these areas has increased by £554k since previously reported in October (Executive Director) and December (Strategic Management- Adults). -4.067 (-116%)

- For full and previously reported details see the P&C Finance & Performance Report (https://tinyurl.com/y87goo53).

3.2.3 **Public Health:** a -£0.283m (-%) underspend is forecast at year-end. There are no exceptions to report this month; for full and previously reported details see the PH Finance & Performance Report (https://tinyurl.com/y7xbq7u6**).**

3.2.4 **Corporate Services:** +£0.289m (+6.1%) pressure is forecast. There are no exceptions to report this month; for full and previously reported details see the CS & LGSS Finance & Performance Report (https://tinyurl.com/yd96ekbe).

3.2.5 **LGSS Managed:** +£0.162m (+1.4%) pressure is forecast. There are no exceptions to report this month; for full and previously reported details see the CS & LGSS Finance & Performance Report (https://tinyurl.com/yd96ekbe).

3.2.6 **CS Financing:** -£2.006m (-8.3%) underspend is forecast at year-end. There are no exceptions to report this month; for full and previously reported details see the CS & LGSS Finance & Performance Report (https://tinyurl.com/yd96ekbe).

3.2.7 **Commercial & Investment**: +£0.754m (-%) pressure is forecast. There are no exceptions to report this month; for full and previously reported details see the C&I Finance & Performance Report.

(Please note that the C&I report is not yet available. The link will be activated following the publication of the C&I Committee agenda on 16th March.)

3.2.8 **LGSS Operational:** -£0.014m (-0.1%) underspend is forecast. Pressures in LGSS Operational are set against LGSS reserves at year-end, rather than using the General Fund. There are no exceptions to report this month; for full and previously reported details see the CS & LGSS Finance & Performance Report (https://tinyurl.com/yd96ekbe).

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://tinyurl.com/y87goo53) (section 2.5).

5. PERFORMANCE AND RISK

5.1 The work to review all indicators and report exceptions against these is still ongoing; once all Service Committees have reviewed their indicators, exceptions will be reported to GPC.

5.2 **Increasing Pressures Requiring Attention:** There were two outcomes where the overall performance decreased since last month. The first was ‘People live in a safe environment’ and reflected changes in four indicators. The fours indicators that changed were ‘East Cambridgeshire LHI (Local Highways Initiative) Programme (15 Projects)’, ‘South Cambridgeshire LHI Programme (28 Projects)’, ‘Cambridge City LHI Programme (38 Projects)’, and ‘Fenland LHI Programme (13 Projects)’, these indicators’ RAG ratings all changed from amber to red. With 118 LHI projects resources are under significant pressure. Supplementing design and management resources from our highways services contractor has minimised this impact, though a small number of schemes are not due to be completed until April/May 2018 so the required funding will need to be carried over to the next financial year.

The second outcome with decreased performance was ‘Places that work with children help them to reach their potential’. This reflected change in one indicator, ‘% year 12 in learning’, whose RAG rating changed from green to amber. Performance in this indicator did not change (96.1%) since last month but was incorrectly labelled as green last month. The target for this indicator (96.5%) is under review and it is noted that performance in this area is better than our statistical neighbour’s average and England average.

Further information on the specific indicator changes are detailed on the relevant service committee finance and performance reports.

5.4 The master file of performance indicators is available here, (https://tinyurl.com/ydze8q44) while the latest Corporate Risk Register can be found here, (https://tinyurl.com/yb2eps52).

6. CAPITAL PROGRAMME

6.1 A summary of capital financial performance by service is shown below:

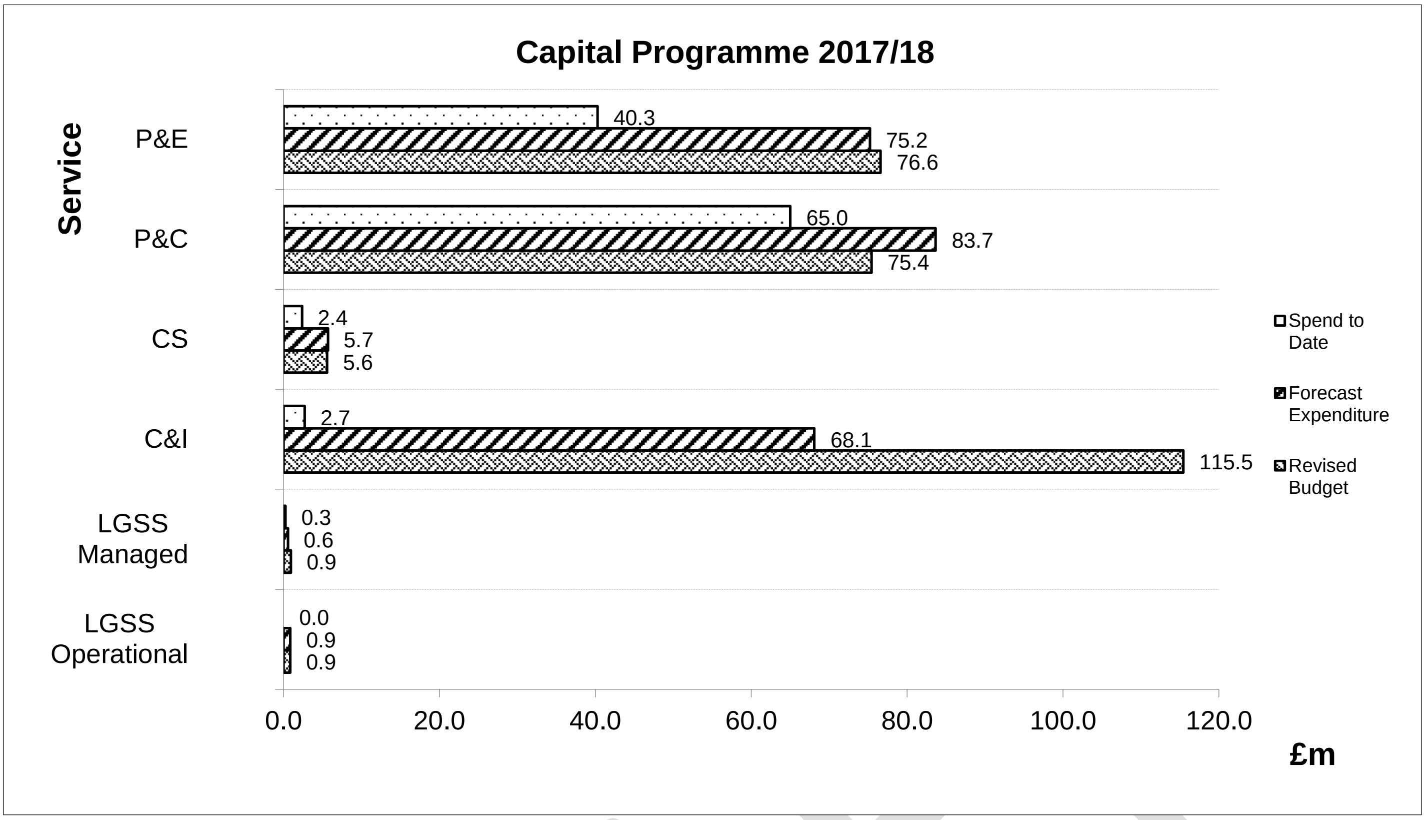
2017/18						TOTAL SCHEME	
Original 2017/18 Budget as per Business Plan £000	Service	Revised Budget for 2017/18 £000	Forecast Variance - Outturn (Dec) £000	Forecast Variance - Outturn (Jan) £000	Forecast Variance - Outturn (Jan) %	Forecast Variance - Outturn (Jan) £000	Forecast Variance - Outturn (Jan) £000
67,331	P&E	76,618	-	-1,378	-1.8%	434,824	-
77,408	P&C	75,442	0	8,239	10.9%	575,941	14,251
5,489	CS & Transformation	5,612	-0	94	1.7%	11,743	423
160	LGSS Managed	949	-	-375	-39.5%	9,853	-495
115,408	C&I	115,455	-47,338	-47,338	-41.0%	234,107	-252
100	LGSS Operational	898	-	-10	-1.1%	2,005	-
-	Outturn adjustment	-	129	-	-	-	-
265,896	**Total Spending**	**274,974**	**-47,209**	**-40,768**	**-14.8%**	**1,268,473**	**13,927**

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 City Deal, which has a budget for 2017/18 of £11.1m and is currently forecasting a balanced budget 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.

2017/18					
Service	**Capital Programme Variations Budget £000**	**Forecast Variance - Outturn (Jan) £000**	**Capital Programme Variations Budget Used £000**	**Capital Programme Variations Budget Used %**	**Forecast Variance - Outturn (Jan) £000**
P&E	-15,514	-16,892	15,514	100.00%	-1,378
P&C	-10,305	-2,066	2,066	20.05%	8,239
CS & Transformation	-279	-185	185	66.31%	94
LGSS Managed	-643	-1,018	643	100.00%	-375
C&I Non-Housing	-720	-849	720	100.00%	-129
LGSS Operational	-20	-30	20	100.00%	-10
Outturn adjustment	-	-	1,892	-	0
Subtotal	**-27,481**	**-21,040**	**21,040**	**76.56%**	**6,441**
C&I Housing	0	0	0	0.00%	-47,209
Total Spending	**-27,481**	**-21,040**	**21,040**	**76.56%**	**-40,768**

6.3 As at the end of January 2018, People & Communities is forecasting an overall utilisation of -£2.1m of the -£10.3m capital programme variations budget originally allocated to P&C, and Corporate Services is forecasting an overall utilisation of -£0.2m of the -£0.3m capital programme variations budget originally allocated to CS. At this stage of the financial year it is forecast that P&C and CS will not require any further capital programme variations budget as these services will have delivered more of their capital programme than originally anticipated. Taken together with the re-phasing on Place and Economy, LGSS Managed Commercial and Investment and LGSS Operational schemes which have exceeded the capital programme variations budget allocated to them, this gives a current forecast of -£6.4m of the capital variations budget which will not be utilised. Therefore, overall expenditure on the 2017/18 capital programme is forecast to be accelerated by £6.4m ahead of the position originally anticipated when the capital variations budget was set.

6.4 The C&I Housing scheme budget does not have a capital programme variations budget associated with it; it is therefore shown as a separate line in the above capital programme variations table. Incorporating the in-year forecast underspend of -£47.2m on Housing schemes, this gives an overall forecast underspend position of -£40.8m.

6.5 A more detailed analysis of <u>current year</u> key exceptions this month by programme for individual schemes of £0.25m or greater are identified below.

6.5.1 **Place & Economy:** a -£1.4m (-2%) in-year underspend is forecast after the capital programme variations budget has been utilised in full.

	£m	**%**
• **£90m Highways Maintenance schemes** – an in-year pressure of £0.3m is forecast on the £90m Highways Maintenance schemes. The allocated budget incorporated an element of underspend expected on the Transport Delivery Plan (TDP); however expenditure is progressing in line with the TDP.	+0.3	(+4%)
• **Soham Station** - an in-year underspend of -£0.3m is forecast. Network Rail's spend profile has not been as originally anticipated, therefore more of the expenditure will be carried out during 2018-19 than was originally predicted. Due to the increase in cost for the next stage of work, further discussion has been required before we could progress with the next stage of work, GRIP3. Network Rail have now provided a revised forecast of spend.	-0.3	(-60%)
• **Scheme Development for Highways Initiatives** – an in-year underspend of -£1.0m is forecast on Scheme Development for Highways Initiatives. To shortlist schemes for development, discussions have been required with the Chair and Vice Chair of the Economy and Environment Committee. As such, the Committee will not approve schemes for development until February 2018, meaning that new schemes cannot be developed until this point.	-1.0	(-99%)
• **Delivering the Transport Strategy Aims** – an in-year underspend of -£1.0m is forecast across Delivering the Transport Strategy Aims schemes, which is an increase of -£0.3m on the	-1.0	(-23%)

underspend previously reported in November. This is due to underspends on the following highways schemes:
  - B1049 The Green, Histon / Impington: An underspend of -£0.1m is forecast due to the scheme being re-phased to 2018-19.
  - C291/C292 Cambridge Victoria Ave/Maids Causeway: An underspend of -£0.1m is forecast due to the scheme being re-phased to 2018-19.
  - Unclassified Cambridge Oxford Rd / Windsor Rd Traffic calming: An underspend of -£0.1m is forecast due to the scheme being re-phased to 2018-19.

- **Ely Crossing** - an in-year underspend of - £3.8m is forecast. This is due to the extended construction programme; as a reduced quantity of construction work is anticipated during the 2017/18 financial year there is in turn a reduced anticipated spend.

  The construction target cost for the contract was £27.4m at the time of award of Stage 2. Whilst work is progressing on site, some significant risks have emerged requiring additional work, including Network Rail requirements, the diversion of statutory undertakers' plant, buildability issues arising from the complex V piers (V-shaped piers forming part of the substructure) and additional temporary works resulting from poor and variable ground conditions. These will increase the outturn cost of the scheme significantly and are currently being considered with the contractor to minimise the impact on the project and to reduce the cost impact.

  -3.8 (-15%)

  The completion date is likely to be late Summer/Autumn 2018, depending on weather. The Council is working with the contractor to identify options to mitigate against delay and minimise costs. A number of value engineering opportunities are also being explored. Once the implications have been developed more fully, they will be reported back to this committee.

- **P&E Capital Variation** – as agreed by the Capital Programme Board, any forecast underspend in the capital programme is offset against the capital programme variations budget until has been utilised in full. Therefore £15.5m of the £16.9m P&E underspend is balanced by use of the capital variation budget; this is an increase of £3.9m on the use of variations budget reported last month, for the reasons given above.

  +15.5 (+100%)

- For full and previously reported details see the P&E Finance & Performance Report (https://tinyurl.com/y9a74v2o).

6.5.2 **People & Communities:** +£8.2m (+11%) accelerated spend is forecast after utilising -£2.1m of the -£10.3m capital programme variations budget allocated to P&C.

	£m	%
• **Basic Need – Secondary** – an in-year pressure of +£0.6m is forecast, which is a decrease of £0.9m on the pressure previously reported in August. This decrease is mainly due to re-phasing of the following schemes: o St Bede's: The project at St Bede's to deliver additional places in Cambridge has been re-phased by £985k due to delays in the kitchen refurbishment works and a revised completion date of 26 June rather than 29 May 2018. The Chesterton element of the scheme is not starting on site until next financial year with a revised completion date of 26 June rather than 29 May 2018.	+0.6	(+2%)
• **Condition & Maintenance** – an in-year pressure of +£0.3m is forecast. This is due to higher than anticipated tender prices for kitchen ventilation works (£200k) required to meet health and safety standards and projects requiring urgent attention to ensure that the schools in question remain operational (£101k).	+0.3	(+10%)
• **P&C Capital Variation –** as agreed by the Capital Programme Board, any forecast underspend in the capital programme is offset against the capital programme variations budget, leading to a balanced outturn overall. Therefore the net £2.1m underspend is balanced by use of the capital variations budget. This is an increase of £0.4m on the use of variations budget last reported in December.	+2.1	(+20%)

- For full and previously reported details see the P&C Finance & Performance Report (https://tinyurl.com/y87goo53).

6.5.3 **Corporate Services:** +£0.094m (+2%) accelerated spend is forecast after utilising -£0.2m of the -£0.3m capital programme variations budget allocated to Corporate Services. There are no exceptions to report this month; for full and previously reported details see the CS & LGSS Finance & Performance Report (https://tinyurl.com/yd96ekbe).

6.5.4 **LGSS Managed:** a -£0.4m (-40%) in-year underspend is forecast after the capital programme variations budget has been utilised in full.

	£m	%
• **Cambridgeshire Public Sector Network** – an in-year underspend of -£0.5m is forecast. This is due to a delay in awarding the contract, which will now be re-phased into 2018-19.	-0.5	(-90%)

- For full and previously reported details see the CS & LGSS Finance & Performance Report.

6.5.5 **Commercial & Investment**: a -£47.3m (-41%) in-year underspend is forecast after the capital programme variations budget has been utilised in full. There are no exceptions to report this month; for full details see the C&I Finance & Performance Report.

(Please note that the C&I report is not yet available. The link will be activated following the publication of the C&I Committee agenda on 16th March.)

6.5.6 **LGSS Operational:** a -£0.01m (-1%) in-year underspend is forecast after the capital programme variations budget has been utilised in full. There are no exceptions to report this month; for full and previously reported details see the CS & LGSS Finance & Performance Report (https://tinyurl.com/yd96ekbe).

6.6 A more detailed analysis of total scheme key exceptions this month by programme for individual schemes of £0.25m or greater are identified below:

6.6.1 **Place & Economy:** a total scheme balanced budget is forecast. There are no exceptions to report this month; for full and previously reported details see the P&E Finance & Performance Report (https://tinyurl.com/y9a74v2o).

6.6.2 **People & Communities:** a +£14.3m (+3%) total scheme overspend is forecast. There are no exceptions to report this month; for full and previously reported details see the P&C Finance & Performance Report (https://tinyurl.com/y87goo53).

6.6.3 **Corporate Services:** a +£0.4m (+4%) total scheme overspend is forecast. There are no exceptions to report this month; for full and previously reported details see the CS & LGSS Finance & Performance Report (https://tinyurl.com/yd96ekbe).

6.6.4 **LGSS Managed:** a -£0.5m (-5%) total scheme underspend is forecast. There are no exceptions to report this month; for full and previously reported details see the CS & LGSS Finance & Performance Report (https://tinyurl.com/yd96ekbe).

6.6.5 **Commercial & Investment**: a -£0.3m (-0%) total scheme underspend is forecast. There are no exceptions to report this month; for full and previously reported details see the C&I Finance & Performance Report.

(Please note that the C&I report is not yet available. The link will be activated following the publication of the C&I Committee agenda on 16th March.)

6.6.6 **LGSS Operational:** a total scheme balanced budget is forecast. There are no exceptions to report this month; for full and previously reported details see the CS & LGSS Finance & Performance Report (https://tinyurl.com/yd96ekbe).

6.7 A breakdown of the changes to funding has been identified in the table below.

Funding Source	B'ness Plan Budget £m	Rolled Forward Funding1 £m	Revised Phasing £m	Additional/ Reduction in Funding £m	Revised Budget £m	Outturn Funding £m	Funding Variance £m
Department for Transport (DfT) Grant	20.5	0.5	8.0	7.2	**36.1**	36.1	-
Basic Need Grant	32.7	-	-	-	**32.7**	32.7	-
Capital Maintenance Grant	4.0	-	0.4	-	**4.5**	4.5	-
Devolved Formula Capital	1.1	0.8	-0.1	-0.0	**1.8**	1.8	-
Specific Grants	23.1	0.5	-7.6	-0.1	**16.0**	16.0	-
S106 Contributions & Community Infrastructure Levy	22.0	1.6	-4.4	0.8	**20.0**	20.0	-
Capital Receipts	83.9	-	-	-	**83.9**	4.5	-79.3
Other Contributions	15.1	0.4	-4.6	2.7	**13.6**	13.6	-
Revenue Contributions	-	-	-	-	**-**	-	-
Prudential Borrowing	63.5	9.6	-10.4	3.8	**66.5**	105.1	38.6
TOTAL	**265.9**	**13.4**	**-18.7**	**14.3**	**275.0**	**234.2**	**-40.8**

[1] Reflects the difference between the anticipated 2016/17 year end position used at the time of building the initial Capital Programme budget, as incorporated within the 2017/18 Business Plan, and the actual 2016/17 year end position.

6.8 Key funding changes (of greater than £0.25m or requiring approval):

Funding	Service	Amount (£m)	Reason for Change
Addition/Reduction in Funding – Prudential Borrowing	C&I	+£0.2	Shire Hall Relocation- additional funding of £171k is requested in 2017/18 for the Shire Hall Relocation project. This is to cover the capitalisation of the cost of the business case and feasibility studies for the project, (as commissioned by the steering group), as detailed in the business case that was agreed as part of the Business Plan by C&I in December. The initial total cost over the lifetime of the scheme is expected to be £16.6m and this will be funded from borrowing. The annual cost of borrowing of this feasibility study's element of the scheme starts in 2018/19 at £10k and decreases each year thereafter. **General Purposes Committee is asked to approve additional prudential borrowing of £171,000 in 2017/18 for the Shire Hall relocation project. (Please note that this recommendation is carried forward from the December report which was circulated via email.)**
Addition/Reduction in Funding – Prudential Borrowing	LGSS	+£0.4	An additional £0.4m of prudential borrowing was approved by General Purposes Committee at the 28th November 2017 meeting to complete the implementation of the Agresso (ERP Gold) system to replace the existing Oracle system. **General Purposes Committee is asked to note this additional prudential borrowing.**
Addition/Reduction in Funding – Contributions	P&E	+£0.6	An additional £0.6m of contributions has been received for Combined Authority Schemes. **General Purposes Committee is asked to note this additional funding.**

6.9 In addition to the above funding budget changes for 2017/18, additional funding of £359k is requested in 2017/18 to fund the in-year pressure on the Capitalisation of Corporate Redundancies budget. Transformation costs can only be classified as capital under the government directive on flexible use of capital receipts, which permits capital receipts to be used to fund transformation work, therefore they must be funded by capital receipts rather than any other source of capital funding. This necessitates a corresponding reduction in capital receipts funding in the Commercial & Investment capital programme, offset by an increase of £359k in the C&I borrowing requirement. The main service which is facing additional redundancies costs, following a restructure, had previously accumulated a departmental revenue reserve. This revenue reserve was previously incorporated into the general fund reserve, following Council policy, and it is therefore considered most appropriate to make use of the capital receipts flexibility for this transformation activity instead.

General Purposes Committee is asked to approve additional prudential borrowing of £359,000 in 2017/18 to offset the increased use of capital receipts for additional capitalisation of redundancies. (Please note that this recommendation is carried forward from the December report which was circulated via email; this has changed from the previous £328k additional funding reported in December with a further £31k of funding expected to be required.)

6.10 The St Ives Smart Energy Grid business case was approved by C&I in December 2017 and as such was subsequently included in the 2018/19 Business Plan, agreed by Full Council on 6th February 2018. However, the Business Case included £196k budget for 2017/18 in order to complete initial feasibility work. This work has currently been funded by revenue; therefore GPC are asked to agree the additional budget in 2017/18 required to undertake the capitalisation of this expenditure in line with the original Business Case. The scheme will be funded by borrowing; the annual cost of borrowing for this scheme (total borrowing £1.8m) will start in 2020/21 at £137k and decreases each year thereafter. The scheme is expected to deliver an ongoing revenue stream, starting at £117k in 2019-20, increasing eventually to £163k per annum thereafter.

Capital Programme Board have reviewed the Business Case for the St Ives Smart Energy Grid work and recommend that GPC approve the additional prudential borrowing of £196k in 2017/18 to undertake this scheme.

6.11 Request for additional 2018/19 funding:

The intention to move the Whittlesey Children's Centre, located on the New Road Primary School site, to Scaldgate Youth and Community Centre was agreed as part of the 2017 public consultation on Children's Centres, approved by Full Council on 17th October 2017. If the Children's Centre vacates the site by 31st July, the vacant space can be adapted over the summer holidays ready to be utilised during the school expansion programme, which will eliminate the need for costly temporary mobiles. As such, the work required to adapt the nearby Scaldgate Youth and Community Centre to make it suitable for the Children's Centre needs to commence in early 2018/19 in order to be completed by 31st July 2018. The scheme will be funded by borrowing; the annual cost of borrowing for this scheme will start in 2019/20 at £6k and decreases each year thereafter.

Capital Programme Board have reviewed the Business Case for the adaptions work and recommend that GPC approve the additional prudential borrowing of £75,000 in 2018/19 to undertake this scheme.

6.12 Request for additional 2018/19 funding:

The computers in libraries used by the public, also referred to as 'The People's Network', all need to be replaced. The current computers all use Windows 7 but that is no longer supported by Microsoft, however they cannot be upgraded to the current operating system used by Microsoft, Windows 10, because the computers are out of life and no longer under warranty. This upgrade will also support planned service developments now and over the next 2/3 years that will bring Cambridgeshire in line with the Department for Digital, Culture, Media and Sport's strategy for libraries in England.

The change to Windows 10 would require all mice, screens, key boards and computers to be replaced, as well as updating back-end servers. Currently there are 550 computers on the People's Network; 117 counter desktop computers and 216 corporate desktop computers which will all need replacing and existing machines to be disposed of. The scheme will be funded by borrowing; the annual cost of borrowing for this scheme will start in 2019/20 at £104k and decreases each year thereafter.

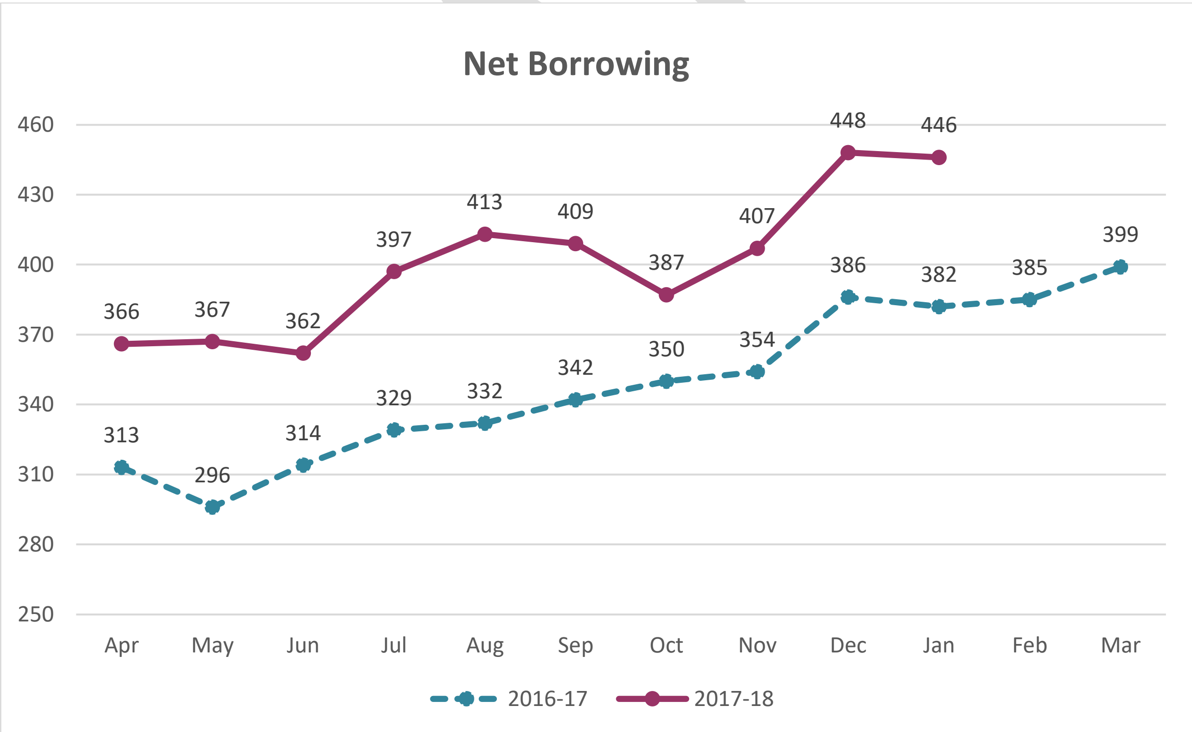
Capital Programme Board have reviewed the Business Case for the replacement of computers and equipment as part of the Libraries People's Network refresh and recommend that GPC approve the additional prudential borrowing of £495,000 in 2018/19 to undertake this scheme.

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 January**
Level of debt outstanding (owed to the council) 91-360 days, £m	Adult Social Care	£1.6m	£2.5m
	Sundry	£0.4m	£1.1m
Level of debt outstanding (owed to the council) 361 days +, £m	Adult Social Care	£1.9m	£2.6m
	Sundry	£0.1m	£0.3m
Invoices paid by due date (or sooner)		97.6%	99.6%

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. The levels of investments at the end of January 2018 were £25.88m (excluding 3rd party loans) and gross borrowing was £471.86m. Of this gross borrowing, it is estimated that £26.519m 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 Treasury Management Strategy Statement (TMSS) sets out the plan for treasury management activities over the year. It identifies the expected levels of borrowing and investments based upon the Council's financial position and forecast capital programme. When the 2017-18 TMSS was set in February 2017, it was anticipated that net borrowing would reach £466m at the end of this financial year. Net borrowing at the beginning of this financial year as at 1st April 2017 was £399m, this reduced to £366m at the end of April 2017 thus starting at a lower base than originally set out in the TMSS (£466m). This is to be reviewed as the year progresses and more information is gathered to establish the full year final position.

7.4 From a strategic perspective, the Council is currently reviewing options as to the timing of any potential borrowing and also the alternative approaches around further utilising cash balances and undertaking shorter term borrowing which could potentially generate savings subject to an assessment of the interest rate risks involved.

7.5 Although there is a link between the capital programme, net borrowing and the revenue budget, the Debt Charges budget is impacted by the timing of long term borrowing decisions. These decisions are made in the context of other factors including, interest rate forecasts, forecast levels of cash reserves and the borrowing requirement for the Council over the life of the Business Plan and beyond.

7.6 The Council's cash flow profile varies considerably during the year as payrolls and payment to suppliers are made, and grants and income are received. Cash flow at the beginning of the year is typically stronger than at the end of the year as many grants are received in advance.

7.7 Further detail around the Treasury Management activities can be found in the latest Treasury Management Report (https://tinyurl.com/y82aarug).

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. ALIGNMENT WITH CORPORATE PRIORITIES

8.1 Developing the local economy for the benefit of all

There are no significant implications for this priority.

8.2 Helping people live healthy and independent lives

There are no significant implications for this priority.

8.3 Supporting and protecting vulnerable people

There are no significant implications for this priority.

9. SIGNIFICANT IMPLICATIONS

9.1 Resource Implications

This report provides the latest resources and performance information for the Council and so has a direct impact.

9.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications within this category.

9.3 Statutory, Legal and Risk Implications

There are no significant implications within this category.

9.4 Equality and Diversity Implications

There are no significant implications within this category.

9.5 Engagement and Consultation Implications

No public engagement or consultation is required for the purpose of this report.

9.6 Localism and Local Member Involvement

There are no significant implications within this category.

9.7 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 (January 18) P&C Finance & Performance Report (January 18) PH Finance & Performance Report (January 18) CS and LGSS Cambridge Office Finance & Performance Report (January 18) C&I Finance & Performance Report (January 18) Performance Management Report & Corporate Scorecard (January 18) Capital Monitoring Report (January 18) Report on Debt Outstanding (January 18) Payment Performance Report (January 18)	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	237,311	200	38,682	22,803	15,542	6,500	2,702	7,746	24,377
Post BP adjustments	-292		-18		-69	521		-142	
Apprenticeship Levy	335	8	61		-456	6	5	40	
City Deal budgets not reported in CCC budget					-1,027				
Transfer Digital Strategy budget to CS - CCR	-1,286		-68		1,354				
Transfer Strengthening Communities budget to CS - CCR1			-689		689				
Property demerger from LGSS and rationalisation of property services			58			-7		-51	
Organisational structure review	-293				293				
Transfer budget for Court of Protection team to CS	-52							52	
Transfer surplus NHB funding from City Deal					-256				256
Transfer budget from reablement for In Touch maintenance	-10				10				
Allocation of inflation to Waste budget			200						-200
Drug and Alcohol Treatment service transfer to PH	-178	178							
Workforce development budget transferred to LGSS	-1,361							1,361	
Budget transfer per CCR	-43				43				
Property commissioning transfer budget to P&C	-11							11	
Dial a Ride budget to Total Transport	12		-12						
LAC demography	2,913				-2,913				
Waste demography			170		-170				
Transfer of savings LGSS to C&I							-349	349	
Welfare benefits budget to Financial Assessments and Adult Early Help	80				-142			62	
Combined Authority levy adjustment			1,327						-1,327
Budget transfer to Transformation Team					39			-39	
P&E use of earmarked reserves			287						-287
Catering and Cleaning services transfer to C&I	449						-449		
Business support transfer to applications development	-54							54	
Use of earmarked reserves for passenger transport			118						-118
Grants budget to P&C	130				-130				
Supporting Community Services budget transfers	139		76		-215				

Adult Learning & Skills transfer to P&C	180		-180						
Healthwatch transfer to P&C	382				-382				
Supporting Community Services budget transfers	358		411		-769				
Community Led Local Development Programme Funding transfer	21					-21			
Trading Services budget transfers	306						-306		
Supporting Community Services budget transfers	102				-102				
Cambs Housing Investment Company net interest receivable transfer to C&I				1,424			-1,424		
ESPO dividend budget transfer to C&I						200	-200		
Equalisation adjustment transfer from LGSS Managed to LGSS Cambridge Office						-15		15	
Budget transfer per CCR					-43			43	
Transfer Strengthening Communities budget	5		17		-22				
Transfer insurance budgets	419		1,615			-2,033			
Physical Disabilities redundancy savings to CS	-31				31				
Transfer Strengthening Communities budget	-27		-5		32				
Reduce flood budget ETE, approved by GPC			-20						20
Current budget	**239,503**	**386**	**42,030**	**24,227**	**11,338**	**5,151**	**-21**	**9,501**	**22,721**
Rounding	-2	0	0	0	0	2	0	0	0

APPENDIX 2 – Reserves and Provisions

Fund Description	Balance at 31 March 2017	2017-18		Forecast Balance 31 March 2018	Notes
		Movements in 2017-18	Balance at 31 January 2018		
	£000s	£000s	£000s	£000s	
General Reserves					
- County Fund Balance	15,808	1,546	17,353	13,296	
- Services					Service reserve balances transferred to General Fund after review
1 P&C	540	-540	0	0	
2 P&E	2,229	-2,229	0	0	
3 CS	-64	64	0	0	
4 LGSS Operational	609	-29	580	51	
subtotal	19,122	-1,188	17,933	13,347	
Earmarked					
- Specific Reserves					
5 Insurance	3,269	-1,324	1,945	1,945	
subtotal	3,269	-1,324	1,945	1,945	
- Equipment Reserves					
6 P&C	133	0	133	83	
7 P&E	218	0	218	218	
8 CS	57	0	57	57	
9 C&I	726	0	726	680	
subtotal	1,134	0	1,134	1,038	
Other Earmarked Funds					
10 P&C	1,223	-707	516	404	
11 PH	2,960	0	2,960	2,457	
12 P&E	5,989	-99	5,890	4,883	Includes liquidated damages in respect of the Guided Busway - current balance £1.5m.
13 CS	2,656	-97	2,559	2,181	
14 LGSS Managed	146	0	146	146	
15 C&I	442	53	495	548	
16 Transformation Fund	19,525	2,777	22,302	19,562	Savings realised through change in MRP policy
17 Innovation Fund	1,000	-72	928	928	
subtotal	33,941	1,855	35,796	31,109	
SUB TOTAL	**57,465**	**-657**	**56,809**	**47,439**	
Capital Reserves					
- Services					
18 P&C	1,827	44,455	46,282	44	
19 P&E	7,274	37,948	45,222	5,200	
20 LGSS Managed	72	-72	0	0	
21 C&I	0	3,100	3,100	0	
22 Corporate	29,782	10,887	40,668	30,344	Section 106 and Community Infrastructure Levy balances.
subtotal	38,955	96,318	135,272	35,588	
GRAND TOTAL	**96,420**	**95,661**	**192,081**	**83,026**	

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 2017	2017-18		Forecast Balance 31 March 2018	Notes
		Movements in 2017-18	Balance at 31 January 2018		
	£000s	£000s	£000s	£000s	
- Short Term Provisions					
1 P&E	669	0	669	0	
2 P&C	200	0	200	0	
3 CS	64	0	64	64	
4 LGSS Managed	3,056	-56	3,000	3,000	
5 C&I	24	0	24	24	
subtotal	4,013	-56	3,957	3,088	
- Long Term Provisions					
6 LGSS Managed	3,613	0	3,613	3,613	
subtotal	3,613	0	3,613	3,613	
GRAND TOTAL	**7,626**	**-56**	**7,570**	**6,701**	

APPENDIX 3 - Narrative from the report to Children and Young People Committee about budget pressures

Service	Current Budget for 2017/18	Actual	Forecast Variance Outturn	
	£’000	£’000	£’000	£’000
11) Home to School Transport – Special	**8,008**	**5,790**	**420**	**5%**

The Home to School Transport – Special Budget is forecasting to be £420k over budget at year-end. This is due to a higher than expected number of transport applications from children attending special schools, with an increase of 8% in the number of Cambridgeshire pupils attending Special Schools in the Autumn Term of Academic Year 17/18 compared to Autumn Term 16/17.

While savings have been made through successful routes retenders, savings activities around Independent Travel Training and Personal Transport Budgets (PTB) have not been achieved.

Mitigating actions being taken include:

- A detailed review of children and young people currently travelling in high-cost single occupancy taxis to assess whether more cost-effective options are available
- A strictly time limited review of the PTB scheme looking at the current criteria, decision-making, reporting and monitoring processes and how these can be improved to deliver the planned savings.
- A working group has been established to relaunch the plan to roll out independent travel training with the first group of children and young people being able to travel independently from September 2018

Due to the length of existing contracts and the structure of the academic year it is unlikely that the current pressure will be reduced within 2017/18, however these actions will ensure that the pressure is reduced in financial year 2018/19.

Service	Current Budget for 2017/18	Actual	Forecast Variance Outturn	
	£'000	£'000	£'000	%
12) LAC Transport	**1,126**	**1,220**	**500**	**44%**

The LAC Transport budget is forecasting to be £500k over budget at year-end. The overall increase in Looked after Children has meant that more children are requiring Home to School Transport. Many of these children are placed out of county and/or at a significant distance away from their schools leading to high transport costs.

It has been agreed with the Head of Countywide and Looked After Children Services that activities to mitigate the pressure will include:

- Case-by-case reviews of the most expensive cohorts of Looked After Children transport to identify savings reductions, particularly targeting high-cost single occupancy taxi journeys and encouraging more children to walk shorter journeys.
- Route reviews to identify opportunities for shared vehicles, routes and providers, including across different client groups e.g. mainstream, SEND, or Adult transport, reducing any duplication and opportunities for better use of volunteer drivers.
- Further activity to ensure the Council's policies around transport provision are implemented fully across the board, with joined-up decisions across social care and transport.

Due to the length of existing contracts and the structure of the academic year it is highly unlikely that the current pressure will be reduced within 2017/18, however these actions will ensure that the pressure is reduced in financial year 2018/19.

13) Youth Offending Service	**1,618**	**980**	**-107**	**-7%**

The Youth Offending Service are forecasting an under spend of £107k, an increase of £4k from December. Based on low incidents of secure remand for young offenders in recent years, the YOS remand equalisation earmarked reserve has been reduced, creating a non-recurrent underspend of £90k this year. The remaining £17k underspend is across a number of non-pay budgets, including staff training.

14) Strategic Management – Children & Safeguarding	**3,575**	**4,663**	**822**	**23%**

The Children and Safeguarding Director budget is forecasting an £822k over spend. This is a decrease of -£200k since last month following a review of actual and estimated vacancy savings within the service.

The Children's Change Programme (CCP) is on course to deliver savings of £669k in 2017/18 to be achieved by integrating children's social work and children's early help services in to a district-based delivery model. However, historical unfunded pressures of £886k still remain. These consist of £706k around the use of agency staffing and unfunded posts of £180k.The Business Support service pressure of £245k is now being managed in year and managed out entirely by 2018/19. Agency need has been reduced based on a 15% usage expectation in 2017/18 but use of agency staff remains necessary to manage current caseloads. All local authorities have agency social workers, many with a much higher % and therefore a budget to accommodate this need is necessary.

A further cost of £336k is due to the service not being awarded an expected grant from the DFE, anticipation of this grant had been built in as an income stream and this has now resulted in a shortfall in the required staffing budget.

The service is estimated to exceed its vacancy saving target by £400k.

Actions being taken:
A business support review is underway to ensure we use that resource in the most effective manner in the new structure. All the budget pressures continue to be monitored and reviewed at the workforce work stream project meetings, by Senior Management Team and at the P&C Delivery Board with any residual pressures being managed as part of the 2018/19 Business Planning round.

Service	Current Budget for 2017/18	Actual	Forecast Variance Outturn	
	£'000	£'000	£'000	%
15) Children in Care	**13,023**	**11,785**	**557**	**4%**

The Children in Care policy line is forecasting to be £557k over budget at year-end. This is an increase of £150k since last month due to increases across both the under 18 & over 18 Unaccompanied Asylum Seeking Children and 14-25 LAC Team budgets mainly due to the number of clients being supported and latest income expectations from the Home Office, together with an increase in the in-house fostering forecast due to additional placements being made.

The 14- 25 Team 4 is forecasting to be £179k over budget. This is due to a forecast shortfall between the grant received from the Home Office for former looked after unaccompanied asylum seeking young people who are now over 18 and the costs incurred in supporting them. The local authority has a duty to support this cohort of young people as care leavers. Pending young people being granted an asylum seeking status as young adults, they are not able to claim benefits or obtain housing and require support from the local authority until the Home Office has made a decision.

Currently it is forecast that the local authority has to support them for up to six months after their 18th birthday. Cambridgeshire has seen an increase in the size of this cohort in this financial year as a number of looked after children (including those newly arrived in Cambridgeshire this year) have turned 18.

The Supervised Contact team is forecasting to be £275k over budget. This is due to the use of additional relief staff and external agencies to cover the current 204 Supervised Contact Cases which equate to approximately 140 supervised contact sessions a week.

Actions being taken:
The local authority continues to liaise closely with the Home Office to advocate that decisions for individual young people are expedited in a timely way.

In Supervised Contact we have implemented a systemic review of all supervised contact taking place across the service to ensure better use of staff time and costs. Despite this, resources remain stretched and the service are exploring other avenues to better manage the current caseloads.

Service	Current Budget for 2017/18	Actual	Forecast Variance Outturn	
16) Looked After Children Placements	**17,344**	**15,790**	**3,249**	**19%**

A pressure of £3.2m is being forecast, which is an increase of £0.3m from what was reported in December. The majority of this increase is the result of delayed savings that were forecast for planned placement moves (these have been delayed from the original planned move date) and 1 new high cost secure accommodation placement that has recently been commissioned.

It is positive that the overall numbers of looked after children have increased only slowly throughout the year. This demonstrates that demand management activity is having positive impact on numbers of Looked After Children and of external placements.

Overall LAC numbers at the end of January 2018, including placements with in-house foster carers, residential homes and kinship, are 702, 1 more than December 2017. This includes 63 unaccompanied asylum seeking children (UASC).

External placement numbers (excluding UASC but including 16+ and supported accommodation) at the end of January are 355, which is 3 less than reported at the end of December. However the composition of placement types and costs indicates that a small but significant number of children are in receipt of very intensive and costly packages of support which has increased since last month. The Access to Resources team are working with providers to ensure that support and cost matches need for all children.

Service	Current Budget for 2017/18	Actual	Forecast Variance Outturn	
	£'000	£'000	£'000	%

Looked After Children Placements continued;

External Placements Client Group	Budgeted Packages	31 Dec 2017 Packages	31 Jan 2018 Packages	Variance from Budget
Residential Disability – Children	1	1	2	+1
Child Homes – Secure Accommodation	0	0	1	+1
Child Homes – Educational	16	18	18	+2
Child Homes – General	22	37	37	+15
Independent Fostering	263	265	260	-3
Supported Accommodation	15	28	28	+13
Supported Living 16+	25	9	9	-16
TOTAL	**342**	**358**	**355**	**+13**

'Budgeted Packages' are the expected number of placements by Mar-18, once the work associated to the saving proposals has been undertaken and has made an impact.

Actions being taken to address the forecast pressure include:

- Weekly panel that all requests for placements have to go to and review of high-cost placements on a regular basis. Access to Resources and operational managers to ensure that the plans for children remain focussed and that resources are offering the best value for money. This is chaired by the Assistant Director.
- Purchase placements reviews – scrutiny by placement officers and service/district managers to review emergency placements, changes of placements and return home from care planning to ensure that children are in the right placement for the right amount of time. This has resulted in timely and planned endings of high cost placements where appropriate.
- All new admissions to care have to be agreed at Assistant Director or Service Director level.
- Development of a 'No Wrong Door' model to bring together the residential home, specialist fostering placements, supported lodgings and supported accommodation, with outreach services under one management arrangement. This will enable rapid de-escalation of crisis situations in families preventing admissions to care, and delivery of an all-inclusive team of support for young people with the most complex needs, improving outcomes for young people and preventing use of expensive externally-commissioned services.
- A new Head of Service, with expertise in children's services commissioning, has been re-deployed from elsewhere in the P&C directorate to lead the Access to Resources function.
- A new Access to Resources Manager has been engaged to add specific capacity to ensure the right placement at the right cost is secured in all cases.

<u>Longer Term Actions</u>:

A business case that seeks investment to ultimately deliver reductions in overall numbers of children in care and increase the proportion of those remaining in care who are placed with in-house fostering households was approved by General Purposes Committee in December. This will include independent evaluation commencing in January 2018 to establish whether the progress of children through the care system and spending too long in care is a factor in the numbers of children in care being higher than statistical neighbours. The evaluation will report in March 2018 to enable us to take action to fundamentally change processes from that point.

The business case also enables investment in the in-house fostering service to address the placement mix; in Cambridgeshire, 60% of children placed with general foster carers are placed with IFA foster carers. This would more ordinarily be expected to be between 30 and 40%.

Service	Current Budget for 2017/18	Actual	Forecast Variance Outturn	
	£'000	£'000	£'000	%
17) Adoption	**4,406**	**4,298**	**576**	**13%**

The Allowances budget is forecasting to be £576k over budget at year-end.

Our contract with Coram Cambridgeshire Adoption (CCA) provides for 39 adoptive placements pa. In 2017/18 we are forecasting an additional requirement of 20 adoptive placements. There is a need to purchase inter agency placements (£352k) to manage this additional requirement and ensure our children receive the best possible outcomes.

The Adoption/SGO allowances pressure of £224k is due to an increase in SGOs over and above our growth forecasts. We have seen an increase of 15% (28 SGOs) so far in 2017/18 against a planned full year rise of 9%. The increase in Adoption and Special Guardianship orders is a reflection of the good practice in making permanency plans for children outside of the looked after system and results in reduced costs in the placement budgets.

Actions being taken:
Ongoing dialogue continues with CCA to look at more cost effective medium term options to recruit more adoptive families to meet the needs of our children. Rigorous oversight of individual children's cases is undertaken before Inter Agency placement is agreed.

A programme of reviews of allowances will be implemented resulting in the reduction of some packages with the intention of off-setting any further growth by way of new allowances.

18) Legal Proceedings	**1,540**	**1,724**	**686**	**45%**

The Legal Proceedings budget is forecasting to be £686k over budget at year-end. This is an increase of £85k since last month due to late billing of historical legal costs.

Numbers of care applications increased by 52% from 2014/15 (105) to 2016/17 (160), mirroring the national trend. There are currently 96 open sets of care proceedings. Whilst the numbers of ongoing set of care proceedings have reduced by around 14% since 1 April 2017 we have consistently had around 100 cases which indicates that we are likely to exceed the previous year's number of completed legal proceedings, thus causing significant pressure on the legal budget.

Whilst we now have fewer ongoing sets of care proceedings (and fewer new applications being issued in Court) legacy cases and associated costs are still working through the system. Aside from those areas where we are working on to reduce costs i.e. advice/use of appropriate level of Counsel, the volume of cases remaining within the system indicates an estimated £600k of costs in 2017/18. This assumes overrun costs through delay in cases can be managed down as well as requests for advice being better managed.

Actions being taken:
Work is ongoing to better manage our controllable costs by use of a legal tracker which should enable us to better track the cases through the system and avoid additional costs due to delay. We have invested in two practice development posts to improve practice in the service and will also seek to work closer with LGSS Law with a view to maximising value for money.

<table>
<tr><th rowspan="2">Service</th><th>Current Budget for 2017/18</th><th>Actual</th><th colspan="2">Forecast Variance Outturn</th></tr>
<tr><th>£’000</th><th>£’000</th><th>£’000</th><th>%</th></tr>
<tr><td>19) Children’s Disability Service</td><td>6,527</td><td>6,369</td><td>168</td><td>3%</td></tr>
<tr><td colspan="5"> The Children’s Disability Service is forecasting to be £168k over budget at year-end. The Community Support Services budget has seen an increase both in the number of support hours, a high cost individual case (£35k) and in the number of joint funded health packages (also including some with high allocations of hours). Contributions to Adult Services (£45k) have increased and the service is also carrying a £50k pressure from 2016/17. <u>Actions being taken:</u>
We will be reviewing the costs of current packages and in particular support levels for our young people. </td></tr>
<tr><td>20) High Needs Top Up Funding</td><td>13,573</td><td>12,738</td><td>200</td><td>1%</td></tr>
<tr><td colspan="5"> Numbers of young people with Education Health and Care Plans (EHCP) in Post-16 Further Education providers continue to increase and as a result the year-end forecast is £200k over budget. Placements for the 2018/19 academic year are still being finalised and as such the overall cost for the remainder of the financial year could increase further as more young people remain in education. This budget is funded from the Dedicated Schools Grant (DSG) High Needs Block. </td></tr>
<tr><td>21) SEN Placements</td><td>8,973</td><td>8,875</td><td>850</td><td>9%</td></tr>
<tr><td colspan="5"> The SEN Placements budget continues to forecast a £850k overspend this month. Overall there are rising numbers of children and young people who are LAC, have an EHCP and have been placed in a 52 week placement. These are cases where the child cannot remain living at home. Where there are concerns about the local schools meeting their educational needs, the SEN Placement budget has to fund the educational element of the 52 week residential placement; often these are residential schools given the level of learning disability of the young children, which are generally more expensive. The SEN Placement budget is funded from the High Needs Block (HNB) element of the Dedicated Schools Grant (DSG). <u>Actions being taken</u>: SEND Sufficiency work is underway to inform future commissioning strategy. This will set out what the SEND need is across Cambridgeshire, where it is and what provision we need in future, taking account of demographic growth and projected needs. The SEND Sufficiency work will be completed in January 2018. A series of workshops are being planned for Spring 2018;
Three new special schools to accommodate the rising demand over the next 10 years. One school opened in September 2017 with two more planned for 2020 and 2021. Alternatives such as additional facilities in the existing schools, looking at collaboration between the schools in supporting post 16, and working with further education providers to provide appropriate post 16 courses are also being explored in the plan;
SEND Commissioning Strategy and action plan are being developed with a focus on children and young children with SEND in Cambridgeshire accessing mainstream education;
Work on coordination of reviews for ISEPs to look at returning in to county; and
A full review of all High Needs spend is required due to the ongoing pressures and proposed changes to national funding arrangements.</td></tr>
</table>

Service	Current Budget for 2017/18	Actual	Forecast Variance Outturn	
	£'000	£'000	£'000	%
22) Out of School Tuition	**1,119**	**1,089**	**636**	**57%**

The Out of School Tuition budget is forecasting a pressure of £636k, which is an increase of £36k this month following a rise in the number of new packages being requested this month (January's requests have come through following breakdowns in placement that happened towards the end of the Autumn term in December).

There are several key themes emerging which are having an impact on the need for children to receive a package of education, sometimes for prolonged periods of time:

- Casework officers are not always made aware that a child's placement is at risk of breakdown until an emergency annual review is called.
- Casework officers do not have sufficient access to SEND District Team staff to prevent the breakdown of an education placement in the same way as in place for children without an EHCP.
- There are insufficient specialist placements for children whose needs cannot be met in mainstream school.
- There is often a prolonged period of time where a new school is being sought, but where schools put forward a case to refuse admission.
- In some cases of extended periods of tuition, parental preference is for tuition rather than in-school admission.

There has been an increase in the number of children with an Education Health and Care Plan (EHCP) who are awaiting a permanent school placement. The delay is due to the nature and complexity of the needs of these children. Many of these children are in Key Stage 1 and do not have a permanent placement due to a lack of provision for this cohort of children. In addition, there are a number of children and young people who have a Statement of SEN/EHCP and have been out of school for some time. A smaller cohort of Primary aged children who are permanently excluded, or those with long term medical absence from school, sometimes require external tuition packages when SEND Specialist Teaching capacity is full.

A new process has been established to ensure all allocations and packages are reviewed in a timely way and that there is oversight of moves back into full time school. The transfer of the Out of School Tuition budget to the SEND Services (from November 17) enables more opportunities to use resources differently and to have more cost effective in-house tuition. There have been discussions with the Transformation Team and following the outcomes and recommendations of several large scale provision and funding reviews, we aim to look at the extension of the existing team in order to prevent placement breakdown more effectively and provide high quality teaching to a smaller number of children who need tuition.

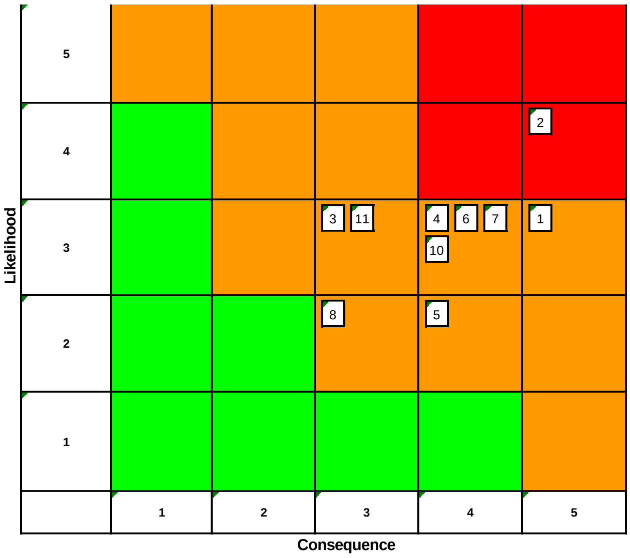
Immediate interim controls have been placed on access to this budget. Casework officers and Statutory Assessment Team Leaders must request new packages or increases to existing packages with the budget holder. This is vital in order to understand the nature of requests and bring in swift additional support from SEND District Teams. This is not a long term solution and the budget holder is working with the Transformation Team to investigate whether the pump-priming of the SEND District Teams with additional staff could either prevent the breakdown of placement (and therefore reduce the need for packages of education) or provide in-house tuition at a cheaper rate.

The current Tuition Provider Framework is up for recommissioning in March 2018. It has been agreed to extend the framework by 12 months in order to give time to look at more sustainable and in-house provision. These decisions and a business case will be formulated using the data and recommendations given through the SEMH Review, High Needs Block Review and SEND Sufficiency Review, which will close in January 2018. The Tuition Provider Contract is zero-based and requires no minimum fulfilment.

In the short term, it has been agreed to review all cases open to tuition with casework officers as a matter of urgency. This will involve rag rating cases according to confidence that tuition will be ceasing soon (e.g. next steps to a school are in place), safeguarding and financial concerns.

Service	Current Budget for 2017/18	Actual	Forecast Variance Outturn	
	£'000	£'000	£'000	%
23) Executive Director	**416**	**493**	**119**	**29%**
There has been a technical adjustment in reporting the ability to re-priorities grant funded activity (Improved Better Care Fund (iBCF), in response to Adults Services pressures. This is now being reported within Strategic Management – Adults. The revised forecast of £119k overspend is due to the £219k Business Support saving which will not be achieved in 17/18, being offset by £100k saving identified against uncommitted expenditure.				
24) Central Financing	**-523**	**-891**	**-215**	**-41%**
The Central Financing budget is forecasting underspend of -£215k. Nationally, local authorities are currently permitted greater flexibility in use of capital receipts (proceeds from sales of assets) to fund any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs. The Council was already making use of this flexibility – following a recent review a further £215k of eligible expenditure has been identified within People & Communities.				
25) Financing DSG	**-40,018**	**-33,348**	**-1,797**	**-4%**
Within P&C, spend of £40m is funded by the ring-fenced Dedicated Schools Grant. The DSG pressure of £1,797k is primarily made up from SEN Placements (£850k); Out of School Tuition (£636k); High Needs Top Up Funding (£200k); Early Years Specialist Support (£88k) and SEND Specialist Services (£72k). For this financial year the intention is to manage within overall available DSG resources.				

APPENDIX 4 – Corporate Risk Register Summary



Risk #	Risk	Risk Owner	Residual Risk Level	Review Date
1	01. Vulnerable children or adults are harmed	Wendi Ogle-Welbourn	15	30/04/2018
2	02. The Business Plan (including budget and services) is not delivered	Chris Malyon	20	30/04/2018
3	03. Personal data is inappropriately accessed or shared	Sue Grace	9	30/04/2018
4	04. A serious incident occurs, preventing services from operating and / or requiring a major incident response	Sue Grace	12	30/04/2018
5	05. The Council does not deliver its statutory or legislative obligations	Quentin Baker	8	30/04/2018
6	06. Our resources (human resources and business systems, CCC and providers) are not sufficient to meet business need	Gillian Beasley	12	30/04/2018
7	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	Graham Hughes	12	30/04/2018
8	08. The Council is a victim of major fraud or corruption	Gillian Beasley	6	30/04/2018
9	09. Our partnerships are not successful in delivering the intended outcomes	Gillian Beasley		30/04/2018
10	10. Inequalities in the county continue	Gillian Beasley	12	30/04/2018
11	11. Change and transformation of services is not successful	Chris Malyon	9	30/04/2018

This quarter, risk 2 ‘the Business Plan is not delivered’, has remained at a score of 20. Actions to address this are summarised in section 3.1 of this report, and the forecast outturn has reduced slightly comparing January to December, suggesting that mitigating actions are having a positive effect.

Agenda Item No: 10

DRAFT INTERNAL AUDIT PLAN 2018/19

To: **Audit & Accounts Committee**

Date: **27th March 2018**

From: **Duncan Wilkinson, Chief Internal Auditor**

1. PURPOSE

1.1 To present the draft 2018/19 Internal Audit Plan attached as Appendix 1 and invite comments from Committee.

2. BACKGROUND

2.1 The role of Internal Audit is to provide the Audit and Accounts 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.

2.2 This report outlines the proposed 2018/19 Internal Audit Plan (at Appendix 1). This has been revised in light of discussions with the Section 151 Officer, following a previous report to Strategic Management Team (SMT) on the 15th February. It was also agreed that regular monthly meetings between Internal Audit and the Section 151 Officer would be scheduled to allow for more detailed discussion around the use of audit resource.

Recommendation

The Audit & Accounts Committee is requested to consider and comment on the contents of this report, and approve the proposed 2018/19 Audit Plan as attached, subject to any changes agreed at the meeting.

Background papers: None

Appendix 1

1. THE INTERNAL AUDIT PLAN

1.1 BACKGROUND

The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors launched a common set of Public Sector Internal Audit Standards (PSIAS) in April 2013. The PSIAS set out the standard for internal audit across the public sector.

The principles in the PSIAS are consistent with the previous CIPFA code of practice for internal audit which applied across local government. They include the need for risk-based plans to be developed for internal audit and for plans to receive input from management and the 'Board'; for the purposes of the key duties laid out in the PSIAS, the Audit & Accounts Committee is effectively the 'Board' for the Council.

Under the Local Government Act, the Council's Section 151 officer is responsible for ensuring that there are arrangements in place for the proper administration of the Authority's financial affairs. The work of Internal Audit is therefore directly relevant to these responsibilities.

1.2 AUDIT PLANNING

PSIAS Performance Standard *2010 – Planning* states that:

"The Chief Audit Executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals."

The standards refer to the need for the risk-based plan to consider the organisation's risk management framework, and to take into account the requirement to produce an annual internal audit opinion and the assurance framework.

Within the Council, the Chief Audit Executive is the Chief Internal Auditor, for the purposes of the PSIAS. Performance Standard *2450 – Overall Opinions* states that:

"The Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control."

The risk-based plan therefore needs to include an appropriate and comprehensive range of work which is sufficiently robust to confirm that all assurances provided as part of the system of internal audit can be relied upon by the Audit & Accounts Committee. The Chief Internal Auditor will ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the internal audit plan.

1.3 THE PLANNING PROCESS

The plan is based on assurance blocks that each provides an opinion over key elements of the control environment, targeted towards in-year risks, rather than a more traditional cyclical approach examining each system over a number of years. For each assurance block, the most appropriate level of coverage necessary to provide an effective annual assurance opinion and added value to the organisation has been developed.

The audit plan is intended to remain dynamic in nature and will be reviewed and re-aligned on a regular basis to take account of new, emerging and changing risks and priorities. Resources will then be re-prioritised towards the areas of highest risk. The audit plan will be reported to Audit & Accounts Committee every quarter, and should be reviewed and robustly challenged by the Senior Management Team, the S151 Officer and the Audit & Accounts Committee.

In order to develop the audit plan, there must be a sound understanding of the risks facing the Council. The Internal Audit risk assessment of the authority is updated during the year and used to form the basis of the Internal Audit plan, alongside the Corporate Risk Register. Internal Audit has also engaged with members of senior management to ensure that known and emerging risks are considered in annual audit planning. Potential audit areas identified through this process are then assessed and weighted according to the level of risk they relate to.

1.4 THE ANNUAL PLAN

The Internal Audit Plan for the next year must be sufficiently flexible to enable assurance to be obtained over current risk areas, as well as emerging risks, and those risks which are yet to be identified. This is particularly relevant as we move into 2018/19, with the Council continuing to evolve and transform in the face of ongoing financial challenges. To reflect this, the draft 2018/19 Plan includes a particular focus on transformation and project management.

Inevitably, the potential for risks is increased during periods of change. For instance, reductions or high levels of turnover in the workforce provide an opportunity for controls to break down – as well as an opportunity to consider new and more efficient ways of organising people, systems and processes, without adversely impacting internal control. To reflect this risk, the Audit Plan contains an allocation of time for advice and guidance. Reviews of the key financial systems and pro-active anti-fraud and compliance audits will provide assurance that the basic governance and control arrangements are continuing to operate effectively, minimising the risks of misappropriation, loss and error.

The Audit Plan reflects the environment in which public sector audit operates, recognising that this has changed considerably over the past few years with more focus on, for example, better assurance, safeguarding and achieving best value. The planned audit coverage is intended to ensure stakeholders receive a valuable assurance and that the audit service tangibly adds value to the organisation.

Maintaining an Audit Plan which is dynamic, challenging and prioritised based on the organisation's risks is not a new concept; however, in the current environment it is ever more critical if Internal Audit is to help the Council to respond effectively to the scale of change required in 2018/19 and beyond.

1.5 HOW ASSURANCE CAN BE GIVEN

As detailed above, the plan is split into both assurance blocks and directorate areas for ease of understanding as well as to demonstrate how assurance on the organisation's control environment can be given. There are a number of key assurance blocks, which are summarised below:

1.5.1 Key Financial Systems

This is the traditional area of internal audit work, required by external audit, and very much focuses on providing the Section 151 officer assurance that "the Council has made arrangements for the proper administration of its financial affairs." With the single finance system operated across LGSS partners, LGSS Internal Audit can deliver economy of scale via core testing on systems, supported by transactional testing of individual client operations.

These systems are agreed in advance with External Audit, with a focus on the systems that have the highest financial risk, and are used as the basis by which External Audit area able to place reliance on Internal Audit work. These reviews also give an opinion as to the effectiveness of financial management procedures and the arrangements to ensure the integrity of accounts.

1.5.2 Core Annual Assurances

The Plan incorporates annual assurances over core elements of the organisation's overall control system, including strategic performance management, risk management and the Council's Code of Corporate Governance. These reviews provide assurance that these policies and procedures are up to date; fit for purpose; effectively communicated; routinely complied with across the organisation; monitored and routinely improved.

1.5.3 Compliance

Compliance work is fundamental as it provides assurance across all Directorates and therefore supports the Head of Internal Audit opinion on the control environment. The proposed coverage for compliance is underpinned by an assessment of the Council's framework of controls (informed by policies and procedures) and includes those core areas where a high level of compliance is necessary for the organisation to carry out its functions properly. The work involves compliance checks across the organisation to provide assurance on whether the critical controls within the key policies and procedures are being routinely complied with in practice. This work will continue to challenge the existing controls to ensure that they are modern, effective and proportionate.

1.5.4 Transformation

In order to address increased financial pressure on the organisation, the Council needs to transform and develop more effective working across all services. This work provides assurance over the management of the risks which accompany major transformation, and that benefits are delivered as planned. It also identifies two specific areas for review that could help improve decision making and positively contribute to the Value for Money (VFM) agenda.

1.5.5 Project Management

This work provides assurance over project management across the organisation, and for 2018/19 there will be a focus on the development of project assurance frameworks to identify and monitor the Council's most high-risk projects. This work will help ensure that good project management is embedded within the Council and that evidence is available that supports decisions taken at the key 'gateways'.

1.5.6 Commissioning and Contracts

Commissioning and contracts remains a key area of risk for the Council. Effective and proportionate contract monitoring is essential not only to ensure that expected outcomes are achieved, but also that the Council achieves good cost control; meaning that Cambridgeshire County Council (CCC) pays what it should, based on actual costs (or equivalent contract conditions). Higher-risk contracts have been selected for review, incorporating open-book assurance where possible, to ensure that these are operating in accordance with the terms of the contracts and value for money is being achieved by contract management activities. Work to examine the commissioning process as a whole is also included in this assurance block.

1.5.7 Anti-Fraud and Corruption

This is a key development area and a high-risk area across the public sector. This includes both reactive and pro-active elements, along with initiatives to raise awareness of the council's anti- fraud and corruption culture and to report on the arrangements in place. In addition to the time allocation for fraud investigation work including the risk assessment process for referrals, the assurance block includes an allocation of days for pro-active fraud strategy work.

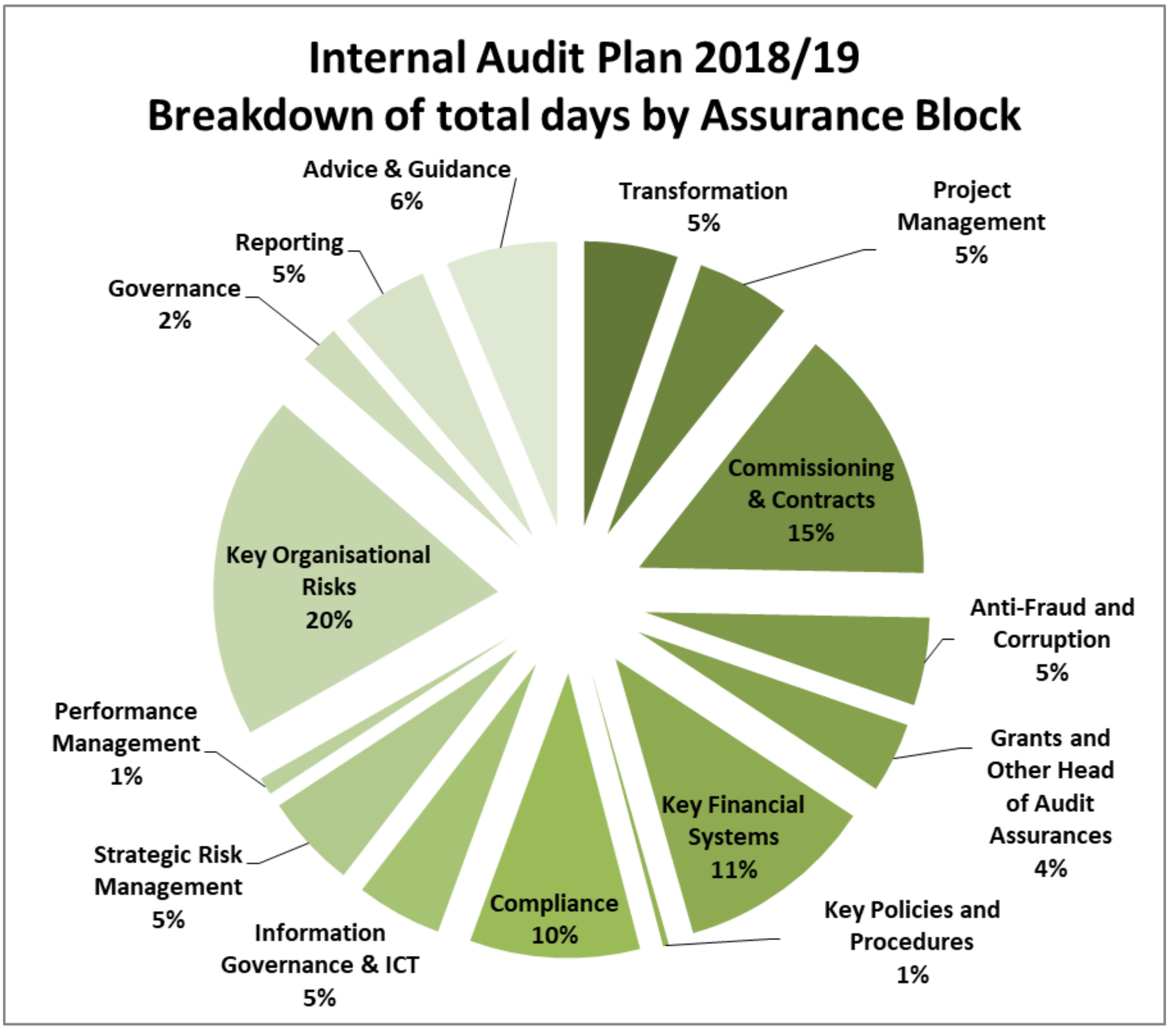
1.5.8 Information and Communication Technology (ICT) and Information Governance

The ICT assurance block includes reviews of key ICT risk areas and incorporates time for reviews of key risk areas around information governance and information security.

1.6 PLAN SUMMARY AND RESOURCES

In summary, the Audit Plan maintains a focus on risk-based and compliance audits as well as providing assurance on key financial systems. This reflects the need to focus on the management of emerging risks and to ensure the continued operation of key controls within the Council's governance arrangements, systems and processes. In order to contribute to the Council's efficiency agenda, there is also a continued need to allocate time to anti-fraud work and value for money reviews.

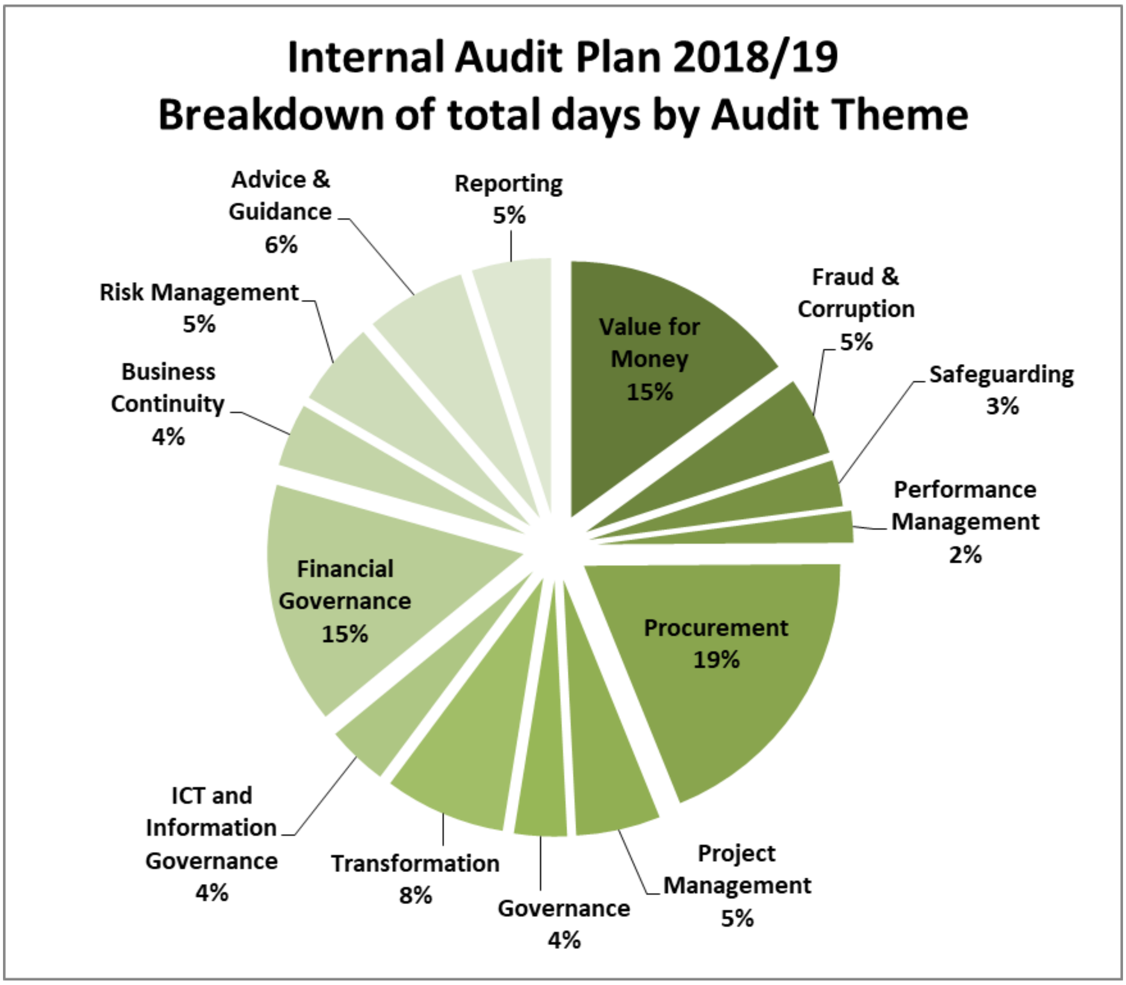
The Audit Plan has been agreed as 1,552 days, consistent with the 1,550 days for 2017/18. The proposed approximate split of time across the 2018/19 Audit Plan is as follows:



To help understand the breadth of audit coverage across the organisation, we have also broken the draft Plan down into organisational themes. This helps to demonstrate how the planned reviews will provide coverage of key organisational risks.

In particular, in alignment with the Council's Transformation Programme, the Audit Plan for 2018/19 has a focus on both transformation and procurement risk, and includes reviews of commissioning and contract management of major corporate contracts as well as reviews to provide assurance over the management of key risks which accompany organisational transformation.

The breakdown of the proposed Plan across these organisational themes is as follows:



1.7 CONCLUSIONS

The 2018/19 Audit Plan has used a risk-based approach to prioritising internal audit work and includes sufficient coverage to ensure an evidence-based assurance opinion on the control environment can be provided at the end of the year.

The Plan is responsive in nature and all efforts will be made to maximise coverage to provide the most effective and agile internal audit service possible that focuses on key risks facing the organisation throughout the year.

Progress against the plan will be monitored throughout the year and key issues reported to SMT and the Audit Committee each quarter.

1.8 THE DRAFT INTERNAL AUDIT PLAN 2018/19

The Draft Internal Audit Plan is presented at Appendix 2.

Any changes agreed as a result of this meeting will be incorporated into the draft Plan prior to presentation to Audit & Accounts Committee on the 27th March.

APPENDIX 2 – DRAFT INTERNAL AUDIT PLAN 2018/19

Internal Audit Plan 2018/19						
Audit	**Days**	**Theme**	**Qtr**	**Month**	**Directorate**	**Why?**
Transformation						
In order to address increased financial pressure on the organisation, the Council needs to transform and develop more effective working across all services. This work provides assurance over the management of the risks which accompany major transformation, and that benefits are delivered as planned. It also identifies two specific areas for review that could help improve decision-making and positively contribute to the Value for Money (VFM) agenda.						
Transformation Programme	20	Transformation	Q1	April	Cross-Cutting	Review of the Transformation Programme including governance arrangements, management, monitoring and benefits realisation.
Transformation Project Audits	60	Transformation	Q1	April	Cross-Cutting	Four project audits of Transformation projects, two at the initiation stage and two at the benefits realisation stage, to be identified in conjunction with the s151 Officer. Providing an assurance report on each project taking into account decision-making, financial management, governance, risk management and benefits realisation.
Impact of price/quality evaluation in tender process and review of guidance.	20	Transformation	Q1	April	Cross-Cutting	Review guidance on the use of price/quality in tender evaluation and sample taken from recent evaluations to determine the cost paid for increased quality and the eventual 'impact' of any additional quality.
Discretionary and Non-Statutory Service Provision & Expenditure	20	Transformation	Q2	July	Cross-Cutting	Review of guidance available to help colleagues consider the impact (cost/benefit) of including discretionary elements within

						eligibility criteria for service users, including comparison of CCC with other Councils. Evaluate guidance available against best practice. Review agreed key areas and compare to similar Council's and attempt to quantify the positive outcomes achieved by investing in discretionary spend.
Total Transformation:	**120**					
Project Management						
Providing assurance over project management across the organisation, and focusing on the development of project assurance frameworks to identify and monitor the Council's most high-risk projects. This work will help ensure that good project management is embedded within the Council and that evidence is available that supports decisions taken at the key 'gateways'.						
Development of Project Management Framework	10	Project Management	Q1	Ongoing	Cross-Cutting	Provision of ongoing support and advice to the development and implementation of the new Council-wide Project Management Framework and Projects Assurance Process.
Development of Project Assurance Framework	10	Project Management	Q1	Ongoing	Cross-Cutting	Development of Council-wide projects assurance process, to ensure all projects are risk-assessed and the most high-risk projects have a project assurance officer assigned from Audit, Finance or Transformation.
Project Assurance of High Risk Projects	40	Project Management	Q1	Ongoing	Cross-Cutting	Project assurance of high-risk projects by designated Internal Audit project assurance officers.
Total Project Management:	**80**					
Anti-Fraud and Corruption						
Allocation of time for risk assessment and investigation of fraud and theft referrals. Should significant fraud be identified in-year SMT will be consulted as to the best way to investigate as well as, where appropriate, how to improve the control environment to reduce the risk of re-occurrence.						
National Fraud Initiative	40	Fraud & Corruption	Q1	June	Cross-Cutting	Management of statutory National Fraud Initiative.
Fraud Investigations	35	Fraud & Corruption	Q1	Ongoing	Cross-Cutting	Allocation of time to investigate alleged fraud or theft.

Total Anti-Fraud and Corruption:	**75**					
Key Financial Systems						
Providing assurance that the Council has made arrangements for the proper administration of its financial affairs, these system audits are agreed in advance with External Audit and focus on the systems with the highest financial risk. These reviews give an opinion as to the effectiveness of financial management procedures and arrangements to ensure the integrity of accounts. LGSS Internal Audit (IA) will use the shared services ethos to minimise the resources required to undertake these audits, whilst still giving effective assurance to CCC.						
Key Financial Systems Assurances	170	Financial Governance	Q3	December	Cross-Cutting	Annual assurance over LGSS Key Financial Systems conducting transactional testing across core systems, review scopes agreed with External Audit.
Total Key Financial Systems:	**170**					
Grants and Other Head of Audit Assurances						
Provision of assurances over grant funding from central government where a Head of Audit opinion is required. These are becoming more in number each year and SMT will be kept informed of new requirements via the normal reporting mechanisms.						
Growth Deal	5	Financial Governance	Q1	May	Place and Economy (P&E)	Grant certification required.
Local Transport Capital Block Funding	5	Financial Governance	Q2	July	P&E	Grant certification required.
Bus Service Operators	5	Financial Governance	Q2	July	P&E	Grant certification required.
Challenge Fund - Drought Damaged Roads	5	Financial Governance	Q2	July	P&E	Grant certification required.
Cycle City Phase II	5	Financial Governance	Q2	September	P&E	Grant certification required.
Troubled Families Grant	28	Financial Governance	Q1	Ongoing	People & Comm-	Grant certification required. Ongoing throughout year.

					unities P&C	
National Productivity Fund	5	Financial Governance	Q1	June	P&E	Grant certification required.
Safer Roads Funding	5	Financial Governance	Q2	July	P&E	Grant certification required.
Pothole Action Fund	5	Financial Governance	Q2	July	P&E	Grant certification required.
Public Health Grant	5	Financial Governance	Q1	April	Public Health (PH)	Following concerns about the use of ring-fenced grant at Northamptonshire County Council, review to confirm that no similar issues have arisen at CCC since the last review of the grant in 2016/17.
Broadband Grant	5	Financial Governance	Q1	April	C&CS	Grant certification required.
Total Grants and Other Head of Audit Assurances:	**78**					
Commissioning & Contracts						
This is a key area of risk. Effective and proportionate contract monitoring by CCC is essential to ensure good cost control (i.e. we pay what we should based on actual costs/'contract' conditions) and that expected outcomes from these contracts are achieved. Higher-risk contracts have been selected for review, incorporating open-book assurance where possible to ensure that these are operating in accordance with the terms of the contracts and value for money is being achieved by contract management activities. Work to examine the commissioning process as a whole is also included in this assurance block.						
Procurement Governance	20	Procurement	Q3	September	Cross-Cutting	Review covering policies and procedures governing procurement processes, and arrangements for monitoring compliance with procurement policies. Assurance over risk that best value is not being achieved across all Council procurement.
Highways Contract Open Book Review	25	Procurement	Q2	September	P&E	Open book reviews of the Highways Contract.

Waste Private Finance Initiative (PFI) Open Book Review	25	Procurement	Q2	September	P&E	Open book reviews of the Waste PFI Contract.
Street Lighting PFI Open Book Review	25	Procurement	Q2	September	P&E	Open book reviews of the Street Lighting Contract.
Transport Contract Management	25	Procurement	Q3	November	P&E	Review of contract management within Transport services, to provide assurance over governance and management, with coverage of home to school transport, day centre transport, and other services.
P&C Contract Management	25	Procurement	Q1	May	P&C	Audit review of Coram Cambridgeshire Adoption contract with a total value of £4.9m.
Contract Management of Residential and Nursing Care Providers	25	Procurement	Q2	July	P&C	Review of contract management of residential and nursing care providers.
Public Health Contract Management	25	Procurement	Q2	July	PH	Open book review of Integrated Commissioning covering health visiting and school nursing, as suggested by Liz Robin.
Business Continuity for Key Contracts	25	Business Continuity	Q2	July	Cross-Cutting	Review of a sample of key strategic suppliers, with a focus on suppliers of care and transport to vulnerable service users, to identify assurances in place over supplier resilience and continuity planning.
Total Commissioning & Contracts:	**220**					
Key Organisational Risks & Director Requests						
These are areas of risk specifically identified by directors during the consultation process and have been requested to be included in the 2018/19 Audit Plan. This block also includes areas where the Audit Committee require additional assurances. Assurance over key organisational risks and requests for specific audit reviews by individual Directors will not only give directors the assurance they have requested but will support the annual Head of Internal Audit opinion across the control environment.						
Business Continuity	20	Business Continuity	Q3	October	Corpo-rate and Custo-	Requested by Sue Grace. Review of Business Continuity arrangements in the event of serious disruption, and ongoing management and monitoring of arrangements, following a major

					mer Services C&CS	review of Business Continuity.
Capgemini Report Response	15	Transformation	Q2	July	P&C	Requested by Sue Grace. Review of responses to Cap Gemini work to identify digital space opportunities within Adults Services, to provide assurance that the organisation is responding to the report findings.
Personal Budgets	30	Value for Money	Q1	April	P&C	Requested by Wendi Ogle-Welbourn. Review focused on the introduction of education personal budgets and Education Health & Care Plans. Assurance that personal budgets achieve value for money and are managed effectively when elements of each budget cut across different teams within the directorate.
Fostering Service	20	Value for Money	Q1	May	P&C	Requested by Wendi Ogle-Welbourn. Review of fostering strategy, governance and management of fostering services.
Neighbourhood Cares Project	15	Safeguarding	Q2	September	P&C	Requested by Wendi Ogle-Welbourn. Review of major project assisting individuals to take up support within their community. Assurance over potential risks particularly around safeguarding, following transformation of governance in this area.
Special Educational Needs Placements	20	Value for Money	Q2	July	P&C	Requested by Wendi Ogle-Welbourn. Analysis of expenditure and review of governance and ongoing management of special educational needs placements, with a focus on value for money.
Annual Safeguarding Assurance	25	Safeguarding	Q2	September	P&C	Annual assurance on safeguarding, guided by a review of assurances over the Council's safeguarding arrangements for children and adults, including internal review processes, contractual assurances, and assurances received from third parties such as Ofsted, peer reviews etc. and gap analysis work.
Section 106 Funding	20	Value for Money	Q3	November	P&E	Requested by Graham Hughes. Major income stream; risk that income is not collected when due or is not utilised and has to be returned to developers. Review of compliance with processes, to include following a sample of s106 agreements from receipt of the funding to its application.

Procurement Transport Project	10	Procurement	Q1	Ongoing	P&E	Requested by Graham Hughes. Ongoing support to the Procurement Transport Project.
P&E Partnership Services Cost Recovery	20	Value for Money	Q1	June	P&E	Requested by Graham Hughes. Review to provide assurance that costs are fully recharged where Cambridgeshire County Council delivers work for partners such as the Combined Authority, LEP etc.
Business Planning	20	Value for Money	Q1	June	Cross-Cutting	Review of governance, management and monitoring, and benefits realisation.
Grants to Voluntary Organisations	20	Value for Money	Q1	May	Cross-Cutting	Review of Council-wide framework for grants provided to voluntary organisations. Review of extant guidance and/or development of new guidance for the award of grants
Management of Consultants and Interims	20	Procurement	Q3	November	Cross-Cutting	Review of the use of consultants and interims at the Council to gain assurance over compliance with contract procedure rules, appropriate use of employment status, and effective contract management.
Capital Project Variations and Overspends	20	Value for Money	Q2	August	Cross-Cutting	Review of a sample of capital projects which have experienced significant overspends or variations, to gain assurance over risk and issue management, and identify any lessons learned for dissemination.
Public Health Joint Commissioning Unit	20	Transformation	Q1	May	PH	Requested by Liz Robin. Review of joint Public Health Commissioning Unit established with Peterborough City Council.
Total Risk-Based Audits:	**295**					
Key Policies & Procedures						
Effective policies and procedures drive the culture and risk appetite of the organisation and ensure key control principles are captured. They should reviewed annually to ensure they remain proportionate and effective.						
Annual Key Policies & Procedures Review	5	Governance	Q1	April	Cross-Cutting	Following previous year audit reviews of core policies and procedures, this review will provide assurance that key policies are reviewed, updated and accessible to staff.

Total Policies & Procedures:	**5**					
Compliance						
Compliance checks across the organisation to provide assurance on whether critical controls within key policies and procedures are routinely complied with in practice. Proposed coverage is underpinned by an assessment of the Council's framework of controls and findings from previous audit work.						
Key Performance Indicators	15	Performance	Q2	September	Cross-Cutting	Review of a sample of Key Performance Indicators to confirm that they are calculated and reported accurately in order to appropriately inform decision-making.
Grants to Voluntary/Other Organisations, including State Aid Compliance	25	Governance	Q1	June	Cross-Cutting	Review to provide assurance that the Council is complying with internal guidance (and State Aid rules) when issuing grants to third parties such as charities and community organisations.
Agency Staff Compliance	15	Procurement	Q3	October	Cross-Cutting	Follow-up review of the agency worker contract with Opus.
Procurement Compliance	30	Procurement	Q3	September	Cross-Cutting	4x reviews throughout the year of a sample of invoices, to provide assurance over risk that best value is not being achieved across all Council procurement. Once invoices have been selected, the review will work backwards through the commissioning process to confirm compliance and VFM.
EU Procurement Regulations	15	Procurement	Q3	October	Cross-Cutting	Review of high-value procurements to confim compliance with EU Procurement Regulations and that best value is being achieved through procurement.
Direct Payments Compliance	15	Value for Money	Q2	July	CFA	Sample testing of Direct Payments files to provide assurance over the following risks: Direct Payments are misused by service users or subject to fraud; the Council does not monitor these effectively; and that surplus monies due for repayment are not identified.
Unannounced Visits	20	Value for Money	Q2	TBC	Cross-Cutting	2 - 3 services will be identified in conjunction with contract managers, for unannounced visits focusing on compliance with the Council's policies and expectations for management of finances and safeguarding risks, and providing an appropriate deterrent to fraud. Proposed to visit libraries as part of this work.

Fees and Charges Policy & Compliance	20	Value for Money	Q2	August	Cross-Cutting	Risk that new processes around setting fees and charges are not followed, leading to the Council missing out on income or legislative non-compliance.
Total Compliance:	**155**					
ICT and Information Governance						
Reviews of key risk areas around information governance and information security, as well as coverage of key ICT risk areas such as major ICT failure.						
Information Security	20	ICT and Information Governance	Q2	August	Cross-Cutting	Review of arrangements for Information Security, with a focus on: policies and procedures; compliance with legislative requirements; communication and staff awareness; compliance monitoring; and incident handling.
ICT Disaster Recovery	15	Business Continuity	Q3	October	Cross-Cutting	Review of ICT Disaster recovery arrangements.
Controls Review of critical systems	15	ICT and Information Governance	Q2	July	Cross-Cutting	Systems to be determined.
Response to Information Security Incidents	20	ICT and Information Governance	Q1	June	Cross-Cutting	Review of information security incidents to provide assurance that managers are implementing agreed actions to prevent reoccurence.
Information Management Board	3	ICT and Information Governance	Q1	Ongoing	Cross-Cutting	Internal Audit attendance at Information Management Board.
Total ICT Audit:	**73**					
Strategic Risk Management						
Assurance over the Council's risk management framework in addition to support, advice and facilitation of strategic risk management processes.						
Annual Assurance on Risk Management	5	Risk Management	Q4	January	Cross-Cutting	Maintaining the CRR, reporting to stakeholders and providing an annual assurance over the Council's Risk Management framework.

Risk Management	75	Risk Management	Q1	Ongoing	Cross-Cutting	Strategic risk management processes.
Total Risk Management:	**80**					
Strategic Performance Management						
Assurance that accurate and effective performance reporting and use of key performance indicators drives informed decision making across the organisation.						
Corporate Key Performance Indicator Framework	5	Performance	Q4	January	Cross-Cutting	Providing an annual assurance over the effectiveness of the Council's corporate Key Performance Indicator framework.
Directorate Performance Management	10	Performance	Q1	May	Cross-Cutting	Review of directorate-level performance indicator and performance management frameworks to provide assurance over accuracy and informed decision-making.
Total Performance Management:	**15**					
Governance						
Annual Governance Statement/Code of Corporate Governance	15	Governance	Q3	November	Cross-Cutting	Annual Governance Statement/Code of Corporate Governance.
Schools Causing Concern	4	Safeguarding	Q1	Ongoing	P&C	Audit attendance at Schools Causing Concern group and ad hoc advice.
Annual Whistleblowing Policy Report and Awareness	15	Governance	Q4	January	Cross-Cutting	Work to review the whistleblowing policy, conduct awareness-raising activities across the organisation, and produce the annual report on whistleblowing cases.
Total Governance:	**34**					
Advice & Guidance						
Advice & Guidance	50	Advice & Guidance	Q1	Ongoing	Cross-Cutting	Providing support and guidance to staff on ad-hoc queries.

Freedom of Information Requests	5	Advice & Guidance	Q1	Ongoing	Cross-Cutting	Allowance of time to respond to FOI requests received in-year.
Follow-Ups of Agreed Actions	40	Advice & Guidance	Q1	Ongoing	Cross-Cutting	Confirming agreed actions have been implemented to reduce key organisational risks.
Total Advice & Guidance:	**95**					
Reporting						
Committee Reporting	25	Reporting	Q1	Ongoing	Cross-Cutting	Reporting to Audit and Accounts Committee.
Management Reporting	25	Reporting	Q1	Ongoing	Cross-Cutting	Reporting to SMT.
Audit Plan	25	Reporting	Q1	Ongoing	Cross-Cutting	Development of the Internal Audit Plan and in-year revisions/updates.
Total Reporting:	**75**					
Operational Plan Total - 2018/19	**1550**					

Agenda Item No. 11

INTERNAL AUDIT PROGRESS REPORT AS AT 28TH FEBRUARY 2018

To: **Audit & Accounts Committee**

Date: **27th March 2018**

From: **Duncan Wilkinson, LGSS Chief Internal Auditor**

1. PURPOSE

1.1 To report on the main areas of audit coverage for the period 1st January 2018 to 28th February 2018 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.

2.2 The Audit & Accounts Committee is requested to consider and comment on the contents of this report.

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LGSS Internal Audit & Risk Management

Cambridgeshire County Council

Update report

As at 28th February 2018

Section 1

1. FINALISED ASSIGNMENTS

1.1 Since the previous Progress Report to Strategic Management Team (SMT) in January 2018, 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.	Cross-Cutting (CCC-wide)	Members Travel & Subsistence	Good	N/A	Minor
2.	Cross-Cutting (CCC-wide)	Bank Reconciliations	Substantial	Substantial	Minor
3.	Cross-Cutting (CCC-wide)	Administration of the Cambridgeshire Pension Fund	Substantial	Substantial	Minor
4.	People & Communities	Troubled Families Grant	Certification of the Troubled Families Grant Claim (Early March Claim Window)		
5.	People & Communities	Social Care Charging Investigation	Investigation report produced		
6.	Cross-Cutting (CCC-wide)	Use of Social Media (Regulation of Investigatory Powers Act (RIPA))	Report provided on policy and compliance with RIPA in use of social media.		
7.	People & Communities	Wilburton Primary School – Safer Recruitment & Payroll	Safer Recruitment – Good Assurance Payroll – Good Assurance		
8.	People & Communities	Westwood Primary School – Safer Recruitment & Payroll	Safer Recruitment – Good Assurance Payroll – Good Assurance		

1.2 Summaries of the finalised reports with satisfactory or less assurance are provided in Section 6. This also excludes individual schools audits, which are reported collectively once all reviews have been finalised.

1.3 The following audit assignments have reached draft report stage, as set out below in table 2:

Table 2: Draft/Interim Reports

No.	Directorate	Assignment
1.	People & Communities	Overtime & Enhancements in People & Communities
2.	People & Communities	Direct Payments Compliance
3.	People & Communities	Deputyships
4.	People & Communities	Pendragon Community School
5.	People & Communities	Colville Primary School
6.	People & Communities	Duxford Primary School
7.	Cross-Cutting (CCC-wide)	General Ledger
8.	Cross-Cutting (CCC-wide)	Treasury Management
9.	Cross-Cutting (CCC-wide)	Financial Systems IT Controls
10.	Cross-Cutting (CCC-wide)	Use of Consultants
11.	Cross-Cutting (CCC-wide)	Capital Programme Board
12.	Cross-Cutting (CCC-wide)	Commercial Board
13.	People & Communities	Commissioning Board
14.	Corporate & Customer Services	Preparation for General Data Protection Regulations

1.4 Further information on work planned and in progress may be found in the Audit Plan, attached as Appendix 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. As at the end of February 2018, 51 cases had been referred to Audit.

Table 3: Internal Audit Investigations Caseload

Case Category	Description of activity or risk example	No.	Outcomes
Direct Payments	Concerns regarding misuse or fraud relating to a direct payment.	**1**	Investigation concluded & report issued.
		1	Initial referral stage.
Concessionary Travel	Misuse of travel passes	**2**	Closed – advice given.
		7	Closed – pass withdrawn.
		10	Closed – no fraud.
		1	Closed – no further action.
		1	Closed – passed to the D.W.P.
Blue Badges	Misuse of Blue Badges	**10**	Closed – badge withdrawn.
		11	Closed – no fraud.
Investigations	Fenland Association for Community Transport (FACT) Investigation	**1**	Ongoing investigation work.
	Social Care Charging Review	**1**	Closed – no fraud. Reports issues.
	Agency Worker	**1**	
	Conflicts of Interest Investigations	**3**	Ongoing investigation work.
		1	Closed – no fraud.
Schools financial	Concerns regarding financial irregularities in schools	**2**	Site visits completed and reports issued with recommendations.
Totals		**53**	

Section 3

3 IMPLEMENTATION OF MANAGEMENT ACTIONS

3.1 The outstanding management actions as at the end of February 2018 are summarised in Table 5, which includes a comparison with the percentage implementation from the previous report (bracketed figures).

3.2 Please note that an exceptionally high number of actions have become due to date this financial year. 104 actions have required follow up to the end of February; for comparison, 52 actions were followed-up in the entire 2016/17 year. This has placed a strain on the ability of Audit to obtain full information for all actions.

3.3 There are currently 26 management actions outstanding. Of these, 6 are dependent on the implementation of ERP Gold, and therefore have been delayed due to the ‘go live’ date being pushed back.

3.4 A summary of the outstanding recommendations, and the current progress with implementing them, is provided in a table at Appendix B.

3.5 The internal audit team is experiencing some degree of difficulty when trying to confirm that management actions have been implemented by the agreed date. In addition to this being unnecessarily time consuming, the outcome is often that agreed dates are simply being pushed back. At face value, this represents a continuing threat to the governance of the organisation, i.e. an agreed improvement to the control environment not being implemented in a timely manner.

3.6 To try to shine more of a light on this issue, future reports will schedule each management action by directorate, to facilitate discussion around the continuing relevance of the recommendation and the appropriateness of the response. Internal Audit are also reviewing their internal procedures for the follow-up of outstanding recommendations to ensure that these processes are robust.

[Please see Table 5, overleaf]

Table 5: Outstanding Management Actions

	Category 'Essential' recommendations		Category 'Important' recommendations		Total	
	Number	% of total	Number	% of total	Number	% of total
Implemented	5	5% (5%)	75	72% (69%)	80	77% (74%)
Actions due within last 3 months, but not implemented	0	0% (0%)	8	8% (12%)	8	8% (12%)
Actions due over 3 months ago, but not implemented	1	1% (1%)	15	14% (13%)	16	15% (14%)
Totals	6		98		104	

Section 4

4. SUMMARIES OF COMPLETED AUDITS WITH SATISFACTORY OR LESS ASSURANCE

No such audit reports have been issued since our last progress report to Committee in January 2018.

Section 5

5. OTHER AUDIT ACTIVITY

5.1 ZURICH RISK MANAGEMENT ‘HEALTH CHECK’ REVIEW

It was agreed by SMT and Audit & Accounts Committee in November 2018 that the Council’s insurers, Zurich, would conduct a risk management health check and benchmarking review of Cambridgeshire.

Officers from Zurich visited Cambridgeshire on the 28th February 2018 and interviewed a number of key individuals involved in risk management, including the Chair of Audit & Accounts Committee, the Head of Finance, Director of Corporate and Customer Services, the Head of Business Intelligence, organisational Risk Champions and other officers. A review was also conducted of key risk documentation.

Initial feedback from the review has now been provided to the Council and was broadly positive, with a number of areas of strength identified including the Corporate Risk Group concept and engagement of Risk Champions, and the quality and format of the Corporate Risk Register. Areas for development were also identified, including the approach to risk appetite and approach to contract risk management.

A conference call to discuss findings is scheduled for the 23rd March, after which the report will be issued.

5.2 REVIEW OF IT SECURITY POLICIES

As part of their ongoing role in providing advice and guidance, Internal Audit has been providing input to a comprehensive review of IT Security policies currently taking place. This has included reviewing and providing feedback on a range of policies including IT Records Management, Acceptable Use Policy, Equipment Disposal Policy, and the e-Safety Policy.

APPENDIX A

CCC INTERNAL AUDIT PLAN 2017/18

Audit Title	Status	Quarter Opened	Quarter Closed
Other Risk-Based Audits 17-18 (Contingency)	Ongoing	N/A	N/A
Cross-Cutting and Council Wide Audit			
Agency Staff Compliance	Complete	2	3
EU Procurement Regulations - Compliance	Open	2	
Review of Procurement - Compliance - Q1	Complete	1	2
Review of Procurement - Compliance - Q3	Complete	3	3
Overtime & Enhancements in CFA	Draft	1	
Members Travel & Subsistence	Complete	3	4
Procurement Exemptions Compliance	Draft	3	
Unannounced Visits - Archives	Complete	1	2
Unannounced Visits – Wisbech Children's Centre	Complete	1	2
Unannounced Visits – St Neots Children's Centre	Complete	1	2
Projects Assurance 17-18 Central Code	Complete	1	2
Project Assurance - LAC Property Project	Complete	1	2
Project Assurance - CPSN	Complete	1	3
Project Assurance - Energy Efficiency Fund	Complete	1	2
Project Assurance - Citizen First, Digital First	Complete	1	3
Project Management Methodologies	Complete	1	3
Use of Consultants	Draft	1	
Social Media Audit	Complete	1	4
Scheme of Delegation - Compliance	Complete	1	1
Capital Programme Assurance	Complete	1	3
Capital Programme Board	Draft	1	
Commercial Board	Draft	1	
Key Performance Indicators	Open	3	
Transformation Programme	Ongoing	All year	N/A
Property Portfolio Development Project	Ongoing	All year	N/A

Ethics Policies & Compliance	Complete	2	3
Whistleblowing Policy & Compliance	Open	1	
People & Communities Directorate			
Governance of Financial Assessments	Complete	1	3
Traded Services - Cost Recovery	Open	2	
Deprivations of Liberty	Open	2	
Safe Recruitment	Complete	1	3
Joint Safeguarding Board Arrangements	Open	3	
Deputyships	Draft	2	
Direct Payments - Compliance	Draft	2	
Troubled Families Grant	Ongoing	All year	N/A
Commissioning Board	Draft	2	
Schools Payroll & Safe Recruitment	Draft	2	
Disabled Facilities Grant 16/17	Complete	1	1
Disabled Facilities Grant 17/18	Complete	3	3
Economy, Transport & Environment Directorate			
Other Grants To Be Identified (Contingency)	Ongoing	All year	N/A
Highways Contract Management Arrangements	Open	3	
Highways Contract Open Book Reviews	Ongoing	All year	N/A
Street Lighting PFI	Open	2	
Waste PFI Contract	Open	4	
Local Transport Capital Block Funding	Complete	1	3
Local Growth Fund Grant (Growth Deal)	Complete	1	1
Bus Services Operators Grant	Complete	1	2
Pothole Action Fund	Complete	1	2
Cycle City Phase II Grant	Complete	2	2
Section 31 Grant	Complete	1	1
Public Health and Customer Service & Transformation Directorates			
Business Intelligence Continuity	Complete	1	3
Corporate Capacity Review Outcomes	Open	1	
Key Financial Systems			
Accounts Receivable	Open	4	
Purchase to Pay	Open	4	
Payroll	Open	4	
General Ledger	Draft	4	

Bank Reconciliation	Complete	4	4
Treasury Management	Draft	4	
Administration of Cambridgeshire Pension Fund	Complete	4	4
Financial Systems IT General Controls	Draft	4	
Risk Management Audit	Not started	4	
CCC Debt Recovery	Open	3	
Governance & Risk Management			
Risk Management	Ongoing	All year	N/A
Annual Governance Statement-Code of Corporate Governance	Ongoing	All year	N/A
Information Governance & IT Audit			
Information Governance - GDPR	Draft	2	
Information Security	Complete	3	3
Information Security Culture	Complete	1	3
ERP System IT Controls	Complete	3	4
Assurances from 3rd Parties	Complete	2	
IT Platform Stability Plan	Open	4	
Agresso Data Migration	Complete	2	4
Anti-Fraud and Corruption			
Preventative & Pro-active Fraud Work	Ongoing	All year	N/A
Fraud Investigations 17-18	Ongoing	All year	N/A
Community Transport Investigation	Open	1	
Direct Payments - D. Investigation	Complete	1	2
Social Care Charging Investigation	Complete	1	4
Declarations of Interest Investigation	Open	3	
Teversham School Investigation	Complete	2	3
Thorngsleyfields School Investigation	Complete	2	3
Agency Worker Investigation	Complete	3	4
CCC 17-18 Fraud - Initial Referrals	Ongoing	All year	N/A
National Fraud Initiative	Ongoing	All year	N/A
Other Planned Work			
Advice & Guidance	Ongoing	All year	N/A
Freedom of Information Requests	Ongoing	All year	N/A
Follow-Ups of Agreed Actions	Ongoing	All year	N/A
Audit Plan	Ongoing	All year	N/A
Committee Reporting	Ongoing	All year	N/A
Management Reporting	Ongoing	All year	N/A

APPENDIX B

Summary of Outstanding Recommendations

(Recommendations as at the end February 2018).

The below table excludes recommendations which are dependent on the implementation of ERP Gold; these have been split out and shown at a second table, below.

Audit	Risk level	Summary of Recommendation	Target Date	Status
Debt Recovery	M	**Debt Prevention Strategy** Consideration should be given to developing a debt prevention strategy to be incorporated into the LGSS Collections Strategy to set out the Council's approach to preventing debt e.g. through the promotion of direct debit, deferred payment, interest charges etc.	01/10/17	The service reported that a draft, revised Collection Strategy was being finalised to strengthen/make explicit debt prevention activities and update on areas such as Late Payment Interest and that this would be sent to the Head of Finance by 8 January 2018. Internal Audit requested a progress update 2nd March 2018 but at time of writing an update or revised target date had not been received. The service has been undergoing considerable staff turnover and is under pressure as a result of the current implementation of ERP. As a Debt Recovery audit is planned to commence shortly, this will address outstanding recommendations so an update can be made this way.
	M	**Payment Methods and Credit Control** Consideration should be given to updating the LGSS Collection Strategy to include offering settlement rebates, customer credit limit and the imposition of penalties for late payment. This could help limit the build-up of potentially unrecoverable debt and assist in timely repayment of debts owed.	30/11/17	As above.

	M	**Default Payment by Direct Debit** Direct debit payments should be the default option for payment by service users, and this should be formalised and communicated in a policy which also states that: • Social Care clients who have failed to pay an invoice on time should be set up on a direct debit; • Payment plans should be paid via direct debit. This could help limit the build-up of potentially unrecoverable debt and assist in timely repayment of debts owed	01/07/17	The service reported that the area where the biggest change can be made in getting service users to use direct debit is in social care. A form for setting up direct debits online has been created and was expected to be in use in early 2018. This form has been delayed in being implemented and is currently with Cambridgeshire IT to resolve/determine the required format and implementation actions required. **A revised target date of 31 October 2018 was provided.** As a Debt Recovery audit is planned to commence shortly, this will address outstanding recommendations so an update can be made this way.
Replacement of AIS system (MOSAIC Project)	M	**Governance Arrangements and Benefits** Final versions of the Business Case, Project Initiation Document and Terms of Reference for the Project Board, should be completed and signed off by the Project Board. These key documents should include: • The roles and responsibilities of key officers or groups; • The expected measurable benefits and timescales of the Mosaic project; • A detailed and up-to-date project plan with owners and target dates for each action; and • How progress against the project plan will be measured. The completion and sign off of key project documents is important to the successful governance and completion of the project.	31/03/17	A Terms of Reference was agreed by the Board in December 2017. A Project Initiation Document had been produced but requires revision and formal approval in light of project changes. As of the most recent update from the Project Board following the Mosaic Board meeting on the 7th March 2018, a final version of the Business Case has not yet been completed and signed off. A briefing note has been provided to management regarding the status of the outstanding actions which proposes that this project could be an area for audit focus as part of the 2018/19 Audit Plan which in its draft form includes an allowance of time for auditing key projects.

	M	**Ongoing Contract Monitoring** The project team should develop a plan for ongoing contract monitoring, to include who is responsible for contract monitoring, how often formal monitoring activity will be undertaken (including when the project moves into business as usual phase). This should be undertaken in accordance with the Council's Contract Procedure Rules to help ensure that benefits are realised and value for money is achieved.	31/05/17	This has been identified in the project review work as an area where a plan is required. Work on developing a post-live plan is underway, which could include a planned timeline for developing ongoing contract management and monitoring arrangements. A briefing note has been provided to management regarding the status of the outstanding actions which proposes that this project could be an area for audit focus as part of the 2018/19 Audit Plan which in its draft form includes an allowance of time for auditing key projects.
	M	**Service Level Agreement with IT** As the new system will be business-critical, an SLA should be developed and put in place with LGSS IT which details the support to be provided, timescales and arrangements for fixing system issues, and to define the responsibilities of the supplier and LGSS IT. This is essential to help ensure the availability of the system to support effective service delivery.	31/05/17	This has been identified in the project review work as an area where a plan is required. Work on developing a post-live plan is now underway, which could include a planned timeline for agreeing IT support arrangements. A briefing note has been provided to management regarding the status of the outstanding actions which proposes that this project could be an area for audit focus as part of the 2018/19 Audit Plan which in its draft form includes an allowance of time for auditing key projects.
CFA - Client Contributions	M	**Monitoring Take-Up of Direct Debits** Regular monitoring of the take up of direct debit payments should be undertaken to identify if activities to encourage customers to pay be direct debit have been successful.	30/04/17	Direct Debit uptake will be added to the list of proposed measures for the finance dashboard, to be agreed by management teams. This action was planned to be linked to the online Direct Debit form being set up. This form has been delayed in being implemented and is currently with Cambridgeshire IT to resolve/determine the required format and implementation actions required.

				A revised target date of 31 October 2018 was provided.
	M	**Deferred Payment Agreements** The Service Delivery Manager Financial Assessments should ensure that all of the following staff are aware of the process for securing deferred payment agreements: • Social Workers • Financial Assessments Team members • Debt Team members If officers are not aware of relevant deferred payment agreements processes there is a risk that opportunities to secure debt recovery will be missed.	30/09/17	The service reported that development of mandatory Care Act management training for all new employees involved with deferred payments has started, but there have been some delays due to lack of capacity in the team. A revised target date of the end of January 2018 was initially provided. Although Internal Audit requested a progress update 2nd March 2018, at time of writing an update or revised target date had not been received.
Payment Methods	M	**Services should apply to be transformed** Once services are able to determine the total cost of transactions by payment method, there should be a clear prioritisation for transforming services, based on the anticipated savings from transformation. Without this prioritisation there is the risk that services may use less cost-effective methods of payment, at higher cost to the Council.	30/11/16	The service previously fed back that the roadmap for the Civica ICON project would include prioritisation for transforming services, based on anticipated savings and the new data that can be obtained from Civica. As at March 2018, it was reported that ownership of Civica ICON has now passed to the IT & Digital Team. There have been issues experiences with the interface between ICON and ERP Gold which has meant that the project to transform services has not moved forward quickly because this currently requires manual processing. At present a formal prioritisation for the transformation has not therefore been developed. This is being taken forward by Transformation and the IT & Digital Service.
	M	**List of Corporate Policies** A central policy register should be created, including all major corporate policies which apply to all staff, to ensure that staff can find policies easily in one central location.	31/12/17	Either a corporate policy register as per the audit recommendation, or Statements of Recommended Practice covering the major corporate policy areas will be created and made

		This policy register could include a mechanism for highlighting to policy owners when their policies are due for review in order to ensure that policies are kept up to date. Risk: Staff are unable to access corporate policies and therefore may lack a clear understanding of their roles and responsibilities.		available on CamWeb. Internal Audit contacted the Transformation Team 8 March 2018 for an update. The Transformation Team are proposing a workshop with staff to do a 'live development' of the page before it is launched. Audit has recommended launching an initial version of the page live on CamWeb and then further developing it later. This would mean that the implementation of the recommendation is not delayed. A draft of this page has now been produced.
Transformation Programme Benefits Realisation	H	**Governance Roles for Transformation Programme** Current governance arrangements should be reviewed to ensure that responsible bodies are clearly defined for: • Oversight of the overall Transformation Programme; • Ensuring that ongoing projects align with strategic priorities; • Assessing whether the Transformation Programme is producing the necessary level of benefit realisation; and • Providing detailed scrutiny and approval of individual transformation proposals. It should be clarified how different bodies report into each other and how major risks to be escalated at programme level. Without clear governance systems, savings may not be achieved.	31/07/17	A response was received from the Transformation Team with regards to the governance roles for the transformation programme which indicate that the governance arrangements have been further formalised since this recommendation was initially made. As the response was only received shortly prior to reporting to Committee, it was not possible to determine before this report was sent whether the recommendation could be completely closed on the basis of the actions already undertaken, or whether there were aspects of the recommendation which remained outstanding.
16/17 – Investigation - Ely Archives	M	**Project Management Training** The corporate Transformation Team should develop project management training. Initially the focus should be to provide a strong induction process for members of the	31/12/17	Internal Audit met with the Head of Transformation 8 March 2018 and confirmed that this work is ongoing and is dependent on the development of the project management

		Transformation Team, who form the core of the Council's project management resource, with the intention to roll this out across the organisation by the end of the year.		framework. **Revised target date: end June 2018.**
17/18 - Information Security Culture	M	**Information Security Incidents** The Information Governance team should amend the incident report template to ensure higher-risk actions resulting from security incidents are followed up and reviewed to ensure completion. The team should also amend the Information Security breach procedure, to include a formal escalation process to the IM board actions to prevent further incidents have not been completed. If there is no follow-up and actions are not completed, there is an increased risk that security incidents may happen again.	31/12/17	The service provided an initial response to audit follow-up, but on review this indicated that the information request may not have been fully understood. No further response was received prior to the deadline for Audit Committee papers but this continues to be followed up. The Draft Audit Plan for 2018/19 includes a review of service responses to information security incidents.
16/17 - IT - Information Security	M	**Information Asset Register** The Information Asset Register needs to be updated and highlight who is responsible for each information asset held by CCC and should be reviewed annually.	31/12/17	The service is currently meeting with teams across the organisation to discuss what information assets they own. They plan for this work to be completed ready for when the new GDPR regulations come into force. **Revised target date: End May 2018.**
17/18 - Project Management Methodologies	M	**Project Management Methodologies Communications:** Develop a communications plan that identifies all officers or teams involved in projects at the Council, and details how they will be consulted with prior to development of new methodologies and how the new methodologies, once developed, will be communicated to them. If project management methodologies are not used effectively there may be an adverse impact on benefits realisation.	31/1/18	Internal Audit met with the Head of Transformation 8 March 2018 and confirmed that this recommendation is being taken forward as part of the development of the project management framework. This work is led within the Transformation Team and with advice and support from Internal Audit.

	M	**Project Management Methodologies Feedback:** Develop a plan for receiving feedback from users of new project management methodologies, and feeding this in to review of the methodologies. This should include examples of good practice and lessons learned so that these can be shared across the organisation. If project management methodologies do not remain relevant to the needs of users, then the benefits of them may not be realised in the long term.	31/1/18	Internal Audit met with the Head of Transformation 8 March 2018 and confirmed that this recommendation is being taken forward as part of the development of the project management framework. This work is led within the Transformation Team and with advice and support from Internal Audit.
	M	**Verto: Communications Plan:** Put in place a communications plan to ensure that consistent information about Verto is communicated to all staff, councillors and external partners who will use it. This should include identification of everyone who needs to be informed (both internal and external). If staff are not aware of the system and how to use it, the benefits of the new system may not be realised.	31/1/18	The Transformation Team will develop an ongoing communications plan for Verto to address the recommendation. This will include ensuring that guidance for using Verto is clear and easily accessible. **Awaiting revised target date.**
	M	**Verto: External Partner Communication:** Identify all staff who currently undertake projects jointly with external partners, and communicate with them to ensure they are able to put the requirement of using Verto as the project management tool into contracts. Investigate whether this has an impact on the cost of contracts with external partners. Provide training and guidance to external users of the Verto system as required. If external partners are unwilling to use Verto the full benefits of the new system may not be realised. In addition, if using Verto creates additional work for external partners they may seek to increase in the cost of contracts with them.	31/1/18	As above.

Summary of Outstanding Recommendations – Dependant on ERP Gold

(Recommendations as at the end February 2018).

Audit	Risk level	Summary of Recommendation	Target Date	Status
Debt Recovery	M	**Outstanding Debt Collection Procedures** The Debt Team should engage in design of the new ERP Gold system to ensure it will have the capability to: • flag debts for the attention of the Debt Team when collections notes have not been recorded for a defined period; • to write off account balances rather than individual transactions for bad debts. This will help ensure timely debt collection activity and more efficient processing of write offs.	31/08/17	This has been delayed due to some changes to published reports in the new ERP system and revised timescales for ERP implementation. The Debt team is looking into making changes to the system before go live. **Revised target date: end April 2018.** .
	M	**Reduction in Invoicing** Instead of issuing four weekly invoices to service users paying by direct debit, they should be provided with an annual statement detailing the care charges and the date that the direct debits were collected. This will reduce the cost to the organisation of issuing regular invoicing.	31/10/17	Consideration will be given to providing an annual statement to service users paying by direct debit. However detailed analysis, planning and evaluation of costs will require a strategic decision and appropriate approval. Work on this issue will be deferred until after ERP Gold has been implemented due to the required resources being deployed on the programme. (See Collection of Client Contributions recommendation below.) **Revised target date: end April 2018.**
	M	**Reporting of Debt and Write-Offs** The ERP Gold system should include additional functionality in reporting write-offs such as write offs by reason code and write off by customer. This will assist in detailed analysis of write off to help develop debt prevention and recovery strategies focusing on high risk areas.	31/10/17	Work continues to test reporting functionality of the ERP Gold system and whether write off reasons can be extracted in reports. Internal audit requested a progress update 2 March 2018 but at time of writing an update or revised target date had not been received.

				A debt recovery audit is currently being planned to commence shortly and this will address outstanding recommendations.
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	As part of the new ERP Gold system there is a plan to create a "Resource Master File" to record when a new/moving staff member is issued a piece of IT equipment. This has been delayed due to the go live date for ERP Gold being pushed back. **Revised target date: end May 2018.**
Section 106	M	**S106 Monitoring system records** Following the introduction of a new S106 monitoring system, every scheme should be subject to detailed review to establish that all of the information relating to each scheme is complete and accurate.	30/09/17	This is dependent on procurement of the new monitoring system, which has been delayed. The system will need to link to ERP Gold for income monitoring, so this recommendation cannot be implemented until ERP Gold has gone live. **Revised target date: end April 2018.**
17/18 - Safe Recruitment Compliance	M	**Flag Overdue DBS Information:** For all employees involved in regulated activities and require an Enhanced DBS check, a flag should appear on ERP Gold until DBS information has been entered. Without this there is a risk that follow up action to ensure all DBS checks are in place may not be undertaken.	31/12/17	ERP team to investigate whether this can be incorporated into the new system and if not, an alternative mechanism to be put into place. **Revised target date: end April 2018.**

Agenda Item No: 12

AUDIT AND ACCOUNTS COMMITTEE FORWARD AGENDA PLAN

MEETING DATE REPORT DEADLINES AND REPORT TITLES	Frequency of report	Corporate/Service Director /external officer responsible	Report author

COMMITTEE DATE: 2.00 P.M. Tuesday 27TH March 2018 **Deadline for reports to be with Democratic Services: Mid-day Tuesday 13TH March 2018**			
Due to the continued concerns it was agreed that **officers should provide a presentation as part of the next Committee on historical demography and budget pressures and how the Children's Budget would address these for 2018-19 and beyond. This should involve the two officers present, along with the Director of Children's Services.**	T Barden / T Kelly / Lou Williams		
Cambridgeshire County Council External Audit Plan 2017-18 including Pensions Work Plan to include cover sheet with recommendations on what Auditors wish the Audit and Accounts Committee to agree.	Annual Report to March meeting	BDO LLP	Lisa Clampin / Barry Pryke
Cambridgeshire County Council External Audit Pensions Work Plan to include cover sheet with recommendations on what Auditors wish the Audit and Accounts Committee to agree.	Annual Report to March meeting	BDO LLP	David Eagles

Safer Recruitment In Schools Update	Six monthly update	Senior Education Adviser	Chris Meddle
Preparing For The 2017-18 Closedown and preparation of the accounts to meet the new earlier statutory deadline To include separate section on Pensions accounts	Requested for the January and March meetings	Finance	Jon Lee / Martin Savage / Tracy Pegram
Internal Audit Plan 2018/19	Annual to the March meeting	LGSS Head of Internal Audit	Duncan Wilkinson LGSS Head of Internal Audit
Internal Audit Progress Report (Including Progress of Implementation of Management Actions and Internal Audit Plan Update) *Relevant officers to attend the Committee to be invited by D Wilkinson where management actions have gone beyond the next agreed target date*	Each meeting	LGSS Chief Internal Auditor	Duncan Wilkinson LGSS Chief Internal Auditor
Integrated Resources and Performance Report	Each Cycle would always be one that had already been through General Purposes Committee / or going to Committee same day	Chief Finance Officer	T Kelly / Rebecca Barnes

Update on Unspent Section 106 Monies (this might be via e-mail)	Twice a year	Chief Finance Officer	T Kelly
Committee Date 2.00 P.M. Tuesday 29th MAY 2018 **Note this meeting may be used for consideration of the Community Transport (FACT) investigation report – if this is the case many of the reports below will move to the new date of 12th June**			
Deadline for reports to be with Democratic Services : Mid-day Tuesday 15th May 2018			
Appointment of Chairman / woman and Vice Chairman / woman	Once a year	Democratic Services to add as first item on agenda	Rob Sanderson
Minute Log Update	Each meeting	Democratic Services	Rob Sanderson
Children's Social Care Case-loads Update *(Note there was a request that lines on graphs in future should be in a format which would be distinguishable when printed in black and white. (e.g. using different symbols on different lines).*	Quarterly basis	Assistant Director of Children's and Family Services Service Director Enhanced and Preventative Services (Children)	SJ Smedmor / Lou Williams / Tracey Boyce
Update on Progress on registration of land Purchased for Highways Purposes	Six month update	Asset Information Searches Manager	Daniel Ashman,

Cambridgeshire Council Workforce Strategy – Review of Action Plan – Quarterly Update	Quarterly	Head of HR	Martin Cox / Lynsey Fulcher
Outstanding Debt – Debt Monitoring Report – To receive the same report that was going forward to the General Purposes Committee	One off update to check progress	Chief Finance Officer	T Kelly / Chris Laws
Transformation Fund Update (Note: Moved from March meeting as General Purposes Committee (GPC) is considering it same day in March. As it is a report primarily for GPC it has been agreed with the Section 151 Officer and the Leader that they should receive it first and agree any necessary changes before it goes to another Committee primarily receiving it for information).	update	Head of Transformation	Amanda Askham
Pension Fund External Audit Plan	Annual	External Audit	David Eagles
Anti-Fraud Poster – Previous request for an Annual Review *Note: Moved from March meeting. This was something that the Chairman was previously closely involved with. The Committee are asked to clarify what form the report if still required should take.*	Annual	LGSS Chief Internal Auditor	Duncan Wilkinson Chief Internal Auditor / Mairead Kelly in consultation with the Chairman
Annual Review of Whistleblowing Policy *Note: moved from March meeting as nothing of substance to report as while Whistleblowing posters have been produced and put up at Council offices Internal Audit are still awaiting for both Transformation and Communications teams to co-ordinate the rest of the publicity around the new Policy.*	annual	LGSS Chief Internal Auditor	Duncan Wilkinson LGSS Chief Internal Auditor / Mairead Kelly

Annual Report of the Internal Auditor	Annual Report on the Internal Control Environment.	LGSS Chief Internal Auditor	Duncan Wilkinson LGSS Chief Internal Auditor
Draft Annual Governance Statement	Annual	LGSS Chief Internal Auditor	Duncan Wilkinson LGSS Chief Internal Auditor
Annual Risk Management Report	Annual	Director, Customer Services and Transformation	Sue Grace / Tom Barden / Sue Norman
Review of Terms of Reference	Once a year	LGSS Chief Internal Auditor	Duncan Wilkinson LGSS Chief Internal Auditor
Integrated Resources and Performance Report	Each Cycle	Chief Finance Officer	T Kelly / Rebecca Barnes
COMMITTEE DATE: 2.00 P.M. Tuesday 12th June 2018 Deadline for reports to be with Democratic Services : Mid-day Thursday 31st May 2018			
Draft Statement of Accounts: 2017-18	Annual	Chief Finance Officer / Strategic Finance Manager / Group Accountant	Jon Lee / Martin Savage

COMMITTEE DATE 2.00 P.M. MONDAY 30TH JULY 2018 (Room moved to Room 128) **Deadline for reports to be with Democratic Services: Mid-day 17th July 2018**			
Minute Log Update	Each meeting	Democratic Services	Rob Sanderson
Accounts reports • ISA 260 Report and Letter of Representation and • ISA 260 Report – Pension Fund		 External Audit BDO LLP External Audit BDO LLP	 Lisa Clampin, and Barry Pryke David Eagles
Final Statement of Accounts: 2017-18	Annual	Chief Finance Officer / Strategic Finance Manager / Group Accountant	Chris Malyon / Iain Jenkins / Jeff Abbotts
Code of Corporate Governance - updated document	Annual	LGSS Chief Internal Auditor	Duncan Wilkinson LGSS Chief Internal Auditor
Internal Audit Progress Report (Including Progress of Implementation of Management Actions and Internal Audit Plan	Each meeting	LGSS Chief Internal Auditor	Duncan Wilkinson LGSS Chief Internal

Progress) *Relevant officers to attend the Committee to be invited by Duncan Wilkinson where management actions have gone beyond the next agreed target date*			Auditor
Audit and Accounts Committee Training Plan.	Once a year	LGSS Chief Internal Auditor	Duncan Wilkinson LGSS Chief Internal Auditor
Safe Recruitment Update	Quarterly basis	Service Director Learning	
Internal Audit Progress Report *Relevant officers to attend the Committee to be invited by Duncan Wilkinson where management actions have gone beyond the next agreed target date*	Each meeting	LGSS Chief Internal Auditor	D Wilkinson
Integrated Resources and Performance Report including Corporate Risk Updates		Chief Finance Officer	Tom Kelly
COMMITTEE DATE 2.00 P.M. THURSDAY 20th SEPTEMBER 2018			
Deadline for reports to be with Democratic Services: Mid-day Thursday 6TH September			
Minute Log Update	Each meeting	Democratic Services	Rob Sanderson

Annual Report of the Audit and Accounts Committee (The timetable is for the Chairman / woman to present this report at the same time as other Service Committee Annual Reports to the Full Council meeting in October)	Annual	LGSS Chief Internal Auditor	Duncan Wilkinson Chief Internal Auditor / Mairead Kelly in consultation with the Chairman / woman
Children's Social Care Case-loads Update	Quarterly basis	Service Director Enhanced and Preventative Services (Children)	Sarah-Jane Smedmor / Tracey Boyce
Internal Audit Progress Report	Each meeting	LGSS Chief Internal Auditor	Duncan Wilkinson / Mairead Kelly
Resources and Performance Update Report including Risk Updates	Each Cycle	Chief Finance Officer / Head of Business Intelligence	Tom Kelly / Rebecca Barnes / Tom Barden
Update on Unspent Section 106 Monies	Twice a year (agreed via e-mail)	Chief Finance Officer	S Heywood
Cambridgeshire Council Workforce Strategy – Review of Action Plan – Quarterly Update	Quarterly	Head of HR	Martin Cox / Lynsey Fulcher
COMMITTEE DATE 2.00 P.M. THURSDAY 22nd NOVEMBER 2018			
Deadline for reports to be with Democratic Services: Mid-day Friday 9th November			
Integrated Resources and Performance Report	Each Cycle - would always be one that had already been through General Purposes Committee	Chief Finance Officer	T Kelly / Rebecca Barnes

Internal Audit Progress Report (Including Progress of Implementation of Management Actions and Internal Audit Plan Update and updates in the recommendations including an update on the National Fraud Initiative data matching exercise requested at the May 2017 meeting)) *Relevant officers to attend the Committee to be invited by Head of Internal Audit where management actions have gone beyond the next agreed target date*	Each meeting	LGSS Chief Internal Auditor	Duncan Wilkinson LGSS Head of Internal Audit
COMMITTEE DATE 2.00 P.M. THURSDAY 24th JANUARY 2019			
Deadline for reports to be with Democratic Services: Mid-day Friday 11TH January			
Integrated Resources and Performance Report	Each Cycle - would always be one that had already been through General Purposes Committee	Chief Finance Officer	T Kelly / Rebecca Barnes
Internal Audit Progress Report (Including Progress of Implementation of Management Actions and Internal Audit Plan Update and updates in the recommendations including an update on the National Fraud Initiative data matching exercise requested at the May 2017 meeting)) *Relevant officers to attend the Committee to be invited by Head of Internal Audit where management actions have gone beyond the next agreed target date*	Each meeting	LGSS Chief Internal Auditor	Duncan Wilkinson LGSS Head of Internal Audit

COMMITTEE DATE 2.00 P.M. THURSDAY 28TH MARCH 2019			
Deadline for reports to be with Democratic Services: Mid-day Friday 15th March			
Integrated Resources and Performance Report	Each Cycle - would always be one that had already been through General Purposes Committee	Chief Finance Officer	T Kelly / Rebecca Barnes
Internal Audit Progress Report (Including Progress of Implementation of Management Actions and Internal Audit Plan Update and updates in the recommendations including an update on the National Fraud Initiative data matching exercise requested at the May 2017 meeting)) *Relevant officers to attend the Committee to be invited by Head of Internal Audit where management actions have gone beyond the next agreed target date*	Each meeting	LGSS Chief Internal Auditor	Duncan Wilkinson LGSS Head of Internal Audit

Update 19th March 2018