AUDIT AND ACCOUNTS COMMITTEE

Cambridgeshire County Council

Thursday, 22 July 2021

Democratic and Members' Services
Fiona McMillan
Monitoring Officer

<u>14:00</u>

Shire Hall
Castle Hill
Cambridge
CB3 0AP

Bluntisham Village Hall, Mill Lane, Bluntisham PE28 3LR [Venue Address]

AGENDA

Open to Public and Press by appointment only

1.	**Apologies for absence and declarations of interest** *Guidance on declaring interests is available at http://tinyurl.com/ccc-conduct-code*	
2.	**Petitions and Public Questions**	
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The Audit and Accounts Committee comprises the following members:

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

COVID-19
The legal provision for virtual meetings no longer exists and meetings of the Council therefore take place physically and are open to the public. Public access to meetings is managed in accordance with current COVID-19 regulations and therefore if you wish to attend a meeting of the Council, please contact the Committee Clerk who will be able to advise you further.

Councillor Graham Wilson (Chair) Councillor Chris Boden Councillor Nick Gay Councillor Mac McGuire Councillor Alan Sharp Councillor Simone Taylor Councillor Alison Whelan

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Agenda Item No: 3

Debt Management Update

To:	Audit and Accounts Committee
Meeting Date:	22nd July 2021
From:	Head of Finance Operations – Lead Authority Cambridgeshire County Council.
Electoral division(s):	All
Purpose:	Debt Collection Update
Key Issues:	The Committee were seeking quarterly updates on the progress of Debt Management
Recommendation:	The Committee is asked to:

a) Note the actions and approach being taken to manage income collection and debt recovery

b) Agree that a further update will be provided on the position at the end of Q1 2021/22

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1. Background

The purpose of this report is to provide an update on current Debt position following on from the previous report submitted in January 2021.

2. Performance

2.1 Overall Debt position

The current debt position (excluding Cambridge and Peterborough CCG) is £16.60m. In the last Audit Committee, the debt reported was £16.96m, an improvement of £360k.

The table below breaks down debt by Directorate and Debt Status:

Overall Age Debt Position - By Directorate

[Include monthly / Annual Trent Analysis - Movement on Overdue]

	OverDue			Trend Performance	
Directorate	Current Month	Previous Month	Last Year	Monthly	Yearly
Corporate Services	£1,898,636	£4,465,256		↑	
NHS Cambs and Pboro CCG	£5,683,450	£5,725,741		→	
People & Communities - ASC	£11,564,091	£11,599,721		→	
People & Communities - C&CS	£58,841	£106,066		↑	
People & Communities - CYP	£561,957	£605,151		↑	
People & Communities - EDUC	£649,766	£722,167		↑	
Place & Economy	£3,163,569	£3,992,821		↑	
Public Health	£6,082	-£2,343,365		↑	
Unapplied	-£1,303,085	-£853,494		↓	
LGSS Law					
Grand Total	**£22,283,307**	**£24,020,064**	**£26,803,144**	↑	↑

Overall Age Debt by - Debt Status

[Include monthly / Annual Trent Analysis - Movement on Overdue]

	OverDue			Trend Performance	
Debt Status	Current Month	Previous Month	Last Year	Monthly	Yearly
Automated Dunning Cycle	£1,334,252	£13,586,353		↑	
Awaiting Appointee / Court of Protection / Power of Attorney	£1,226,039	£1,155,686		↓	
Awaiting Service Response	£7,059,218	£4,549,390		↓	
DCA Action - Ongoing	£12,400	£55,012		↑	
Debt Team Dealing	£1,091,539	£1,094,951		→	
Deceased - Pending Probate / Settlement of Account	£3,324,194	£3,312,473		→	
Income Team Dealing	£796,101	£781,234		→	
Legal Action - Ongoing	£626,120	£647,873		↑	
Payment Plan	£1,140,352	£1,054,169		↓	
Pending Write-off	£242,964	£107,121		↓	
Pre Dunning Cycle / Unallocated Cash	£5,207,773	-£2,546,834		↑	
Secured Property Charge	£214,480	£214,580		→	
Unapplied Credit	£8,055	£8,055		→	
Grand Total	**£22,283,489**	**£24,020,064**	**£26,803,144**	↑	↑

Please note that this table is in line with our new reporting pack implemented in April 2021, therefore we are only able to provide a comparison to the total debt last year. This pack is distributed to Finance Business Partners and Senior Management within Cambridgeshire County Council.

2.2 CCG Update

The current outstanding debt with the CCG is approximately £5.6m, which is similar to the level reported previously to committee.

Most of this debt relates to previous financial years, predominantly for two types of income:

- Funded Nursing Care (FNC) payments – for a number of years up to 2018/19, the Council paid FNC payments to nursing homes on the CCG's behalf with the Council later being reimbursed
- NHS contributions towards care, either split-funded health and social care or fully NHS-funded continuing healthcare back-dated to an initial assessment

Work has been ongoing for several months with the CCG to reconcile payments owed, and to put in place operational procedures that will aim to avoid an escalating debt situation in future. We expect this financial year to finalise the debt reconciliation process with the CCG to enable the historic debt to be cleared as part of a negotiated settlement. The CCG made a substantial payment in 2020/21 as part of the settlement of this debt, but until the overall debt position is reconciled between the organisations this money cannot be allocated to specific invoices to reduce the debt position. There remain regular escalation calls with senior managers in both organisations to ensure progress is being made.

2.3 Collection Rates

The table below shows the in-year collection performance for 2020/21:

Value	2020-21 Qtr 1	2020-21 Qtr 2	2020-21 Qtr 3	2020-21 Qtr 4
Invoiced (£m)	35.11	38.79	45.84	57.87
Collected (£m)	34.04	36.99	43.59	53.04
In Year Collection	97%	95%	95%	92%
Volume				
No. of invoices issued	10,885	18,522	16,411	18,996
No. of invoices cleared	10,183	17,364	15,105	17,329
Collection Rate	94%	94%	92%	91%

Value	2021-22 Qtr 1
Invoiced (£m)	50.39
Collected (£m)	32.49
In Year Collection	64%
Volume	
No. of invoices issued	18,107
No. of invoices cleared	14,348
Collect Rate	79%

The above collection rates show that performance in terms of revenue secured remains high with in excess of 90% being secured for each quarter during 2020/21. The reduction in later months is attributed to reduced timeframe that the Debt Team has had to secure payment following query / dispute resolution, these figures will increase over the proceeding period through further recovery action.

As a result of continued recover actions taken by the Debt Team to secure payment write-offs were extremely low during 2020/21 totalling at £300k which represents just 0.17% of the revenue raised during the same period which totalled £236.7m.

Our 24-point service improvement plan will support further improvements in collection rates.

2.6 Income Processing

The table below outlines the income processing performance:

	Apr	May	Jun	Q1
Target	95.0%	95.0%	95.0%	95.0%
Total volume of income transactions received	2,501	1,636	2,803	6,940
Total volume of income transactions allocated	2,324	1,463	2,546	6,333
Number allocated within 7 calendar days	**2,247**	**1,401**	**2,468**	**6,116**
Allocation Rate - % allocated within 7 calendar days	**96.7%**	**95.8%**	**96.9%**	**96.6%**

Our KPI for income allocation is that 95% of income is allocated within seven calendar days. Current performance is exceeding the KPI.

3. Service Improvements

Debt management has now been within Finance Operations for six months, and during this period service improvement continue to be implemented. A 24-point Service Improvement Plan has been developed, which focuses on people, process and technology. The purpose of this plan is to implement sustained improvements that will bring stability and enhancement to continually improve the debt position. It should be noted that this is not a quick solution and will take a year to fully embed and implement.

3.1 Improvements implemented since last reporting period:

3.1.1 Improved Debt Reporting Pack

A new debt report was developed in March 2021, and rolled out in April 2021, which provided a more detailed level of reporting, including a comparison between aged debt, billing and collection rates. Included in the report is divisional debt levels alongside debt categories. This enables focus on key areas within the debt process and concentrated work with divisions.

Whilst the report is in its infancy it allows monitoring of trends and comparison against industry standards. This report is circulated to Finance Business Partners and a revised version is sent to Adult Social Care Leads.

Monthly age debt information is also sent out to budget managers through close working with the Finance Business Partners.

3.1.2 Implementation of debt portfolios

There was limited ability to monitor the performance and success of the debt team officers, as a result enhanced debt portfolios will be implemented by the1st August 2021, these are currently being piloted in West Northamptonshire Council Debt Team, our Partner organisation.

The portfolios will enable monitoring of both team and individual performance and provide management information to enable targeted action. This will also over time provide statistics to support the impact of debt recovery based on activity types, such as phone calls, emails and letters to customer.

3.1.3 Adult Social Care Debt Improvement Group (Ongoing)

An Adult Social Care Debt Improvement Group has been introduced, and the first meeting was held in June. Key actions of this group are:

- Distribution of ‘soft letters’ and statements of accounts to customers. This will be circulated during July. The purpose of these letters are to gently remind the customers of their overdue debt
- Adult Social Care Finance staff having the ability to take payments to improve the customer experience
- End to end process review

3.1.4 Communication and Stakeholder Engagement

Service Review meetings continue with both Finance Business Partners and Adult Social Care to review and discuss the aged debt. These meetings continue to develop and support the Service Improvement Plan.

We are working closely with Finance Business Partners to communicate with budget managers the importance of accurate billing and support in the debt recovery process. Monthly communication is sent with key messages from Finance Operations as part of the finance monitoring process.

3.2 Future Improvements

With the 24 points Service Improvement Plan there are a number of improvements that have been identified to improve performance which will maximises the resources available and deliver improved debt collection performance.

3.2.1 System Improvements

There are a number of system improvements required to improve efficiency to the Debt team and service areas, including:

- Complaint codes to be inserted at customer account level rather than invoice level. This is currently a resource intensive process, but intrinsic to debt reporting. Discussions are under way with our Business Systems colleagues to support this requirement.
- Review of the Dunning Cycle. Currently the Dunning Cycle (reminder letters and letter before action), are run at invoice level, and the customer does not see the full value of the debt owed, and only see the invoice outstanding. This can cause confusion for the customer as they are not seeing the full picture for them amount they owe to the Council. Therefore, the team are currently scoping out a change request to enable statement style reminders to be circulated to customers.
- The write off process is now driven through workflows rather than the previous manual process, with approval in line with the limits set in the Council's scheme of delegation.
- Improve self-service for the Debt Team by providing system access to view accounts payable remittance advices to support inter Partner debt.
- Improve self-service for the Adults Finance Team by providing access to remittance advices to service users and the ability to distribute copy invoices

3.2.2 Billing accuracy

Work continues to improve the accuracy of the billing. It is essential that invoices are sent to the correct address, adhere to the recipient's protocols and the narrative clearly defines what the invoice is for:

- Work continues to cleanse the customer database to ensure invoices are being sent to the correct contact address
- Removal of duplicate customers on the system
- Further work is required on the accuracy of billing in the service areas, to reduce invoice adjustments and assist with the recovery process through a right first time approach.
- Budget managers continue to be encouraged to obtain a purchase order when raising their invoice. Many organisations operate a no purchase order, no pay policy, and it is important that behaviours in raising invoices support this. Work continue with Finance Business Partners to communication this message.

3.2.3 Policies and procedures

There are a number of improvements required to simplify some of our policies and procedures, to include:

- Simplified income strategy, to include:
    - Debt Code of Practice
    - Key principals in respect of bad debt write off
    - Payment plan principals
    - Roles and Responsibilities within the debt process.
    - Internal service level agreements in respect of the resolution of queries and disputes

Agenda Item No: 4

Draft Annual Governance Statement 2020 - 21

To: Audit & Accounts Committee

Date: 22nd July 2021

From: Neil Hunter, Head of Internal Audit

Electoral division(s): All

Purpose: This report presents the Annual Governance Statement (AGS) for 2020 - 21 for consideration by the Audit and Accounts Committee, prior to sign off by the Chief Executive and the Chairman of the Strategy and Resources Committee.

Recommendation: The Audit and Accounts Committee is requested to consider if the AGS at Appendix A is consistent with the Committee's own perspective on internal control within the Council and the definition of significant governance and control issues given in paragraph 3.2.

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1.0 Purpose

1.1 The Council is required to include an Annual Governance Statement (AGS) as part of the Annual Statement of Accounts. The AGS summarises the extent to which the Council is complying with its Code of Corporate Governance and details, as appropriate, any significant actions needed to improve the governance arrangements in the year ahead. The final statement will be signed by the Chief Executive and the Chair of Strategy and Resource Committee.

1.2 The AGS is an important statutory requirement which enhances public reporting of governance matters. It should therefore be honest and open, favouring disclosure.

1.3 The draft AGS is presented to the Audit and Accounts Committee in order to ensure that it reasonably reflects the Committee's knowledge and experience of the Council's governance and control.

2.0 Background

2.1 The draft AGS (at Appendix A) has been compiled by staff in Internal Audit and Risk Management based upon the following:

- A review of the extent to which the Council has complied with each element of its Code of Corporate Governance;
- A review of the Council's Code of Corporate Governance itself, based on the CIPFA/Solace *Delivering Good Governance in Local Government* Framework.
- Self-assurance statements prepared by directors and input from the Joint Management Team;
- The Head of Internal Audit's opinion on the Council's internal control environment, which will also be reported to the Audit & Accounts Committee on 22nd July 2021.

3.0 The Annual Governance Statement

3.1 The Statement is prepared in accordance with guidance from the Chartered Institute of Public Finance (CIPFA) and the Society of Local Authority Chief Executives (Solace). The key elements identified in the Statement are:

- The Council's responsibilities for ensuring a sound system of governance;
- An assessment of the effectiveness of key elements of the governance framework, and the role of those responsible for the development and maintenance of the governance environment;
- An opinion on the level of assurance that the governance arrangements can provide and whether these continue to be regarded as fit for purpose;
- The identification of any significant governance issues, and an agreed action plan showing actions taken, or proposed, to deal with significant governance issues;
- Reference to how issues raised in the previous year's Statement have been resolved;
- A conclusion demonstrating a commitment to monitoring implementation through the next annual review.

3.2 ‘Significant Governance Issues’ are those that:

- Seriously prejudice or prevent achievement of a principal objective of the authority;
- Have resulted in the need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business;
- Have led to a material impact on the accounts;
- The Audit Committee advises should be considered significant for this purpose;
- The Head of Internal Audit reports on as significant in the annual opinion on the internal control environment;
- Have attracted significant public interest or have seriously damaged the reputation of the organisation;
- Have resulted in formal action being undertaken by the Chief Financial Officer and / or the Monitoring Officer.

4.0 Recommendation

4.1 The Audit and Accounts Committee is requested to consider whether the draft AGS at Appendix A is consistent with the Committee’s own perspective on internal control within the organisation and the definition of significant governance and control issues noted in paragraph 3.2 above.

Source Documents

Director Assurance Statement Returns

Location: Cambridgeshire County Council Code of Corporate Governance

OCT1108
Shire Hall
Castle Hill
Cambridge
CB3 0AP

ANNUAL GOVERNANCE STATEMENT

Cambridgeshire County Council

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ANNUAL GOVERNANCE STATEMENT

1. BACKGROUND AND SCOPE

1.1 SCOPE OF RESPONSIBILITY

Cambridgeshire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (Solace) Framework *Delivering Good Governance in Local Government.*

This statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which require all relevant bodies to prepare an annual governance statement.

1.2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The Governance Framework comprises the systems and processes, culture, and values by which the Council is directed and controlled and its activities through which it accounts to, engages with, and leads its communities. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The Governance Framework has been in place at the Council for the year ended 31 March 2021 and up to the date of approval of the Annual Report and Statement of Accounts. Where elements of the framework underwent changes following the May 2021 local elections, this is noted below.

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1.3 KEY ELEMENTS OF THE COUNCIL'S GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the Council's governance arrangements are:

Leadership and Decision-Making:

- Members exercising strategic leadership by developing and keeping under review the Council's vision and priorities. These set out and communicate the Council's vision of its purpose and intended outcomes for citizens and service users;

- An established business planning process which ensures that services are delivered in accordance with the Council's objectives and represents the best use of resources;

- A written Constitution which specifies the roles and responsibilities of elected members and officers, with clear delegation arrangements and protocols for effective communication. The Constitution sets out: Schemes of Delegation to members and officers; Financial Procedure Rules; and other supporting procedures for how decisions are taken and the processes and controls required to manage risk. There are arrangements in place to ensure these are reviewed regularly;

- Embedded Codes of Conduct which define the standards of behaviour for members and employees;

- An Engagement and Consultation Strategy to ensure the Council consults with and engages the diverse communities of Cambridgeshire, allowing them to have a say in the planning and reviewing of the services provided for them;

Monitoring the Achievement of Objectives:

- The mechanisms of the Council's performance management system, and financial and performance reporting, provide oversight of the Council's performance in achieving objectives;

- The Council's risk management system provides local and corporate oversight of how risk is identified and controlled to support the achievement of objectives;

Oversight and Scrutiny:

- The Audit and Accounts Committee is responsible for: independent assurance on the adequacy of the risk management framework and the associated control environment; the independent scrutiny of the Council's financial performance, to the extent that it affects the Council's exposure to risk and weakens the control environment; and for overseeing the financial reporting process;

- Statutory officers support and monitor the Council's governance arrangements, ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful;

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- There are embedded arrangements for whistleblowing and for receiving and investigating complaints from the public, supporting the measurement of the quality of services for users;

- The committee-based system of governance provides the Council with the high standards of governance expected of a local authority. Under the committee system, decisions are made by cross-party committees, meaning that a separate scrutiny function is no longer necessary.

- The work of Internal Audit provides independent and objective assurance across the whole range of the Council's activities.

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Cambridgeshire County Council

2. REVIEW OF EFFECTIVENESS

2.1 APPROACH AND SCOPE FOR THE REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its Corporate Governance Framework, including the system of internal control.

The review of effectiveness is informed by:

- Assurances from executive managers within the Council who have responsibility for the development and maintenance of the governance environment.
- The Head of Internal Audit and Risk Management's annual reports.
- Comments made by external auditors and other review agencies and inspectorates.

The Governance Framework and its constituent elements have been developed by executive managers and consulted upon with all members, the Audit and Accounts Committee and the Joint Management Team, as appropriate.

The arrangements for reviewing the Governance Framework comprise:

- A review of the Governance Framework and Internal Control Environment in accordance with CIPFA guidance, carried out by Internal Audit annually. Within this, consideration has been given to ensuring the Authority's financial management arrangements conform with the governance requirements of the CIPFA statement on the role of the Chief Financial Officer in Local Government and the role of the Head of Internal Audit in Public Service Organisations.
- An annual review of the Council's Code of Corporate Governance undertaken by staff within Internal Audit.
- The annual report and opinion on the internal control environment prepared by the Head of Internal Audit. This report draws upon the outcome of audit reviews undertaken throughout 2020/21 and is informed by the comments of external auditors and inspectors. The report is designed to provide assurance on the effectiveness of internal controls.
- The completion of Self-Assurance Statements by directors.
- The consideration of relevant outputs from member and officer-led reviews undertaken during the year, and the comments made by the external auditors and other review agencies and inspectorates.

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2.2 APPROACH AND SCOPE FOR THE REVIEW OF EFFECTIVENESS

The key aspects of the review of effectiveness are outlined below. The Council's Committee structure and Constitution underwent some significant changes following the local elections in May 2021. This report reflects the structures in place during the 2020/21 financial year and highlights any subsequent changes.

Additionally, it should be noted that the Council's operations in 2020/21 and onwards have been significantly impacted by the ongoing Covid-19 pandemic. The effects of this are noted where relevant below. However, in order to provide a more detailed and comprehensive picture of how the pandemic has affected governance within the Council, and the actions undertaken to address the impact, an additional section on Covid-19 has also been included at section 3 of this report, below.

i. Council Planning

There is a clear vision of the outcomes which the Council wants to achieve for local people as set out in the Business Plan.

The Council operates a planning process which integrates all aspects of strategic, operational and financial planning, and which has the full involvement of executive councillors and all senior managers of the Council. This ensures financial plans realistically support the delivery of the Council's priority outcomes and strategy obligations in the short and medium terms.

The budget preparation process was subject to robust challenge by councillors and involved consultation with the people and businesses of Cambridgeshire. The Business Plan was approved by Full Council in February 2021.

ii. Performance Management

The Council presents a corporate Integrated Finance Monitoring Report to councillors on a monthly basis, in addition to quarterly Finance Monitoring Reports supplied to service committees. The Council also maintains a suite of Key Performance Indicators, which are mapped to the Priority Outcomes of the Council's Strategic Framework, with subsidiary indicators relating to the performance of the Council's corporate services.

Throughout 2020/21, management, activity and performance reporting has remained as normal for directorates and as colleagues in these directorates are a key part of the production of performance reports they would have seen and commented on them as they move through the preparation and approval processes on the way to being shared for information at committees.

Performance reports were shared for information only rather than as main discussion items in 2020/21 for the majority of service committees, as part of the revised arrangements during the pandemic.

During the third lockdown period (Jan-Mar 2021) the production of Q3 performance reports was paused due to resourcing issues This was scheduled to recommence for Q4 but the recent changes to the committee structures, alongside the new Joint Administration's wish to review strategy and approach have delayed this.

We are therefore reviewing our performance reporting across service committees both with the individual chairs and with the new Strategy and Resources Committee early in 2021/22.

Finance and performance reports are available to the public on the Council's internet site, giving an insight into the Council's overall performance, both financial and non-financial.

iii. Executive Decision Making and Scrutiny

Executive decisions were made by one of the Council's seven cross-party service committees in the 2020/21 financial year. Following the May 2021 local elections, the structure of the Council's committees has changed, and there are now five cross-party Policy and Service Committees, in addition to the Strategy and Resources Committee which has an overarching and co-ordinating role and has authority for oversight, operation and review of "Corporate Services".

During the 2020/21 financial year, process allowed for executive decisions to be reviewed following request by at least 9 full members of the General Purposes Committee, which must be made within 3 days of a decision being published. Following changes to the Council's Constitution agreed at the meeting of Full Council on 18th May 2021, the process now allows for executive decisions to be reviewed following request by at least 9 full members of the Strategy and Resources Committee, within the same timescales.

iv. The Audit and Accounts Committee

The Audit and Accounts Committee provides independent, effective assurance on the adequacy of the Council's governance environment. All major political parties are represented on the Audit Committee.

The Audit and Accounts Committee met regularly during 2020/21, considering reports, including the annual Internal Audit Report from the Head of Internal Audit; the Council's annual Statement of Accounts; debt management updates; safer recruitment in schools updates; and information on financial reporting and related matters from the Council's senior Finance officers and the External Auditor.

The Chair of the Audit and Accounts Committee presents an annual report to Council detailing the work of the Audit and Accounts Committee in the preceding year.

v. Statutory Officers

The statutory functions undertaken by the Head of Paid Service, Monitoring Officer, S151 Officer, Director of Public Health, Service Director: Childrens Services and Service Director: Adults and Safeguarding were effectively fulfilled during 2020-21 and up to the date of this report.

vi. Management

The Council's Executive and Corporate Directors have provided assurance through Self-Assurance Statements that:

- They fully understand their roles and responsibilities;
- They are aware of the principal statutory obligations and key priorities of the Council which impact on their services;
- They have made an assessment of the significant risks to the successful discharge of the Council's key priorities;
- They acknowledge the need to develop, maintain and operate effective control systems to manage risks;
- Service Directors and/or relevant senior staff have provided assurance on the key elements of risk and control in their areas of responsibility;
- Throughout the financial year they consider that risks and internal controls have been sufficiently addressed to provide reasonable assurance of effective financial and operational control, compliance with the Code of Corporate Governance and other laws and regulations.

A number of exceptions related to the ongoing Covid-19 pandemic were identified by the Director of Public Health, and these are detailed in full at Section 3.2, below. Additionally, an outline of the key actions undertaken by the Joint Management Team (JMT) to address and mitigate the risks of the pandemic are detailed at Section 3.1.

Additionally the Assistant Director for Property noted that currently, property-related decision-making and activity is shared across a number of services across the Council. As a result, the Property team does not have oversight of, the full spectrum of property activity across the Council's estate. This is due to be addressed as part of the Property Service Improvement Plan, through which there will be a move to a Corporate Landlord model that will allow more comprehensive assurance over all property through a single service director. This will include measures such as:

  - Communication of central contacts / policy suite
  - Review of membership and responsibilities of Strategic Property Asset Board
  - Development of interaction of corporate functions supporting Property activity e.g. Procurement, Finance
  - Clarification of roles and responsibilities between Property other services
  - Develop and deploy property asset database
  - Briefing to JMT and DMTs after election
  - Internal Audit coverage of key risk areas – requests for audit activity have been made in key risk areas.

It should however be noted that, where property-related activity currently falls under the purview of other services across the Council, assurances over the current management and oversight of this activity is provided within the self-assurance statements completed by the relevant Executive and Corporate Directors of those services.

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vii. Internal Audit

The Council takes assurance about the effectiveness of the governance environment from the work of Internal Audit, which provides independent and objective assurance across the whole range of the Council's activities. It is the duty of the Head of Internal Audit to give an opinion, at least annually, on the adequacy and effectiveness of internal control within the Council. This opinion has been used to inform the Annual Governance Statement.

The Head of Internal Audit provided his annual report to the Audit Committee on 22nd July 2021. The report outlined the key findings of the audit work undertaken during 2020/21, including areas of significant weakness in the internal control environment.

An assurance scoring mechanism, based on three opinions, is used to reflect the effectiveness of the Council's internal control environment. The opinions are:

- Control Environment Assurance
- Compliance Assurance
- Organisational Impact

From the audit reviews undertaken during 2020/21, no areas were identified where it was considered that, if the risks highlighted materialised, it would have a major impact on the organisation as a whole. In each instance where it has been identified that the control environment was not strong enough, or was not complied with sufficiently to prevent risks to the organisation, Internal Audit has issued recommendations to further improve the system of control and compliance. Where these recommendations are considered to have significant impact on the system of internal control, the implementation of actions is followed-up by Internal Audit and is reported to Audit and Accounts Committee on a quarterly basis.

It is the opinion of the Head of Internal Audit that:

*On the basis of the audit work undertaken during the 2020/21 financial year, a **strong satisfactory** assurance opinion has been reached.*

My opinion is derived from an assessment of the range of individual opinions arising from work completed in 2020/21 by the Internal Audit team, taking account of the relative materiality of each area under review, and considering management's progress in addressing control weaknesses. Full details of the work completed by Internal Audit in-year are set out in the remainder of this report and at Appendix A, below; however, I would particularly highlight the following key pieces of evidence on which my opinion is based:

• *Review of the organisation's Code of Corporate Governance and the evidence supporting the Council's Annual Governance Statement, which demonstrate a sound core of organisational governance.*

• *Reviews of Key Financial Systems consistently demonstrating a good or satisfactory assurance across all systems.*

- *The organisational response to the Covid-19 pandemic, which demonstrated the strength of the Council's business continuity and risk management processes and the ability of senior management to respond effectively to unexpected challenges.*

- *In previous years, Internal Audit has highlighted a number of contract management issues in individual projects managed by the Major Infrastructure Delivery (MID) service. In 2020/21, at the service's request, Internal Audit implemented a full review of contract management in the service, including evaluating four major projects and assessing MID capital programme governance as a whole. This work identified significant areas for improvement; however the service has responded rapidly to these concerns, and action plans to address the issues are already underway.*

- *Although a high-profile issue relating to the tenancy of Manor Farm was reported publicly in 2020/21, this was first raised with the Internal Audit team in 2019. The affected service has responded positively to the issues identified, and the action plan to address the concerns is in the public domain. Additionally, it is noted that the organisation has completed a full review of the Whistleblowing Policy in light of the issues raised.*

It should be noted that no systems of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

The detail to support this assessment was provided in the Annual Internal Audit Report which was presented to the Audit and Accounts Committee on 22nd July 2021.

viii. Review of Internal Audit

The Public Sector Internal Audit Standards (PSIAS) were introduced from April 2013. The Internal Audit service has operated in compliance with PSIAS throughout the year, with a self-assessment exercise in April 2021 confirming compliance with the latest set of standards, issued in April 2017.

Internal Audit teams are required to undergo external reviews of compliance with PSIAS every five years. As the most recent external review of the Cambridgeshire team took place in the 2017/18 financial year, an external review against PSIAS requirements will be arranged in 2021/22.

ix. External Audit

On 14 December 2017, the PSAA board approved the appointment of Ernst & Young LLP to audit the accounts of Cambridgeshire County Council for a period of five years, covering the financial years from 1 April 2018 to 31 March 2023.

x. Risk Management

The Council maintains an approved Risk Management Policy and Risk Management Procedures. During 2020/21, the Joint Management Team and Directorate Management Teams formally considered risk on a quarterly basis. However, as part of the Council's immediate response to the pandemic, a bespoke risk register and action tracker was created to help manage the challenges of Covid-19, and JMT formally agreed a departure from the Council's business-as-usual risk management processes. More detailed information on the revised approach to risk management that operated during part of the 2020/21 financial year in response to the pandemic is available at Section 3.3, below.

The Internal Audit Plan for 2021/22 presented to the Audit and Accounts Committee in March 2021 is substantially based upon the key risks faced by the Council as identified in the Corporate and Directorate risk registers, such that Internal Audit will provide assurance on the effectiveness of the internal control framework during 2021/22.

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3. ADDITIONAL DETAIL ON THE IMPACT OF THE COVID-19 PANDEMIC

3.1 THE ROLE OF JOINT MANAGEMENT TEAM (JMT)
Joint statement from JMT

As the full impacts of the pandemic on the organisation were emerging in March 2020, the Council put its Joint Management Team (JMT) onto an emergency management footing, meeting as the "Gold" command group. JMT Gold meetings initially took place on a daily basis, feeding into multi-agency forums across the County and Sub-region and supported by a tactical co-ordination group within the Council.

Under the Constitution, the Chief Executive is empowered to take emergency decisions on behalf of the local authority: a number of Committee meetings were initially cancelled, meaning that an alternative decision route was needed, pending the enactment of secondary legislation enabling local government Committees to meet virtually from April 2020. An exception and highlight report process across the different tiers of management and up to Member oversight was implemented in response to these issues.

JMT has provided an outline of the main actions taken to mitigate and manage key risks during the Covid-19 pandemic, and alterations to the Council's normal governance structure which were necessitated as part of the organisation's coronavirus response, as follows:

i. <u>Decision-Making and Management:</u>

- Regular meetings of JMT to address the ever-changing impacts of the pandemic; ensure swift actions were developed and agreed; and set the communications strategy both internal and external. This included clear recording of actions and timescales for delivery. The increased frequency of meetings has meant that issues, and potential risks, can be regularly and routinely raised and appropriate mitigating actions determined.

- JMT agreed a financial protocol in the early stages of the pandemic and updated this in order to translate the scheme of financial management and other aspects of our normal governance to the circumstances of the pandemic, enabling the Council to respond using its resources in an agile way to ensure delivery of services and responding to citizens' needs.

- The Council followed the Cabinet Office guidance on procurement (across various Procurement Policy Notes (PPNs 2,3,4)) and established a panel for considering supplier requests for variations. Through this process the Council was able to focus on and escalate risks to procurement and its supply chain, ensuring continuity of cashflow to providers and of service to service users.

- Political briefings including CPF, Chairs and Vice-Chairs, Group Leaders, and the SCG and RCG Briefing for Local Leaders ensured political oversight.

- Regular updates to JMT from our Public Health specialists, so the implications of the progress COVID in our communities can be assessed by each council service and appropriate actions determined and implemented.

- In addition to the wider JMT meetings, the establishment of a sub-group from JMT, our COVID Gold/Strategic Group, which has met 3x a week to look more specifically at COVID prevention and Outbreak Management issues, risks and actions. Regular agenda items for this group include:

    - Review of the epidemiology at every Gold meeting, so that the changing pattern in the infection, and the associated risks and subsequent actions, are identified and actions determined and passed out to the appropriate services/groups.
    - Reports back from all elements of our Outbreak Management system (surveillance, outbreak management settings cells, testing and tracing etc.) so that issues and risks can be identified and acted on.
    - Regular reviews of national guidance and how this translates into the local context, so we are actively managing risks resulting from changes set out in this guidance.
    - Development of many specific/targeted action plans in response to areas of high infection and /or specific outbreaks, to help to manage and mitigate the spread of the infection.
    - Feedback from national and regional networks, and from the wider Cambridgeshire and Peterborough partners involved in the COVID response, so that we better understand how to shape and re-shape our response to COVID as part of this wider system, and so that we benefit from their insight and learning.
    - Constant internal and external communications and marketing campaigns that are tailored to ensure they reach their target audience to help prevent the spread of COVID; to help people understand what action to take if they experience symptoms or are a contact of those with a positive COVID test; and latterly to help people understand the importance of getting vaccinated and regular rapid testing.

ii. <u>Oversight of Financial Impact:</u>

- Throughout the pandemic there has been regular financial reporting of actual and estimated financial impact of the pandemic (this has been significant in income and expenditure terms, exceeding £70m). Initially this was through a weekly report circulated to JMT, with the frequency decreasing as the situation stabilised. This reporting was also formally submitted to Members culminating at General Purposes Committee.

    - Deployment of that level of extra resource has significantly mitigated risks to service provision, whilst not impacting the Council's underlying financial strength.
    - The Council has robust arrangements in place for financial monitoring and forecasting, including utilising the reporting tools of Mosaic, and the expertise of finance business partners working with demand led services. This leads to reliable and stable forecasts and clarity on the financial position during the year, alongside assurance about the levels of service and activity that this expenditure is supporting.

- Professionals working in the Resources Directorate, particularly those embedded Finance Business Partners, as well as colleagues in internal audit, insurance, property and procurement are well-placed to identify and escalate service delivery or governance issues. Business Partners develop trusted and expert relationships with the service managers they support, as well as having an independent reporting line via the Chief Finance Officer to the JMT.

iii. <u>Managing the Impact of Covid on Our Communities:</u>

- Ensuring that our response to COVID (set out in our Local Outbreak Management Plan and our service-specific COVID plans) is evidence-based with a focus on the course of infection amongst groups who are more vulnerable to COVID (risk factors include age, ethnicity, underlying health conditions) as well as groups who experience social and economic hardship (risk factors include low wage economy, poor housing, homelessness, houses of multiple occupancy).

- Supplementing national schemes, such as those providing financial and practical support for those experiencing hardship through the impact of COVID, with additional local schemes to ensure we can meet demand for support, particularly in areas or communities with high needs.

- Systematically re-deploying staff into roles that are focused on support for people who are more vulnerable, pausing business-as-usual activities where necessary.

- Maximising on our links with community and voluntary sector organisations, faith groups and community leaders, so they can reach out to individuals and families who may otherwise be overlooked through more traditional routes for support.

- Setting up a partnership sub-group and establishing the decision-making process for the allocation of the Contain Outbreak Management Fund, to ensure we are rigorous in how we meet the national criteria for this fund with its focus on addressing inequalities exacerbated by COVID.

- Budget process were put in place to identify and justify funding support for vulnerable and other residents with a rigorous justification of Covid-related spend that was supported by Public Health colleagues and based on the latest Government guidance. Examples include:

    - Covid Support Grants were used to provide rest centres for rough sleepers in Peterborough to ensure most, if not all, were not left vulnerable to Covid by being on the streets.
    - Securing agreement to extra Covid contingency costs for capital projects to allow contractors to operate sites in a Covid-safe way.
    - Regular additional cleaning of public spaces in particular when lockdowns were lifted to ensure a safe environment for the public.
    - Closing Household Recycling Centres to prevent the spread of the disease in Spring 2020.

- Ensuring their safe reopening by investing in measures to keep members of the public apart, through strong hygiene supplies and traffic management measures to manage queuing traffic.
- Closure of play parks and sports facilities with notices to explain the risks of their use, followed by their safe reopening in line with Government guidance.

iv. Resource Management and Oversight:

- The Resources Management Team met frequently throughout the pandemic and considered risks and issues for escalation to the JMT.

- JMT developed a strategic risk register focused on the Covid-19 pandemic, which is reviewed regularly. For more detailed information on the risk management approach, see Section 3.3, below.

- Clinically Extremely Vulnerable (CEV) work to manage escalations including evidence of demand management through supporting the most vulnerable. Targeted support work to manage escalations (e.g. carers).

- Track and Trace Gold meetings were stood up to provide evidence of rapid decisions making and resource planning; evidence of monitoring national policy and shaping it to the local level.

- Management of redeployment with evidence of risk management and resource allocations.

v. Managing Staff Safety and Wellbeing:

- Encouraging and enabling all staff to work from home wherever possible.

- Creating a safe environment in the office for those whose roles could not be undertaken at home, or who had special personal circumstances requiring them to be in the office

- Implementing Covid safe working practices for staff working on site or visiting sites, including social distancing measures.

- Providing mental health support for staff needing help to adapt to changing circumstances.

- Ensuring frequent and up to date communication with staff, from JMT Gold to P&E Silver on a daily basis through early months of the pandemic.

- Specific actions from JMT have included the creation and implementation of a suite of COVID risk assessments e.g. for our office spaces, our teams (who have been working in a range of settings throughout the pandemic) and for individuals.

- Property colleagues, including those with professional expertise in facilities management, building surveying and safety/compliance have been leading the response to the safety of our buildings and workplaces and responding to service requirements for provision of services at pace and in different places across the estate and in collaboration with partners.

3.2 THE ROLE OF THE DIRECTOR OF PUBLIC HEALTH
From the Director of Public Health

2020/21 has been an unusual year due to the ongoing emergency situation with the Covid-19 pandemic response. While the Director of Public Health believes that appropriate governance and risk management have been maintained throughout, some of the unusual issues are outlined below.

The significant responsibilities of the Director of Public Health and the Local Authority for Covid-19 outbreak management, has required development of a separate risk register for the Cambridgeshire and Peterborough Local Outbreak Management Plan, which is regularly reviewed at the Health Protection Board, chaired by the Director of Public Health. The Public Health Directorate risk register has also been maintained.

There has been a requirement for very rapid decision-making, recruitment of scarce interim or short-term infection control and public health expertise in a difficult employment market, and rapid setting up of processes and services to prevent and manage Covid-19. This means that some agency and interim recruitments have taken place outside the normal processes, e.g. using specialist agencies, and this has been done working closely with the HR team. More procurement waivers have been approved than in a normal year, due to the emergency situation and the need to set up services rapidly. Appropriate Cambridgeshire County Council processes have been followed to allow these exceptional recruitments and waivers.

Government grants - ‘Test and Trace’ grant and ‘Contain Outbreak Management Fund’ have been allocated for Covid-19 outbreak prevention and management, often with uncertainty about the duration of funding and with less information about grant conditions than in normal circumstances. We have worked closely with the finance team to set up appropriate procedures to allocate funding from these grants through the Finance Sub-Committee of the Health Protection Board and to track spend, and to ensure transparency through public reporting at the Local Outbreak Engagement Board.

3.3 IMPACT ON RISK MANAGEMENT
From the Director of Business Improvement & Development

In November 2019, a new risk management process was proposed by the Director for Business Improvement and Development (BID) and Head of Internal Audit. The new process and risk register format were agreed by JMT.

This process cemented the quarterly cycle for risk management and assessment on the control environment. The process includes regular meetings with and support for risk owners and management of the corporate and directorate risk registers through an online platform (GRACE). Work to refresh the corporate and directorate risk registers was undertaken at the start of 2020, however this work was paused following the outbreak of the Covid-19 pandemic.

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At this point, JMT agreed that a separate risk register should be created to ensure full visibility of this new and rapidly changing risk. It was agreed that the Director BID should develop and monitor the COVID risk register on behalf of JMT. To develop this risk register in a timely way,

there was positive, proactive input from all members of JMT, directorate risk owners and other key officers.

Once the risk register was developed there was a clear and regular update (weekly from the beginning of May) and reporting process to incorporate emerging risks and triggers into the register and to allow for proportionate action plans and then controls to be developed. COVID risk register monitoring, reporting and escalations to JMT continued on a weekly basis until September 2020.

By September 2020, risk controls had been put in place against all COVID risks and actions were being managed within Directorates and monitored by JMT. At this stage, the Director BID, working with the Head of Internal Audit, presented a further paper on risk to JMT proposing that, as Covid-19 was likely to be an ongoing feature of our operating environment, it should be treated as a trigger, and reflected at the corporate risk register (CRR) and directorate risk register (DRR) level, and subject to escalation in the same way as any other trigger.

It was also agreed that the corporate and directorate risk registers should be refreshed, to ensure both that COVID-19 was appropriately captured as a trigger and that directorate risk registers are aligned both to each other and the corporate risk register, to allow for streamlined reporting and escalation. This refresh was essential to give an assurance that the corporate risk register remains an effective tool to support JMT in managing organisational risk, particularly during the pandemic where the control environment can change quickly.

The Director BID and the risk team from Internal Audit then met with all Directors and risk owners and the corporate risk register was updated and presented back to JMT in January 2021. Directorate management teams have also reviewed directorate risk registers with support from the risk management team.

Weekly escalation of risk remains as a standing item on the JMT agenda alongside standardised quarterly updates, as specified within the risk management framework.

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4. CONCLUSIONS AND APPROVAL

4.1 SIGNIFICANT GOVERNANCE ISSUES

The Annual Governance Statement process allows the Council to identify any significant governance issues that have been identified, and the associated actions it is proposing to undertake to enhance its corporate governance arrangements.

The Covid-19 pandemic has represented a very significant challenge for the authority in 2020/21 and to date, impacting on the authority's financial position and its ability to deliver planned objectives, as well as creating additional new responsibilities for the Council. Cambridgeshire County Council's response to these challenges is set out in detail at Section 3, above.

Increasingly, the authority's response to the coronavirus pandemic is being managed through business-as-usual processes that were already in place or have been developed throughout the 2020/21 financial year. As such, while it is recognised that the pandemic has represented a significant governance issue for Cambridgeshire County Council, there are no proposed actions to be undertaken, because governance frameworks have already been updated where necessary on a temporary or permanent basis to address this.

Following an earlier whistleblowing referral, during 2021 the Audit & Accounts Committee received the results of an internal audit report, completed by Mazars LLP, into the tenancy of Manor Farm as well as the Council's wider management of the County Farms Estate. The tenant of Manor Farm was also, until the completion of the report and his resignation, a County Councillor and Deputy Leader of the Council. The Audit & Accounts Committee has afforded considerable attention to these sensitive matters and the recommendations raised by the audit and the Council is progressing a detailed action plan in response. Owing to the connection of this audit to a very senior Councillor, we are including this reference in this section of the annual governance statement.

4.2 FUTURE GOVERNANCE CONSIDERATIONS

Cambridgeshire does continue to face very significant future challenges associated with an increase in demand and inflation and a significant reduction in Central Government funding, and this has been exacerbated by the impact of the pandemic. The Council's five year Business Plan is reflective of these pressures, and is subject to annual review, to ensure the extreme financial pressures facing the Council in the latter stages of the Plan can be met, whilst continuing to provide effective services to the people of Cambridgeshire.

In future years, there is the potential that devolution in the region could evolve further and this may impact further upon the authority's governance arrangements. Cambridgeshire County Council already works closely with other public sector bodies in the region, and shares a Chief Executive and several Directors with Peterborough City Council. Governance arrangements for sharing staff and services across partners continue to evolve into 2021/22, and following the May 2021 local elections, the new Leaders of Cambridgeshire County and Peterborough City Councils have each commissioned a Corporate Peer Challenge review from the Local Government Association (LGA). These independent reviews, conducted at no cost to the Councils, will assess the shared services and joint governance arrangements between the two authorities.

4.3 CONCLUSION

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

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

The authority's Code of Corporate Governance has undergone its annual review and is due to be published on Cambridgeshire County Council's public-facing website. This document demonstrates in detail that the Council's corporate governance and policy framework is aligned to the principles outlined by CIPFA/SOLACE in their *Delivering Good Governance In Local Government Framework*, and gives more information on how governance arrangements are monitored and reviewed.

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

4.4 CHAIR OF STRATEGY & RESOURCES COMMITTEE AND CHIEF EXECUTIVE STATEMENT

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit and Accounts Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

Councillor Lucy Nethsingha
Leader of the Council

Gillian Beasley
Chief Executive

Councillor Graham Wilson
Chair of the Audit and Accounts Committee

July 2021

Agenda Item No: 5

Draft Cambridgeshire County Council Statement of Accounts 2020/21

To:	Audit and Accounts Committee
Meeting Date:	22nd July 2021
From:	Chief Finance Officer and Director of Resources
Electoral division(s):	All
Key decision:	No
Forward Plan ref:	Not applicable
Outcome:	This report presents the draft Cambridgeshire County Council (CCC) elements of the Council's Statement of Accounts 2020/21 for review. The draft Accounts are provided as Appendix A to this report.
Recommendation:	The Audit and Accounts Committee is recommended to note and comment on the draft CCC elements of the Council's Statement of Accounts 2020/21 prior to their incorporation into the Council's full draft Statement of Accounts 2020/21 which are due to be published by 31st July.

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1. Background

1.1 The annual Statement of Accounts is the financial representation of all activities that the Council has been directly or indirectly involved with, over the course of the 2020/21 financial year. The publication of the Statement of Accounts is an essential feature of public accountability and stewardship, as it provides an annual report on how the Council has used the public funds for which it is responsible.

1.2 The full Statement of Accounts includes:

- the accounts related solely to the Council;
- group accounts consolidating the accounts of the Council with those of the Council's wholly owned Housing Company, This Land Ltd;
- the accounts of the Cambridgeshire Pension Fund; and
- the Annual Governance Statement

1.3 This paper only covers the accounts reporting the activities of the Council itself. The accounts for This Land Ltd are currently being audited and a consolidated set of group accounts will be produced ready for publication by 31st July. The draft accounts of the Cambridgeshire Pension Fund are being reviewed by the Pensions Committee on 22nd July prior to their incorporation into the full draft Statement of Accounts. The draft Annual Governance Statement is the subject of a separate agenda item for consideration by this committee.

1.4 Accounts are prepared under the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting 2020/21, which is based on International Financial Reporting Standards (IFRS) adapted for public sector use.

1.5 The signing, approval and publication of the Accounts is set out in Section 9 of the Accounts and Audit Regulations 2015. The Accounts will require further certification and approval by the Audit Committee at the conclusion of the audit; any material changes arising from the audit will be reported back to future meetings of the Audit Committee, prior to approval. The independent auditor's report (ISA 260 report) will also be provided for the Audit Committee to consider.

1.6 The timelines in the Accounts and Audit Regulations 2015 were amended by Statutory Instrument for financial years beginning in 2020 and 2021 only. The revised timelines, which apply to these 2020/21 accounts, require the draft Statement of Accounts to be published by 31st July, and the audited Statement of Accounts to be completed by the 30th September 2021.

2. Main Issues

2.1 This section of the report outlines some of the key matters for the Audit Committee's attention.

Audit & Accounts Committee review

2.2 The revised deadlines for the publication of the draft accounts for 2020/21 mean that the Committee has the opportunity to comment on the draft accounts this year prior to their publication. The Chief Finance Officer must clear the draft accounts for publication before

31st July and will take into account comments raised by the Committee.

Public Inspection

2.2 The Accounts and Audit (Amendment) Regulations 2021 determine that the accounts and other related documents have to be made available for public inspection for 30 working days which must commence on or before the first working day of August 2021.

2.3 During this period electors may also raise questions to the Council's external auditor, Ernst and Young LLP (EY LLP), on the 2020/21 Statement of Accounts as part of the public inspection process.

Process for completion of the Accounts

2.4 2020/21 follows on from a difficult process to complete the 2019/20 accounts, which were not finalised until 31st March 2021. This has therefore significantly shortened the period available to the closedown team to focus on preparing for the 2020/21 accounts, including implementing any changes to processes and procedures that were established as necessary following on from previous years. However, the team has worked hard to implement the high priority changes required, including those with the most significant impact. This has resulted in some significant steps forward in the efficiency of the production process, as well as the resulting output.

2.5 In particular, significant progress has been made working with the Strategic Assets team to quality review the underlying data used by, and output property valuations provided by, the Council's external valuers before their inclusion in the Accounts.

2.6 The Redmond review of Local Authority financial reporting and external audit in 2019 raised issues around capacity and market fragility within the sector. These issues are reflected in the proposed audit timing for the audit of CCC's accounts for 2020/21. The audit will not commence until October 2021 with the main work undertaken in October and November. This means that the final audited accounts will not be published to the 30th September deadline set out in the Accounts and Audit (Amendment) Regulations 2021. In this circumstance, the regulations require the Council to publish a notice stating that it has not been able to publish the statements of accounts and the reasons for this until such time as the audited accounts can be published.

The Statement of Accounts 2020/21

2.7 The CCC element of the Statement of Accounts is comprised of the following sections:

- The Narrative Statement;
- Statement of Responsibilities;
- The Core Financial Statements:
    - Comprehensive Income and Expenditure Statement (CIES);
    - Balance Sheet;
    - Movement in Reserves Statement (MIRS);
    - Cash Flow Statement;
- Notes to the Core Financial Statements;
- Accounting Policies; and

- Glossary.

2.8 The Narrative Statement is required by the Code and provides a summary of the most significant matters reported within the accounts, and of the Council's financial position. It is intended to outline the overall context within which the Council is operating by providing commentary on the Council's priorities, its performance in 2020/21 and the inclusion of a summary of the medium-term outlook and approach to value for money. This year, it also includes information about the continuing impact of Covid-19 on the Council's accounts.

2.9 The Core Financial Statements provide the overview in financial terms on an accounting basis of the Council's performance, financial worth, reserves and cash flow as at 31 March 2021. The highlights from the core statements can be found in the Executive Summary to the Narrative Report with more detail provided within the Narrative Report itself. Paragraphs 2.15 to 2.23 also outline some of the key highlights for the Committee's consideration.

2.10 There have been no significant changes to the accounting policies for 2020/21.

Highlights from the Accounts and Key Considerations

2.14 The draft Statement of Accounts 2020/21 are presented in Appendix A to this report. The following sections set out some of the more significant items in the draft accounts and provide additional commentary.

General Fund Reserves and Earmarked Reserves

2.15 For the year ended 31 March 2021 the Council experienced a revenue budget underspend of £6.3m which has been transferred to the General Fund to balance the financial position for 2020/21. The Council has a strategy which is applied to restore the General Fund reserve to its planned level as part of its annual business planning process.

2.16 The Council's Earmarked Reserves (that is reserves set aside for a specific purpose) increased by £62.1m during the year to £142.2m as at the 31st March 2021. This is largely as a result of levels of unspent grant which have been transferred to earmarked reserves for use in 2021/22 and beyond. This includes £43.2m of unspent grants received for ongoing expenditure in relation to the Covid-19 pandemic.

Balance Sheet

2.17 The Council has Net Assets as at 31st March 2021 of £517.4m.

2.18 The net asset position is predominantly due to the value of long-term assets at £2,071.4m, and within that the value of Plant, Property and Equipment is £1,604.8m. Current assets total £236.0m.

2.19 The Council's liabilities (both current and long-term) total £1,409.4m with the largest components both being long-term liabilities related to the Pension Fund liability (£708.2m) and long-term borrowing (£562.4m).

2.20 The sum of the total assets and total liabilities provides the net asset position of the Council which is matched by the total reserves comprising Usable Reserves of £375.5m and

Unusable Reserves of £141.9m.

Pension Fund Liability

2.21 The pension liability calculated by the actuary has increased by £216.6m in 2020/21.

2.22 Liabilities have been assessed on an actuarial basis using the projected unit credit method which is an accrued benefits funding method in which the Actuarial Liability makes allowance for projected earnings, providing an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels and so on. The liability is therefore outside the control or influence of the Council and is reported in accordance with International Accounting Standard 19 – Employee benefits.

2.23 Movements in the Pension Fund liability do not affect the Council's General Fund or other Usable Reserves.

Audit Fees

2.24 CCC's accounts for 2019/20 were signed on 31st March 2021. EY have reported that additional fees were incurred for the audit of these 2019/20 accounts, prior to the commencement of the value for money work (see below). In particular, specific one-off work was required for the assessment of the Council's going concern position in light of the Covid-19 pandemic, and increased procedures were required for asset valuations. These additional costs totalled £54k.

2.25 The scale fee for the audit of the 2020/21 accounts is £72k. The Redmond review of local authority financial reporting and external audit made recommendations around the fee structures for local audit which nationally have reduced by 40% since 2015. The government has committed to provide £15m of additional funding in 2021/22 to relevant local bodies to meet the anticipated rise in audit fees in 2021/22, driven by new requirements on auditors including the 2020 Code of Practice, and to enable local authorities to develop standardised statements of service information and costs as recommended by the review.

Outstanding matters relating to previous years of account

2.26 One objection to the accounts in 2016/17, one objection to the accounts in 2017/18, and the value for money opinion on the accounts in 2017/18 are currently not concluded. These are matters for the previous auditor, BDO LLP. As reported at the March 2021 meeting of this Committee, BDO LLP gave the financial statements opinion for 2017/18 on 6 August 2018, with the value for money opinion to follow at a later date. The Council has repeatedly pressed BDO to progress their conclusions in this area since then and in November 2019, the then Chairman of this Committee wrote formally to BDO to express significant concern at the delay in concluding the process. BDO replied formally to Cllr Shellens in September 2020, apologising for the delay, and setting out the remaining steps with a report to this Committee anticipated in January 2021. During the first months of 2021 BDO advised that a key team member had been unwell and that they had also sought legal advice on their final conclusions.

2.27 At the beginning of March 2021, a manager at BDO contacted the Council to raise further queries about two contracts that the Council had entered into: one commencing in 2015 and another relating to 2015 and 2016. The Council replied to BDO and the firm stated that they anticipated reporting on value for money shortly, with the determination of objections lodged in 2017 and 2018 happening subsequently and separately. The Chief Finance Officer formally requested an update from BDO on 21st May and BDO replied on 27th May. A further brief query was received from BDO on 1st June which the Council replied to on 3rd June. The Chief Executive and the Chief Finance Officer are scheduled to meet the Partner responsible at BDO on 27th July 2021 where we expect to hear more about the value for money conclusion BDO are reaching with respect to 2017/18.

2.28 One objection in relation to the 2018/19 accounts, and the value for money opinions for 2018/19 and 2019/20 are also yet to be concluded. These are matters for EY to consider, and whilst matters have progressed sufficiently for EY to have begun some areas of their value for money work, progress is required with the preceding years' work by BDO before these items can be concluded.

3. Next Steps

3.1 The importance of the Statement of Accounts to the authority is high and although it is a historical backward facing document, the closing of the accounts is vital to the financial planning process as it confirms the starting position for the 2021/22 financial year.

3.2 Following review of the draft CCC accounts and Annual Governance Statement by the Audit and Accounts Committee, the draft accounts will be updated and combined with the other elements of the full draft Statement of Accounts which the Chief Finance Officer must certify before 31st July. The draft accounts will then be published on the Council's website and the public inspection notice will be published.

3.3 EY LLP have scheduled the main audit fieldwork for October and November 2021. Assuming the audit progresses to plan and there are no significant issues identified, it will conclude in EY issuing an opinion on the Statement of Accounts and certification that the final document presents fairly the financial position of Cambridgeshire County Council for the year ending 31 March 2021.

3.4 Updates on the status of the audit will be provided at future Committee meetings as the audit progresses.

4. Alignment with corporate priorities

4.1 Communities at the heart of everything we do

There are no significant implications for this priority.

4.2 A good quality of life for everyone

There are no significant implications for this priority.

4.3 Helping our children learn, develop and live life to the full

There are no significant implications for this priority.

4.4 Cambridgeshire: a well-connected, safe, clean, green environment

There are no significant implications for this priority.

4.5 Protecting and caring for those who need us

There are no significant implications for this priority.

5. Source documents

5.1 Source documents

None

CAMBRIDGESHIRE COUNTY COUNCIL
DRAFT STATEMENT OF ACCOUNTS
AND
ANNUAL GOVERNANCE STATEMENT
2020-21

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KEY NUMBERS

Some of the key numbers for the reader to note are that:

	2019-20 £m	2020-21 £m	Note
Revenue			
Expenditure	1,149.4	1,064.5	Expenditure and Income Analysed by Nature (page 57)
Income *	-912.3	-998.9	Expenditure and Income Analysed by Nature (page 57)
Net	237.1	65.6	
Capital			
Expenditure	292.8	176.7	Narrative Report (pages 14 – 15)
Financing	-292.8	-176.7	Narrative Report (pages 14 – 15)
Net	0.0	0.0	
Total reserves **	530.6	517.4	Movement in Reserves Statement (page 41)

* total income less £246.0m capital grants and contributions (previous year £71.4m)

** includes usable reserves of £375.5m at 31/03/2021 (previous year £145.0m)

NARRATIVE REPORT

INTRODUCTION

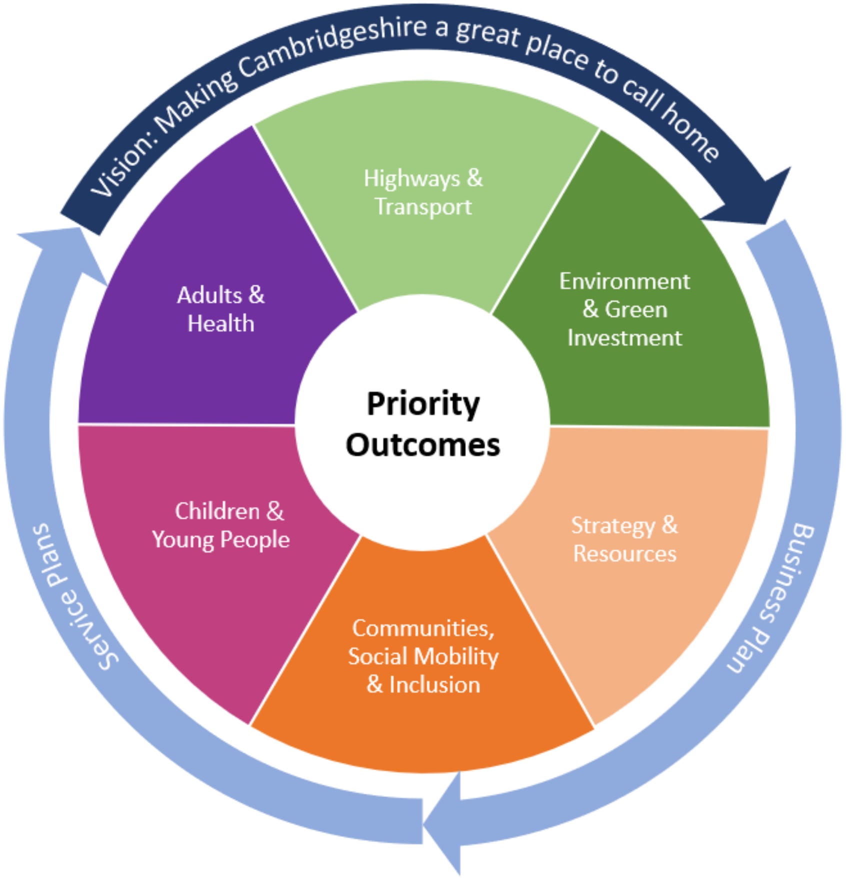
This document presents the statutory financial statements for Cambridgeshire County Council (the Council) for the period 1 April 2020 to 31 March 2021 and provides a comprehensive summary of the overall financial position of the Council giving a true and fair view.

The accounts are presented in the format recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA), as set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21 (the Code). Our core financial statements use this format and meet the conditions of the Code.

This narrative statement provides a summary of the most significant matters reported within the accounts and of the Council's financial position at 31 March 2021. Although focused on the year reported that ended on 31 March 2021, the narrative statement aims to provide an up-to-date overview of the Council's financial position: this year we have included additional commentary to reflect on the unprecedented and changeable situation caused by Covid-19. In addition, the political leadership of the Council changed following the elections in May 2021 which has implications for the future direction of the Council for 2021-22 and beyond.

OUR VISION AND AMBITION

During 2020-21 we took a whole Council approach to delivering our five priority outcomes across all areas of service provision set out below. This was facilitated by an integrated approach to business planning and service planning which drew input from all areas of the organisation.



Our Priority Outcomes

Communities at the heart of everything we do

A good quality of life for everyone

Helping our children learn, develop and live life to the full

Cambridgeshire: A well-connected, safe, clean, green environment

Protecting and caring for those who need us

Our priority outcomes are an integral part of the Council's decision-making process. Each proposal impacting budget, investment, or performance is assessed based on its contribution to delivering the priority outcomes.

We reviewed our priority outcomes for 2020-21 to reflect the Council's commitment to establishing community-based models of service delivery and our focus on protecting and caring for the most vulnerable in our county, who have faced the greatest challenges as a result of the Covid-19 pandemic. The Council's response to the pandemic saw the establishment of a Countywide Co-ordination Hub which drew support from all tiers of local government, the voluntary sector and our communities to deliver comprehensive and wide-reaching support to residents. The Council plans to build on these successes by adopting a 'Think Communities' approach to energise the relationships, working arrangements and processes that have helped to support community resilience and sustainability during the pandemic.

We also expanded our priority outcome to reach net zero carbon emissions by 2050 to encompass the wider environmental benefits and improved transport links that will contribute to our vision of making Cambridgeshire a great place to call home. In 2021-22 the Council will invest over £1m to address the causes of flooding and to support improvements in biodiversity. This is in addition to planned investments in a Council owned solar farm, smart energy grids, community heat schemes and decarbonisation of our property estate totalling in excess of £80m.

The Council continued to transform the way it operates during 2020-21, pursuing opportunities to increase digital service delivery and expand place-based partnership working in response to cultural and behavioural shifts as a result of the pandemic. We have already made £118m in savings over the last five years. 2022-23 will require us to find a further £22m, largely due to inflation and demographic pressures. As our resources come under increasing pressure due to demand for services, particularly in response to the coronavirus pandemic, we will continue to progress our plans for transforming how we support our residents.

The Council's Business Plan, approved at the Full Council meeting on 9th February 2021, outlines these priorities in more detail and is available on the Business Planning pages of our website.

Subsequent to the approval of the Council's Business Plan for 2021-22, the political leadership of the Council changed following the elections in May 2021. On 14th May 2021, a Joint Agreement was signed by the Leaders of the Liberal Democrat, Labour and Independent groups. The following week, at the Council's Annual General meeting, a new Joint Administration to lead the work of the Council was agreed.

The Joint Agreement places Covid recovery for all of Cambridgeshire – children and families, local businesses, and working people – and bringing forward targets to tackle the climate emergency, at the top on the new Administration's policy agenda. The agreement also signals a commitment to form strong and positive partnerships as members of the Combined Authority and the Greater Cambridge Partnership in the areas of public health, support for business, climate change, public transport, and building affordable, sustainable homes.

FINANCIAL PERFORMANCE

The financial performance of the Council is monitored by the Strategy and Resources Committee (previously General Purposes Committee) using a monthly Integrated Finance Monitoring Report. You can view the most recent copies of these reports on the finance and performance page of our website.

Performance against the 2020-21 Business Plan

Significant matters and variances are summarised in this section and supported by the detail included in the statement of accounts and core financial statements. Key Performance Indicators (KPIs) are grouped by outcome area and their status and direction of travel were reported to the General Purposes Committee) on a quarterly basis up to January 2021. KPI reporting was then put on hold due to the impact of the pandemic.

Achievement of the priorities is within the context of the challenging funding position for local authorities. The Council has become more efficient to deliver the outcomes it has prioritised and to enable the delivery of the objectives and services that it has planned to deliver within the business plan.

The following table provides a snapshot of the Council's performance at year end by value and was reported to the Strategy and Resources Committee on 6th July 2021.

Revised Net Budget	Area	Measure	Outturn	Year End Position 31/03/2020
£384.1m	Revenue Budget	Variance (£m)	£397.9m	-£6.3m
£205.0m	Capital Programme*	Variance (£m)	£154.5m	-£50.5m
£840.0m	Balance Sheet Health	Net borrowing activity (£m)	£812.6m	-£27.4m

** These figures include budget / expenditure funded under the Flexible Use of Capital Receipts direction but do not include budget / expenditure that is under the remit of the Greater Cambridge Partnership.*

The overall revenue budget position was an underspend of -£6.3m; this is -1.5% variance to the year-end budget. This means that the Council's non-earmarked reserves were topped up by £6.3m, which given the scale of the risks and potential pressures the Council has faced, is a favourable outcome enabling some flexibility in the face of the still very considerable uncertainties and risks looking forward.

The capital programme variance would also have been below 4% had it not been for four exceptional items within the areas of Commercial & Investment and Corporate Services, with underspends in 2020-21 totalling £42.4m. These relate to:

- Commercial Investment: No commercial property acquisitions were undertaken during 2020-21 due to uncertain market conditions and regulatory implications in relation to borrowing;
- Housing Schemes – lending to This Land (the Council's Housing Investment company) was lower than budgeted due to the company's improved cashflows;
- The Shire Hall relocation, asset review and data centre relocation schemes underspent in-year primarily due to the initial impact of Covid-19 on planned construction works and preparatory works; completion is now expected in late summer-early autumn 2021;
- The planning timetable for North Angle solar farm has been revised due to additional planning requirements pushing delivery of pre-mobilisation works into early 2021-22.

Performance data for the Council was reported to relevant Service Committees and to the General Purposes Committee on a quarterly basis for the first half of 2020-21. However, a number of the key performance indicators had to be put on hold because of the impact of Covid-19 on the Council's activity and in January 2021 performance monitoring was paused as the Council services focussed on the response to the pandemic. At the end of quarter 2, monitoring against the key performance indicators showed, 46% (35) have been given a blue or green rating, outlining confidence that the target has been met or would be delivered, with 18 being amber rated, 18 being red rated, and the remaining 5 not measured due to the impacts of the pandemic.

Outcome area	Blue	Green	Amber	Red	Suspended (C-19)	Grand Total
A good quality of life for everyone	8	3	1	4	3	19
The best start for Cambridgeshire's children	2	6	7	5	2	22
Thriving places for people to live	6	3	6	7	0	22
Corporate indicators not mapped to outcomes	3	4	4	2	0	13
Grand Total	19	16	18	18	5	76
%	25%	21%	24%	24%	7%	100%

Indicators to support priority outcome 4 – Net zero carbon emissions for Cambridgeshire by 2050 remained under development during 2020-21.

The following RAG statuses were being used for other indicators:

- Red – current performance is 10% or more from target
- Amber – current performance is off target by less than 10%
- Green – current performance is on target or better by up to 5%
- Blue – current performance is better than target by more than 5%
- Suspended (C-19) – the calculation of these measures have been temporarily suspended due to Covid, either because the service is not currently operational, or because the data is not being collected to enable resource to be deployed elsewhere

Revenue spending on Services

The Council's net cost of services for 2020-21 was £426.8m. This figure was £28.9m higher than the net expenditure for the year of £397.9m that was reported to the Strategy and Resources Committee in July 2021. The Statement of Accounts are prepared on a different accounting basis to those reports presented to members for resource allocation decisions. (The Statement of Accounts takes account of charges for items such as capital expenditure and variations in the accounting for retirement benefits.)

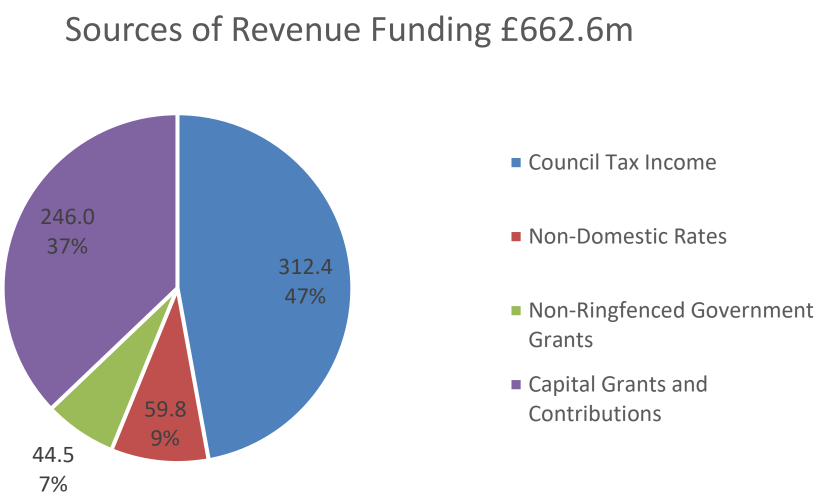
The financial challenges facing the Council increased during 2020-21 principally due to the unprecedented impact of the Covid-19 pandemic; the financial and human cost has been substantial. Every council department experienced disruption to its budgetary provision, and in some cases completely different patterns of service demand as well as wholly new activities and initiatives needed to be supported dynamically and at short notice. The scale of additional funding in response has also been significant. The major additional grants received by the Council totalled £63.6m.

While numbers of Children in Care are continuing to decline, there has been a small increase in the number of young people in care with extremely complex needs. There is a shortage of placements for this group of young people, and placement costs have been increasing from an already very high unit cost. The Covid-19 pandemic has also affected the full implementation of Family Safeguarding, with a small number of adult practitioner posts remaining vacant. Family Safeguarding is associated with lower numbers of children in the care system; the full benefit of the model requires all posts to be recruited, and it is therefore possible that overall numbers in care may reduce more slowly than anticipated over coming months.

Similarly to councils nationally, cost pressures have been faced by Adult Services in Cambridgeshire for a number of years, in particular the rising cost of care homes and home care provision due in part to the requirement to ensure compliance with the national living wage, as well as the increasing complexity of needs of people in receipt of care. Adult services generally benchmark as low cost and good outcomes. Despite this, for 2020-21, Adults Services had a balanced starting budget with no un-mitigated pressures carried-forward from the previous year. The pandemic initially led to a significant drop in weekly expenditure on Adult Social Care. This re-bounded somewhat later in the year although the longer-term impacts on demand in Adults Services and the care market are yet to be fully realised. As restrictions on daily activity persisted during the fourth quarter of the year, the anticipated increase in demand for long term Adult Social Care funded by the Council was not apparent by year end. We do expect significant increase in future, exceeding our pre-pandemic estimate.

Serious pressures have continued to grow on Special Education Needs and High Needs block of the dedicated schools grant, leading to a carried forward deficit of £26.4m. Although that deficit is ring-fenced (at least until 2023) the increase this year is particularly concerning given it now exceeds the balances held elsewhere within dedicated schools grant by individual schools and the limited measures the Council can take to control expenditure in this area. Work continues to mitigate and understand these risks. A small number of authorities have now received a “safety valve” package of additional funding from Department for Education alongside agreeing to mitigating actions locally. The Council is keen to explore this and is in touch with DfE about the local deficit

Despite the scale of the challenge the Council has faced this year, the 2020-21 year-end outturn position was a £6.3m underspend. The Council’s net budget is mainly financed through council tax, business rates and government grant, and totals £662.6m as shown below:



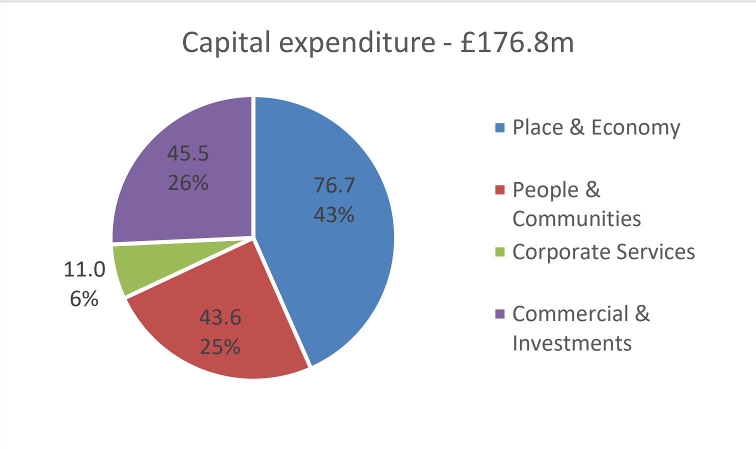
The Council's gross income also includes specific government grants, charges from fees, income from sales, and partnership funding from other public sector bodies. The scale of this income is outlined in the Comprehensive Income and Expenditure Statement (page 40).

Capital spending and financing

The Council's adjusted capital budget for the year was £201.8m plus £38.0m Greater Cambridge Partnership budget. Actual capital expenditure financed from capital resources for the year was £176.8m, leaving £63.0m of the adjusted capital budget unspent (26%) at the year end. This was largely due to the timing of spending and in most cases does not represent underspends on schemes. Many capital projects span a number of years, so this simply means that expenditure has not been incurred as had been profiled with the business plan. In 2020-21 the key areas where spend varied from planned budgets were Housing Schemes (£12.5m), Commercial Investments (£11.3m) and Shire Hall relocation, asset review and data centre relocation (£13.7m).

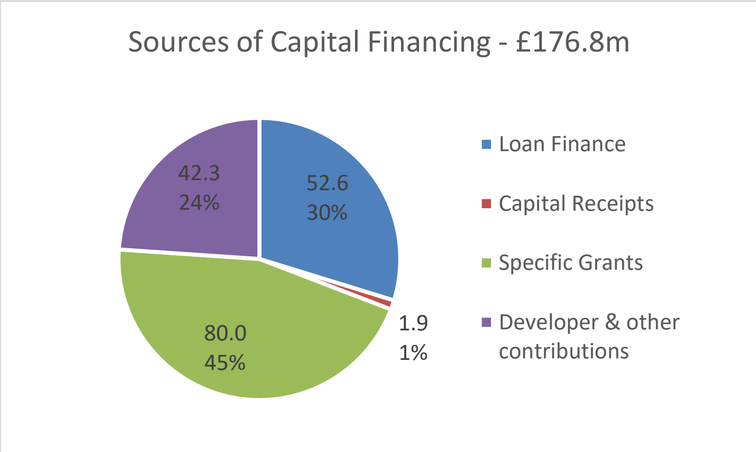
The expenditure on Housing Schemes relates to the loans made to This Land, and this reduced level of expenditure reflects the improved cash flows of the company which meant further borrowing from the Council was not needed. The Commercial Investments underspend reflects the decision not to pursue further commercial investment during the uncertain times of the pandemic, and changes in the rules for borrowing from the Public Works Loans Board. The Shire Hall relocation, asset review and data centre relocation schemes underspent in-year primarily due to the initial impact of Covid-19 on planned construction works and preparatory works; completion is now expected in late summer-early autumn 2021. A variations budget is used to account for an expected level of slippage which is inherent within capital projects; this year other than the above schemes there were other smaller in-year delays in the timing of spending beyond the variations budget, in part due to the impact of the Covid-19.

The following chart outlines the £176.8m capital expenditure made during the financial year.



The cost of borrowing has been factored into the 2020-21 debt charges outturn position, as well as being accounted for within the 2021-2026 business planning process.

The following chart outlines how the £176.8m capital expenditure was financed this year.



Loan finance is undertaken through borrowing, typically from the Public Works Loan Board (PWLB), where the Council subsequently meets interest and repayment costs from its own resources.

The Council received £2.7m of Capital Receipts in year, of which £1.9m was used to fund part of the capital programme.

Reserves

The Council's total reserves have decreased in-year by £13.2m, to £517.4m at 31 March 2021. This balance comprises £375.5m (73%) of 'usable' reserves (cash-backed resources that an authority can apply to the provision of services), and £141.9m (27%) of 'unusable' reserves (those that an authority is not able to utilise to provide services, e.g. the revaluation reserve which contains the gains arising from increases in the value of certain assets, which will not release cash until the assets are sold).

A proportion of the Council's usable reserves (the General Fund and Earmarked Reserves) provide the organisation with vital flexibility when faced with uncertainty and risk. At 31 March 2021, these reserves stood at £168.3m. Of this balance, the General Fund comprised £26.1m and reserves earmarked for specific purposes totaled £142.2m, including a £31.5m transformation fund which will be used for proposals to generate savings in future years (£22.4m was uncommitted at 31 March 2021), and £4.8m to cover insurance risks.

The following table shows the 'net' change (contribution to and from) in these types of reserves:

General Fund and Earmarked Reserves	£m
Balance at 1 April 2020	97.8
Statutory opening balance adjustment for DSG deficit	16.6
General Fund	8.4
Schools Carry Forwards	3.6
Other Earmarked Reserves	41.9
Balance at 31 March 2021	168.3

Assets and liabilities

The Council's cash and cash equivalents position increased in the year by £34.9m from £57.7m at 31 March 2020 to £92.6m at 31 March 2021, reflecting an increase in long term borrowing.

During 2020-21, the net assets of the Council and its Balance Sheet value decreased by £13.2m (a 2% reduction), from an opening balance of £530.6m to a closing balance of £517.4m at 31 March 2021. The net decrease was driven by a combination of an increase in liabilities relating to the pension fund and an increase in the amount of borrowing, off-set by an increase in short and long-term debtors (mainly due to the inclusion of a new GCP City Deal grant) and an increase in cash and cash equivalents.

External borrowing and investment

Total debt outstanding at 31 March 2021 was £811.3m (consisting of £562.8m long-term borrowing and £248.4m short-term borrowing), which was well within the Capital Financing Requirement Limit of £1,093.0m determined in accordance with legislation. Long-term borrowing increased by £24.7m during the year, and short-term borrowing increased by £18.7m.

Cash surpluses during the year have been invested in accordance with guidance issued by the Government and the Council's agreed Treasury Management Strategy. The primary objective is to ensure that funds are invested prudently, with priority given to security and risk minimisation.

KEY PROJECTS AND ACTIVITIES

Covid-19 Impacts

The Covid-19 pandemic significantly impacted service delivery and finances throughout 2020-21 with resources shifted to support residents through the pandemic. Like other local authorities, Cambridgeshire County Council received unprecedented levels of additional funding from Government in response to the pandemic, much of which was passported on to the care sector.

In Adult Social Care the impact has been focussed on working with health and care partners and providers to stabilise the independent care market, which has faced rising costs of personal protective equipment (PPE), high absence levels amongst staff self-isolating, and a reduction in people sourcing their own care. That support involved paying a temporarily enhanced rate for care to support provider resilience and infection control, block purchasing care to create the capacity needed to free up hospital beds, and passing on significant grant funding received from central government for infection control measures. There is a likelihood of significant additional demand pressures heading into 2021-22.

Within Children's Services a number of changes in practice that were needed to respond to the pandemic have brought real benefits; for example virtual drop-ins providing parenting advice have been very popular, and as such the positive learning from this situation will inform future practice. It is likely that there will be a rise in referrals to Children's Services both locally and nationally as the pressures on families increase. There has been significant support to schools and other educational provision during this period and through their re-opening from a range of services.

In relation to the County's investment activities, there was an underachievement of target income from the property portfolio due to loss of rental income, particularly in relation to leisure property and student accommodation. In addition, treasury investments did not provide the anticipated returns due to the economic conditions through the pandemic. These returns are expected to return to pre-pandemic levels in the longer term but are being closely monitored for any ongoing impact in 2021-22.

Within Place and Economy, the impact was mainly felt through reduced income in Parking Operations, particularly in relation to on-street parking and bus lane enforcement. In the Waste Service there was also reduced income from trade waste but also additional covid-related costs. The government grant to mitigate loss of income partly offset the pressures but there was still a significant net residual loss. The parking income is being monitored carefully in 2021-22 to track it as it returns to the pre-pandemic levels.

The large majority of Council staff have worked from home where possible, in accordance with government guidance, benefitting from recent investments by the Council in agile ways of working.

The financial impacts of the pandemic have been monitored using a Covid-19 Financial Consequences Log. Throughout the early stages of the outbreak this was reported on a weekly basis to the Joint Management Team (JMT), alongside business cases and financial challenge. JMT acted as the “gold” strategic coordinating group for the Council’s response to the pandemic. Financial forecasts for the impact of the pandemic are now reported on a monthly basis to Members through the Strategy and Resources Committee (was General Purposes Committee).

Think Communities and Covid-19 Co-ordination Hub

The Think Communities partnership approach has been developed in collaboration with partners to create a shared vision, approach, and priorities for building community resilience across the county. Our vision is that people feel safe, healthy and connected and able to help themselves and each other, in communities that are integrated and possess a sense of place through a public sector-wide approach where partners listen, engage and align with communities.

Throughout this financial year, the COVID-19 Coordination Hub has continued to operate - providing a holistic and sustainable offer of support to residents and communities across Cambridgeshire. The focus has continued to be on supporting vulnerable groups, but the hub has adapted in response to the pandemic as it evolved and in line with the national roadmap. Supported by redeployed staff it has also helped with the vaccination rollout, coordination of volunteers and supporting families that are facing increased financial hardship because of the pandemic.

In the last year, there has been over 10,000 calls to the hub and it has responded to over 4,500 requests for help, dealt with 4,000 winter support applications and coordinated the delivery of 4,825 food packages. However towards the end of the financial year, funding has been secured through a Covid-19 grant to provide secondment opportunities to staff so the hub can operate with a more sustainable workforce as it continues to support core community elements of the pandemic.

Since the award of transformation funding in September 2020 the Think Communities service has been building its core team and governance to further the join up our work locally. This has meant the Covid-19 Coordination hub were able to signpost to community support on the ground through volunteers and community groups. Particularly in the areas of winter support and vaccination information to combat hesitancy. The

Think Communities Service has been at the heart of the Happy at Home care pilot in East Cambs which will transform services to a more local approach to home care. There has been particular success in ensuring that local groups receive funding to deliver grass roots support to residents through Covid-19 and beyond through the Innovate and Cultivate grants as well as through direct awards to community group and the Community Capital Fund for local organisations. Recruitment to all posts in the new Think Communities service was completed by the end of March enabling practical support for communities to be increased into the new financial year.

Greater Cambridge Partnership (GCP)

Signed in June 2014, the Greater Cambridge Partnership (GCP) is an arrangement between four local partners: The County Council, Cambridge City Council, South Cambridgeshire District Council and the University of Cambridge.

GCP is the local delivery body for the Greater Cambridge City Deal with central Government, bringing powers and investment to vital improvements in infrastructure and technology, supporting and accelerating the creation of 44,000 new jobs, 33,500 new homes and 420 additional apprenticeships. In response to Covid-19 additional training and apprenticeship opportunities have since been created and will continue to be delivered.

It is the largest of several City Deal programmes taking place in the UK and brings key partners together to work with communities, businesses, and industry leaders to support the continued growth of one of the world's leading tourism and business destinations. GCP aims to share prosperity and improve quality of life for the people of Greater Cambridge, now and in the future.

The GCP's City Deal is worth up to £500 million in government grant funding to 2030 for transport infrastructure, smart technology, accelerating housing delivery and tackling the skills shortage faced by businesses in the area. £100 million of government funding was made available until 2020, and at the start of 2020-21 it was confirmed that the programme had successfully passed the 2020 gateway review which allocated an additional £200m over the period to 2024-25. A further gateway review is due to take place in 2025 which, if successfully passed, will unlock a further £200m of government grant. The GCP will also generate local funding, for example through Section 106 agreements with developers, and explore private funding opportunities. This complements existing capital expenditure plans in the area.

For further details and more information about the individual projects being undertaken by GCP please visit their website.

This Land Group (Housing Development)

The Council is in the fortunate position of continuing to be a major landowner in Cambridgeshire and has established a company, This Land Ltd, which enables the development of housing on the land it owns rather than a sale for a capital receipt alone. The

Council is the sole shareholder of This Land Limited (and the ultimate parent of its wholly owned subsidiaries).

By the 31 March 2021, the Council had sold twenty-six sites to This Land (with a twenty-seventh acquired by the company from a third party). These are predominantly areas of the county farms estate with development potential as well as several urban sites that are no longer required for operational purposes. The Council advanced additional loans of £27.9m to This Land during 2020-21to finance construction costs as well as professional fees and development costs required to progress planning permissions. The company repaid £8.5m of maturing loans during 2020-21. At the balance sheet date a total of £115.9m of financing was on-loan to This Land from the Council; across the year interest received on This Land loans was £7.6m. The Council holds security over the loans by way of mortgages on the properties transferred providing collateral and risk mitigation. In addition to loan financing, the Council holds £5.851m in equity shares in This Land, of which £1.9m was invested during 2020-21.

This Land took the commercial decision in 2019-20 to dispose of a number of assets: refocusing on those of an optimum size and position for the company. The Council received This Land's resulting updated business plan in April 2020. By 31st March 2021, five disposals had been made and terms for the disposal of further sites have been agreed for the next 12 months. These sales were made against the backdrop of a firm housing market, largely unaffected by the Covid-19 pandemic, thus allowing the company to maximise returns. The proceeds from these disposals have put the cash flow of the company into a position where less borrowing has been needed from the Council than previously anticipated. The Council has considered the financial position and assumptions the company has made looking forward and has engaged external expertise to act as monitoring surveyor for the sites most advanced in terms of construction and to assess current and development values for all of the retained sites. The new joint administration is committed to a review of This Land, including ensuring there are appropriate governance and monitoring mechanisms in place in view of the future risk exposure.

The company has invested in significant numbers of new planning applications across the region during 2020-21 with the majority either having secured a consent or awaiting determination. They have also started on site on a number of schemes including phase 1 of Ditton Walk which is nearing final fit out stage on most units. The majority of units are reserved or exchanged.
This Land's portfolio includes three large sites at Worts Causeway, Burwell and Soham. The plan is to provide infrastructure to open up these sites and then sell on in serviced parcels. The company will also develop the later phases on these sites. Good progress has been made across all three sites with the first phase disposals expected to be completed over the current financial year.

Of the portfolio of homes originally purchased from the Council, 36% of the properties will be delivered as affordable housing either through social renting or shared ownership, which is well in excess of the local planning policy. The former sites at Litlington, Willingham and March are providing a total of 137 new affordable homes. Longer term, This Land will support the delivery of hundreds of affordable homes, either by themselves or through third party developers. A key part of their strategy is to provide housing choice for all. They will also look to deliver additional affordable homes through other means including the government's new First Homes initiative.

This Land is committed to delivering sustainability and has set up a new task group within the business to ensure that the company continues to minimise its impact on the Cambridgeshire environment. The target is that This Land's homes will achieve the highest levels of sustainability in terms of energy savings and the company strives to ensure that they deliver excellence at all times by protecting local habitats, minimising climate change and reducing their carbon footprint by building a local supply chain, resilient design and careful selection of materials.

For further details please visit the This Land website.

Lower Portland Farm

During January 2021 the Council purchased this property which is an agricultural holding comprising a three-bedroom farmhouse and garden, in addition there is a paddock and a farmyard with ancillary buildings, which are set in 3.08 acres in total, accompanied by 235.46 acres of Grade 2 arable farmland capable of growing wheat, barley, sugar beet and seed potatoes. It adjoins other farmland owned by the Council at Warbraham Mains and Ditch farm.

The land includes a 28-acre field a mile away on Burwell Fen, where the Council has previously sold land to the National Trust.

The farmhouse at Lower Portland Farm is spacious and dates from the early 1900s. The adjoining farmyard includes several traditional farm buildings, some with conversion potential for higher value alternative uses, with the modern buildings useful for crop storage in support of this and the adjacent holding.
68 acres of land at the north end of Heath Road, Burwell.

The acquisition represents an important replenishment of land held as part of the County Farms Estate, further to the Council's powers under the Agriculture Act 1970.

The farm was purchased freehold with vacant possession for £3.35m (in line with market value) with additional fees and Stamp Duty Land Tax the total purchase cost was in the region of £3.69 m. Our assessment is there is promising long term potential for increases in value.

Cambridgeshire and Peterborough Combined Authority

The Cambridgeshire and Peterborough Combined Authority (CPCA) was constituted in March 2017. The authority is made up of representatives of the seven local Councils in Cambridgeshire and Peterborough. It is led by a Mayor, directly elected for the first time in May 2017. As part of a devolution deal with government, the responsibilities of the CPCA include local economic growth, housing, transport and infrastructure improvements and adult skills.

The CPCA now receive the Integrated Transport Block, Highways Maintenance Block and Pothole Action Fund grants from the Department for Transport (DfT) rather than the County Council. The combined value of these funding streams in 2029-21 was £28.0m. CPCA has the power to top-slice the grant allocations before passing them on to the County Council however, for 2020-21, this power was not utilised and thus the funds were effectively passported to the County Council in line with the original DfT allocation and there was therefore no net effect on the Council's accounts.

The CPCA is now responsible for passenger transport services and is able to levy the County Council. The levy for Cambridgeshire in 2020-21 would have been £9.0m but as the Council continues to provide the services under a delegation agreement with the CPCA there is no cash transferred to the CPCA.

In March 2018, the County Council, along with the other constituent Councils, consented to a widening of the CPCA's powers to borrow. This was followed in May 2018 by County Council consent to devolution of the Adult Education Budget to the CPCA and the facility to raise an additional levy on business rates.

Further information can be found on the Combined Authority's website.

Kings Dyke

The A605 between Whittlesey and Peterborough carries over 14,000 vehicles per day and there are some 120 daily train movements across the level crossing that crosses the road. The resulting closure of the King's Dyke level crossing barrier causes significant delay to traffic. Future plans by the rail industry to increase the number of trains along the route will further increase delays. The situation is exacerbated during the winter months, when local flooding often closes the North Bank, an alternative route between Whittlesey and Peterborough, for long periods of time. Some additional 5,000 vehicles a day displaced by this closure use the level crossing, doubling the average delay per vehicle. The delays have an impact on local businesses and commuters travelling between Whittlesey and Peterborough.

The Kings Dyke scheme is designed to remove these delays and the scheme is strongly supported locally. The available route presents engineering challenges in respect of ground conditions and the close proximity of a deep, disused clay extraction pit, and due to the increase in the previous contract target construction price it was decided in August 2019 to re-procure a new Design and Construction contract. The new contract has now been awarded; the planned completion date is December 2022.

Cambs 2020

The Cambs 2020 programme will see the Council move its civic headquarters away from Shire Hall in Cambridge, adopting a hub and spoke model for the location of services. This will position a wide range of Council teams closer to the communities they serve, as well as modernising and rationalising the office accommodation estate and generating a significant commercial benefit from vacating Shire Hall to be reinvested into frontline services. The move will also generate a significant capital receipt for the Council.

During 2020-21, construction continued of the Council's new civic headquarters at Alconbury Weald, an £18m capital project, the financial deal for the Shire Hall site was further developed and the spokes refurbishment programme of other Council buildings continued.

Adults Positive Challenge (APC) Programme

APC is an ambitious programme within Adult Services that is aiming to slow the increasing demand on adult social care services. The APC vision outlines that, by 2023, local people will drive the delivery of care, health and wellbeing in their neighbourhoods, whilst delivering a financially sustainable service. This will enable a neighbourhood approach which supports more people to live independent and fulfilling lives for longer. The programme had a target for delivering financial impact in 2019-20 and 2020-21, which was a mix of savings and cost avoidance each year. Examples of key work in this programme in 2019-20 include an expanded Technology Enabled Care service, a large increase in Reablement capacity, and targeted support for carers. Plans have been kept under review in light of the significant impact of the pandemic in Adult Social Care in 2020-21 and have resulted in work continuing into 2021-22 to deliver the remaining savings.

Family Safeguarding Model

Cambridgeshire Children's services implemented the Family Safeguarding model at the beginning of the 2020-21 financial year with the assistance of grant funding from the Department for Education. Family Safeguarding is an evidence-based approach to supporting some of the most vulnerable children in the county by helping their parents and carers make sustained changes in their lives.

The model involves the secondment of adult practitioners with relevant expertise. The practitioners work with adults who are struggling with problematic substance or alcohol misuse, are experiencing poor mental or emotional health, or are living in domestically abusive relationships. These issues are having such a serious impact on the wellbeing of the child that the child is at risk of coming into care. Supporting parents to make these changes enables them to provide the stable, secure and loving homes that their children need, resulting in better outcomes for their child, and reduced expenditure to the Council.

Pensions

The accounts reflect the underlying commitment that the Council has to pay future retirement benefits for its employees. This information has been compiled by the Fund's actuary in accordance with the International Accounting Standard 19 Employee Benefits (IAS 19 (Revised 2011)).

The estimated pension deficit for the Council, measured on an actuarial basis, has increased from £491.6.m at 31 March 2020 to £708.2m at 31 March 2021. Employer pension contributions of £33.3m were made during 2020-21, with the pension liability increasing by £457.8m (largely as a result of changes to the actuarial financial assumptions), partially offset by the value of the Fund's assets increasing by £241.2m. Overall this has resulted in a £216.6m increase in the deficit amount.

LGSS Summary

The LGSS shared back office operation with three partners – Milton Keynes Council (MKC), Northamptonshire County Council (NCC) and Cambridgeshire County Council (CCC) – was ended during 2020-21. Several of the services previously shared within LGSS repatriated to their home councils in September 2020. Other services continue to be shared between the three authorities under a new Lead Authority model which took effect from December 2020. The LGSS arrangements were formally brought to a close at the end of 2020 with the disbanding of the central LGSS support services.

LGSS began in October 2010 with MKC joining as a third Partner from 1 April 2016. LGSS provided a wide range of strategic, professional, operational and transactional services including pensions, procurement, audit, HR, IT and transactional financial services. It was governed by a Joint Committee with the financial transactions of each shareholder council included in the respective council's statutory accounts. Significant savings were delivered for Cambridgeshire as a result of the partnership across the last decade.

LGSS net expenditure for 2020-21, for the part year before the repatriation of services and move to the new Lead Authority model, was £13.9m with a budget for the period of £14.5m, resulting in a £0.5m surplus. The surplus was made up of shared service underspends of £0.8m offset by trading pressures of £0.3m. Cambridgeshire County Council's share of the shared service underspends and trading surpluses was £22k, which has been applied to reserves. There was also a specific pressure for Cambridgeshire County Council of £582k arising from a savings target set in a previous year in excess of the shared service savings agreed for LGSS. This is reflected in the Council's 2020-21 outturn.

Joint working with Peterborough City Council

The Council has continued to work closely with Peterborough City Council during 2020-21. Since the Chief Executive position was first shared in 2015, a number of further opportunities have been taken to share management teams and operate strategically across the whole geography on the same terms as other public sector partners such as the NHS, Police and Fire Service. In total there are over 200 other roles now operating in shared posts, under section 113 arrangements with Peterborough. During the pandemic this has enabled resilience and collobaration between the two Councils in order to best respond to the dynamics of local outbreaks and national regulations, as well as to work in partnership with the NHS and other local emergency services which serve the same geographical footprint. Consideration of joint working arrangements form one aspect of the peer challenge co-inciding with the joint administration taking office.

Workforce Profile

The Council is an equal opportunities employer and promotes fairness to all. For further information please see the Workforce Profile which is available on the Equality and Diversity page of our website.

THE STATEMENT OF ACCOUNTS

The purpose of these accounts is to present a true and fair view of the financial results of the Council's activities for the year ended 31 March 2021, and to summarise the overall financial position of the Council as at 31 March 2021. This section provides an overview of the financial performance of the Council. The Statement of Accounts brings together the major financial statements for the Council for the financial year 2020-21. The various sections, and their contents, are as follows:

Statement of Responsibilities, Certificate and Approval of Accounts (page 33)

This statement sets out the responsibilities of the Council and the Chief Finance Officer of the Council regarding the proper administration of the Council's finances.

Independent Auditor's Report to Members (page 35)

This reports the independent auditors' opinion as to whether the financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements, of the financial position of the Council, its income, expenditure and cash flows for the year, the financial transactions of the Pension Fund, the amount and disposition of the Fund's assets and liabilities (other than liabilities to pay pensions), and other benefits that will arise after the end of the year. The independent auditor also gives an opinion on the Council's use of resources and value for money.

Comprehensive Income and Expenditure Statement (CIES) (page 40)

This Statement is fundamental to the understanding of the Council's activities as it reports the net cost for the year of all of the functions for which the Council is responsible. It also demonstrates how that cost has been financed from general government grants and income from local taxpayers.

The net cost of services for 2020-21 across the Council's directorates was £426.8m. After taking into consideration other operating expenditure, financing and investment income / expenditure, grant income, and income from taxation (Council Tax and Business Rates), the Council's surplus on the provision of services was £180.4m.

Movement in Reserves Statement (MIRS) (page 41)

This statement shows the movement in the year on the different reserves held by the Council. The reserves are analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable' reserves. The 'surplus or (deficit) on provision of services' is included within the Total Comprehensive Income and Expenditure line and shows the true economic cost of providing the Council's services, more details of which are shown in the CIES. These are different from the statutory amounts required to be charged to the General Fund balance for Council Tax setting purposes.

The headline figures from this statement are that the Council's General Fund and earmarked reserves have increased overall by £53.9m in 2020-21. The balance in the Capital Grants Unapplied Reserve has increased by £160.7m due to the net effects of income received in year, reclassifications and the funding of capital expenditure in 2020-21. The Council's Unusable Reserves have decreased by £227.0m, largely as a result of technical accounting adjustments impacting upon the Pensions Reserve, Revaluation Reserve and Capital Adjustment Account.

Balance Sheet (page 42)

The Balance Sheet presents the value of the Council's current and non-current assets and liabilities as at 31 March 2021 with the bottom line effectively being the net worth of the organisation. The net assets of the Council (assets less liabilities) are matched by the level of 'usable' and 'unusable' reserves held. Usable reserves are those resources that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. Unusable reserves are those that the Council is not able to use to provide services. Unusable reserves include those that hold unrealised gains and losses, where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences as shown by the 'adjustments between accounting basis and funding basis under regulations' line in the Movement in Reserves Statement.

The headline figures from this statement are shown in the table below.

Balance Sheet Heading	31 March 2020	31 March 2021	Change	Main Reason for Change
Property, Plant and Equipment	£1,591.3m	£1,604.8m	£13.5m Increase	Additions, off-set by revaluations and disposals
Long-term Investments	£17.6m	£34.3m	£16.7m Increase	Investment in a new investment fund, plus gains in value of investments held
Long-term Debtors	£128.8m	£267.9m	£139.1m Increase	Recognition of GCP City Deal grant
Short-term Debtors	£87.2m	£140.3m	£53.1m Increase	Recognition of GCP City Deal grant
Cash and Cash Equivalents	£57.7m	£92.6m	£34.9m Increase	Short-term increase in liquid holdings
Short-term Borrowing	£230.2m	£248.9m	£18.7m Increase	Funding for the 2020-21 capital programme, taken as short-term borrowing initially to capitalise on availability of historically low interest rates
Long-term Borrowing	£537.7m	£562.4m	£24.7m Increase	Funding for the 2020-21 capital programme
Other Long-term Liabilities	£598.5m	£812.4m	£213.9m Increase	Increase in pension liabilities

Cash Flow Statement (page 43)

This Statement summarises the inflows and outflows of cash and cash equivalents arising from transactions with third parties for revenue and capital purposes. It outlines the changes in the cash and cash equivalents, for example changes in debtor balances (those owing the Council money) and creditor balances (those to whom the Council owes money) during the year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The headline figures from this statement are that during 2020-21 the Council’s purchases of property, plant and equipment were £103.5m lower than in 2019-20 (year to 31 March 2021 £112.6m; year to 31 March 2020 £216.1m), and the net cash inflow for receipts and repayments of short and long-term borrowing was £116.9m lower (year to 31 March 2021 -£165.7m; year to 31 March 2020 -£48.8m).

Borrowing and investments were made in accordance with the Council’s published Treasury Management Strategy.

Expenditure and Funding Analysis (page 53)

The Expenditure and Funding Analysis forms the first note to the core financial statements. The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the authority (i.e. government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the authority, in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

The increase in the General Fund is £53.9m; the net increase to the Council's General Fund Reserve was £8.4m with a £45.5m net increase to earmarked reserves. This differs from the income and expenditure shown in the CIES by £126.5m. This difference comprises a number of technical accounting adjustments which the Council is required to make by the Code, including capital charges such as depreciation, actuarial pension adjustments and adjustments to the Collection Fund. A reconciliation of these adjustments is shown in Note 7 to the accounts.

Notes to the core financial statements (page 44)

The notes to the financial statements are essential in the presentation of a true and fair view for the accounts. They present information about the basis of preparation of the financial statements and the specific accounting policies used; explain how material transactions have been accounted for; and provide information that is not provided elsewhere in the financial statements, but is relevant to an understanding of them.

Pension Fund accounts (page 139)

The objective of the Pension Fund financial statements is to provide information about the financial position, performance and financial adaptability of the Fund. The statements show the results of the stewardship of management; the accountability of management for the resources entrusted to it, and of the disposition of its assets at the year end. The Council administers this Fund on behalf of all local authorities in Cambridgeshire, plus a number of other public and voluntary bodies, and commercial organisations. In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019.

RISK MANAGEMENT AND ARRANGEMENTS FOR VALUE FOR MONEY

The Council has developed a range of integrated approaches and organisational processes which together help to drive risk management and value for money.

Members exercise strategic leadership by developing the Council's vision and priorities and keeping these under-review. There is an established business planning process which ensures that services are delivered in accordance with the Council's objectives and represents the best use of resources. The Annual Governance Statement on page 171 sets out the Council's wider approach to risk management.

The corporate risk register is provided to the Strategy and Resources Committee (previously General Purposes Committee) on a regular basis and reviewed by the Strategic Management Team. The register documents key risks including: failure to protect vulnerable children and adults, non-delivery of the business plan/budget, service disruption due to a major / serious incident and that resources (human resources and technology) are insufficient to meet business need. As a result of mitigating measures and controls, none of these risks is currently assessed as red on the Council's likelihood and impact matrix.

The Council's Scheme of Financial Management sets out the internal regulatory framework for financial control, procurement compliance and resource distribution. The Scheme received a comprehensive review and update in April 2019 following completion of the first year using the ERP Gold financial system and has been further updated this year to reflect the ending of LGSS and move to Lead Authority arrangements from December 2020. Following the agreement of the budget by Members, savings delivery is closely monitored through a "tracker methodology" alongside monthly reporting to Council Committees.

FUTURE CHALLENGES AND MEDIUM-TERM OUTLOOK

The financial outlook for 2021-22 remains extremely constrained. The Coronavirus pandemic has transformed the environment in which local authorities operate with wide ranging repercussions for service provision and the financial resources required to deliver services. The longer-term impacts of COVID are expected to extend considerably into the Medium Term Financial Strategy period. Some of the specific challenges that the Council expects to face over the next five years are:

- Potential for growing regional and more local inequalities as a result of the economic fallout from the pandemic
- Significant losses of fees and charges and precept income are anticipated due to supressed demand for some services and increases in Council Tax Support
- A number of new responsibilities for local authorities with significant resource implications, such as the provision of personal protective equipment, support to track and trace and outbreak management as well as infection control measures. As yet the extent of Government support for local authorities in funding these new burdens on an ongoing basis remains unclear.
- Providing additional support for our local care markets to ensure sufficient appropriate care provision remains available

However, the shift in attitudes and behaviours resulting from the pandemic is also likely to provide a number of opportunities to adapt service delivery models to reduce costs;

- The introduction of Community Hubs to deliver targeted support for vulnerable people has led to increased collaboration across the wider public sector. The delivery mechanisms established during this period will be further developed through the Council's Think Communities Programme.

- A significant increase in agile working has yielded savings on overhead costs for the Council
- A shift towards providing services online, from social worker consultations to music lessons has helped the Council to reduce staff mileage, supporting both the Council's budget position but also our commitment to deliver net zero carbon emissions by 2050

Beyond the pandemic, there is also a great deal of uncertainty surrounding the UK's public finances. In December 2020 the UK secured a post-Brexit trade deal with the EU, however the impacts of the new trading arrangements on economic growth, labour availability, and the cost of goods and services are still unclear and may yet influence levels of resources available to local authorities. In addition to the international uncertainty, there are a number of Central Government consultations currently underway (or paused), most notably those on technical aspects of Fair Funding and the Business Rates Retention Scheme, which are expected to affect the Council's funding, as well as the green paper on the longer term funding of Adult Social Care. Local Authorities had expected these funding reforms to take effect from 2021-22 however Government has confirmed that these will now be deferred until 2022-23 at the earliest.

The Council expects to see an overall increase in funding (excluding schools grants) of 7.2% to 2025-26, primarily due to increases in Council tax assumed within the medium term financial strategy. Nevertheless, inflationary pressures, population growth and increased demand for services are expected to result in additional budget pressures of 19.9% of gross budget over the same period, resulting in a savings requirement of £81m over the next five years. In May 2021, a new joint administration took control of the Council and committed to a thoroughgoing financial review alongside its new policy priorities.

The following table illustrates the size of the challenge that lies ahead (as reflected in the Council's 2021-26 Business Plan):

	2022-23	2023-24	2024-25	2025-26	Total
Unidentified Savings Requirement For The Year	£22.2m	£14.7m	£15.1m	£12.0m	£64.0m

Looking ahead the Council faces a larger savings requirement for upcoming years than it has had to deal with for sometime. Although there is some additional short term flexibility resulting from the underspend in 2020-21 and carried forward grant balances mitigate the pandemic risk to some degree, the need to deal with financial challenges on a recurrent basis is the priority.

Uncertainties

There is considerable uncertainty surrounding the UK's public finances due to the unprecedented scale of the Government response to Covid-19, the economic fallout from the pandemic and continuing uncertainty around our future relationship with the European Union following Brexit. In addition, reviews of local authority relative needs and resources and 75% business rates retention have been postponed and will now be implemented in 2022-23. The additional funding allocations provided by Government in response to growing social care pressures and the Coronavirus pandemic continue to be based upon the existing funding model and population projections which disadvantage Cambridgeshire as a high-growth county. The County Council is pursuing a fairer funding campaign to improve this funding outlook in line with the growing population and fairness to local taxpayers.

CONCLUSION

I am extremely grateful to all the finance staff and others involved with budgetary control across the Council, for the support and enthusiasm that they have brought to the many and challenging tasks they have faced through this unprecedented year, and who have worked hard to close the accounts to a demanding timescale.

Tom Kelly
Director of Resources and Chief Finance Officer (Section 151 Officer)

FURTHER INFORMATION

Further information about the Statement of Accounts can be obtained from the finance and budget pages on the Council's website or by contacting Corporate Finance using the following details:

Address: OCT1114, Shire Hall, Cambridge CB3 0AP
Telephone: 0345 045 5200
Email: finance@cambridgeshire.gov.uk

STATEMENT OF RESPONSIBILITIES, CERTIFICATE AND APPROVAL OF ACCOUNTS

THE COUNCIL'S RESPONSIBILITIES

The Council is required to:

- Approve the Statement of Accounts;
- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Chief Finance Officer (Section 151 Officer);
- Manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets.

THE CHIEF FINANCE OFFICER'S RESPONSIBILITIES

The Chief Finance Officer is responsible for the preparation of the Council's Statement of Accounts, including those of the Pension Fund, in accordance with proper practices as set out in the *CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code)*.

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

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Local Authority Code.

The Chief Finance Officer also has to have:

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

Statement of Responsibilities, Certificate and Approval of Accounts

CERTIFICATE OF ACCOUNTS

I certify that this Statement of Accounts presents a true and fair view of the financial position of the Council at 31 March 2021 and its income and expenditure for the year 2020-21 and authorise the accounts for issue.

Tom Kelly
Chief Finance Officer
Date:

APPROVAL OF ACCOUNTS

I confirm that these accounts were approved by the Council at the meeting of the Audit and Accounts Committee held on XX-XXXX-2021.

Signed on behalf of
Cambridgeshire County Council:

Cllr. G. Wilson
Chair of the Audit and Accounts Committee
Date:

INDEPENDENT AUDITOR'S REPORT

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Comprehensive Income and Expenditure Statement

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2019-20 Gross Expenditure	2019-20 Gross Income	2019-20 Net Expenditure (+) / Income (-)		Note	2020-21 Gross Expenditure	2020-21 Gross Income	2020-21 Net Expenditure (+) / Income (-)
£000	£000	£000		Note	£000	£000	£000
106,042	-37,574	**68,468**	Place & Economy		111,093	-36,658	**74,435**
852,913	-410,261	**442,652**	People & Communities		760,593	-454,678	**305,915**
27,659	-27,380	**279**	Public Health		34,414	-50,058	**-15,644**
28,889	-5,682	**23,207**	Corporate Services & LGSS Managed		58,787	-11,329	**47,458**
23,613	-12,957	**10,656**	Commercial & Investment		25,588	-10,732	**14,856**
17,392	-7,621	**9,771**	LGSS Operational		1,994	-2,200	**-206**
1,056,508	**-501,475**	**555,033**	**Cost of Services**		**992,469**	**-565,655**	**426,814**
36,026	0	**36,026**	Other operating income and expenditure	10	22,628	0	**22,628**
56,867	-14,426	**42,441**	Financing and investment income and expenditure	11	49,367	-16,563	**32,804**
0	-467,736	**-467,736**	Taxation and non specific grant income	12	0	-662,662	**-662,662**
		165,764	**Surplus (-) or Deficit (+) on Provision of Services**				**-180,416**
		-18,965	Surplus (-) or deficit (+) on revaluation of property, plant and equipment	22			**-33,910**
		208,376	Impairment and revaluation loss charged to the revaluation reserve	22			**39,321**
		768	Surplus (-) or deficit (+) on financial assets measured at fair value through other comprehensive income	27			**-419**
		-159,751	Remeasurement of net pension benefit/liability	37			**188,611**
		30,428	**Other Comprehensive Income (-) and Expenditure (+)**				**193,603**
		196,192	**Total Comprehensive Income (-) and Expenditure (+)**				**13,187**

The purpose of this statement is explained in the Narrative Report (page 25).

Movement in Reserves Statement

MOVEMENT IN RESERVES STATEMENT

	General Fund * £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Usable Reserves Total £000	Unusable Reserves Total £000	Reserves Total £000
Balance at 1-Apr-19	**76,918**	**20,415**	**27,228**	**124,561**	**602,224**	**726,785**
Movement in 2019-20						
Total comprehensive income and expenditure	-165,764	0	0	-165,764	-30,428	-196,192
Adjustments between accounting and funding basis under regulations (note 19)	186,606	-8,783	8,395	186,218	-186,218	0
Increase (+) or decrease (-) in 2019-20	20,842	-8,783	8,395	20,454	-216,646	-196,192
Balance at 31-Mar-20	**97,760**	**11,632**	**35,623**	**145,015**	**385,578**	**530,593**
2020-21 Statutory opening balance adjustment for DSG deficit	16,620	0	0	16,620	-16,620	0
Adjusted Balance at 1-Apr-20	**114,380**	**11,632**	**35,623**	**161,635**	**368,958**	**530,593**
Movement in 2020-21						
Total comprehensive income and expenditure	180,416	0	0	180,416	-193,603	-13,187
Adjustments between accounting and funding basis under regulations (note 19)	-126,511	-771	160,709	33,427	-33,427	0
Increase (+) or decrease (-) in 2020-21	**53,905**	**-771**	**160,709**	**213,843**	**-227,030**	**-13,187**
Balance at 31-Mar-21	**168,285**	**10,861**	**196,332**	**375,478**	**141,928**	**517,406**

* General Fund balances include earmarked reserves

The purpose of this statement is explained in the Narrative Report (page 26).

BALANCE SHEET

31-Mar-20 £000		Note	31-Mar-21 £000
1,591,330	Property, plant and equipment	23	1,604,812
19,010	Heritage assets	25	19,012
137,359	Investment property	24	132,836
13,905	Intangible assets		12,614
17,592	Long term investments	25	34,303
128,761	Long term debtors	26	267,868
1,907,957	**Long Term Assets**		**2,071,445**
410	Short term investments	27	0
745	Assets held for sale	23	1,282
793	Inventories		731
87,151	Short term debtors	29	141,386
57,715	Cash and cash equivalents	30	92,598
146,814	**Current Assets**		**235,997**
-230,172	Short term borrowing	27	-248,872
-116,570	Short term creditors	31	-126,102
-2,317	Provisions		-4,048
-146	Capital grants and contributions received in advance	33	-1,572
-349,205	**Current Liabilities**		**-380,594**
-6,670	Provisions		-6,940
-537,695	Long term borrowing	27	-562,407
-598,506	Other long term liabilities	32	-812,439
-32,102	Capital grants and contributions received in advance	33	-27,657
-1,174,973	**Long Term Liabilities**		**-1,409,443**
530,593	**Net Assets**		**517,405**
145,015	Usable reserves	21	375,479
385,578	Unusable reserves	22	141,926
530,593	**Total Reserves**		**517,405**

CERTIFICATE OF ACCOUNTS

I certify that this Statement of Accounts presents a true and fair view of the financial position of the Council at 31 March 2021 and its income and expenditure for the year 2020-21 and authorise the accounts for issue.

Tom Kelly
Section 151 Officer
Date:
The purpose of this statement is explained in the Narrative Report (page 26).

Cambridgeshire County Council

CASH FLOW STATEMENT

2019-20 £000		2020-21 £000
165,764	**Net Surplus (-) or Deficit (+) on the Provision of Services**	**-180,416**
-39,293	Depreciation	-36,743
-111,321	Impairment and downward valuations	-22,095
-1,396	Amortisation	-2,961
-14,878	Increase(-)/Decrease in Creditors	-24,410
-25,434	Increase/Decrease (-) in Debtors	32,175
-20	Increase/Decrease (-) in Inventories	62
-38,259	Movement in Pension Liability (difference between employer's contributions paid and IAS19 adjustments)	-27,989
-49,150	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	-24,873
-15,194	Other non-cash items charged to the deficit on the provision of services	-22,558
-294,945	**Adjustments to the net deficit on the provision of services for non-cash movements**	**-129,392**
0	Proceeds from short-term and long-term investments	0
13,531	Proceeds from the sale of property, plant and equipment	2,661
71,373	Grants for financing capital expenditure	243,101
-3,750	Any other items for which the cash effects are investing or financing activities	10,742
81,154	**Adjustments for items included in the deficit on the provision of services that are investing and financing activities**	**256,504**
-48,027	**Net Cashflows from Operating Activities**	**-53,304**
216,094	Purchase of Property, Plant and Equipment	112,564
115,609	Purchase of short-term and long-term investments	16,420
10,085	Other payments for investing activities	28,251
-110,000	Proceeds from short-term and long-term investments	0
-13,531	Proceeds from the Sale of Property, Plant and Equipment	-2,661
-48,433	Capital Grants Received	-89,816
-15,040	Other receipts from investing activities	-27,011
154,784	**Investing Activities**	**37,747**
-438,997	Cash Receipts of short and long-term borrowing	-271,000
4,643	Cash Payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts (principal)	4,650
273,327	Repayments of short and long-term borrowing	222,232
18,014	Other payments for financing activities	24,792
-143,013	**Financing Activities**	**-19,326**
-36,256	**Net Increase (-) or Decrease (+) in cash and cash equivalents**	**-34,883**
21,459	Cash and Cash equivalents at the beginning of the reporting year	57,715
57,715	**Cash and Cash equivalents at the end of the reporting year**	**92,598**

The purpose of this statement is explained in the Narrative Report (page 27).

DISCLOSURE NOTES

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General Accounting Policies and Judgements

1. ACCOUNTING POLICIES

For the Accounting Policies refer to Appendix 1.

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Code of Practice on Local Government Accounting in the United Kingdom 2020-21 (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the new or amended standards within the 2021-22 Code. The 2021-22 Code has recently been published, and the new standards are not expected to have a material impact on the 2020-21 or 2021-22 Accounts.

The standards that may be relevant for additional disclosures that will be required in the 2020-21 and 2021-22 financial statements in respect of accounting changes that are introduced in the 2021-22 Code (i.e. that are relevant to the requirements of paragraph 3.3.4.3) are:

- Amendments to IFRS 3 Business Combinations to update the *Definition of a Business*
- Amendments to IFRS 9, IAS 39 and IFRS 7 as part of *Interest Rate Benchmark Reform*
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 as part of *Interest Rate Benchmark Reform: Phase 2*

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- The Council currently has 3 PFI contracts with private sector partners. These are as follows:
    - AmeyCespa Limited – to provide waste treatment and household waste facilities for the county until 2036;

- Balfour Beatty plc. – to replace elements of Cambridgeshire's existing Street Lighting network (those elements beyond their useful life), and subsequent maintenance until 2036; and
- Equitix Learning Community Partnerships – for the construction of Thomas Clarkson Academy (with a concession period until January 2037) as part of the Building Schools for the Future programme.

For the Waste and Street Lighting schemes, the Council is deemed to control the service provision, own the risks and rewards of the assets and will either take ownership of the assets, or have the option to renew the lease. As such, all relevant income, expenditure, assets and liabilities have been recognised on this basis. In relation to the Building Schools for the Future scheme, Thomas Clarkson Academy has academy status, and as such, its assets are not recognised on the Council's Balance Sheet (in accordance with the Council's accounting policy). However, the associated liabilities are recognised, as the contractor has met their commitments in terms of their right to receive payments from the Council for the capital element of the scheme, and there is no recourse to the school for any future payments.

- Heritage assets held on deposit to the value of £19m have been included within the Council's Heritage Asset balance. Many of these deposits have been made without any kind of formal agreement that states who retains ownership, and for how long the deposit has been made. The Council has reviewed these items to determine when they were placed on deposit, and for the vast majority of items the deposits were made between 1934 and 1989. As such, given the long-term nature of the deposits, the Council has concluded that it effectively retains control of all assets on deposit and has therefore included these values within the Heritage Assets balance.

- The Council has judged that the stipulation in its Section 106 agreements, regarding a requirement for it to use funds within a set timeframe, is a condition attached to the provision of the funding. However, where there is a clear plan in place to use this funding within the stipulated timeframes by means of a funding commitment within the Council's Business Plan, the conditions are regarded as having been met and the funding is recognised within unapplied contributions. The Council has therefore applied the judgement of there being a condition attached across all Section 106 agreements not included in the Council's Business Plan, which in 2020-21 results in the derecognition of £4m receipts in advance liability.

- The Council judges that the appropriate accounting treatment for the GCP City Deal funding from Central Government to the Greater Cambridge Partnership (GCP) of £40m per year from 2020-21 to 2025-26 is the recognition of the total funding as a grant in 2020-21, along with of a debtor for £160m (£40m short-term debtor and £120m long-term debtor). To make this judgement the Council considered whether any conditions exist with regard to the eventual receipt of the £200m funding that was notified by Central Government as being receivable by the Greater Cambridge Partnership (GCP), whether the Council has control of this income and whether expenditure has been incurred that should be supported by the GCP City Deal funding.

The Council concluded that no conditions exist regarding the receipt of the £200m and therefore, in accordance with the CIPFA Code of Practice, the whole £200m due to the GCP should be recognised in 2020-21.

The control of the funding lies with the Executive Board of the GCP, and as such the Council cannot immediately recognise the £200m in its accounts but instead has included a liability for £200m in the 2020-21 accounts. This reflects the fact that actual control of the £200m lies with the GCP. Regarding expenditure incurred on City Deal projects, the Executive Board previously commissioned the Council to deliver the entirety of the programme of work that it has developed for the City Deal funding. As the £200m income has been fully recognised as being owed to the GCP in accordance with the requirements of the Code of Practice, the stated commitment by the GCP to use the Council to fully apply this funding has also been recognised, maintaining consistency of accounting treatment and clarity within the Council's accounts. This therefore removes the £200m liability to the GCP and allows the Council to fully recognise in 2020-21 the full £200m of grant funding that the GCP has committed to the Council in order to undertake the required expenditure.

4. GOING CONCERN ASSUMPTION

The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

Local authorities carry out functions essential to the local community and are themselves revenue raising bodies (with limits on their revenue raising powers, arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. The Council's accounts are therefore produced under the Code and assume that the Council's services will continue to operate for the foreseeable future.

General Accounting Policies and Judgements

The impact of COVID-19 had substantial implications for the Council's finances. Firstly, the response to the pandemic required additional expenditure to ensure the Council could continue to deliver its statutory responsibilities, especially in Adult Social Care. Secondly, the Council lost income primarily as a result of the restrictions on public and business activity put in place since mid-March 2020. Thirdly, a number of planned service reforms and savings initiatives have inevitably been delayed as a result of the focus on response to and recovery from the pandemic. Finally, COVID-19 is having a significant detrimental impact on the wider economy, with the expectation that there will be a consequent reduction in funding from Council Tax and Business Rates.

The Government sought to address these issues through the provision of non-ringfenced COVID-19 grants. The Council received £63.6 million of such grants in 2020-21, and has received a further £28.7m in 2021-22 to 30th June.

Much of the additional Covid related funding was spent during 2020-21, but further work is required in 2021-22 and beyond and unspent Covid funding has been carried forward for this purpose. The impact of the carryforwards of these monies has been to increase the level of earmarked reserves held at 31st March 2021. In addition, the Council ended the 2020-21 financial year with an underspend of £6.3m which was transferred to the Council's general reserve. The Councils year-end reserve balances, as reported in these statements and compared to last year end are as follows:

Date	General Fund (£m)	Earmarked Reserves (£m)
31/3/2021	26.1	142.2
31/3/2020	17.8	76.5

The council has carried out an assessment of the impact of COVID-19 on future income and expenditure and is satisfied that there is no material uncertainty relating to the Council's going concern. Through the assessment, increases in expenditure mainly relate to Adult services, in response to demands in the market and an increase in care provision. The Council is supporting care providers with the additional costs for personal protection equipment and staffing, along with additional demand from clients discharged earlier from hospitals.

As at the end of May 2021 the Council is forecasting an overspend for the financial year 2021–22 of just £321k.

The Council is continuing to work on and identify savings and business opportunities to help offset the impact of COVID and other funding/cost pressures as we plan for the 2022-23 financial year and beyond. The Medium Term Financial Plan shows a total of £22 million of unidentified savings in respect of the 2022-23 financial year. We face the additional challenge of increased demand pressures due to Covid-19, significant reduction in fees and charges income and reductions in the local tax base. Furthermore, we are now in an environment where any further efficiencies to be made are minimal. We must therefore focus on transformative change across the Council, capitalising on the opportunities afforded by the pandemic in order to manage cost increases.

The level of general reserves at the end of 2021-22 is forecast at £26.1m which is above the required minimum level set out by the Chief Finance Officer at each year end. For 2022-23 savings or additional income of £22m are being developed to address the budget gap.

Year	Initial Reserves (GF and Earmarked) (£m)	Budget gap/Forecast underspend (£m)	Forecast Reserve position (£m)	Minimum GF balance (£m)
2021/22	26.6	0.4	26.2	19.00

Liquidity

The Council has undertaken cash flow modelling through to 31 March 2023 which demonstrates the Council's ability to work within its Capital Financing Requirement (CFR) and Cash management framework. Borrowing at 30th June 2021 is £186.5 million below the CFR. The Council has cash and short-term investment balances of £113.7 million at 30th June 2021 and the ability for additional short-term borrowing under the Treasury Management Policy as set out above. This demonstrates that the Council has sufficient liquidity for a period of 12 months from the date of approval of these financial statements.

Conclusion

The Council thereby concludes that it is appropriate to prepare the financial statements on a going concern basis, and that the Council will be a going concern, through the period to 31 March 2023, based on its cash flow forecasting and the resultant liquidity position of the Council.

5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

General Accounting Policies and Judgements

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Asset valuations are completed on a 5 year rolling basis and values are reviewed annually to ensure they are not materially misstated.	In order to ensure that carrying values are kept in line with fair values in the interim, the Council values all assets not being valued under the rolling programme by either a) a desktop valuation or b) an indexation analysis that assesses when assets were last revalued and applies indices based on Building Cost Information Service forecasts, market indices and land value calculations for every year since the asset was last revalued. The Council also commissions a market review between the valuation date and the balance sheet date and adjusts for any material variances if required.
Fair Value Measurements	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value.	The Council uses the Discounted Cash flow model to measure the Existing Use Value of some of its investment properties, surplus properties, Assets Held for Sale and financial assets. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels and discount rates – adjusted for regional factors. Significant changes in any of the unobservable inputs would result in significantly lower or higher fair value measurement for the investment properties, surplus properties, Assets Held for Sale and financial assets.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in Notes 26 and 27 below.	
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effect on the pension's liability of changes in individual assumptions can be measured. For instance: • 1 year increase in member life expectancy would result in an increase in the liability of approximately 3%-5%; • 0.5% decrease in the Real Discount Rate would result in an increase in the liability of approximately £141m (9%); and • 0.5% increase in the Pension Increase Rate would result in an increase in the liability of approximately £132m (9%).

6. EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events occurring after the Balance Sheet date that require disclosure to enable readers to gain a proper understanding of the financial position of the Council up to the date when this Statement of Accounts was authorised for issue by the Chief Finance Officer. A 'non-adjusting' event is indicative of conditions that arose after the Balance Sheet date.

'Non-adjusting' Events after The Balance Sheet Date

Assets and Loans

This Land repaid one of their loans early in July 2021, reducing the total amount on loan to This Land by £2.0m since the balance sheet date.

Covid-19 Grants

The Council has received further grants of £28.7m to contribute to the financial consequences of the Covid-19 pandemic since the balance sheet date. Key amounts within this total are £11.9m of Covid-19 support grant, £4.4m of Local Council Tax Support grant, £3.1m from the Contain Outbreak Management Fund, £3.4m of Infection Control and Testing grant and £2.6m Enduring Transmission Grant.

Section 151 Officer

The Deputy Chief Executive and Chief Finance Officer (s151 officer), Chris Malyon, retired from the Council in April 2021. The s151 officer role is now fulfilled by the Director of Resources and Chief Financé Officer, Tom Kelly, from May 2021.

7. EXPENDITURE AND FUNDING ANALYSIS

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the Council (i.e. government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.
The "Other income and expenditure" line relates to all income and expenditure outside of the Net cost of services. This includes the following lines within the Comprehensive Income and Expenditure Statement; Other operating income and expenditure, Financing and investment income and expenditure, Taxation and non-specific grant income and expenditure.

Comprehensive Income and Expenditure Statement Supporting Notes

2019-20 Net Expenditure Chargeable to the General Fund £000	2019-20 Adjustments between Funding and Accounting Basis £000	2019-20 Net Expenditure in the Comprehensive Income and Expenditure Statement £000		2020-21 Net Expenditure Chargeable to the General Fund £000	2020-21 Adjustments between Funding and Accounting Basis £000	2020-21 Net Expenditure in the Comprehensive Income and Expenditure Statement £000
34,572	33,896	**68,468**	Place & Economy	39,989	34,446	**74,435**
272,709	169,943	**442,652**	People & Communities	265,765	40,150	**305,915**
92	187	**279**	Public Health	-15,802	158	**-15,644**
42,774	-19,567	**23,207**	Corporate Services & LGSS Managed	54,540	-7,082	**47,458**
6,149	4,507	**10,656**	Commercial & Investment	10,079	4,777	**14,856**
4,578	5,193	**9,771**	LGSS Operational	-52	-154	**-206**
360,874	**194,159**	**555,033**	**Net Cost of Services**	**354,519**	**72,295**	**426,814**
-381,716	-7,553	**-389,269**	Other Income and Expenditure	-408,431	-198,799	**-607,230**
-20,842	**186,606**	**165,764**	**Surplus (-) or Deficit**	**-53,912**	**-126,504**	**-180,416**
-76,919			Opening General Fund Balance at 31 March	-97,761		
0			2020-21 Statutory opening balance adjustment for DSG deficit	-16,620		
-20,842			Plus: Surplus on General Fund Balance In Year	-53,912		
-97,761			**Closing General Fund Balance at 31 March**	**-168,293**		

8. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Place & Economy	32,749	1,685	12	**34,446**
People & Communities	31,074	11,479	-2,403	**40,150**
Public Health	0	149	9	**158**
Corporate Services & LGSS Managed	-10,011	2,765	164	**-7,082**
Commercial & Investment	4,385	423	-31	**4,777**
LGSS Operational	0	0	-154	**-154**
Net Cost of Services	**58,197**	**16,501**	**-2,403**	**72,295**
Other Income and Expenditure	-220,457	11,488	10,170	**-198,799**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**-162,260**	**27,989**	**7,767**	**-126,504**

Adjustments for Capital purposes

- In the **service lines** this column records adjustments in respect of depreciation, revenue expenditure funded from capital under statute (REFCUS), revaluation gains / losses, and Private Finance Initiative and lease movements.
- **Other Operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices. There are also adjustments for movements in the market value of investment properties.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. The Taxation and Non-specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income

- For **services** this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.
- For **Financing and investment income and expenditure**, the net interest on the defined benefit liability is charged to the CIES.

Other Differences

Other differences between amounts debited / credited to the CIES and amounts payable / receivable to be recognised under statute.

- **For services** this comprises the accrual made in respect of accumulated absences.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for Council Tax and Non-Domestic Rates (NDR) that was projected to be received at the start of the year, and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future shares of the Collection Fund surpluses or deficits declared by the billing authorities.

9. EXPENDITURE AND INCOME ANALYSED BY NATURE

The Council's expenditure and income is analysed as follows:

2019-20 £000		2020-21 £000
	Expenditure	
313,991	Employee Benefits Expenses	308,885
590,513	Other Services Expenses	621,786
161,521	Depreciation, amortisation, impairment	65,119
47,350	Interest Payments	46,047
407	Precepts and Levies	416
35,619	Loss on the disposal of assets	22,212
1,149,401	**Total Expenditure**	**1,064,465**
	Income	
-99,628	Fees, charges and other service income	-93,297
0	Gain on the disposal of assets	0
-14,426	Interest and Investment Income	-16,563
-366,079	Income from Council Tax and Non-domestic rates	-372,206
-503,505	Government Grants and Contributions	-762,815
-983,638	**Total Income**	**-1,244,881**
165,763	**Surplus (-) or Deficit (+) on the Provision of Services**	**-180,416**

10. OTHER OPERATING INCOME AND EXPENDITURE

Listed below are items of income and expenditure that cannot reasonably be allocated or apportioned to services.

2019-20 £000		2020-21 £000
407	Levies	416
35,619	(Gains)/losses on the disposal of non current assets	22,212
36,026	**Total**	**22,628**

11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

This contains items of income and expenditure arising from the Council's involvement in financial instruments and similar transactions.

2019-20 £000		2020-21 £000
32,341	Interest payable and similar charges	34,559
15,009	Net interest on the net defined benefit liability	11,488
-9,721	Interest receivable and similar income	-9,811
9,512	Income and expenditure in relation to investment properties and changes in their fair value	-3,052
5	Trading accounts	0
-4,705	Other investment income	-380
42,441	**Total**	**32,804**

12. TAXATION AND NON-SPECIFIC GRANT INCOMES

This item consolidates all the grants and contributions receivable that cannot be identified to particular service expenditure. All capital grants and contributions are shown below, even where they are service-specific.

2019-20 £000		2020-21 £000
-299,012	Council Tax Income	-312,368
-67,067	Non-Domestic Rates	-59,838
-30,284	Non-Ringfenced Government Grants	-44,468
-71,373	Capital Grants and Contributions	-245,988
-467,736	**Total**	**-662,662**

13. POOLED BUDGETS

Better Care Fund

Cambridgeshire County Council hosts the local Better Care Fund. This is part of a national initiative to pool Health and Social Care funding to services to achieve better outcomes for the local community.

The fund is operated according to an agreement made under section 75 of the National Health Service Act 2006 between the County Council and the NHS in the form of Cambridgeshire and Peterborough Clinical Commissioning Group (CCG).

The partners planned expenditure together through the fund including:

- NHS contributions to older people’s and adults' community health services, intermediate care and services for carers;
- Social Care spending on reablement, extra care and a range of other services;
- Additional funding from the NHS for County Council commissioned services in order to protect social care and respond to the Care Act;

- The Improved Better Care Fund grant paid to the County Council to provide investment to reduce delayed transfers of care to support pressures within adult social care;
- Disabled Facilities Grant for accommodation adaptations managed by the District Councils.

For 2020-21, funding and expenditure relating to Covid-19 hospital discharge schemes were also included in the Better Care Fund in Cambridgeshire. These schemes provided national NHS funding to enable rapid discharges from hospitals into social care where appropriate, with the Council providing a contribution based a baseline of what it would have spent on social care that followed discharges in a more normal year. This makes the pooled budget for 2020-21 larger than the previous year, and we expect this to continue into 2021-22.

The financial results of the Better Care Fund for 2019-20 and 2020-21 are as follows:

Cambridgeshire County Council

2019-20 £000	Better Care Fund	2020-21 £000
	Funding provided to the pooled budget by:	
	Original BCF:	
-19,193	the Council	-19,795
-38,652	NHS Cambridgeshire and Peterborough CCG	-40,770
-57,845		**-60,565**
	Covid Discharge Schemes:	
0	the Council	-3,407
0	NHS Cambridgeshire and Peterborough CCG	-9,169
0		**-12,576**
-57,845	**Funding Total**	**-73,141**
	Expenditure met from the pooled budget:	
35,305	the Council	36,790
22,540	NHS Cambridgeshire and Peterborough CCG	23,775
57,845		**60,565**
	Covid Discharge Schemes:	
0	the Council	12,576
0	NHS Cambridgeshire and Peterborough CCG	0
0		**12,576**
57,845	**Expenditure total**	**73,141**
0	**Net Surplus (-) or Deficit (+) on the Pooled Budget**	**0**
0	**Council Share of the Net Surplus (-) or Deficit (+) on the Pooled Budget**	**0**

In accordance with the section 75 agreement, NHS funded services which are commissioned directly by the Clinical Commissioning Group, do not require transactions to be via the County Council. Consequently, the actual transfer of funding from the NHS to the County Council related to 2020-21 through the original BCF is £17m (£16.1m in 2019-20), and £9.5m for the Covid-19 hospital discharge schemes.

Other pooled budgets

The Council also has pooled budget agreements with the following bodies:

- NHS Cambridgeshire and Peterborough CCG, for the provision of an Integrated Community Equipment Service (ICES) in Cambridgeshire, with the partner organisation contributing 49% of the budget;

2019-20 £000	Integrated Community Equipment Service	2020-21 £000
	Funding provided to the pooled budget by:	
-2,374	the Council	-2,420
-2,242	NHS Cambridgeshire and Peterborough CCG	-2,286
-4,616		**-4,706**
	Expenditure met from the pooled budget:	
2,374	the Council	2,472
2,242	NHS Cambridgeshire and Peterborough CCG	2,335
4,616		**4,807**
0	**Net Surplus (-) or Deficit (+) on the Pooled Budget**	**101**
0	**Council Share of the Net Surplus (-) or Deficit (+) on the Pooled Budget**	**52**

- NHS Cambridgeshire and Peterborough CCG, for the provision of integrated health and social services for Learning Disability Partnership (LDP) clients in Cambridgeshire, with the partner organisation contributing 23% of the budget.

2019-20 £000	Learning Disability Partnership	2020-21 £000
	Funding provided to the pooled budget by:	
-64,090	the Council	-67,777
-19,109	NHS Cambridgeshire and Peterborough CCG	-20,209
-83,199		**-87,986**
	Expenditure met from the pooled budget:	
64,955	the Council	68,856
19,367	NHS Cambridgeshire and Peterborough CCG	20,531
84,322		**89,387**
1,123	**Net Surplus (-) or Deficit (+) on the Pooled Budget**	**1,401**
865	**Council Share of the Net Surplus (-) or Deficit (+) on the Pooled Budget**	**1,079**

For both the ICES and LDP pools, the same proportions as those for budget contributions are used to meet any deficit or share any surplus arising at the end of each financial year.

14. MEMBERS' ALLOWANCES

The allowances paid to members of the Council in 2020-21 were £923,977 (£912,049 in 2019-20) and expenses totalled £1,833 (£39,856 in 2019-20). Mileage expenses reduced siginifcantly in 2020-21 due to the use of virtual meetings as a result of the Covid-19 pandemic.

15. OFFICERS' REMUNERATION

Senior Employees

Schedule 1 of the Accounts and Audit Regulations 2015 involves a legal requirement to increase transparency and accountability in Local Government for reporting the remuneration of senior employees. The Council publishes detailed senior employee pay information covering, salary, bonuses, expenses allowances, compensation payments, pensions and any other benefits.

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

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

The majority of the senior employee roles are shared with Peterborough City Council under a S113 agreement (see footnotes below the table). Full remuneration is shown for all employees, however Cambridgeshire County Council pays only an agreed proportion for its share of the costs.

The Council's senior employee remuneration for 2020-21 (and 2019-20) is as follows:

Comprehensive Income and Expenditure Statement Supporting Notes

	Note		Salary, Fees & Allowances	Expenses (Taxable) & Benefits in Kind	Employer Pension Contribution	Total Remuneration Including Employer Pension Contributions
			£000	£000	£000	£000
Chief Executive (G Beasley) *		**2020-21**	173,596	1,100	29,560	**204,256**
		2019-20	171,597	0	29,013	**200,610**
Deputy Chief Executive and Chief Finance Officer (S151 Officer)	**1**	**2020-21**	148,178	0	25,931	**174,109**
		2019-20	144,524	0	25,292	**169,816**
Executive Director: People and Communities (W Ogle-Welbourn) *		**2020-21**	153,898	1,100	0	**154,998**
		2019-20	148,054	0	0	**148,054**
Service Director: Adults Services #	**2**	**2020-21**	134,180	0	23,481	**157,661**
		2019-20	127,368	0	22,289	**149,657**
Service Director: Children's Services *	**3**	**2020-21**	121,586	0	22,200	**143,786**
		2019-20	116,741	0	21,357	**138,098**
Joint Executive Director: Place and Economy (S Cox) #	**4**	**2020-21**	153,599	0	26,880	**180,479**
(new role from 03/06/2020, shared with PCC)		**2019-20**	120,907	0	21,159	**142,066**
Executive Director: Place and Economy	**5**	**2020-21**	0	0	0	**0**
		2019-20	22,736	0	3,979	**26,715**
Director: Customer and Digital Services #		**2020-21**	117,297	0	20,527	**137,824**
		2019-20	110,895	0	19,407	**130,302**
Director: Public Health #		**2020-21**	109,776	0	16,115	**125,891**
		2019-20	107,273	0	17,354	**124,627**
Director: Business Improvement and Development #		**2020-21**	131,180	0	22,956	**154,136**
		2019-20	124,368	0	21,764	**146,132**
Director: Legal and Governance (Monitoring Officer) #	**6**	**2020-21**	101,797	0	18,065	**119,862**
		2019-20	102,849	0	24,253	**127,102**
	Total	**2020-21**	**1,345,087**	**2,200**	**205,715**	**1,553,002**
	Total	**2019-20**	**1,297,312**	**0**	**205,867**	**1,503,179**

	Note		Salary, Fees & Allowances	Expenses (Taxable) & Benefits in Kind	Employer Pension Contribution	Total Remuneration Including Employer Pension Contributions
			£000	£000	£000	£000
Chief Executive : Greater Cambridgeshire Partnership (R Stoppard)	7	**2020-21**	170,719	0	0	**170,719**
		2019-20	166,721	0	0	**166,721**

* Post shared under a S113 agreement with Peterborough City Council **(PCC employee)**. Full remuneration is shown, however Cambridgeshire only pays an agreed proportion for its share of the costs.

Post shared under a S113 agreement with Peterborough City Council **(CCC employee)**. Full remuneration is shown, however Cambridgeshire only pays an agreed proportion for its share of the costs.

Notes:

1. The Deputy Chief Executive & Chief Finance Officer was a non-executive director of This Land Limited, a company wholly owned by the Council, until July 2020.

2. The Service Director: Adult Services reported to the Executive Director People & Communities throughout 2019-20. They were designated as the statutory director of adult social services with effect from 01/01/2020, requiring inclusion in this disclosure from this date. Details of their remuneration for the whole of 2019-20 are provided.

3. The Service Director: Children's Services reported to the Executive Director People & Communities throughout 2020-21 and 2019-20. They were designated as the statutory director of children's social care with effect from 04/03/2021, requiring inclusion in this disclosure from this date. Details of their remuneration for the whole of 2020-21 and

2019.

note.

6. The Monitoring Officer responsibilities are fulfilled by the Director of Law and Governance.

collaboration with ring-fenced funding and separate governance from the Council reporting to an Executive Board also comprising representatives from Cambridge City Council and South Cambs District Council.

8. The LGSS Managing Director was an employee of Northamptonshire County Council until March 2021 and is disclosed in the Officer's Remuneration note of the NCC Statement of Accounts.

Employee remuneration above £50,000

In addition to those individuals shown in the senior officers table, the number of Council staff (including teachers but excluding senior employees) with remuneration (comprising salary, fees, expenses, allowances and any exit package) above £50,000 is as follows:

No.		No.
116	£50,000 - £54,999	135
67	£55,000 - £59,999	70
39	£60,000 - £64,999	57
27	£65,000 - £69,999	28
29	£70,000 - £74,999	30
11	£75,000 - £79,999	20
4	£80,000 - £84,999	9
4	£85,000 - £89,999	6
3	£90,000 - £94,999	1
3	£95,000 - £99,999	3
0	£105,000 - £109,999	0
1	£110,000 - £114,999	0
1	£115,000 - £119,999	0
2	£120,000 - £124,999	1
1	£135,000 - £139,999	1
1	£140,000 - £144,999	0
309		**366**

Approximately half of the employees referred to in the above table are employed in Cambridgeshire schools (excluding academies).

Exit Packages

The number of exit packages in terms of compulsory and other departures, as well as the total amount paid per banding, is set out in the table below:

2019-20					2020-21			
Compulsory Redundancies No.	Other Departures with Exit Package No.	Total Exit Packages No.	Total Cost of Exit Packages £000		Compulsory Redundancies No.	Other Departures with Exit Package No.	Total Exit Packages No.	Total Cost of Exit Packages £000
23	46	69	359	£0 - £20,000	31	43	74	371
1	12	13	362	£20,001 - £40,000	0	1	1	26
2	1	3	143	£40,001 - £60,000	5	2	7	281
1	0	1	62	£60,001 - £80,000	1	1	2	141
1	1	2	191	£80,001 - £100,000	0	0	0	0
1	0	1	110	£100,001 - £150,000	0	0	0	0
0	0	0	0	£150,001 - £200,000	0	0	0	0
0	0	0	0	£200,001 - £250,000	0	0	0	0
29	**60**	**89**	**1,227**	**Total**	**37**	**47**	**84**	**819**

16. TERMINATION BENEFITS

The Council terminated the contracts of a number of employees in 2020-21, incurring costs of £815k (£1.2m in 2019-20). See Note 15 above for the number of exit packages and total cost per band that has been paid during the year.

Cambridgeshire County Council

17. EXTERNAL AUDIT COSTS

The Council has incurred the following fees relating to external audit and inspection for the following years of account:

2019-20 £000		2020-21 £000
72	Fees payable with regard to external audit services carried out by the appointed auditor	72
50	Additional fees payable with regard to external audit services carried out by the appointed auditor in the prior year	70
122		**142**

18. DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2020. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school. The DSG (made under section 14 of the Education Act 2002) has been deployed in accordance with regulations made under sections 45A, 45AA, 47, 48(1) and (2) and 138(7) of, and paragraph 1(7)(b) of Schedule 14 to, the School Standards and Framework Act 1998.

Details of the deployment of DSG receivable for 2019-20 and 2020-21 are as follows:

2019-20 Central Expenditure £000	2019-20 Individual Schools Budget (ISB) £000	2019-20 Total £000		2020-21 Central Expenditure £000	2020-21 Individual Schools Budget (ISB) £000	2020-21 Total £000
		463,537	Final DSG before Academy recoupment			490,299
		-242,529	Academy figure recouped			-263,588
		221,008	**Total DSG after Academy Recoupment**			**226,711**
		-7,171	Brought forward from previous financial year			-16,620
		0	Carry forward to next financial year agreed in advance			0
39,346	**174,490**	**213,837**	**Agreed Initial Budgeted Distribution**	**24,523**	**185,568**	**210,091**
17	-290	-273	In year adjustments	-10	0	-10
39,363	**174,200**	**213,564**	**Final Budget Distribution**	**24,513**	**185,568**	**210,081**
-52,948	0	-52,948	Less: actual central expenditure	-53,863	0	-53,863
0	-177,235	-177,235	Less: actual ISB deployed to schools	0	-182,581	-182,581
0	0	0	Plus: local authority contribution	0	0	0
-13,585	**-3,035**	**-16,619**	**Carry Forward**	**-29,350**	**2,987**	**-26,363**

The final DSG balance to carry forward to 2021-22 is a deficit of £26,363k, compared to the £16,619k deficit brought forward from 2019-20. The increasing deficit is the result of continuing pressures within the High Needs Block of the DSG funding, due to overall numbers, complexity of need and unit costs of funding educational provision for children and young people with additional needs. Where possible any pressures on DSG-funded services, including the brought forward deficit, will be managed from within the available DSG funding for 2021-22. The in-year position is reported to the Schools Forum in the autumn term, and monitored by the Children &

Young People's Committee throughout the year, alongside details of the strategies and work streams in place to reduce overall spend on the High Needs Block. MHCLG has made regulations regarding the accounting treatment of DSG deficits, which affect the financial years beginning on 1 April 2020, 1 April 2021 and 1 April 2022. These are the Local Authority (Capital Finance and Accounting) (England) (Amendment) Regulations 2020, SI 2020 No 1212. Local Authorities must charge the amount of the deficit to an unusable reserve established, charged and used solely for the purpose of recognising deficits in respect of its schools budget. The regulations cover a limited period, to provide time for Government and local authorities to look at budgetary and financial management strategies to reduce the deficits.

Movement In Reserves Statement Supporting Notes

19. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year, in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

Movements in balances in 2020-21:

2020-21	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments Involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	48,149	0	0	-48,149
Revaluation losses on Property Plant and Equipment	10,689	0	0	-10,689
Movements in the fair value of Investment Properties	3,320	0	0	-3,320
Amortisation of intangible assets	2,961	0	0	-2,961
Capital grant and contributions applied	-72,419	0	0	72,419
Revenue Expenditure funded from Capital under Statute	8,039	0	0	-8,039
Non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	24,873	0	0	-24,873
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory Provision for the Repayment of debt - Minimum Revenue Provision (MRP)	-21,299	0	0	21,299
Capital expenditure charged against the general fund balance	-1,660	0	0	1,660
Other Adjustments				
Adjustments involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-173,570	0	173,570	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	-12,861	12,861

Movement In Reserves Statement Supporting Notes

2020-21	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Receipts Reserve:				
Capital Receipts received in year but not applied	-2,661	2,661	0	0
Capital Receipts used to fund capital expenditure	38	-1,900	0	1,862
Flexible use of capital receipts	1,532	-1,532	0	
Adjustments involving the Deferred Capital Receipts Reserve:				
Finance lease deferred capital receipt adjustment	0	0	0	0
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-47	0	0	47
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	61,263	0	0	-61,263
Employer's pension contributions and direct payments to pensioners payable in the year	-33,274	0	0	33,274
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	10,217	0	0	-10,217
Adjustment involving the Unequal Pay Back Pay Adjustment Account:				
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure are different from the cost of settlements chargeable in the year in accordance with statutory requirements	0	0	0	0
Reversal of previous capitalisation of Single Status costs	0	0	0	0
Adjustment involving the Dedicated Schools Grant Adjustment Account:				
Amount of which the accumulated Dedicated Schools Grant deficit charged to the Comprehensive Income and Expenditure Statement is different from that chargeable in the year in accordance with statutory requirements	9,742	0	0	-9,742
Adjustment involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-2,404	0	0	2,404
Total Adjustments	**-126,511**	**-771**	**160,709**	**-33,427**

Movement In Reserves Statement Supporting Notes

Movements in balances in 2019-20:

2019-20	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments Involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	47,469	0	0	-47,469
Revaluation losses on Property Plant and Equipment	103,144	0	0	-103,144
Movements in the fair value of Investment Properties	9,512	0	0	-9,512
Amortisation of intangible assets	1,396	0	0	-1,396
Capital grant and contributions applied	-34,011	0	0	34,011
Revenue Expenditure funded from Capital under Statute	34,320	0	0	-34,320
Non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	49,150	0	0	-49,150
Gain/loss on available for sale financial assets	0	0	0	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory Provision for the Repayment of debt - Minimum Revenue Provision (MRP)	-18,600	0	0	18,600
Capital Expenditure charged against the General Fund	-1,619	0	0	1,619
Other Adjustments				
Adjustments involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-37,363	0	37,363	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	-28,968	28,968

Movement In Reserves Statement Supporting Notes

2019-20	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Receipts Reserve:				
Capital Receipts received in year but not applied	0	0	0	0
Capital Receipts used to fund capital expenditure	-13,456	-6,150	0	19,606
Flexible use of capital receipts	2,633	-2,633	0	
Adjustments involving the Deferred Capital Receipts Reserve:				
Capital Receipts achieved in year but not received	1	0	0	-1
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-47	0	0	47
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	71,281	0	0	-71,281
Employer's pension contributions and direct payments to pensioners payable in the year	-33,022	0	0	33,022
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	3,730	0	0	-3,730
Adjustment involving the Unequal Pay Back Pay Adjustment Account:				
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure are different from the cost of settlements chargeable in the year in accordance with statutory requirements	0	0	0	0
Reversal of previous capitalisation of Single Status costs	0	0	0	0
Adjustment involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2,088	0	0	-2,088
Total Adjustments	**186,606**	**-8,783**	**8,395**	**-186,218**

20. TRANSFERS TO / FROM EARMARKED RESERVES

The Council's Earmarked Reserve balances including an analysis of respective in-year movements are as follows:

	Balance at 01-Apr-19 £000	Transfers Out 2019-20 £000	Transfers In 2019-20 £000	Balance at 31-Mar-20 £000	DSG deficit transfer £000	Transfers Out 2020-21 £000	Transfers In 2020-21 £000	Balance at 31-Mar-21 £000
Carry forward - schools	**6,878**	-9,311	2,433	**0**	13,472	-2,042	5,597	**17,027**
Carry forward - other	**1,889**	-804	4,997	**6,082**	0	-6,341	20,646	**20,387**
Insurance reserve	**4,060**	-3,315	3,420	**4,165**	0	-1,628	2,294	**4,831**
Transformation reserve	**25,348**	-6,344	6,432	**25,436**	0	-2,697	8,758	**31,497**
Other earmarked reserves	**25,889**	-10,610	29,128	**44,407**	3,148	-12,736	33,623	**68,442**
Total	**64,064**	**-30,384**	**46,410**	**80,090**	**16,620**	**-25,444**	**70,918**	**142,184**

The Council created a transformation fund reserve financed from an adjustment to debt defrayment. The General Purposes Committee decides on transfers out of the fund towards specific projects which have a business case showing a return to the Council, as part of the drive to transform services and deliver a major programme of reform, investment and savings across the medium-term.

The schools reserve listed above traditionally consists mainly of revenue balances held by individual maintained schools as part of their overall delegated funding. This funding remains in individual school bank accounts, but is consolidated into the overall accounts for reporting purposes. The reserve also contains other small elements of school funding in relation to Pupil Premium, Universal Infant Free Schools Funding and the pooled absence scheme for primary schools. These balances are subject to conditions of grant or local schemes and as such will be allocated in agreement with these arrangements during 2021-22. The accumulated high needs deficit that is ringfenced as part of the Dedicated Schools Grant is no longer accumulated into Earmarked Reserves and has been transferred to Unsuable Reserves (see Note 22).

21. USABLE RESERVES

Usable reserves are 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. Please refer to Notes 19 and 20 for details of the movements in usable reserves.

The Council's usable reserves are as follows:

- **General Fund** – the main revenue fund of the Council. Council tax precepts and Government grants are paid into the fund, from which the cost of providing services is met. The General Fund cushions the impact of uneven cash flows and also acts as a contingency that can be used in year in the event of unexpected emergencies or unforeseen spending;

- **Earmarked Reserves** – these are resources set aside for a specific purpose. The Council's earmarked reserves include balances to cover future pressures, insurance claims and general contingencies held by schools within advisory limits. This includes a Transformation reserve which has been set up to finance projects that will reduce the Council's operating costs. Further analysis of earmarked reserves is shown within Note 20;

- **Usable Capital Receipts Reserve** – this reserve comprises all income from capital receipts that has been credited to the Comprehensive Income and Expenditure Statement as part of the gain / loss on disposal of long-term assets. Income is credited to the Capital Receipts Reserve, via a debit to the General Fund balance in the Movement in Reserves Statement. This reserve may only be used to fund capital expenditure or repay debt;

- **Capital Grants and Contributions Unapplied Reserve** – this reserve includes all capital grant income credited to the Comprehensive Income and Expenditure Statement, and subsequently reversed out of the General Fund Balance in the Movement in Reserves Statement. It is designed to show the position when a capital grant has been received, and conditions of its award met, but is yet to be used to finance capital expenditure. Amounts in this reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Movements in the Council's usable reserves are also detailed in the Movement in Reserves Statement (page 41).

22. UNUSABLE RESERVES

A summary of the Council's unusable reserves is as follows:

31-Mar-20 £000		31-Mar-21 £000
322,650	Revaluation Reserve	312,628
545,048	Capital Adjustment Account	561,730
-2,572	Financial Instruments Adjustment Account	-1,042
0	Financial Instruments Revaluation Reserve	-1,063
-491,615	Pensions Reserve	-708,215
-1,748	Collection Fund Adjustment Account	-11,965
-7,775	Accumulated Absences Account	-5,371
0	Dedicated Schools Grant Adjustment Account	-26,362
21,589	Deferred Capital Receipts Reserve	21,588
385,577		**141,928**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation;
- or disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2019-20 £000		2020-21 £000
539,129	**Balance at 1 April**	**322,650**
18,965	Upward revaluation of assets	33,910
-208,376	Downward revaluation of assets and impairment losses not charged to the surplus or deficit on the Provision of Services	-39,321
349,718	**Surplus or Deficit on Revaluation of Long Term Assets not Posted to the Surplus or Deficit on the Provision of Services**	**317,239**
-5,288	Difference between fair value depreciation and historical cost depreciation	-2,641
-21,780	Accumulated gains on assets sold or scrapped	-1,970
-27,068	**Amount Written Off to the Capital Adjustment Account**	**-4,611**
322,650	**Balance at 31 March**	**312,628**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets (such as buildings and roads) 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 converts 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 Account also contains revaluation gains and losses accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 19 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Movement In Reserves Statement Supporting Notes

2019-20 £000		2020-21 £000
660,167	**Balance at 1st April**	**545,047**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
-47,470	Charges for depreciation of impairment of long-term assets	-48,149
-103,144	Revaluation gains reversing previous losses on Property, Plant and Equipment	-10,689
-1,396	Amortisation of intangible assets	-2,961
-34,320	Revenue expenditure funded from capital under statute	-8,039
-49,150	Amounts of long-term assets written off on disposal or sale as part of the loss on disposal to the Comprehensive Income and Expenditure Statement	-24,874
27,068	Adjusting amounts written out of the Revaluation Reserve	4,611
-208,412	**Net written out amount of the cost of non-current assets consumed in the year**	**-90,101**
	Capital financing applied in the year	
19,606	Use of the capital receipts reserve to finance new capital expenditure	1,863
34,011	Capital Grants and contributions credited to the Comprehensive Income and Expenditure statement that have been applied to capital financing	72,418
28,968	Application of grant to capital financing from the capital grants unapplied account	12,861
18,600	Statutory Provision for the financing of capital investments charged to the general fund	21,299
1,619	Capital expenditure charged against the general fund	1,660
-9,512	Movements in the market value of investment properties debited or credited to the Comprehesive Income and Expenditure Statement	-3,320
545,047	**Balance at 31 March**	**561,727**

Movement In Reserves Statement
Supporting Notes

Cambridgeshire County Council

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2019-20 £000		2020-21 £000
-613,107	**Balance at 1st April**	**-491,615**
159,751	Re-measurement of net pension liability	-188,611
-71,281	Reversal of items relating to retirement benefits debited or credited to the deficit on the provision of services in the comprehensive income and expenditure statement	-61,263
33,022	Employer's pensions contributions and direct payments to pensioners payable in the year	33,274
-491,615	**Balance at 31st March**	**-708,215**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2019-20 £000		2020-21 £000
21,590	**Balance at 1 April**	**21,589**
-1	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
21,589	**Balance at 31 March**	**21,589**

Dedicated Schools Grant Adjustment Account

The Dedicated Schools Grant Adjustment Account holds the accumulated high needs deficit that is ringfenced as part of the Dedicated Schools Grant. As set out above in Note 18 (DSG), the carried forward deficit in this area has increased to £26.4m by 31 March 2021, an increase of £9.7m from 31 March 2020 (where this was included within the Useable Reserves balance).

Cambridgeshire County Council

23. PROPERTY, PLANT AND EQUIPMENT

Movements in balances in 2020-21

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Plant, Property & Equipment £000	PFI Assets included in PPE £000
Cost or Valuation								
At 1st April 2020	**742,763**	**23,947**	**1,037,350**	**635**	**2,803**	**38,713**	**1,846,211**	**117,777**
Additions	5,383	7,626	74,853	0	0	14,077	101,939	0
Donations	0	0	0	0	0	0	0	0
Revaluation increases/decreases (-) recognised in the Revaluation Reserve	-14,626	0	0	2,109	190	0	-12,327	0
Revaluation increases/decreases (-) recognised in the Surplus/Deficit on the Provision of Services	-13,242	0	0	0	38	0	-13,204	0
De-recognition and Disposals	-24,942	0	-16,343	0	-32	0	-41,317	0
Assets reclassified to (-)/from Held for Sale	0	0	0	0	0	0	0	0
Assets reclassified to (-)/from PPE	5,016	0	0	0	0	-5,016	0	0
Assets reclassified to (-)/from Investment Properties	0	0	0	0	653	0	653	0
Assets reclassified to (-)/from Intangible Assets	0	0	0	0	0	0	0	0
Other Movements in Cost or Valuation	0	0	0	0	0	0	0	0
At 31st March 2021	**700,352**	**31,573**	**1,095,860**	**2,744**	**3,652**	**47,774**	**1,881,955**	**117,777**
Accumulated Depreciation and Impairment								
At 1st April 2020	**-33,039**	**-23,890**	**-173,133**	**0**	**-3**	**-24,822**	**-254,887**	**-60,971**
Depreciation Charge	-9,004	-22	-27,711	0	-6	0	-36,743	-3,165
Depreciation written out of the Revaluation Reserve	6,923	0	0	0	5	0	6,928	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	2,515	0	0	0	0	0	2,515	0
Impairment losses/reversals (-) recognised in the surplus/deficit in the Revaluation Reserve	0	0	0	0	0	0	0	0
Impairment losses/reversals (-) recognised in the surplus/deficit on the provision of services	0	-7,626	0	0	0	-3,780	-11,406	0
Assets reclassified to (-)/from Held for Sale	0	0	0	0	0	0	0	0
Assets reclassified to (-)/from PPE	0	0	0	0	0	0	0	0
Assets reclassified to (-)/from Investment Properties	0	0	0	0	0	0	0	0
De-recognition and Disposals	99	0	16,343	0	1	0	16,443	0
Other Movements in Cost or Valuation	0	0	0	0	0	0	0	0
At 31st March 2021	**-32,506**	**-31,538**	**-184,501**	**0**	**-3**	**-28,602**	**-277,150**	**-64,136**
At 31st March 2021	**667,846**	**35**	**911,359**	**2,744**	**3,649**	**19,172**	**1,604,805**	**53,641**
At 31st March 2020	**709,724**	**57**	**864,217**	**635**	**2,800**	**13,891**	**1,591,324**	**56,806**

Cambridgeshire County Council

Movements in balances in 2019-20

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Plant, Property & Equipment £000	PFI Assets included in PPE £000
Cost or Valuation								
At 1st April 2019	**1,052,105**	**19,127**	**991,538**	**659**	**2,926**	**44,797**	**2,111,152**	**117,777**
Additions	25,161	4,820	57,885	0	0	12,810	100,676	0
Donations	0	0	0	0	0	0	0	
Revaluation increases/decreases (-) recognised in the Revaluation Reserve	-199,078	0	0	-24	-241	0	-199,343	0
Revaluation increases/decreases (-) recognised in the Surplus/Deficit on the Provision of Services	-107,420	0	0	0	144	0	-107,276	0
De-recognition and Disposals	-35,640	0	-12,073	0	-26	-12,591	-60,330	0
Assets reclassified to (-)/from Held for Sale	1,332	0	0	0	0	0	1,332	0
Assets reclassified to (-)/from PPE	6,303	0	0	0	0	-6,303	0	0
Assets reclassified to (-)/from Investment Properties	0	0	0	0	0	0	0	0
Assets reclassified to (-)/from Intangible Assets	0	0	0	0	0	0	0	0
Other Movements in Cost or Valuation	0	0	0	0	0	0	0	0
At 31st March 2020	**742,763**	**23,947**	**1,037,350**	**635**	**2,803**	**38,713**	**1,846,211**	**117,777**
Accumulated Depreciation and Impairment								
At 1st April 2019	**-34,088**	**-19,048**	**-158,852**	**0**	**-5**	**-21,465**	**-233,458**	**-57,806**
Depreciation Charge	-12,910	-22	-26,354	0	-12	0	-39,298	-3,165
Depreciation written out of the Revaluation Reserve	9,777	0	0	0	8	0	9,785	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	4,001	0	0	0	6	0	4,007	0
Impairment losses/reversals (-) recognised in the surplus/deficit in the Revaluation Reserve	0	0	0	0	0	0	0	0
Impairment losses/reversals (-) recognised in the surplus/deficit on the provision of services	0	-4,820	0	0	0	-3,357	-8,177	0
Assets reclassified to (-)/from Held for Sale	0	0	0	0	0	0	0	0
Assets reclassified to (-)/from PPE	0	0	0	0	0	0	0	0
Assets reclassified to (-)/from Investment Properties	0	0	0	0	0	0	0	0
De-recognition and Disposals	181	0	12,073	0	0	0	12,254	0
Other Movements in Cost or Valuation	0	0	0	0	0	0	0	
At 31st March 2020	**-33,039**	**-23,890**	**-173,133**	**0**	**-3**	**-24,822**	**-254,887**	**-60,971**
At 31st March 2020	**709,724**	**57**	**864,217**	**635**	**2,800**	**13,891**	**1,591,324**	**56,806**
At 31st March 2019	**1,018,017**	**79**	**832,686**	**659**	**2,921**	**23,332**	**1,877,694**	**59,971**

Cambridgeshire County Council

Capital commitments

At 31 March 2021 the Council has entered into a number of new significant contracts for the construction or enhancement of Property, Plant and Equipment in 2021-22 and future years, budgeted to cost £1,033m. The figures included within the table below represent the full contract value, not just the commitment.

Contracts with major commitments are:

Expenditure approved and contracted		31-Mar-21 £000
Schools		
Wyton Primary	Expansion of provision	9,157
Sawston Primary	New construction	2,020
Waterbeach Primary School	New construction	6,566
WING Development - Cambridge	New construction	9,668
North West Fringe secondary	New construction	20,518
School Condition, Maintenance & Suitability	Building, Mechanical and Electrical Services	24,456
Temporary Accommodation	Supply, delivery and erection of new modular 4, 5 and 7 bay mobile classroom buildings for use as school accommodation	4,160
Highways		
Smarter Travel Management - Real Time Bus Information	Providing a system to link new and existing RTPI displays, proving bus passenger information, traffic light priority and a range of third-party links and digital outputs.	4,500
Highways Contract	To cover structural work, surfacing, road works and capital schemes for highways	905,159
Greater Cambridge Partnership schemes	Various schemes	6,407
Safety Schemes		1,217
King's Dyke		18,426
Building Maintenance		
Shire Hall Relocation	Construction of a new Civic Hub building	145
Building Maintenance	Building, Mechanical and Electrical Services	5,000
IT		
Children's Services IT System		1,176
EastNet (CPSN Replacement)		14,300
Total		**1,032,875**

Capitalisation of Borrowing Costs

In accordance with the Council's accounting policy, the Council capitalised £1,232k of borrowing costs in year in relation to qualifying assets (£1,736k in 2019-20). This was calculated using the Council's average borrowing rate of between 2.4% and 2.6% for the 4 quarters of 2020-21.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. In order to ensure that carrying values are kept in line with current values in the interim, all assets are revalued via desktop valuation in year two and and by indexation in years three to five. For 2020-21, the valuations were carried out externally by Royal Institution of Chartered Surveyors (RICS) registered valuers, Bruton Knowles LLP. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the RICS Valuation. The effective date of revaluation for the rolling programme, desktop valuations and all Surplus assets is 30 November 2020.

The significant assumptions applied in estimating current values are:

- Building values based on building indices (Building Cost Information Service (BCIS)); and
- Land values based on existing use (for example, if offices are based on the land then the land is valued for office use, if buildings on the land have industrial use then the land is valued based on employment land value).

Balance Sheet Supporting Notes

Valuation of long-term assets

	Carried at Historical Cost	Valued at Current Value as at: 2016-17	2017-18	2018-19	2019-20	2020-21	Total
	£000	£000	£000	£000	£000	£000	£000
Land and Buildings	0	64,109	20,423	16,084	246,830	352,906	**700,352**
Vehicles, Plant, Furniture and Equipment	31,572	0	0	0	0	1	**31,573**
Infrastructure Assets	1,095,860	0	0	0	0	0	**1,095,860**
Community Assets	0	0	620	0	0	2,124	**2,744**
Surplus Assets	0	0	0	28	0	3,624	**3,652**
Assets Under Construction	47,774	0	0	0	0	0	**47,774**
	1,175,206	**64,109**	**21,043**	**16,112**	**246,830**	**358,655**	**1,881,955**
Assets Held for Sale	0	0	284	89	0	909	**1,282**
Investment Properties	0	0	0	0	36,240	96,596	**132,836**
Total Held at Cost or Revaluation	**1,175,206**	**64,109**	**21,327**	**16,201**	**283,070**	**456,160**	**2,016,073**

Cambridgeshire County Council

24. INVESTMENT PROPERTIES

The following items of income have been accounted for in the financing and investment income and expenditure line in the comprehensive income and expenditure statement:

2019-20 £000		2020-21 £000
-4,705	Rental income from investment property	-6,372
-4,705	**Total**	**-6,372**

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

2019-20 £000		2020-21 £000
43,466	**Balance Outstanding at Start of Year**	**137,359**
103,405	Additions (purchases)	0
0	Disposals	0
-9,512	Net Gains (+)/Losses (-) from Fair value adjustments	-3,320
0	Transfers to/from PPE	-1,203
137,359	**Balance outstanding at year end**	**132,836**

25. HERITAGE ASSETS

Reconciliation of the Carrying Value of Heritage Assets Held by the Council

Valuation or Cost	Archives £000	Art Collection £000	Total Assets £000
01-Apr-19	**18,649**	**11**	**18,660**
Additions during 2019-20	0	0	**0**
Disposals during 2019-20	0	0	**0**
Revaluations during 2019-20	350	0	**350**
31-Mar-20	**18,999**	**11**	**19,010**
Additions during 2020-21	1	0	**1**
Disposals during 2020-21	0	0	**0**
Revaluations during 2020-21	0	0	**0**
31-Mar-21	**19,000**	**11**	**19,011**

The Council’s collections of archives and art are valued in the Balance Sheet at insurance valuation. The most recent valuation of archives was carried out by Bonhams on 13th March 2020. These valuations are repeated periodically. The Council has considered the collections during 2020-21 for possible impairments and does not believe it is economic to conduct revaluations on a more frequent basis.

Cambridgeshire County Council

26. LONG-TERM DEBTORS

This section gives details of amounts expected to be realised after one year.

2019-20 £000		2020-21 £000
0	City Deal Funding	120,000
96,512	This Land Group	115,891
21,587	Long term finance lease receivable	21,586
10,662	Other	10,391
128,761		**267,868**

27. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

The following categories of financial instrument are carried on the Balance Sheet.

	Long-term		Current	
	31-Mar-20	31-Mar-21	31-Mar-20	31-Mar-21
	£000	£000	£000	£000
Investments:				
Financial assets through other comprehensive income	13,146	**27,937**	0	**0**
Financial assets at amortised cost	4,446	**6,366**	410	**0**
Total investments	**17,592**	**34,303**	**410**	**0**
Cash and cash equivalents:				
Cash and cash equivalents	0	**0**	57,715	**92,598**
Total cash and cash equivalents	**0**	**0**	**57,715**	**92,598**
Debtors:				
Financial assets at amortised cost	128,761	**267,868**	76,753	**125,617**
Total debtors	**128,761**	**267,868**	**76,753**	**125,617**
Borrowings:				
Financial liabilities at amortised cost	-537,695	**-562,407**	-230,172	**-248,872**
Total borrowings	**-537,695**	**-562,407**	**-230,172**	**-248,872**
Other liabilities:				
Other liabilities	-106,891	**-104,224**	-94,476	**-111,622**
Total other liabilities	**-106,891**	**-104,224**	**-94,476**	**-111,622**

Cambridgeshire County Council

Income, Expense, Gains and Losses

	2020-21			
	Financial Liabilities at amortised cost £000	Financial Assets at amortised cost £000	Financial Assets: Through Other Comprehensive Income £000	Total £000
Interest expense	34,559	0	0	**34,559**
Total expense in (Surplus)/ Deficit on the Provision of Services	**34,559**	**0**	**0**	**34,559**
Interest income	0	-9,811	0	**-9,811**
Total income in (Surplus)/ Deficit on the Provision of Services	**0**	**-9,811**	**0**	**-9,811**
Net gains(-)/losses(+)	0	0	-419	**-419**
Total income and expenditure in Other Comprehensive Income and Expenditure	**0**	**0**	**-419**	**-419**
Net (gain) / loss for the year	**34,559**	**-9,811**	**-419**	**24,329**

Fair Values

There are material changes to the Fair Value notes, some based on the category of their initial valuation:

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

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

- Level 3 Inputs – unobservable inputs for the asset or liability.

There were no transfers between input levels during the financial year.

There has been no change in the valuation technique used during the year for the financial instruments.

Except for the financial assets carried at fair value, all other financial assets and financial liabilities are carried on the balance sheet at amortised cost. The fair value for financial assets and financial liabilities that are not measured at fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2), using the following assumptions to provide an estimate of the value of payments in the future in today's terms as at the balance sheet date:

- For loans from the Public Works Loan Board (PWLB) payable, new loan rates from the PWLB have been applied to provide the fair value.
- For non-PWLB loans payable, PWLB prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures
- For loans receivable prevailing benchmark market rates have been used to provide the fair value
- No early repayment or impairment is recognised
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount.

Balance Sheet Supporting Notes

Fair value hierarchy for financial liabilities

	31-Mar-20		31-Mar-21	
	Total Carrying amount	Fair value	Total Carrying amount	Fair value
	£000	£000	£000	£000
PWLB borrowing	-381,430	-424,308	-420,198	-542,959
Non-PWLB borrowing	-386,437	-415,516	-391,081	-463,151
Short term creditors/payables	-89,825	-89,825	-108,954	-108,954
Short term finance lease & PFI liability	-4,651	-4,651	-2,668	-2,668
Long term finance lease & PFI liability	-106,891	-106,891	-104,224	-104,224
Total financial liabilities	**-969,234**	**-1,041,191**	**-1,027,125**	**-1,221,956**

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional loss (based on economic conditions at 31st March 2021) arising from a commitment to pay interest to lenders above current market rates.

The fair value of PWLB loans of £424.8m measures the economic effects of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates. However, if the Council were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption.

Fair value hierarchy for financial assets

	31-Mar-20 Carrying amount £000	31-Mar-20 Fair value £000	31-Mar-21 Carrying amount £000	31-Mar-21 Fair value £000
Fixed term investments	0	0	0	0
Cash and cash equivalents	57,715	57,715	92,598	92,598
Debtors	76,753	76,753	125,617	125,617
Long-term debtors	128,761	128,761	267,868	267,868
Total financial assets	**263,229**	**263,229**	**486,083**	**486,083**
Long Term Equity Investments	13,146	13,146	27,937	27,937
Financial assets through other comprehensive income (FVOCI)	**13,146**	**13,146**	**27,937**	**27,937**

The fair value of the assets is the same as the carrying amount because the amortised cost of the Council’s portfolio financial assets are a fair approximation of their value. The fair value of long-term debtors is also taken to be the carrying amount.

Cambridgeshire County Council

28. FAIR VALUE HIERARCHY – TO BE UPDATED

Details of the Council's Surplus Assets, Assets Held for Sale and Investment Properties and information about the fair value hierarchy as at 31 March 2021 and 31 March 2020 are as follows:

Fair value measurements for:	Other significant observable inputs Level 2 £000	Significant unobservable inputs Level 3 £000	Fair value as at 31/03/2020 £000
Surplus Assets	223	2,578	**2,801**
Assets Held for Sale	228	516	**744**
Investment Assets: Commercial	134,185	550	**134,735**
Investment Assets: Residential	0	65	**65**
Investment Assets: Land	380	2,179	**2,559**
Total	**135,016**	**5,888**	**140,904**

Balance Sheet Supporting Notes

Fair value measurements for:	Other significant observable inputs Level 2 £000	Significant unobservable inputs Level 3 £000	Fair value as at 31/03/2019 £000
Surplus Assets	1,458	1,463	**2,921**
Assets Held for Sale	361	2,871	**3,232**
Investment Assets: Commercial	39,953	788	**40,741**
Investment Assets: Residential	0	169	**169**
Investment Assets: Land	215	2,341	**2,556**
Total	**41,987**	**7,632**	**49,619**

Valuation Techniques

There has been no change in the valuation techniques used during the year for properties valued by fair value. The approaches are outlined below.

Significant Observable Inputs – Level 2

Land, Office, Day Centre, Depot, Student Accommodation, Leisure and Retail assets have been based on the market approach using current market conditions and recent sale prices and other relevant information for similar assets in the local authority area. Market conditions for these asset types are such that the level of observable inputs is significant leading to the properties being categorised at Level 2 in the fair value hierarchy.

Significant Observable Inputs – Level 3

Ancient Monument, Community Centres, former Landfill, Amenity Land, Farm Land and Educational assets have been based on a comparable approach. This is by estimated market rental values (as the majority of these assets are let at sub-market rents) or subsidised passing rents. We have had to draw on a number of our own assumptions and utilised third party resources in order to value these assets. These assets are therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions).

Typical valuation inputs which have been analysed in arriving at the Fair Valuations include;

- Market Rental and Sale Values
- Yields
- Void and Letting Periods
- Size
- Configuration, proportions and layout,
- Location, visibility and access
- Condition
- Lease covenants
- Obsolescence

Highest and Best Use

In estimating the fair value of the Council's Surplus Assets, Assets Held for Sale and Investment Properties, the highest and best use is their current use for most of the assets. However, for 15 assets their highest and best use is actually for an alternative use (18 assets in 2018-19). In most cases, this alternative use is for residential development land – however the Council cannot realise that alternative value until planning permission is granted (although this is not guaranteed) and / or the asset is sold. As such, in the meantime these assets are either not in use (and therefore their current existing use is their previous use) or they have been put to an alternative use in the meantime whilst they await disposal or future development.

Cambridgeshire County Council

Reconciliation of Fair Value Measurements (using Significant Unobservable Inputs) Categorised within Level 3 of the Fair Value Hierarchy

Fair value movements for assets categorised within level 3:	**31-Mar-19 £000**	**31-Mar-20 £000**
Opening balance	6,840	7,631
Transfers into level 3	6,057	1,356
Transfers out of level 3	-130	-926
Reclasses between PPE, AHFS and Investment Properties	2,416	-1,332
Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	-565	448
Total gains [or losses] for the period included in Surplus or deficit on revaluation of long-term assets	-787	-335
Disposals	-6,183	-942
Depreciation	-17	-12
Closing Balance	**7,631**	**5,888**

The loss arising from changes in the fair value of level 3 assets has been recognised in the Surplus or Deficit on the Provision of Services in the People and Communities, Commercial & Investment and Financing and Investment Income and Expenditure lines.

29. SHORT-TERM DEBTORS

31-Mar-20 £000		31-Mar-21 £000
39,891	Trade debtors	38,383
33,910	Central government bodies	88,189
6,567	NHS bodies	650
4,075	Collection fund debtors	7,972
2,708	Other	6,192
87,151	**Total Short Term Debtors**	**141,386**

30. 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 within three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Cash and cash equivalents also include bank overdrafts where these arise as an integral part of the Council's cash management. The cash position is managed to ensure that a broadly neutral position is maintained on a daily basis (i.e. surplus cash balances are temporarily invested until next needed); overdrawn balances represent cash in transit at 31 March. The Council's cash management arrangements do not extend to bank balances held by schools in their own bank accounts.

The following table shows the balance of cash and cash equivalents at 31 March. The balance of Cash and Cash Equivalents is made up of the following elements:

	31-Mar-20 £000	31-Mar-21 £000
Cash held by the Council	18,591	36,827
Cash equivalents	39,124	55,771
	57,715	**92,598**

31. SHORT-TERM CREDITORS

31-Mar-20 £000		31-Mar-21 £000
-61,089	Trade creditors	-59,859
-22,640	Central government bodies	-38,325
-3,852	NHS bodies	-4,478
-5,578	Collection fund creditors	-6,927
-7,775	Accumulated absences accrual	-5,371
-4,651	Finance lease liabilities	-2,668
-10,987	Other	-8,474
-116,572	**Total Short Term Creditors**	**-126,102**

32. OTHER LONG-TERM LIABILITIES

An analysis of other long-term liabilities is shown below:

31-Mar-20 £000		31-Mar-21 £000
-491,615	Pensions liabilities	-708,215
-77	Long term finance lease (non-PFI)	-77
-106,814	Long term finance lease (PFI)	-104,147
-598,506		**-812,439**

33. GRANT INCOME

The following is a list of all grants and contributions received in excess of £2 million during 2020-21 where the grant / contribution has been recognised as income:

2019-20 £000		2020-21 £000
	Credited to taxation and non specific grant income	
0	GCP City Deal grant	185,059
14,612	COVID-19 Support Grant	20,282
18,583	Local Transport Plan funding passported via Combined Authority	17,781
40,051	S106, CIL and other capital contributions	14,480
3,970	Adult Social Care Support Grant	12,423
8,777	Cambridgeshire and Peterborough Combined Authority contributions	12,213
0	Pothole Action Fund Grant passported via Combined Authority	10,201
4,289	Business Rates compensation grant	4,720
0	School condition grant	4,123
2,970	New homes bonus	2,927
8,405	Other grants	6,247
101,657	**Credited to taxation and non specific grant income**	**290,456**

Balance Sheet Supporting Notes

2019-20 £000		2020-21 £000
	Credited to services	
221,008	Dedicated schools grant	226,712
25,560	Public Health grant	26,427
19,367	Learning Disability Partnership (NHS pooled budget contribution)	20,531
0	GCP City Deal Grant (REFCUS)	17,279
16,112	Better Care Fund (NHS pooled budget contribution)	16,995
0	Contain Outbreak Management Fund	15,311
12,401	Better Care Fund (MHCLG Grant)	14,725
0	Infection Control Grants	11,577
8,738	Combined Authority Levy contribution	9,017
8,362	Pupil premiums	9,748
0	Covid-19 Sales, Fees and Charges Compensation	6,541
4,468	Better Care Fund Financing (REFCUS)	5,070
0	Other ringfenced Covid 19 grants	7,295
3,746	Unaccompanied asylum seekers grant	4,322
4,280	Universal Infant Free School Meals funding	4,211
0	Test and Trace Service Support Grant	2,493
2,242	Integrated Community Equipment Service (NHS pooled budget contribution)	2,335
2,280	Primary schools sports funding	2,238
2,033	Adult education budget block grant	2,120
4,999	Opportunity Area Grant	1,457
38,498	Other contributions	53,868
11,736	Other grants	12,087
2,324	Adult social care winter funding	0
9,364	Northstowe DfE grant (REFCUS)	0
4,329	Teachers' Pay Grant	0
385,830	**Total Credited to services**	**472,359**
487,487	**Grant Total**	**762,815**

Balance Sheet Supporting Notes

Capital grants and contributions received in advance

The Council has received a number of capital grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

2019-20 £000		2020-21 £000
	Current	
146	Grants	1,572
0	Section 106 contributions and Community Infrastructure levy	0
146		**1,572**
	Long Term	
31,799	Section 106 contributions	27,482
303	Other contributions	175
32,102		**27,657**
32,248	**Total**	**29,229**

34. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The closing CFR at 31 March 2021 was £1,022.6m (£999.9m at 31 March 2020).

2019-20 £000		2020-21 £000
	Expenditure funded from capital:	
100,676	Property, Plant and Equipment	101,939
103,405	Investment Properties	0
7,003	Intangible Assets	1,669
34,320	Revenue Expenditure Funded from Capital under Statute	8,039
10,657	Long-term Capital Debtors	21,072
	Sources of finance:	
-19,606	Capital receipts	-1,863
-62,979	Government grants and other contributions	-85,279
-1,619	Direct revenue contributions	-1,660
	Sum set aside from revenue:	
-18,600	MRP/loans fund principal	-21,299
153,257	**Increase in Capital Financing Requirement**	**22,618**
	Explanation of movements in year:	
153,257	Increase in underlying need to borrowing (unsupported by government financial assistance)	22,618
153,257	**Increase in Capital Financing Requirement**	**22,618**

35. LEASES

Council as Lessee:

Finance Leases

The Council has acquired land and buildings, including Child and Family Centres / Pre-schools, libraries and depots, under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts (excluding Waste PFI leases which are disclosed separately in the Waste PFI note (Note 35)):

31-Mar-20 £000		31-Mar-21 £000
39,355	Other land and buildings	**30,852**

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding.

The minimum lease payments (MLP) and finance lease liabilities (FLL) are made up of the following amounts and will be payable over the following years:

31-Mar-20			31-Mar-21	
MLP £000	FLL £000		MLP £000	FLL £000
6	2	Not later than 1 year	7	2
25	8	Later than 1 year and not later than 5 years	28	8
426	44	Later than 5 years	458	44
457	**54**	**Total**	**493**	**54**

Council as Lessor:

(i) Finance Leases

The Council has leased out playing fields, a landfill site, all Academy land and buildings and Castle Court (a lease from January 2016) under finance leases. For the non-Academy leases, the Council has a gross investment in the leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding.

In the case of Academies no debtor is recognised due to the long-term nature of the lease (125 years) and no finance income is earned by the Council (as they are leased at peppercorn rent).

The minimum lease payments (MLP) and gross investment in leases (GI) are made up of the following amounts and will be received over the following years:

31-Mar-20			31-Mar-21	
MLP	GI		MLP	GI
£000	£000		£000	£000
1,489	1,058	Not later than 1 year	1,489	992
5,954	3,612	Later than 1 year and not later than 5 years	5,954	3,388
156,188	12,711	Later than 5 years	154,700	11,943
163,631	**17,381**	**Total**	**162,143**	**16,323**

Note: GI figures do not include any potential unguaranteed residual value and associated unearned finance income due to a lack of reliable information required to accurately calculate them.

(ii) Operating Leases

The Council leases out property under operating leases, primarily to schools and farms. The future minimum lease payments receivable under non-cancellable leases in future years are:

31-Mar-20 £000		31-Mar-21 £000
5,089	Not later than 1 year	4,942
14,528	Later than 1 year and not later than 5 years	13,505
18,810	Later than 5 years	17,581
38,427	**Total**	**36,028**

36. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

Waste PFI

On 17 March 2008, the Council contracted with AmeyCespa WM (East) Limited (formerly Donarbon Waste Management Limited) to provide waste treatment and household waste facilities for the County. At the time the contract was signed, the total estimated contract payments were £730m over the 28-year contract period (termination due in 2036). An element of this payment relates to financing the construction of a Mechanical Biological Treatment (MBT) plant, with a total cost of £42m. PFI credits of £2.7m per year are received in relation to this contract.

The Council has rights under the contract to use specified assets and expect service provision for the length of the contract period, with the potential to negotiate an extension at the end of the period. Although the contractor took on the obligation to construct the MBT plant, the Council has constructed additional Recycling Centre facilities which have been added to the overall contract via formal change control. The Council will take ownership of the MBT building at the end of the contract, although the land on which the MBT is built will remain under the ownership of the contractor. Therefore, the future of the asset beyond the 28 contract years is determined in part by extension of the land lease agreement.

There is no option within the contract for renewal given the operation of the PFI mechanism, as the payment term for the asset will be complete and the payment mechanism will no longer apply. However, extension on revised terms, rather than full renewal, is accommodated in the contract after the 28 year period, and multiple termination clauses exist within the contract for both parties for factors such as contractor default, Council default, contract breach and Force Majeure etc. Council or contractor initiated change processes are defined in the project agreement and the principle of 'no better, no worse', can be applied to any and all aspects of the contract, at any level of cost or time, given the defined dispute resolution procedures and the support of appointed independent adjudicators.

Balance Sheet Supporting Notes

For 2020-21, the following figures have been recognised in the Council's financial statements:

2019-20 £000	Comprehensive Income and Expenditure Statement	2020-21 £000
13,429	Fair value of services provided	13,920
6,407	Interest payable on the finance lease liability	6,073
2,366	Repayment of capital	2,306
2,693	Contingent rents	2,806
0	Lifecycle replacement costs	543
920	Depreciation	920
-2,611	PFI credits	-2,611

31-Mar-20 £000		31-Mar-21 £000	Movement £000
	Assets		
14,377	Land and buildings	13,479	-898
55	Plant and equipment	33	-22
	Liabilities		
-2,306	Short term finance lease liability	-381	1,925
-40,765	Long term finance lease liability	-40,384	381
	Reserves		
1,128	Revaluation Reserve	1,057	-71
-29,767	Capital Adjustment Account (Depreciation and Debt Provision)	-28,310	1,457

Projected future payments over the remaining life of the Waste PFI contract are as follows:

	Cost of Services £000	Capital replacement £000	Liability repayment £000	Interest costs & contingent rents £000	Total £000
Within 1 year	14,430	3,737	381	7,880	**26,428**
Within 2 to 5 years	61,487	14,140	1,933	34,746	**112,306**
Within 6 to 10 years	86,136	14,421	10,997	45,019	**156,573**
Within 11 to 15 years	94,665	5,491	27,454	44,759	**172,369**
Total	**256,718**	**37,789**	**40,765**	**132,404**	**467,676**

The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

2019-20 £000		2020-21 £000
46,936	**Balance outstanding at start of year**	**44,570**
-2,366	Payments during the year	-2,306
44,570	**Balance outstanding at end of year**	**42,264**

Street Lighting PFI

The Street Lighting contract was signed with Balfour Beatty plc. on 19 April 2011, with a service start date of 1 July 2011. This contract was to replace all of the existing lighting equipment, which was beyond its design life, over the initial five years. The contract requires the service provider to maintain the whole of the County Council's lighting street stock for the full 25 years, with the service fee being funded from the Council's revenue allocations. Although the contract requires maintenance of the entire street lighting stock and replacement of existing equipment beyond its useful life, ownership of the street lighting asset is retained by the County Council.

The contract contains a number of agreed performance standards. One of the standards sets targets regarding the expected number of light replacements over a set period. Should Balfour Beatty fail to achieve this target penalty, deductions are made from subsequent payments. There are no reward payments for exceeding the agreed standard.

Balance Sheet Supporting Notes

The contract does not specify any dates of renegotiation; however the pricing mechanism does include an inflationary adjustment in April of each year to reflect changes in Retail Price Index. Upon conclusion of the 25 year contract the contract will terminate and there are no contractual clauses relating to the renewal of this agreement.

On the 14 April 2011, the Department for Transport confirmed that Cambridgeshire had been successful in its bid for Street Lighting PFI Credits and has awarded £100.3 million over the 25 years of the contract.

For 2020-21, the following figures have been recognised in the Council's financial statements:

2019-20 £000	Comprehensive Income and Expenditure Statement	2020-21 £000
2,318	Fair value of services provided	2,381
3,707	Interest payable on the finance lease liability	3,730
532	Repayment of capital	1,682
196	Contingent rents	222
2,245	Depreciation	2,245
-3,944	PFI credits	-3,944

Balance Sheet Supporting Notes

31-Mar-20 £000		31-Mar-21 £000	Movement £000
	Assets		
42,375	Infrastructure	40,130	-2,245
	Liabilities		
-1,682	Short term finance lease liability	-1,478	204
-38,606	Long term finance lease liability	-37,128	1,478
	Reserves		
2,087	Capital Adjustment Account (Depreciation and Debt Provision)	1,524	-563

Projected future payments over the remaining life of the Street Lighting PFI contract are as follows:

	Cost of Services £000	Capital replacement £000	Liability repayment £000	Interest costs & contingent rents £000	Total £000
Within 1 year	2,441	460	1,478	3,724	**8,103**
Within 2 to 5 years	11,745	2,592	5,727	13,267	**33,331**
Within 6 to 10 years	15,839	3,668	11,203	13,199	**43,909**
Within 11 to 15 years	16,814	2,675	18,963	8,258	**46,710**
Within 16 to 20 years	874	0	1,234	306	**2,414**
Total	**47,713**	**9,395**	**38,605**	**38,754**	**134,467**

The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

2019-20 £000		2020-21 £000
43,094	**Balance outstanding at start of year**	**41,550**
-1,544	Payments during the year	-1,682
41,550	**Balance outstanding at end of year**	**39,868**

Building Schools for the Future (BSF)

On 18 May 2010, the Council entered a contract with Equitix Learning Community Partnerships to deliver school building and ICT projects. This programme includes a PFI element that comprises the following:

- Thomas Clarkson Academy – construction and ongoing Facilities Management services for the school, for which the total nominal unitary charge payments over the 25 year concession period from 4 January 2012 to 3 January 2037 will total £144.5m.

This is largely funded by PFI credits totalling £121.1m from the Department for Education, with the difference funded by school contributions and the Council's capital programme.

As Thomas Clarkson Community College converted to academy status on the 1 June 2012 (and became Thomas Clarkson Academy; it was previously a foundation school), its assets are not recognised on the Council's Balance Sheet. However, the associated liabilities are recognised, as the contractor has met their contractual commitment and there is no recourse to the school for any future payments.

Balance Sheet Supporting Notes

For 2020-21, the following figures have been recognised in the Council's financial statements:

2019-20 £000	Comprehensive Income and Expenditure Statement	2020-21 £000
863	Fair value of services provided	885
3,061	Interest payable on the finance lease liability	2,992
650	Repayment of capital	662
532	Contingent rents	572
281	Lifecycle replacement costs	337
-534	Contribution from school	-595
-4,853	PFI credits	-4,853

31-Mar-20 £000	Balance Sheet	31-Mar-21 £000	Movement £000
	Liabilities		
-662	Short term finance lease liability	-808	-146
-27,530	Long term finance lease liability	-26,722	808
	Reserves		
-28,192	Capital Adjustment Account	-27,530	662

Balance Sheet Supporting Notes

Projected future payments over the remaining life of the BSF contract are as follows:

	Cost of Services £000	Capital replacement £000	Liability repayment £000	Interest costs & contingent rents £000	Total £000
Within 1 year	907	262	808	3,536	**5,513**
Within 2 to 5 years	3,861	1,080	4,137	13,640	**22,718**
Within 6 to 10 years	5,394	1,520	8,009	15,109	**30,032**
Within 11 to 15 years	6,103	2,214	12,418	11,336	**32,071**
Within 16 to 20 years	2,595	979	2,159	1,133	**6,866**
Total	**18,860**	**6,055**	**27,531**	**44,754**	**97,200**

The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

2019-20 £000		2020-21 £000
28,842	**Balance outstanding at start of year**	**28,192**
-650	Payments during the year	-662
28,192	**Balance outstanding at end of year**	**27,530**

37. RETIREMENT BENEFITS

DEFINED BENEFIT PENSION SCHEMES

Participation in pension schemes

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

The Council participates in two post-employment schemes:

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

- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Committee of Cambridgeshire County Council. Policy is determined in accordance with the Pensions Fund Regulations.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note (see Appendix 1, page 157).

Discretionary post-retirement benefits

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.

Transactions relating to post-employment benefits

The Council recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

As previously stated, the Local Government Pension Scheme (LGPS) is administered locally by Cambridgeshire County Council on behalf of all participating employers. It should be noted that the following figures only represent the Council's share as a participating employer. The figures for the entire LGPS administered by Cambridgeshire County Council are shown in the Pension Fund Accounts from page 139. As further explained in the Pension Fund Accounts, employer contributions to the scheme are based on two rates, which are reassessed every three years as part of the valuation undertaken by the Fund's actuary:

- Primary rate – employer contribution to fund the cost of new benefits accruing in the Fund;
- Secondary rate – employer contribution required to achieve 100% solvency over a maximum period of 20 years. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable (i.e. no fund deficit).

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Balance Sheet Supporting Notes

2019-20 £000	Local Government Pension Scheme	2020-21 £000
	Comprehensive Income and Expenditure Statement:	
	Cost of services - service cost comprising:	
61,591	Current service cost	50,037
-1,668	Past service cost	113
-3,651	Gain (-) or loss (+) from settlements	-375
	Financing and investment income and expenditure:	
15,009	Net interest expense	11,488
71,281	**Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services**	**61,263**
	Other post-employment benefits charged to the comprehensive income and expenditure statement:	
	Remeasurement of the net defined benefit liability comprising:	
102,621	Return on plan assets (excluding the amount included in net interest)	-219,862
-37,115	Actuarial gains (-) and losses (+) arising on changes in demographic assumptions	23,155
-138,272	Actuarial gains (-) and losses (+) arising on changes in financial assumptions	401,720
-86,985	Other actuarial remeasurement experience	-16,402
-88,470	**Total Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement**	**249,874**
	Movement in Reserves Statement:	
38,259	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	27,989
	Actual Amount Charged Against the General Fund Balance for Pensions in the Year:	
-33,022	**Employers' contributions payable to scheme**	**-33,274**
45,594	**Retirement Benefits payable to pensioners**	**43,555**

Pensions assets and liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

2019-20 £000		2020-21 £000
-1,494,475	Present value of the defined benefit obligation	-1,952,232
1,002,859	Fair value of plan assets	1,244,016
-491,616		**-708,216**

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

2019-20 £000		2020-21 £000
1,085,857	**Opening Fair Value of Schemes**	**1,002,860**
26,017	Interest income	23,030
	Remeasurement gains (+) or losses (-):	
-102,621	Return on plan assets (excluding the amount included in the net interest expense)	219,862
-2,489	Effect on settlements	-367
33,022	Contributions from employer	33,274
8,668	Contributions from employees into the scheme	8,913
-45,594	Benefits paid	-43,555
1,002,860		**1,244,017**

Balance Sheet Supporting Notes

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

2019-20 £000		2020-21 £000
1,698,964	**Opening Defined Benefit Obligation**	**1,494,475**
61,591	Current service cost	50,037
41,026	Interest cost	34,518
8,668	Contribution by scheme articipants	8,913
	Remeasurement gains (-) or losses (+):	
-37,115	Arising from changes in demographic assumptions	23,155
-138,272	Arising from changes in financial assumptions	401,720
-86,985	Other	-16,402
-1,668	Past service costs (including curtailments)	113
-45,594	Benefits paid	-43,555
-6,140	Liabilities extinguished on settlements	-742
1,494,475		**1,952,232**

Balance Sheet Supporting Notes

Local Government Pension Scheme assets comprise:

2019-20 £000		2020-21 £000
15,134	Cash and Cash Equivalents	19,198
82,254	Private equity	93,715
51,918	Debt securities (bonds) - Government	55,534
	Equity instruments (by industry type):	
0	Consumer	0
0	Manufacturing	0
0	Energy and utilities	0
0	Financial institutions	0
0	Health and care	0
0	Information technology	0
0		0
	Investment funds and unit trusts:	
607,866	Equities	747,196
68,014	Bonds	144,352
90,420	Infrastructure	112,613
0	Other	0
766,300		1,004,161
	Derivatives:	
0	Inflation	0
0	Interest rate	0
0	Foreign exchange	0
12,200	Other	-5,124
12,200		-5,124
	Property:	
75,039	UK	76,518
14	Overseas	14
75,053		76,532
1,002,859		**1,244,016**

Basis for estimating assets and liabilities

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

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, with estimates being based on the latest full valuation of the scheme as at 31 March 2019.

The significant assumptions including the discount rate used by the actuary have been:

2019-20		2020-21
Years	**Mortality assumptions:**	Years
	Longevity at 65 for current pensioners:	
22.0	Men	22.2
24.0	Women	24.4
	Longevity at 65 for future pensioner:	
22.7	Men	23.2
25.5	Women	26.2
%	**Other assumptions:**	%
2.8	Rate of inflation	3.3
2.4	Rate of increase in salaries	3.4
1.9	Rate of increase in pensions	2.9
2.3	Rate for discounting scheme liabilities	2.0

It should be noted that the rate of increase in salaries is the actuarial assumption of the rate of increase over a long-term period, and not the actual value of annual pay increases received by staff.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting year and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. Longevity assumptions are made in respect of increases or decreases in life expectancy. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous year.

	Impact on the Defined Benefit Obligation in the Scheme £000
0.5% decrease in inflation/discount rate	197,154
0.5% increase in salary rate	11,503
0.5% increase in pension increase rate	182,100

A one year increase in life expectancy would increase the employers' defined benefit obligation by an estimated 3% - 5%

The Council is anticipated to pay £30.5m employer contributions to the scheme in 2021-22.

The Court of Appeal decision on the 28 June 2019 in the Sargeant / McCloud cases (generally referred to for the LGPS as “McCloud”) ruled that the transitional protection afforded to older members when the Public Service Pension Schemes were amended constituted unlawful age discrimination. The liabilities disclosed above include an allowance for the McCloud ruling, i.e. an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes. The calculation of this allowance was provided by the Council’s actuary.

PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers’ pension schemes costs

Teachers employed by the Council are members of the Teachers’ Pension Scheme, administered by Capita Teachers’ Pensions on behalf of the Department for Education (DfE). The scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members’ pensionable salaries.

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the DfE uses a notional fund as the basis for calculating the employers’ contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

The scheme has in excess of 3,000 participating employers and consequently the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2020-21, the Council paid £13.0m to Teachers’ Pensions in respect of teachers’ retirement benefits (2019-20 £13.0m). There were £39k contributions remaining payable at the year-end. Contributions in 2021-22 are expected to be at a similar level.

2019-20 £000	Teachers' Pension Scheme	2020-21 £000
13,019	Employer's contributions	13,019
5,660	Employee contributions	5,660
18,679		**18,679**

NEEDS UPDATING

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers’ scheme. These costs are accounted for on a defined benefit basis. The Council is not liable to the scheme for any other entities obligations under the plan.

38. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key risks

The Council's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Refinancing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates or stock market movements.

Overall Procedures for Managing Risk

The Council's overall risk management programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the resources available to fund services.

Risk management is carried out by a central treasury team within LGSS, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The credit criteria in respect of financial assets held by the Council are detailed below:

This Council uses the creditworthiness service provided by Capita Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings
- Sovereign rating to select counterparties from only the most creditworthy countries

The full Investment Strategy for 2020-21 was approved by Full Council in February 2020 and is available on the Council's website.

Customers for the Council's goods and services are assessed for their ability to pay in accordance with parameters set by the Council. The Council does not allow credit for its trade receivables beyond the standard 30-day period and makes prudent financial provision for bad debts based on an assessment of each type of debt and the age of those debts.

The Council's maximum exposure to credit risk in relation to its investments cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk to recovery applies to all of the Council's deposits, but there was no evidence at the 31 March 2021 that this was likely to crystallise.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council's credit risk exposure to its customers and entities that it loans funds to (such as This Land Limited) is monitored and regularly reviewed to ensure that money owed to the Council is paid as it falls due. The value of these amounts are impaired if it's felt that that this debt would not be recoverable.

During the reporting year the Council held no collateral as security, other than for loans to This Land Group which were collateralised by way of mortgages on 26 properties.

Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the Public Works Loan Board (PWLB) and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover anticipated annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and Maturity risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investment placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt;
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer-term investments provide stability of maturities and returns in relation to the longer-term cash flow needs.

The maturity analysis of financial liabilities is as follows (note this reflects loan principal, not accrued interest), with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Council in the Treasury Management Strategy):

Balance Sheet Supporting Notes

31-Mar-20 £000	Debt maturity (lower/upper limits as	Approved limit %	31-Mar-21 %	31-Mar-21 £000
241,897	Less than 1 year	0 – 80	**31%**	**248,872**
114,207	1-2 years	0 – 50	**12%**	**94,761**
51,348	2-5 years	0 – 50	**7%**	**58,791**
72,583	5-10 years	0 – 50	**11%**	**87,995**
287,831	10 years and above	0 – 100	**40%**	**320,860**
767,866	**Total**		**100%**	**811,279**

The maturity analysis above is based on the earliest date the loans can be repaid. For Lender Option Borrower Option (LOBO) loans this is considered to be the next options date (balance at 31 March 2021 £15.5m).

Interest rate risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this

Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer-term fixed rates borrowing would be postponed.

39. RELATED PARTIES

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council. This includes the Government, Council Members, Chief Officers, and both public and non-public bodies.

Central Government

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills). Grants received from government departments are set out in the subjective analysis in Note 9 analysing income and expenditure.

Member and Senior Officer Declarations

All Members and Senior Officers of the Council have been requested to detail any related party transactions in as far as they affect them.

A close relative of a senior officer is Director of Social Care for the Chartwell Group, who provide residential education provision. Cambridgeshire children are placed at Chartwell Group facilities and as such the Council made payments in 2020-21 of £1.7m to the Chartwell Group. The senior officer does not have any involvement in decisions about where children are placed.

A member is a trustee of Viva! Arts & Community Group, which have received a loan of £300k from the Council during 2019-20 towards a major building renovation project. The trust has received in excess of £1m of funding for the project from a number of sources, including The National Heritage Lottery Fund, East Cambridgeshire District Council and Arts Council England.

A copy of the up-to-date statutory Register of Members Interests can be inspected at Shire Hall. A non-statutory copy has been placed on the Council's website.

Entities controlled or significantly influenced by the Council

Under partnership working arrangements, the Council has interests in the following bodies at 31 March 2021:

Lead Authority arrangements with Northamptonshire County Council and Milton Keynes Council

The previous LGSS shared service arrangements with Northamptonshire County Council and Milton Keynes Council ended in December 2020. A number of the services previously within LGSS repatriated to the relevant councils during 2020, whilst others continue to be shared under a new Lead Authority arrangement. The following services were delivered under the Lead Authority arrangement for the latter part of 2020-21:

Service	Lead Authority
Insurance and Finance Operations (covering Accounts Payable, Receivable, Debt and Finance helpdesk)	Cambridgeshire County Council
Audit and Risk	Milton Keynes Council
Payroll and HR Transactions, Pensions and Business Systems	Northamptonshire County Council

The value of LGSS transactions up to the point of repatriation and move to the new Lead Authority model are shown in the LGSS Operational line of the Comprehensive Income and Expenditure Statement. Shared service transactions under the Lead Authority model are included within Corporate Services in the same statement.

LGSS Law Ltd

LGSS Law Ltd was spun off from the previous LGSS shared service venture, operating as a private limited company to take advantage of the Alternative Business Structure status that allowed non-lawyers to own legal practices. Ownership is split equally between Cambridgeshire County Council (CCC), Northamptonshire County Council (NCC) and Central Bedfordshire Council, with each Council owning 475,000 £1 shares each.

Throughout 2020-21 the deputy section 151 officer (who became section 151 officer in May 2021) served as non-executive director of LGSS Law Ltd on the nomination of Cambridgeshire County Council.

During 2020-21 the Council made payments of £6.7m to LGSS Law Ltd as payment for legal services received in the year (2019-20 £4.2m). At 31 March 2021 there was a debtor balance of £0.7m (2019-20 £0.9m) and a creditor balance of £49k (2019-20 £0.3m) with LGSS Law Ltd.

The Council has considered that group accounts will not be required for LGSS Law Ltd, as the net worth of LGSS Law Ltd and exposure to risk is not material. Users of the Council accounts will be able to see the complete activities of the Council and its exposure to risk without producing group accounts.

Annual Statement of Accounts for LGSS Law Ltd are published separately and lodged at Companies House.

Pensions

Administrative and other recharges made by the Council to the Pension Fund totalled £2.0m (2019-20 £2.4m).

The Council is also the single largest employer of members of the Pension Fund and contributed £21.5m to the Fund in 2020-21 (2019-20: £21.0m). At 31 March 2021 there was £5.1m (31 March 2019: £0.2m) due to the Fund by the Council.

Cambridge and Counties Bank

Cambridge and Counties Bank (CCB) specialises in providing lending and deposit products to UK- based SMEs. Its key products include business deposits, loans secured on property, secured pension lending and asset finance. There was no outstanding balance at year end.

The bank has a unique structure being jointly owned by the Cambridgeshire Local Government Pension Fund and Trinity Hall (a constituent college of the University of Cambridge), each owning a 50% share. The current market value of the Pension Fund's investment at 31 March 2021 is £76.0m (£58.0m at the 31st March 2020).

This Land Group

The Cambridgeshire Housing Investment Company (CHIC) was incorporated in June 2016, and subsequently renamed as This Land Limited on 14 February 2018. 'This Land Group' now comprises a number of subsidiary entities in addition to the parent (the subsidiaries are This Land Development Limited, This Land Investment Limited, This Land Asset Management Limited and This Land Finance Limited). Cambridgeshire County Council is the sole and ultimate owner of all parts of the This Land Group.

Throughout 2020-21 one member and the Executive Director of Place & Economy served as non-executive directors of This Land Limited on the nomination of Cambridgeshire County Council. The Deputy Chief Finance Officer also served as a non-executive director of This Land Limited until July 2020.

At 31 March 2021 there was a debtor balance of £115.9m with the This Land Group, being loans by CCC to the This Land Group. As the Council has control of the entity and there are material transactions with the company, the This Land Group is consolidated in the Group Accounts (page 138).

Opus People Solutions (East)

Opus People Solutions (East) (formerly Opus LGSS People Solutions) is a joint venture between Opus People Solutions (a wholly-owned subsidiary of Suffolk County Council) and the former partners of LGSS – Cambridgesgire County Council, Northamptonshire County Council (now West Northants and North Northants Councils) and Milton Keynes Council. The company was set up in July 2016 to meet the temporary and interim recruitment needs of Cambridgeshire County Council and Northamptonshire County Council, and later expanded to cover Milton Keynes Council as well. The Council has a 16% shareholding in the company and received a dividend of £50k during 2020-21.

The Director of Customer & Digital Services served as a non-executive director of Opus People Solutions (East) from February 2021 on the nomination of Cambridgeshire County Council.

During 2020-21 the Council made payments of £7.2m to Opus People Solutions (East) for agency staff fees. There was no outstanding balance owed at 31 March 2021.

Light Blue Fibre Ltd

Light Blue Fibre is a joint venture with the University of Cambridge, set up in Summer 2019 to enhance local digital infrastructure and explore opportunities to secure a commercial return from the digital infrastructure assets held by the Council. The Council has a 50% shareholding in the company.

Throughout 2020-21 the deputy section 151 officer (who became section 151 officer in May 2021) served as non-executive director of Light Blue Fibre Ltd on the nomination of Cambridgeshire County Council.

The the number of transactions occurring up to 31 March 2021 was small (trivial) and the Council cannot exercise control over the company management or board of directors. On this basis, the Council does not consider it is necessary to include Light Blue Fibre Ltd within its group accounts this year.

40. CONTINGENT LIABILITIES

The Council is involved in a number of legal claims and actions. Only some of these claims and actions are expected to lead to any liabilities or losses being incurred by the Council.

The likely liability and loss to the Council arising from legal claims and actions is determined on an actuarial basis, based on prior years' experience and details of known claims and actions. Appropriate amounts are set aside within the Insurance Reserve to cover the assessed likely cost of such matters over the year in which they are likely to be settled. Provision is made in the Balance Sheet for those claims and actions where the Council can reasonably foresee that liabilities or losses will be incurred.

The assessment of the likely liability and loss to the Council necessarily involves assumptions as to the likely outcome of claims and actions and the nature and extent of events which may have occurred at the Balance Sheet date, but of which the Council is not yet aware. Accordingly, the actual liabilities arising from events that have occurred prior to the Balance Sheet date could exceed or be less than the amount that has been set aside to cover such matters.

Guided Busway

The Council is currently in dispute with the contractor (BAM Nuttall) that delivered the Guided Busway capital scheme. The dispute relates to the rectification of defects that have already been identified within the infrastructure and the likelihood of further defects that could arise in the future. It is not practicable, at this point, to estimate with any degree of certainty the potential liability that may be incurred by the Council in the eventuality that legal action arises as a result of this dispute. The issues involved in this matter are complex and negotiations with the contractor are ongoing. As a result no amounts have been included in the accounts to cover the potential liabilities associated with this action.

41. HERITAGE ASSETS: Further Information on the Council's Collections

Cambridgeshire Archives

The archives collections held by Cambridgeshire Archives include original historical documents relating to the area covered by the modern county of Cambridgeshire. The purpose of preserving these records is so that members of the public may consult them, which is allowed within supervised reading rooms.

A catalogue of the collection is available publically through the internet and contains details of at least 460,000 items. There are many thousands of other historical documents which are still to be catalogued.

Governance

The authority to hold Public Records comes from The National Archives, which regularly inspects the Archives service to ensure that working practices and policies are maintained.

Major stakeholders, including the owners of some large collections, are represented on the County Advisory Group for Archives and Local Studies (CAGALS). This Group meets three times a year to oversee the management and direction of the archives service and to give its advice where necessary.

Storage and preservation

The archival collections are held in secure, environmentally controlled and monitored strong rooms at Ely and Huntingdon that both meet standard PD5454. The archives which used to be held in the basement of Shire Hall are now held at the new Cambridgeshire Archives building in Ely which opened in 2019. Huntingdonshire Archives is based at Huntingdon Library, opened in 2009.

Cambridgeshire Archives has a conservation studio in which damaged or very fragile documents are repaired. The service also operates a digitisation and photography unit which takes high quality digital images of selected historical documents. The creation of these images reduces the need for the originals to be consulted, thereby assisting in their preservation.

Status of acquisitions

Cambridgeshire Archives holds an estimated 900 cubic metres of archives at Ely and 190 cubic metres at Huntingdon.

The majority of acquisitions are made by long-term or permanent deposit; the service does not own them, but there is an expectation that the owners will not request the documents' return. A minority of acquisitions are made by purchase or donation or by transfer from the Cambridgeshire County Council department which has created them. All assets are deemed to be kept permanently, irrespective of their status as deposit, transfer, donation or purchase.

No market valuations are made at time of accession, as the Council does not consider that reliable valuation information can be obtained given the lack of any comparable market values. The vast majority of other historical documents of comparable scope and importance are already held by other county record offices and therefore do not appear on the market. The only recent acquisitions for which the service has definite valuations are those which have been acquired through purchase, or occasionally through donation where a third party has paid for the cost of purchase.

The Archives were valued by Bonhams, the international auction house and valuers, in 2020, the first such comprehensive valuation carried out since 2008. The documents that are held at the new archives centre in Ely were collectively valued at £14.7 million (2008 valuation: £14.5 million), while the ones held in the archives store at Huntingdon were valued at £4.3 million (2008 valuation: £4.1 million).

Local Studies

The Council also holds reference and loan Local Studies collections in Libraries. Whereas the archives service preserves original documents, the Local Studies team preserves printed and published material (some of which can still be very old). About 290 cubic metres of local studies reference materials are held at the Cambridgeshire Collection in Cambridge Central Library.

Archaeology and Monuments

The archaeology collection principally consists of around 12,500 boxes of material excavated in the county since 1992, with partial coverage from before that date. These archives are transferred to the council's ownership at time of deposition. The contents of these archives date from all periods of human activity from the late lower Palaeolithic to present day. There are also about 28,000 small finds stored separately.

Notable highlights of the collection include assemblages from the earliest origins of the county's cities and towns, including Cambridge, Ely and Huntingdon. We also store over 2,000 human skeletons (all older than 100 years) from several important cemetery excavations, along with associated grave goods in many instances.

As set out in the summary of significant accounting policies, the Council does not consider that reliable cost or valuation information can be obtained for these items held in its archaeological collection. This is because of the diverse nature of the assets held and lack of comparable market values. The value of these assets lies in their research and outreach use.

The majority of the archaeology collection has been relocated to Deepstore, Winsford, in Cheshire, as it is considered a more suitable and effective storage environment. Access is permitted to scholars and others for research purposes on request. Conservation, retention, preservation and use strategies of the archaeology collections are the responsibility of the Council's Historic Environment Team. This team also arranges safe storage of the collection, and maintains the publically accessible Cambridgeshire Historic Environment Record, which records 26,000 monuments, 6,000 events and finds within the County.

The cost of preservation of archaeological assets held in store is £22,000 per annum.

The Council has identified certain significant scheduled monuments or listed buildings which are preserved to support future knowledge and culture. Where the primary use of the wider site is for farming no reclassification to heritage asset status has been made. This is the case in 5 instances: Devil's Ditch, Stonea Camp, Worts Meadow, Giant's Hill and Car Dyke.

Similarly, the Council has considered Cambridge Castle and Civil War Defences, which have historical value but are primarily held as a component of otherwise operational sites.

The Council considers that Gransden Mill and Ramsey Ice House meet the definition of a community asset, although they also contribute to the preservation of culture. However, Gransden Mill is currently actually held as a surplus asset as the Council is looking to transfer it to a local community group.

Art Collection

The art collection consists of 36 paintings, prints, drawings and photographs. The primary use of the collection is by Cambridgeshire schools to support and enrich the curriculum. Requests for works can be made by schools through the Council's website. The average insurance valuation per work is £300. Administration of the collection is undertaken by Council staff within Children's Services.

Civic regalia

Other Supporting Notes

There are chains of office attached to the positions of Chairman and Vice-Chairman of the Council, and their respective consorts, which are worn in the conduct of official duties. There are also a number of other sundry items which decorate the ceremonial areas of Shire Hall. The financial value of these sundry items is not known.

GROUP ACCOUNTS

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PENSION FUND ACCOUNTS

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APPENDIX 1 - ACCOUNTING POLICIES

GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2020-21 financial year and its position at the year-end of 31 March 2021. 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 2020-21*, 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 (this threshold has been used as a guideline across the Council, where it is sensible to refer to a de minimis in making accrual adjustments).

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.

Cambridgeshire County Council

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 Council, 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, page 154). 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. The Code stipulates that if a new component of an asset is recognised, then the carrying amount of a replaced or restored part of the asset should be derecognised. 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). As such, the value derecognised will be determined by the cost of the replacement asset.

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 carrying value assessment 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 30 November during the year in question, however as part of the carrying value assessment exercise, some assets are revalued again as at 31 March of the year in question and are potentially adjusted for indexation to 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 in line with how Infrastructure Assets are recorded in the Asset Register. 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.

Appendix 1 – Accounting Policies

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;

Costs shall be capitalised and form part of the cost of that non-current asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready (over a year) for its intended use or sale.

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 expenditure 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 is incurred;
- Finance costs in respect of the asset are incurred; and
- Activities that are necessary to develop an asset are in progress.
- Borrowing funding for a project is expected to total over £500k before the asset is operational

Capitalisation ceases when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete.

Capitalisation will 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 60 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.

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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 147);
- 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 160). 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 based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

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

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument, and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the 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 financial assets held by the Council, 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.
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.

Expected Credit Loss Model

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

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

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 AND NON-DOMESTIC RATES

In England, billing authorities act as agents on behalf of major preceptors in collecting council tax and non-domestic rates (NDR). 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 and NDR 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 and NDR 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.

Appendix 1 – Accounting Policies

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 35)

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 160). 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.

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 – closing bid price
  - property – market value;
- The change in the net pension liability is analysed into service cost and re-measurement 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.

Re-measurements 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 employer 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.

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:

Cambridgeshire County Council

- **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.

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.

GLOSSARY

ACCRUAL
An amount to cover income or spending that belongs to the accounting year, which was outstanding at the accounting date.

ACCUMULATED ABSENCES ACCOUNT
An unusable reserve which absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March.

ACTUARIAL BASIS
Valuations performed by an actuary relating to a pension scheme's assets and liabilities.

ACTUARY
An independent company which advises on the assets and liabilities of the Fund with the aim to ensure that the payment of pensions and future benefits are met.

AMORTISATION
The process of reducing the value of an asset or liability over its useful life.

BALANCE SHEET
A summary of financial position showing the assets and liabilities recognised by the Council, matched by the level of reserves held.

BALANCES
The accumulated surplus of income over expenditure on the General Fund (see later).

BENEFICIAL OWNER
The true owner of a security regardless of the name in which it is registered.

BID PRICE
The price at which securities are purchased by market makers.

BOND
Security issued by a corporate or government body borrowing in the capital markets. Bonds promise to pay interest (coupons) during the life of the bond plus the principal sum borrowed on the redemption date. Bonds may be secured over assets of the firm or be unsecured

BUDGET
A statement defining the Council's policy over a specified period expressed in financial terms and including other performance and statistical data.

BUILDING SCHOOLS FOR THE FUTURE (BSF)
A national programme to bring all secondary schools up to modern standards over 15-20 years.

CAPITAL ADJUSTMENT ACCOUNT
An account that reflects the difference between the cost of long-term assets consumed and the capital financing set aside to pay for them.

CAPITAL FINANCING REQUIREMENT
A notional amount of debt which determines the Minimum Revenue Provision.

CAPITAL GRANTS
Grants received towards capital spending (see next) on a particular service or project.

CAPITAL SPENDING
Payments made for the acquisition or provision of assets which will be of long-term value to the Council e.g. land, buildings and equipment.

CAPITAL RECEIPTS
Proceeds from the sale of capital assets such as land or buildings. They are available to finance new capital outlay and to repay existing loan debt.

Glossary of Terms

CARRY FORWARDS
Directorates, Schools and Trading Units are permitted / required to transfer any underspending or overspending into the next financial year.

CASH EQUIVALENTS
Assets which are readily convertible into cash.

COMMUTATION
Giving up part or all of the pension payable from retirement in exchange for an immediate lump sum. Commutation factors (usually calculated by the Scheme Actuary) are used to determine the amount of pension which needs to be given up in order to provide the lump sum.

CONTINGENT ASSETS AND LIABILITIES
Are assets and liabilities that may or may not be incurred depending on the outcome of a future event.

CREDITS (PFI)
A measure of private sector investment that will be supported by central government grant and acts as a promise that PFI grant can be claimed once a PFI project is operational.

CURRENT ASSETS
Short-term assets such as inventories, receivables and bank balances.

CURRENT LIABILITIES
Amounts owed which are due to be settled in less than one year, such as bank overdrafts and money owed to suppliers.

DEFERRED PENSION BENEFIT
A pension benefit which a member has accrued but is not yet entitled to receive.

DEFICIT
An outcome as a result of taking away all expenses from income.

Glossary of Terms

DEPRECIATED REPLACEMENT COST
This is a basis of valuation which provides an estimate of the market value for the land the building sits on, plus the current gross replacement cost of the building less allowances for physical deterioration and all relevant forms of obsolescence and optimisation.

DEPRECIATION
The measure of the wearing out, consumption or other reduction in the useful economic life of a long-term asset.

DERIVATIVE
A special type of contract that derives its value from the performance of an underlying entity. This underlying entity can be an asset, index, or interest rate, and is often called the "underlying". Derivatives can be used for a number of purposes - including insuring against price movements (hedging), increasing exposure to price movements for speculation or getting access to otherwise hard to trade assets or markets.

DIVIDEND
The distribution of profits by a company to its shareholders. The dividend may be passed or cut if profits fall. [See also Equities]

EARMARKED RESERVE
An earmarked reserve is money set aside for a specific purpose.

EQUITIES
Shares representing the capital of a company issued to shareholders usually with voting rights on the way the company runs the business. Equity holders rank last in the event of the winding up of a company.

EVENTS AFTER THE BALANCE SHEET DATE
Events occurring between the Balance Sheet date and the date on which the Accounts are signed by the Chief Finance Officer, which have a significant impact on the Council’s finances.

FINANCIAL INSTRUMENTS
Contracts which give rise to a financial asset of one entity and a financial liability or equity instrument of another.

FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

An account to manage the imbalance between accounting rules and statutory provisions for charging amounts to the general fund. The "balancing" entry for each of the adjustments for the Financial Instruments will constitute a new reserve on the Balance Sheet called "Financial Instruments Adjustment Account". This reserve is not a usable reserve.

FINANCIAL CONDUCT AUTHORITY (FCA)

The lead UK regulator. A designated agency which is not a government department.

FORCE MAJEURE

A common clause in contracts that essentially frees both parties from liability or obligation when an extraordinary event or circumstance beyond the control of the parties, such as a war, strike, riot, crime, or an event described by the legal term *act of God* (such as hurricane, flooding, earthquake, volcanic eruption, etc.), prevents one or both parties from fulfilling their obligations under the contract.

GENERAL FUND

The main revenue fund of the Council. Council tax precepts and Government grants are paid into the fund, from which the cost of providing services is met.

GOVERNMENT GRANTS

Payments by Central Government towards Local Authority spending. They may be specific to a particular service e.g. Education or Social Services; or general.

HERITAGE ASSETS

Assets (land, building, or artefact / exhibit) held principally for their contribution to knowledge or culture.

IMPAIRMENT

A reduction in the value of an asset from its previous value in the accounts.

INCOME
Amounts which the Council receives, or expects to receive, from any source. Income includes fees, charges, sales, government grants and precept. The term income implies that the figures concerned relate to amounts due in a financial year irrespective of whether or not they have been received in that year.

INFRASTRUCTURE ASSETS
Assets such as roads and bridges.

INTANGIBLE ASSETS
Non-monetary assets that cannot be seen, touched or physically measured, but can be identified as a separate asset.

INTERNAL CONTROLS
Procedures or systems designed to promote efficiency, assure policy implementation, safeguard assets and avoid fraud and error.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
Accounting Standards, Interpretations and the Framework adopted by the International Accounting Standards Board (IASB).

INVENTORIES
Goods bought but have not been used.

LGSS
A partnership between Cambridgeshire, Northamptonshire County Councils and Milton Keynes Council to create a wholly owned public sector organisation to deliver professional and transactional support services.

LONG-TERM ASSETS
Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.

MINIMUM REVENUE PROVISION
The minimum amount which must be charged to revenue in the year for the repayment of debt.

Cambridgeshire County Council

NET BOOK VALUE
The depreciated value of an asset.

PAYABLES
Amounts owed by the Council for work done, goods received, or services rendered but for which payment had not been made at the date of the Balance Sheet.

PENSIONS STRAIN
Charges to employers to cover discretionary early retirement costs, which are the responsibility of the employer, recovered in the first year of retirement in full.

POOLED BUDGET
A partnership where participants aggregate funds to work collaboratively to address specific issues.

PRECEPT
The cash sum levied by one Authority in relation to council tax, which is collected by another (a billing Authority). The County Council is the precepting Authority and the District Councils are the billing authorities, acting as an agent for the Council.

PRIVATE FINANCE INITIATIVE (PFI)
A form of partnership between the private and public sector which is normally used for high risk / high value contracts for delivering capital assets for the provision of public services. The private sector designs, builds and maintains infrastructure and other capital assets and then operates those assets in return for annual payments to sell services to the public sector.

PROPERTY, PLANT AND EQUIPMENT
A non-current asset or long-term asset item which cannot easily be converted into cash.

PROVISION
An amount set aside for liabilities, which are known to exist, but which cannot be definitively measured at the date of the accounts.

PRUDENTIAL BORROWING
Borrowing which is financed from the Council's own resources and conforms to the Prudential Code.

PUBLIC WORKS LOAN BOARD
A government body set up specifically to lend money to local authorities.

RECEIVABLES
Sums of money due to the Council but unpaid at the Balance Sheet date.

RELATED PARTY
A person or an organisation which has influence over another person or organisation.

RESERVES
Amounts set aside for particular purposes but which do not conform to the definition for provisions. Movements in reserves are not part of service expenditure.

REVALUATION RESERVE
A reserve for amounts arising from the appreciated value of property; the difference between the former book value of property on the Balance Sheet and the present (revalued) book value of the property. The Revaluation Reserve will record the sum of the net gains (if any) on a property-by-property basis from revaluations made after 1 April 2007.

REVENUE CONTRIBUTIONS
The shortened form of Revenue Contributions to Capital Outlay (often abbreviated as RCCO). It refers to the financing of capital spending directly from revenue, rather than loan or other sources. Can also be described as capital expenditure charged against the general fund balance.

REVENUE EXPENDITURE
The day-to-day spending of the Council on such items as employees, office running costs, and the purchase of services

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)
Expenditure that legislation allows to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a long-term asset.

STOCK
Shares (e.g. Common stock). However, UK Gilts are more correctly described as stock.

SURPLUS
An outcome as a result of taking away all expenses from income.

TREASURY MANAGEMENT
A process which plans, organises and controls cash, investments and borrowings so as to optimise interest and currency flows, and minimise the cost of funds.

TRUST
Investments are owned by trustees for the underlying beneficial owners. A unit trust is a trust, incorporated under a trust deed. An investment trust is a company, not a trust.

UNIT TRUST
An open-ended trust investing in a wide spread of stocks, shares and cash (subject to FSA limits). Investors buy units directly from the Fund manager to participate in a diversified portfolio. Unit trusts are subject to FSA investment and borrowing regulations.

ANNUAL GOVERNANCE STATEMENT

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Agenda Item: 6

Internal Audit Annual Report 2020/21

To:	Audit & Accounts Committee
Date:	July 22nd 2021
From:	Head of Internal Audit & Risk Management
Purpose:	The Public Sector Internal Audit Standards require that the Chief Internal Auditor presents an annual report to the Authority's Audit & Accounts Committee. This is reflected in the terms of reference of the Authority's Audit & Accounts Committee. The purpose is for Audit & Accounts Committee to consider the Annual Internal Audit Report for 2020 – 21 and be made aware of the Head of Internal Audit & Risk Management's opinion on the state of the Internal Control Framework within Cambridgeshire County Council.
Key issues:	The Annual Internal Audit Report forms part of the evidence that supports the Authority's Annual Governance Statement 2020 – 21.
Recommendation:	Audit & Accounts Committee is requested to approve the Annual Internal Audit Report.

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INTERNAL AUDIT & RISK MANAGEMENT

ANNUAL REPORT

2020/21

NEIL HUNTER, HEAD OF INTERNAL AUDIT & RISK MANAGEMENT July 2021

Internal Audit & Risk Management
Annual Report 2020/21

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1. INTRODUCTION

1.1 The Annual Reporting Process

1.1.1 The Public Sector Internal Audit Standards (PSIAS) (Performance Standard 2450) state that the Chief Audit Executive (CAE) must deliver an annual internal audit opinion and report that can be used by the organisation to inform its annual governance statement (AGS) that forms part of the Council's official accounts. Cambridgeshire County Council's Chief Audit Executive is the Head of Internal Audit & Risk Management.

1.1.2 The annual report is required to incorporate: the opinion; a summary of the work that supports the opinion; a statement on conformance with the Public Sector Internal Audit Standards.

2. CHIEF AUDIT EXECUTIVE OPINION 2020/21

2.1 Chief Audit Executive Opinion

2.1.1 The annual opinion of the Chief Audit Executive (CAE) must be based on an objective assessment of the framework of governance, risk management and control and include an evaluation of the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems.

2.1.2 In 2020/21, Cambridgeshire County Council was significantly impacted by the Covid-19 pandemic, and Internal Audit resource was redirected in-year to support the organisation's response to this critical emerging risk, in line with best practice. While the Internal Audit Plan was significantly revised to accommodate the need for this work, the work completed in-year remained sufficient to support an evidence-based opinion over the control environment.

2.1.3 Public Sector Internal Audit Standards (PSIAS) also require the CAE to confirm that the Internal Audit service has operated with an adequate level of resource to deliver an annual audit opinion. Internal Audit operates independent of the organisation, as per the Internal Audit Strategy and Charter, and there have been no compromises of Internal Audit's independence in its operation this year. I can also confirm that service was compliant with PSIAS requirements (see Section 6, below, for more detail).

On the basis of the audit work undertaken during the 2020/21 financial year, a ***strong satisfactory*** *assurance opinion has been reached.*

My opinion is derived from an assessment of the range of individual opinions arising from work completed in 2020/21 by the Internal Audit team, taking account of the relative materiality of each area under review, and considering management's progress in addressing control weaknesses. Full details of the work completed by Internal Audit in-year are set out in the remainder of this report and at Appendix A, below; however, I would particularly highlight the following key pieces of evidence on which my opinion is based:

- *Review of the organisation's Code of Corporate Governance and the evidence supporting the Council's Annual Governance Statement, which demonstrate a sound core of organisational governance;*

- *Reviews of Key Financial Systems consistently demonstrating a good or satisfactory assurance across all systems;*

- *The organisational response to the Covid-19 pandemic, which demonstrated the strength of the Council's business continuity and risk management processes and the ability of senior management to respond effectively to unexpected challenges;*

- *In previous years, Internal Audit has highlighted a number of contract management issues in individual projects managed by the Major Infrastructure Delivery (MID) service. In 2020/21, at the service's request, Internal Audit implemented a full review of contract management in the service, including evaluating four major projects and assessing MID capital programme governance as a whole. This work identified significant areas for improvement; however the service has responded rapidly to these concerns, and action plans to address the issues are already underway.*

- *Although a high-profile issue relating to the tenancy of Manor Farm was reported publicly in 2020/21, this was first raised with the Internal Audit team in 2019. The affected service has responded positively to the issues identified, and the action plan to address the concerns is in the public domain. Additionally, it is noted that the organisation has completed a full review of the Whistleblowing Policy in light of the issues raised.*

It should be noted that no systems of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

- *Neil Hunter, Head of Internal Audit & Risk Management*

3.   REVIEW OF INTERNAL CONTROL

3.1   How Internal Control is Reviewed

3.1.1 In order to support the annual Internal Audit opinion on the internal control environment, each year Internal Audit develops a risk-based Audit Plan. This includes a comprehensive range of work to confirm that all assurances provided as part of the system of internal audit can be relied upon by stakeholders.

3.1.2 The changing public sector environment and emergence of new risks means that best practice necessitates a flexible approach and re-evaluation of the Audit Plan throughout the year. In 2020/21, the Covid-19 pandemic had a significant impact on the work of Cambridgeshire’s Internal Audit service, and this flexible methodology meant that the service could ensure that Internal Audit resources were continually targeted towards the areas of highest risk, throughout the year. This approach ensures that work completed is sufficient to give an evidence-based opinion over the control environment for the year.

3.1.3 Every Internal Audit review has three key elements. Firstly, the control environment is reviewed by identifying the objectives of the system and then assessing the controls in place mitigating the risk of those objectives not being achieved. Completion of this work enables Internal Audit to give an assurance on the control environment.

3.1.4 However, controls are not always complied with, which will in itself increase risk, so the second part of an audit is to ascertain the extent to which the controls are being complied with in practice. This enables Internal Audit to give an opinion on the extent to which the control environment, designed to mitigate risk, is being complied with.

3.1.5 Finally, where there are significant control environment weaknesses or where key controls are not being complied with, further substantive testing is undertaken to ascertain the impact these control weaknesses are likely to have on the organisation’s control environment as a whole.

3.1.6 Three assurance opinions are therefore given at the conclusion of each audit: control environment assurance, compliance assurance, and organisational impact. To ensure consistency in reporting, the following definitions of audit assurance are used:

Control Environment Assurance	
Level	**Definitions**
Substantial	There are minimal control weaknesses that present very low risk to the control environment.

Good	There are minor control weaknesses that present low risk to the control environment.
Satisfactory	There are some control weaknesses that present a medium risk to the control environment.
Limited	There are significant control weaknesses that present a high risk to the control environment.
No Assurance	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.

Compliance Assurance	
Level	**Definitions**
Substantial	The control environment has substantially operated as intended although some minor errors have been detected.
Good	The control environment has largely operated as intended although some errors have been detected.
Satisfactory	The control environment has mainly operated as intended although errors have been detected.
Limited	The control environment has not operated as intended. Significant errors have been detected.
No Assurance	The control environment has fundamentally broken down and is open to significant error or abuse.

3.1.7 Organisational impact will be reported as major, moderate or minor (as defined below). All reports with major organisational impact are reported to JMT, along with the agreed action plan.

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

3.2 The Basis of Assurance

3.2.1 The findings and assurance levels provided by the reviews undertaken throughout 2020/21 by Internal Audit form the basis of the annual opinion on the adequacy and effectiveness of the control environment.

3.2.2 In 2020/21, the Audit Plan has been based on assurance blocks that each give an opinion on the key control environment elements, targeted towards in-year risks, rather than a more traditional cyclical approach that looks at each system over a number of years. The Audit Plan reflects the environment in which the public sector audit operates, recognising that this has changed considerably over the past few years with more focus on, for example, transformation, contract management, safeguarding and achieving value for money; and in 2020/21, an emphasis on providing assurance over organisational arrangements to respond to the coronavirus pandemic.

Section 4

4. INTERNAL AUDIT IN 2020/21

4.1 Overview and Key Findings

4.1.1 This section provides information on the audit reviews carried out in 2020-21, by assurance block. This includes a specific assurance block of reactive work conducted in-year to review and support the organisation's response to the Covid-19 pandemic.

4.1.2 For the reviews undertaken during 2020/21, no areas were identified where it was considered that, if the risks highlighted materialised, it would have a major impact on the organisation as a whole. This is an important indicator from the internal audit work and underpins the overall satisfactory assurance on the control environment.

4.1.3 In each instance where it has been identified that the control environment was not strong enough, or was not complied with sufficiently to prevent risks to the organisation, Internal Audit has issued recommendations to further improve the system of control and compliance. Where these recommendations are considered to have significant impact on the system of internal control, the implementation of actions is followed-up by Internal Audit and is reported to Audit and Accounts Committee on a quarterly basis.

4.1.4 Due to the exceptional pressures created by the Covid-19 pandemic, at the start of the 2020/21 financial year the Chief Internal Auditor agreed a change to usual working practices, to create greater capacity to respond to the additional reactive work required of the Internal Audit team at this point. As such, follow-up of implementation of actions was also placed on hold at this time.

4.1.5 As Covid-19 pressures eased, Internal Audit completed a comprehensive review of all recommended actions to ensure that all business-critical actions were being implemented by services. This review re-evaluated the risk profile of each individual recommendation made, to identify where traditional audit follow-up was required for actions related to higher-risk areas and where actions related to lower-risk areas do not require full formal follow-up.

4.1.6 An overview of the implementation of actions in 2020-21 is summarised in Table 1, below[1]:

[1] Please note that the total reflects the number of recommendations required to be implemented within 2020-21, and therefore includes recommendations made in 2019-20.

Table 1: Implementation of Audit Recommendations 2020-21

	Category 'Red' recommendations	Category 'Amber' recommendations	Total
Agreed and implemented.	2	59	61
Agreed and due within the last 3 months, but not yet implemented.	0	4	4
Agreed and due over 3 months ago, but not yet implemented.	0	11	11
Agreed but not due until after 31 March 2021.	2	56	58
TOTAL	4	130	134

4.2 Organisational Covid Response

4.2.1 The coronavirus pandemic in 2020/21 has had a significant impact on Cambridgeshire County Council and, as a critical emerging risk, on the in-year work of Internal Audit. The Council reacted swiftly to place the Joint Management Team (JMT) on an emergency management footing, with daily meetings of the JMT 'Gold' command group taking place initially to manage the organisation's response to the pandemic, and to feed into multi-agency forums across the County and sub-region. Full details of JMT's response to the pandemic can be found at Appendix B, an excerpt from this year's Annual Governance Statement.

4.2.2 Following the outbreak of the pandemic, it was agreed to pause the 2020/21 Audit Plan and to fully align Internal Audit resources to the risks being managed by Cambridgeshire County Council, in consultation with the Chief Financial Officer. The Internal Audit team also seconded officers to the Income Section and to Addenbrookes Hospital to support management of the pandemic. Work in the first few months of 2020/21 was therefore of a probative nature, with a significant amount of work directed towards review of daily expenditure transactions, risk management processes, procurement and contract management, as these areas of control were particularly at risk of being impacted by the organisational changes implemented to respond to the pandemic.

4.2.3 Internal Audit's work on the organisational response to coronavirus provided good assurance that key financial control systems continued to work effectively during this period and risks continued to be managed appropriately. In particular, during the first two quarters of the year, key areas of assurance included:

- **AP-GPC spend analysis** – During the pandemic, urgent expenditure decisions and a change to business-as-usual processed increased the risk of inappropriate expenditure. Internal Audit therefore carried out a daily review of all Accounts Payable transactions to identify potential fraudulent or inappropriate entries, in order to provide assurances on a weekly basis to the S151 Officer and other stakeholders that expenditure is legitimate and proportionate. This daily review work concluded at the end of August 2020 as the Council moved towards a business-as-usual footing.

- **PPN 02/20 Supplier Relief** – In March 2020, the Cabinet Office issued Procurement Policy Note 02/20, setting out guidance for public bodies on payments of their suppliers to ensure continuity during and after the coronavirus outbreak. The Internal Audit team developed a full suite of procedures for this supplier relief process and was responsible for initial recording and monitoring of the process at Cambridgeshire, and Internal Audit colleagues assessed some applications from suppliers, to provide additional organisational resource towards the process. The Head of Audit also sat on the Panel to recommend acceptance or rejection of applications for relief.

- **COVID-19 Risk Register** – Internal Audit worked with the Director of Business Development and Improvement to develop a full Covid-19 Risk Register and a supplementary key control focused risk register to actively manage key triggers during the pandemic. The team initially provided a weekly, then fortnightly risk register update report to the Director of Business Improvement & Development for consideration and submission to JMT, until Covid-19 triggers and controls were incorporated into business-as-usual Corporate and Directorate level risk registers in September 2020.

- **Private Finance Initiative (PFI) rebate** - Internal Audit worked on the assessment of insurance contributions and rebates on PFI contracts, resulting in a rebate of c. £50k requested by the Council.

- **Grants and Loans** – Internal Audit undertook assurance work over various grants and loans issued during the pandemic, and from September 2020, Internal Audit has been attending the Early Years Sustainability Panel meetings to provide support to the process of reviewing grant applications from childcare providers.

4.2.4 The team was proactive in engaging with the Joint Management Team in recommending areas where existing controls required enhancing, identifying new areas of risk that required control and also undertaking targeted audit work to increase assurances in those key areas of risk. Overall, Internal Audit work undertaken supports the view that the organisational response to Covid-19 was flexible, responsive to emerging areas of need, and effective in managing risk.

4.3 Financial and Other Key Systems

4.3.1 This is the 2020/21 suite of annual core systems reviews, undertaken to provide assurance to management and External Audit that expected controls are in place for key financial systems; that these controls are adequately designed and are routinely complied with in practice. The work is focused on the systems that have the highest financial risk. These reviews also give an opinion as to the effectiveness of financial management procedures and the arrangements to ensure the integrity of accounts.

4.3.2 During 2020/21 the audits were again undertaken as joint reviews of Cambridgeshire County Council, Milton Keynes and Northamptonshire County Council LGSS systems. With the agreement of the Chief Finance Officer, the following audits were undertaken by colleagues based at Milton Keynes and Northamptonshire in both 2019/20 and 2020/21 financial years

- Payroll
- Bank Reconciliation
- General Ledger
- IT General Controls
- Pensions
- VAT
- Treasury Management (undertaken by the CCC Internal Audit Team for 2020/21 as Treasury Management was repatriated from LGSS)

4.3.3 The Payroll review for 2020/21 has yet to be completed. Colleagues at MKC have provided assurances that the report will be at draft report stage by 31st July 2021. At the time of writing this report, no significant issues or risks have been identified in the Payroll audit where fieldwork is progressing. A report on the Human Resources Transactions element of the Payroll system has been completed and satisfactory assurance over the environment and good assurance on compliance. Cambridgeshire Internal Audit has completed a piece of work on Payroll Analytics to review any trends, patterns or significant variances within full time equivalent (FTE) averages. As a result of this work no significant variances or anomalies were identified.

4.3.4 Table 2 below details the assurance levels of all key systems audits undertaken in 2020/21, compared to the assurance levels in 2019/20.

Table 2 – Key Financial Systems Audits 2020/21

Key Financial Systems:	Audit Opinion 2020-2021		Audit Opinion 2019-2020	
	Environment	Compliance	Environment	Compliance
Treasury Management	Good	Good	Not Completed	
Bank Reconciliation	Good	Good	Not Completed	
Purchase to Pay	Good	Good	Good	Satisfactory
Accounts Receivable	Good	Good	Good	Good
Debt Recovery	Satisfactory	Satisfactory	Satisfactory	Limited
Payroll	Not Completed		Not Completed	
Pensions	Substantial	Good	Substantial	Good
General Ledger	Good	Good	Not Completed	
IT General Controls	Good	Good	Not Completed	
VAT	Satisfactory		Satisfactory	

4.3.5 The VAT review commenced in 2019/20 but was not completed until 2020/21. The review was paused due to the Covid-19 pandemic and colleagues at Milton-Keynes focusing on high priority support work. The review gave satisfactory assurance opinions over the environment and compliance.

4.4 Compliance

4.4.1 Compliance work is fundamental, as it provides assurance across all Directorates and therefore has a significant influence on the Head of Internal Audit opinion on the control environment. The audit coverage for compliance is underpinned by an assessment of the Council's framework of controls (often directed by policies and procedures) and includes a focus on 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 key policies and procedures are being complied with in practice. As a part of this work, the existing controls are challenged to ensure that they are modern, effective and proportionate.

4.4.2 Given the impact of the coronavirus pandemic on the Audit Plan, a reduced number of compliance-only reviews were carried out in 2020/21; however, all risk-based and key financial systems reviews do include a compliance element.

As well as a range of contract reviews, discussed below at 4.6, Internal Audit conducted compliance work in the following areas:

- Procurement Waivers
- Spend over £20k

4.4.3 Where weaknesses have been identified, recommendations have been made to improve compliance and/or procedures and controls; all recommendations which are considered to be of medium or high impact on the control environment are followed up by Internal Audit to ensure they have been implemented.

4.5 Risk-Based Reviews

4.5.1 Risk-based reviews have been a key element of the assurance on the entire control environment of the authority in 2020/21. This assurance block includes reviews which have been targeted towards key areas of high risk, as identified through consultation with senior management, review of risk registers, and the Internal Audit risk assessment of the organisation. This block also incorporates on-going work on initiatives to promote value for money. Each audit we undertake includes consideration of value for money at its core.

4.5.2 The outcomes of all risk-based reviews issued in 2020/21 can be seen at Appendix A.

4.6 Contracts Reviews

4.6.1 In 2020/21, Internal Audit has provided reviews of a number of contracts, including the Highways Service Contract open book review, with the first stage of this work resulting in a significant repayment to the Council for the over recovery of costs.

4.7 Anti-Fraud and Whistleblowing

4.7.1 In January 2021, responsibility for managing and investigating whistleblowing and suspected fraud referrals received by Cambridgeshire Internal Audit moved back in-house. This had previously been dealt with by the LGSS Counter Fraud service, with Cambridgeshire staff leading on investigation of particular cases where local knowledge was required. The Cambridgeshire team maintains a log of all whistleblowing referrals received, including those which are subsequently passed to other services (such as HR or safeguarding) and the outcomes.

4.7.2 In 2020/21, a total of 23 whistleblowing referrals were received and processed by either the LGSS Counter Fraud Team or the Internal Audit Team at CCC. This is comparable to a total of 24 referrals received in 2019/20.

Table 3: Whistleblowing Referrals Received by Internal Audit in 2020/21:

Type of Case	Closed	Open	All
Anti-competitive activity allegation		1	1
Blue Badges	5	1	6
Conflict of Interest	1		1
Contract Fraud	1		1
Direct Payments	2	2	4
HR-related issues	3		3
Information Security issues	1		1
Phishing fraud	1		1
Schools governance allegation	1		1
Thefts	1		1
Third Party Frauds	2		2
School admissions fraud	1		1
2020/21 Totals	**19**	**4**	**23**

4.7.3 A formal process of risk assessment is undertaken on all referrals, to identify the appropriate action to be undertaken. In the majority of cases, either:

- The initial review finds no investigation is required, for instance if the issue has already been dealt with internally; should be addressed through other procedures (such as the Respect At Work Policy); or is not serious enough to warrant a full investigation; or
- An investigation is initiated, but subsequently finds the allegation is not substantiated or only minor issues are found.

4.7.4 It is noted that in one instance, the LGSS Counter Fraud team was pursuing a court case for fraudulent use of a Blue Badge. The case was repeatedly delayed due to court closures as a result of the pandemic, and then due to self-isolation requirements; subsequently legal advice was that the case should be withdrawn from proceedings as the delays meant that it was considerably out of date, and the case has been closed.

Table 4: Outcomes of Whistleblowing Referrals Received in 2020/21:

Outcome of Case	No. Cases
Advice and guidance given.	1
Disciplinary investigation.	1
Court case withdrawn.	1
Defrauded monies recovered from bank.	1
Initial inquiries identified no further action needed.	12
Investigation confirmed no serious concerns.	3
Investigation ongoing.	4
2020/21 Totals	**23**

4.7.5 The Internal Audit team has been working with HR colleagues since the start of 2021 to revise and update the Council's Whistleblowing Policy, and questions about officer awareness and use of the Policy have been included in a recent staff survey run by HR. The revised Policy will be brought to Audit & Accounts Committee for approval in July 2021, and the intention will be to relaunch the new policy and undertake a programme of awareness-raising among staff.

National Fraud Initiative (NFI) 2020/21:

4.7.6 The NFI compares different data sets provided nationally by local authorities, central government, and partner organisations. CCC pensions data, for example, is compared with data from other local authorities to identify 'matches' i.e. anomalies, such as any individuals in receipt of a pension who are recorded elsewhere as being deceased. This enables errors to be highlighted, as well as potentially fraudulent transactions.

4.7.7 The current exercise commenced in September 2020, when the Council supplied datasets for national data matching purposes, including payroll, creditors, concessionary travel, and procurement data. Identified 'matches' were then released by the NFI in January 2021; these matches will be investigated by the Council, with oversight from the Internal Audit team, in 2021/22. The total number of matches for CCC is 8,629 across 31 reports which have a high or medium risk rating. Given the extremely high volume of matches, a risk assessment process is undertaken to prioritise the most high-risk matches for review in the coming year. Outcomes will be reported to Audit & Accounts Committee on an ongoing basis, as part of the quarterly Internal Audit Progress Reports.

4.8 ICT and Information Governance

4.8.1 In 2020/21 a reduced programme of ICT audit reviews operated. The ICT service was under significant pressure in the first part of the year as a result of the coronavirus pandemic, and in the second part of the year as a result of the preparations for the move of the data centre.

4.8.2 Two internal audit reviews were undertaken: a review of user access management, permissions and access rights controls within the Council's ERP Gold finance and HR system, which gave good assurance; and an ICT Security Health Check looking at the Council's compliance with the Public Services Network security certification, compliance with the NHS Data Security and Protection Toolkit, and compliance with Payment Card Industry Data Security Standards. This review gave satisfactory assurance.

4.9 Grants and Other Head of Audit Assurances

4.9.1 Internal Audit testing again confirmed that grants received by Cambridgeshire County Council requiring review and certification by Internal Audit have been spent in accordance with grant conditions, including the troubled families grant process.

4.10 Policies and Procedures

4.10.1 In 2020/21, Internal Audit has maintained a focus on review of key policies and procedures, to ensure that these are: up to date; fit for purpose; effectively communicated; routinely complied with across the organisation; monitored and routinely improved. This has included a review of the Council's Whistleblowing Policy.

4.10.2 In addition to work which focuses specifically on individual Council policies and procedures, every risk-based audit review undertaken considers the current policies and procedures in the service area under review, and audit recommendations include suggested revisions or updates to policies as appropriate.

4.10.3 Furthermore, Internal Audit undertook a review of the framework supporting CCC Key Policies and identified that a framework document should be developed which should include:

- A definitive list of CCC's key policies
- Links to each policy or where to find them
- The update schedules for each
- Whether any particular legislation must be taken into account when updating
- Whether legal advice is needed on updating (to prevent misinterpretation of legislation)
- Who is responsible for updating each policy
- Who needs to approve changes to the policy (e.g. JMT or service committees)
- Templates and Guidelines for the creation of new policies (e.g. is an Equalities impact assessment needed)

4.11 Other Work

4.11.1 Internal Audit continues to provide advice and guidance to officers on a wide range of issues, including the interpretation of Council policies and procedures, risks and controls within systems or processes, and ad-hoc guidance on queries relating to projects or transformation. In particular, in 2020/21 there was a high volume of queries and requests for advice relating to the organisation's pandemic response. Internal Audit aims to provide clear advice and risk-based recommendations with a view to reducing bureaucracy whilst maintaining a robust control environment. Where appropriate, we also refer queries or concerns on to specialist services such as Information Governance or IT Security.

4.12 Summary of Completed Reviews

4.12.1 A summary of all audit reports issued in 2020/21 is attached at Appendix A.

5. RISK MANAGEMENT IN 2020-21

5.1 Overview of Risk Management

5.1.1 In November 2019, a new risk management process was proposed by the Director for Business Improvement and Development (BID) and Head of Internal Audit. The new process and risk register format were agreed by JMT

5.1.2 This process cemented the quarterly cycle for risk management and assessment on the control environment. The process includes regular meetings with and support for risk owners and management of the corporate and directorate risk registers through an online platform (GRACE). Work to refresh the corporate and directorate risk registers was undertaken at the start of 2020, however this work was paused following the outbreak of the Covid-19 pandemic.

5.1.3 At this point, JMT agreed that a separate risk register should be created to ensure full visibility of this new and rapidly changing risk. It was agreed that the Director BID should develop and monitor the COVID risk register on behalf of JMT. To develop this risk register in a timely way, there was positive, proactive input from all members of JMT, directorate risk owners and other key officers.

5.1.4 Once the risk register was developed there was a clear and regular update (weekly from the beginning of May) and reporting process to incorporate emerging risks and triggers into the register and to allow for proportionate action plans and then controls to be developed. COVID risk register monitoring, reporting and escalations to JMT continued on a weekly basis until September 2020.

5.1.5 By September 2020, risk controls had been put in place against all COVID risks and actions were being managed within Directorates and monitored by JMT. At this stage, the Director BID, working with the Head of Internal Audit, presented a further paper on risk to JMT proposing that, as Covid-19 was likely to be an ongoing feature of our operating environment, it should be treated as a trigger, and reflected at the corporate risk register (CRR) and directorate risk register (DRR) level, and subject to escalation in the same way as any other trigger.

5.1.6 It was also agreed that the corporate and directorate risk registers should be refreshed, to ensure both that COVID-19 was appropriately captured as a trigger and that directorate risk registers are aligned both to each other and the corporate risk register, to allow for streamlined reporting and escalation. This refresh was essential to give an assurance that the corporate risk register remains an effective tool to support JMT in managing organisational risk, particularly during the pandemic where the control environment can change quickly.

5.1.7 The Director BID and the risk team from Internal Audit then met with all Directors and risk owners and the corporate risk register was updated and presented back to JMT in January 2021. Directorate management teams have also reviewed directorate risk registers with support from the risk management team.

5.1.8 Weekly escalation of risk remains as a standing item on the JMT agenda alongside standardised quarterly updates, as specified within the risk management framework.

6. INTERNAL AUDIT PERFORMANCE AND QUALITY ASSURANCE

6.1 Delivery of the 2020/21 Internal Audit Plan

6.1.1 The Cambridgeshire County Council Internal Audit Plan for 2020/21 was developed in early 2020, with the required resources confirmed as 1775 days. The draft Audit Plan was reviewed and agreed by Joint Management Team (JMT), and was then due to be reviewed and agreed by the Audit & Accounts Committee on the 24th March 2020. Although the draft Plan was published online as part of the papers for this meeting, the meeting itself was cancelled due to the announcement of the first UK lockdown in response to the coronavirus pandemic. While the July 2020 meeting of Audit & Accounts Committee was able to take place remotely, this was devoted to review of the draft statement of accounts, and therefore it was not possible for Internal Audit to formally present the Audit Plan to Committee until the 22nd September 2020.

6.1.2 The Internal Audit team at Cambridgeshire seeks to be highly responsive to emerging risks, and in accordance with best practice, it is normal for the Internal Audit Plan to be re-assessed and updated in line with changing risks throughout the year. Under the exceptional circumstances created by the Covid-19 pandemic, it was decided in conjunction with the Chief Financial Officer to pause the agreed 2020/21 Internal Audit Plan and to fully align audit resources to the emerging risks being managed by the County Council as a result of the pandemic. For the first half of the 2020/21 year, therefore, Internal Audit work focused on increasing assurances on key areas, such as spend, risk management and supplier relief as well as supporting directorates in developing processes and proportionate governance in new areas.

6.1.3 In the second half of the year, the service returned to operating an updated Audit Plan which was reassessed to include a balance of ongoing organisational Covid response work, and a selection of high priority risk-based reviews to provide assurance across the wider control environment. As a result, the service’s delivery of the revised 2020/21 Audit Plan remains sufficient to give an evidence-based opinion over the control environment for the year.

6.1.4 All Internal Audit reviews delivered in-year are detailed at Appendix A, below.

6.2 Compliance with Public Sector Internal Audit Standards

6.2.1 The Internal Audit service has operated in compliance with Public Sector Internal Audit Standards (PSIAS) throughout the year. An internal assessment of compliance with PSIAS was conducted in early 2021 and found no areas of non-compliance.

6.2.2 An external assessment of Internal Audit's compliance with Public Sector Internal Audit Standards (PSIAS) was most recently completed in 2016/17 with a follow up visit undertaken in May 2017, which confirmed service's compliance with the latest set of standards. An external review is planned for completion in 2021/22, as this is required every five years.

6.3 Service Development

6.3.1 Continuing Professional Development has been a major focus of the quality assurance programme in 2020/21, to ensure that staff have the skills to carry out their responsibilities with proficiency and deliver work of the required quality.

6.3.2 In 2020/21, due to the impact of the remote working instituted as a result of the Covid-19 pandemic, professional development has been delivered remotely. Weekly team development meetings are used to deliver training and development to all staff, and a system of post-audit assessments against the CIPFA Excellent Internal Auditor standard is used to identify areas for development on an ongoing basis, in tandem with regular supervision of all staff.

6.3.3 The Internal Audit team continues to develop staff and capacity for the future through the Internal Audit Graduate Trainee scheme, run in conjunction with the Financial Management Graduate Trainee scheme. Trainees are taken on as Apprentices to study for chartered accountant status with the Chartered Institute for Public Finance and Accountancy (CIPFA).

APPENDIX A

CCC INTERNAL AUDIT – SUMMARY OF COMPLETED REVIEWS 2020/21

The table below summarises the Internal Audit reviews that were completed during the 2020/21 financial year, excluding counter fraud investigations which are itemised separately in section 4.7.

Audit Title	Directorate	Compliance assurance	Systems assurance	Organisational impact
Organisational Covid Response Work				
Infection control grant 1	Public Health	N/A	Satisfactory	Minor
Infection control grant 2	Public Health	Good	Good	Minor
Daily Spend – Over £20k	Cross cutting	Satisfactory	N/A	Minor
AP-GPC spend analysis	Cross cutting	Review of all Accounts Payable transactions on a daily basis to identify potential fraudulent or inappropriate entries to provide additional assurances in weekly reporting to S151 Officer and other stakeholders that expenditure is legitimate and proportionate.		
PPN 02/20 – Supplier Relief	Cross cutting	The Audit team was responsible for initial recording and monitoring through the process and, depending on complexity, internal audit colleagues would assess the applications to support the contract managers. The Head of Audit sat on the Panel to recommend acceptance or rejection of application.		
COVID -19 Risk Register	Cross cutting	The team initially provided a weekly, then fortnightly update report to the Director of Business Improvement and Development for consideration and submission to JMT. It was then agreed that the Covid-19 triggers and controls would be incorporated into Corporate and Directorate level risk registers.		
Private Finance Initiative (PFI) rebate	Place and Economy	Internal audit worked on the assessment of insurance contributions and rebates on PFI contracts and resulted in around £50k requested back by the Council.		
Sustainability Panel	People and Communities	From September 2020 Internal Audit has been attending the Sustainability Panel meetings to provide support to the process of reviewing grant applications from childcare providers.		
Free School Meals Governance	People and Communities	Briefing-note style report on governance of Free Schools vouchers via a Council contractor.		
Key Financial Systems Reviews				
Accounts Payable	Cross cutting	Good	Good	Minor
Debt Recovery	Cross cutting	Satisfactory	Satisfactory	Minor
Treasury	Cross cutting	Good	Good	Minor

Management				
Accounts Receivable	Cross cutting	Good	Good	Minor
Pensions	Cross cutting	Good	Substantial	Minor
Financial Systems IT Controls	Cross cutting	Good	Good	Minor
Bank Reconciliations	Cross cutting	Good	Good	Minor
General Ledger	Cross cutting	Good	Good	Minor
HR Transactions	Cross cutting	Good	Satisfactory	Minor
VAT	Resources	Satisfactory	Satisfactory	Minor
Grant Reviews & Certifications				
Troubled Family Grant	People and Communities	Grant Certification Provided		
Bus Service Operators Grant	Cross cutting	Grant Certification Provided		
Teaching Apprenticeship Grant	People and Communities	Grant Certification Provided		
Emergency Active Travel Fund	Cross cutting	Grant Certification Provided		
Pothole Challenge Fund	Place and Economy	Grant Certification Provided		
Local transport Capital Block Fund	Place and Economy	Grant Certification Provided		
Disabled Facilities	Cross cutting	Grant Certification Provided		
Blue Badges	Cross cutting	Grant Certification Provided		
DWP Winter Support Grant	Resources	Briefing Note		
All Other Audit Reviews				
Key Performance Indicators	Cross cutting	N/A	Satisfactory	Minor
Community Capital Fund	Cross cutting	Good	Satisfactory	Minor
Light-Touch ICT Security Review	Customer & Digital Services	N/A	Satisfactory	Moderate
Schools Payroll	People and Communities	Limited	Satisfactory	Minor
Procurement Waivers	Cross cutting	Good	N/A	Minor
Feeder systems	Cross cutting	Good	Satisfactory	Minor
Key Policies and Procedures	Cross cutting	N/A	Satisfactory	Minor
This Land	Resources	N/A	Satisfactory	Moderate
Less than Best Process and Rent Reviews	Resources	N/A	Satisfactory (EY) Limited (Other)	Minor
King's Dyke Tender	Place and Economy	N/A	N/A	N/A
Capital Programme Governance	Place and Economy	Limited	Limited	Moderate
Wisbech Access Strategy	Place and Economy	Limited	Limited	Minor
Lancaster Way	Place and Economy	Limited	Limited	Minor
Fendon Road Roundabout	Place and Economy	Limited	Limited	Minor
Chisholm Trail	Place and Economy	Limited	Limited	Minor
Light Blue Fibre	Resources	Briefing note-style report issued.		
Schools Finance Audit	People and Communities	Limited	Limited	Minor
Fostering Overpayments Recovery	People and Communities	Good	Satisfactory	Minor

APPENDIX B

JOINT MANAGEMENT TEAM (JMT) APPROACH TO THE COVID-19 PANDEMIC

The below is an excerpt from the joint statement from JMT regarding their response to the Covid-19 pandemic, set out in Cambridgeshire County Council's Annual Governance Report 2020/21.

THE ROLE OF JOINT MANAGEMENT TEAM (JMT)
Joint statement from JMT

As the full impacts of the pandemic on the organisation were emerging in March 2020, the Council put its Joint Management Team (JMT) onto an emergency management footing, meeting as the "Gold" command group. JMT Gold meetings initially took place on a daily basis, feeding into multi-agency forums across the County and Sub-region and supported by a tactical co-ordination group within the Council.

Under the Constitution, the Chief Executive is empowered to take emergency decisions on behalf of the local authority: a number of Committee meetings were initially cancelled, meaning that an alternative decision route was needed, pending the enactment of secondary legislation enabling local government Committees to meet virtually from April 2020. An exception and highlight report process across the different tiers of management and up to Member oversight was implemented in response to these issues.

JMT has provided an outline of the main actions taken to mitigate and manage key risks during the Covid-19 pandemic, and alterations to the Council's normal governance structure which were necessitated as part of the organisation's coronavirus response, as follows:

i. Decision-Making and Management:

- Regular meetings of JMT to address the ever-changing impacts of the pandemic; ensure swift actions were developed and agreed; and set the communications strategy both internal and external. This included clear recording of actions and timescales for delivery. The increased frequency of meetings has meant that issues, and potential risks, can be regularly and routinely raised and appropriate mitigating actions determined.

- JMT agreed a financial protocol in the early stages of the pandemic and updated this in order to translate the scheme of financial management and other aspects of our normal governance to the circumstances of the pandemic, enabling the Council to respond using its resources in an agile way to ensure delivery of services and responding to citizens' needs.

- The Council followed the Cabinet Office guidance on procurement (across various Procurement Policy Notes (PPNs 2,3,4)) and established a panel for considering supplier requests for variations. Through this process the Council was able to focus on and escalate risks to procurement and its supply chain, ensuring continuity of cashflow to providers and of service to service users.

- Political briefings including CPF, Chairs and Vice-Chairs, Group Leaders, and the SCG and RCG Briefing for Local Leaders ensured political oversight.

- Regular updates to JMT from our Public Health specialists, so the implications of the progress COVID in our communities can be assessed by each council service and appropriate actions determined and implemented.

- In addition to the wider JMT meetings, the establishment of a sub-group from JMT, our COVID Gold/Strategic Group, which has met 3x a week to look more specifically at COVID prevention and Outbreak Management issues, risks and actions. Regular agenda items for this group include:

    - Review of the epidemiology at every Gold meeting, so that the changing pattern in the infection, and the associated risks and subsequent actions, are identified and actions determined and passed out to the appropriate services/groups.
    - Reports back from all elements of our Outbreak Management system (surveillance, outbreak management settings cells, testing and tracing etc.) so that issues and risks can be identified and acted on.
    - Regular reviews of national guidance and how this translates into the local context, so we are actively managing risks resulting from changes set out in this guidance.
    - Development of many specific/targeted action plans in response to areas of high infection and /or specific outbreaks, to help to manage and mitigate the spread of the infection.
    - Feedback from national and regional networks, and from the wider Cambridgeshire and Peterborough partners involved in the COVID response, so that we better understand how to shape and re-shape our response to COVID as part of this wider system, and so that we benefit from their insight and learning.
    - Constant internal and external communications and marketing campaigns that are tailored to ensure they reach their target audience to help prevent the spread of COVID; to help people understand what action to take if they experience symptoms or are a contact of those with a positive COVID test; and latterly to help people understand the importance of getting vaccinated and regular rapid testing.

ii. <u>Oversight of Financial Impact:</u>

- Throughout the pandemic there has been regular financial reporting of actual and estimated financial impact of the pandemic (this has been significant in income and expenditure terms, exceeding £70m). Initially this was through a weekly report circulated to JMT, with the frequency decreasing as the situation stabilised. This reporting was also formally submitted to Members culminating at General Purposes Committee.

- Deployment of that level of extra resource has significantly mitigated risks to service provision, whilst not impacting the Council's underlying financial strength.
- The Council has robust arrangements in place for financial monitoring and forecasting, including utilising the reporting tools of Mosaic, and the expertise of finance business partners working with demand led services. This leads to reliable and stable forecasts and clarity on the financial position during the year, alongside assurance about the levels of service and activity that this expenditure is supporting.
- Professionals working in the Resources Directorate, particularly those embedded Finance Business Partners, as well as colleagues in internal audit, insurance, property and procurement are well-placed to identify and escalate service delivery or governance issues. Business Partners develop trusted and expert relationships with the service managers they support, as well as having an independent reporting line via the Chief Finance Officer to the JMT.

iii. Managing the Impact of Covid on Our Communities:

- Ensuring that our response to COVID (set out in our Local Outbreak Management Plan and our service-specific COVID plans) is evidence-based with a focus on the course of infection amongst groups who are more vulnerable to COVID (risk factors include age, ethnicity, underlying health conditions) as well as groups who experience social and economic hardship (risk factors include low wage economy, poor housing, homelessness, houses of multiple occupancy).

- Supplementing national schemes, such as those providing financial and practical support for those experiencing hardship through the impact of COVID, with additional local schemes to ensure we can meet demand for support, particularly in areas or communities with high needs.

- Systematically re-deploying staff into roles that are focused on support for people who are more vulnerable, pausing business-as-usual activities where necessary.

- Maximising on our links with community and voluntary sector organisations, faith groups and community leaders, so they can reach out to individuals and families who may otherwise be overlooked through more traditional routes for support.

- Setting up a partnership sub-group and establishing the decision-making process for the allocation of the Contain Outbreak Management Fund, to ensure we are rigorous in how we meet the national criteria for this fund with its focus on addressing inequalities exacerbated by COVID.

- Budget process were put in place to identify and justify funding support for vulnerable and other residents with a rigorous justification of Covid-related spend that was supported by Public Health colleagues and based on the latest Government guidance. Examples include:

    - Covid Support Grants were used to provide rest centres for rough sleepers in Peterborough to ensure most, if not all, were not left vulnerable to Covid by being on the streets.
    - Securing agreement to extra Covid contingency costs for capital projects to allow contractors to operate sites in a Covid-safe way.
    - Regular additional cleaning of public spaces in particular when lockdowns were lifted to ensure a safe environment for the public.
    - Closing Household Recycling Centres to prevent the spread of the disease in Spring 2020.
    - Ensuring their safe reopening by investing in measures to keep members of the public apart, through strong hygiene supplies and traffic management measures to manage queuing traffic.
    - Closure of play parks and sports facilities with notices to explain the risks of their use, followed by their safe reopening in line with Government guidance.

iv. <u>Resource Management and Oversight:</u>

- The Resources Management Team met frequently throughout the pandemic and considered risks and issues for escalation to the JMT.

- JMT developed a strategic risk register focused on the Covid-19 pandemic, which is reviewed regularly. For more detailed information on the risk management approach, see Section 3.3, below.

- Clinically Extremely Vulnerable (CEV) work to manage escalations including evidence of demand management through supporting the most vulnerable. Targeted support work to manage escalations (e.g. carers).

- Track and Trace Gold meetings were stood up to provide evidence of rapid decisions making and resource planning; evidence of monitoring national policy and shaping it to the local level.

- Management of redeployment with evidence of risk management and resource allocations.

v. <u>Managing Staff Safety and Wellbeing:</u>

- Encouraging and enabling all staff to work from home wherever possible.

- Creating a safe environment in the office for those whose roles could not be undertaken at home, or who had special personal circumstances requiring them to be in the office

- Implementing Covid safe working practices for staff working on site or visiting sites, including social distancing measures.

- Providing mental health support for staff needing help to adapt to changing circumstances.

- Ensuring frequent and up to date communication with staff, from JMT Gold to P&E Silver on a daily basis through early months of the pandemic.

- Specific actions from JMT have included the creation and implementation of a suite of COVID risk assessments e.g. for our office spaces, our teams (who have been working in a range of settings throughout the pandemic) and for individuals.

- Property colleagues, including those with professional expertise in facilities management, building surveying and safety/compliance have been leading the response to the safety of our buildings and workplaces and responding to service requirements for provision of services at pace and in different places across the estate and in collaboration with partners.

Agenda Item No. 7

Whistleblowing Policy

To: Audit & Accounts Committee

Date: 22nd July 2021

From: Neil Hunter, Head of Internal Audit and Risk Management

1. Purpose

1.1 To present the Draft Whistleblowing Policy for consideration and comment.

2. Background

2.1 Internal Audit has recently reviewed and amended the Council's Whistleblowing Policy, in collaboration with HR colleagues.

2.2 The objective of the review was to make the Whistleblowing Policy more accessible and easier to understand for potential whistleblowers.

2.3 The Draft Whistleblowing Policy is now more concise; provides clarity on the type of disclosures that are protected by law; specifies the type of concerns that can be raised under the Whistleblowing Policy; and contains clear signposting to other Council policies that may be used to raise specific concerns.

2.2 The Draft Whistleblowing Policy also makes clear the roles and responsibilities of Council services in relation to whistleblowing referrals, including which service will lead on specific types of disclosures, and responsibilities for recording and reporting on referrals.

2.4 The Draft Whistleblowing Policy was reviewed and approved by JMT on the 29th June. It was also presented to the Unions for consultation at the Corporate Joint Panel meeting on the 14th July. Union representatives did not challenge or raise any concerns relating to the policy.

2.5 The Annual Whistleblowing Report will come to Audit & Accounts Committee once the results of the annual whistleblowing survey are collated.

3.0 Decision

3.1 Audit & Accounts Committee is requested to approve the Draft Whistleblowing Policy.

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WHISTLEBLOWING POLICY

THE COUNCIL WANTS YOU TO BE CONFIDENT THAT
YOUR CONCERNS WILL BE TAKEN SERIOUSLY.

This Whistleblowing Policy aims to:

- Encourage and enable any person to feel confident in raising serious concerns.
- Provide avenues for any person to raise concerns.
- Provide confidence to whistleblowers that all referrals will be dealt with in line with this policy.
- Describe how to take the matter further if dissatisfied with the Council's response.
- Reassure anyone making a referral that the Council will take all reasonable and practical steps to protect whistleblowers from reprisals, harassment, or victimisation.

A serious concern will not necessarily always constitute a whistleblowing referral which would be investigated under this policy. For example, there are separate processes to allow employees to lodge a grievance relating to their employment; for customers to complain about the service they receive; or for anyone to raise concerns about whether Members have breached the Member's Code of Conduct.

In order to ensure that serious concerns of any nature can be raised easily, Section 1 of this policy provides guidance on how to refer all types of concerns to the correct process, and advice can always be obtained from the contacts in paragraph 1.12 of this policy if you have any doubts.

	Policy Owner
Name:	Neil Hunter
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1. ROUTES TO REPORT CONCERNS

1.1 This policy can be used by anyone with a concern about wrongdoing to bring that issue to the Council's attention with confidence that their concern will be listened to. Raising concerns about wrongdoing is known as whistleblowing.

1.2 There are many ways to raise specific concerns with the Council, and not all concerns will constitute wrongdoing which would be investigated via this Whistleblowing Policy. The below chart will help you determine the best route to raise your concerns.

I'm concerned about the safety/wellbeing of a child or adult	You can raise your safeguarding concern on the Council's website and through the Safeguarding Service	Safeguarding children and child protection Report abuse of an adult at risk
I'm concerned about the safety/wellbeing of a member of staff	You can raise your concern via the Health, Safety and Wellbeing Policy or contact the Health, Safety and Wellbeing Team	CCC Health & Safety - Home
I'm concerned that a member of staff is being bullied, harrased or discriminated against	You can raise your concern using the Respect At Work Policy or contact HR	Respect at Work Policy
I want to raise a concern or grievance about work-related issues	You can raise your concern using the Resolving Workplace Concerns Policy or conact HR	Resolving Workplace Concerns
I want to raise a concern about fraud, theft, finanial impropriety or money laundering	You can raise your concern using the Anti-Fraud and Corruption Policy, the Anti-Money Laundering Policy or contact Internal Audit	Anti-fraud and corruption policy
I want to make a complaint about an Elected Member of the Council	You can raise your concern using the Members Code of Conduct or contact the Monitoring Officer	Dealing with allegations of breaches of the Members' Code of Conduct

1.3 If you raise a concern through one of the above policies that meets the criteria of whistleblowing under law (see 1.7, below) you will still be protected by the law. If you wish to raise a specific whistleblowing issue, or if you are not sure what is the best route for reporting your concerns, you can email the dedicated whistleblowing email address: **whistleblowing@cambridgeshire.gov.uk.**

1.4 You can also contact any of the officers named at paragraph 1.12 of this policy if your concern relates to their services.

1.5 The Public Interest Disclosure Act 1998 (PIDA) protects employees who make a whistleblowing disclosure from harassment or victimisation. Under PIDA, when making a disclosure you must believe you are acting in the public interest.

1.6 If the matter only affects you, then it is not a disclosure covered by PIDA. However, it is likely to be covered by another corporate policy (see the table at 1.2).

1.7 If it affects other people and if you believe that the disclosure relates to wrongdoing in one of the categories below then your disclosure likely is covered by PIDA:

- criminal offences (for example, fraud, theft, or financial impropriety)
- failure to comply with a legal obligation
- miscarriages of justice
- endangering of someone's health and safety
- damage to the environment
- covering up wrongdoing in the above categories

1.8 If your concern does not relate to any of the categories above, you can still report it with confidence that the Council will listen to you and make sure that the relevant process will be identified to take your concerns forward. However, only concerns relating to the above criteria would be considered whistleblowing disclosures under law.

1.9 If you are not a Council employee, the Council's Complaints Procedure should be used to raise complaints about Council services and activity. Members of the public can contact the Council using the Whistleblowing Policy to report any serious concerns or disclosures over wrongdoing.

1.10 Where this policy makes reference to a "whistleblower", it refers to both employees and members of the public who make a disclosure. Unlike disclosures by employees, PIDA does not offer legal protection for disclosures made by members of the public.

However, the Council will take reasonable and appropriate action to protect the anonymity of members of the public when they make a disclosure.

1.11 The Council is committed to the highest possible standards of openness, probity, and accountability. In line with that commitment, the Council encourages anyone with concerns about wrongdoing in any aspect of the Council's activities to come forward and voice those concerns without fear of reprisals. The Council will not tolerate harassment or victimisation of whistleblowers.

1.12 If you want to make a whistleblowing disclosure or discuss your concerns, you can contact:

- Janet Atkin (Assistant Director, HR Services – 07775 024309
- Sue Grace (Director Customer and Digital Services) – 01223 715 680
- Stuart Wood (Health, Safety & Wellbeing Business Partner) – 07789 397291
- Fiona McMillan (Director of Law & Governance & Monitoring Officer) – 01733 452 409
- Tom Kelly (Chief Finance Officer & S151 Officer) - 01223 703599
- Gillian Beasley (Chief Executive) – 07538 931193
- Neil Hunter (Head of Internal Audit) – 07920 029378
- Or email Whistleblowing@cambridgeshire.gov.uk

2. HOW TO RAISE A CONCERN

2.1 In the first instance, concerns from employees should normally be raised with their line manager, individually or as a group. Similarly, non-employees (e.g. agency workers or contractors) should raise a concern in the first instance with their contact within the Council, usually the person to whom they directly report.

2.2 In some cases, the nature or sensitivity of the concern means that this may not always be appropriate. If you feel you cannot raise their concern with your immediate manager or normal CCC contact, you may feel a whistleblowing disclosure is the most appropriate option.

2.3 Concerns may be raised verbally or in writing. In order to enable the Council to review concerns effectively, whistleblowers should give the background and history of the issue, giving relevant details such as names and dates if possible, and the reason why they are particularly concerned about the situation. You should identify the issues carefully and be clear about the standards against which you are judging behaviour/conduct; it may be useful to consider paragraphs 1.2 - 1.7 of this policy.

2.4 You may ask for a private meeting with the person to whom you wish to raise the concern. If you wish you can be accompanied, for example by your trade union/professional association representative or work colleague, at any meetings in connection with the concerns you have raised.

2.5 Although you are not expected to prove the truth of any concern or allegation you raise, it will be necessary to demonstrate that there are sufficient grounds for concern to warrant further initial investigation. It is not necessary for any person to undertake investigations into their concern prior to contacting the Council, as this may undermine any ultimate action to be taken, particularly if any police investigation is subsequently required.

2.6 Whistleblowers are encouraged to put their name to any allegation, although the Council will do its best to protect your identity if you do not want your name disclosed. It must be recognised that in some cases the investigation process may reveal or allow individuals to infer the source of the information, and you may be asked to make a statement as part of the evidence.

2.7 Concerns expressed anonymously will be considered at the discretion of the Council. In exercising this discretion, the factors to be taken into account would include:

- Seriousness of the issue;
- Credibility of the concern;
- Likelihood of being able to obtain the necessary information to corroborate an allegation.

2.8 At the appropriate point in any investigation, the subject of an allegation is likely to be made aware of the allegation so they may provide a defence. In these cases, the identity of the whistleblower will be protected as much as is practically possible.

2.9 As outlined at 2.6 above, it should be noted that information presented during investigations may inadvertently allow the subject of an allegation to determine who is likely to have provided the information. Therefore, the Council cannot provide absolute guarantees that anonymity can always be protected.

2.10 To make a disclosure you can email **whistleblowing@cambridgeshire.gov.uk**, contact a named contact at paragraph 1.12 of this policy; or make a whistleblowing disclosure under the appropriate route outlined at paragraph 1.2.

3. SUPPORTING INDIVIDUALS TO RAISE A CONCERN

3.1 The Council recognises that the decision to raise a concern can be difficult. Whistleblowers should be assured that the Council will not tolerate harassment or victimisation and will take reasonable appropriate action to protect individuals who raise concerns.[1]

3.2 The proven victimisation or harassment of someone who has made a disclosure under this policy would normally be considered to be:

- Gross Misconduct if done by an employee of the Council.
- A reason for the Council to consider termination of a contract, if the harassment or victimisation is done by or at the request of a contractor.
- A matter that would be referred to the Constitution & Ethics Committee if undertaken by or at the request of a Councillor.
- A matter that could affect the service provided to a customer if done by or at the request of that customer.

3.3 Any person applying pressure upon officers to identify whistleblowers shall be subject to the same provisions as outlined in 3.2 above.

3.4 Where a whistleblower alleges they are / have been victimised / harassed as a result of raising a concern, that matter shall be reported to the Assistant Director of HR Services if the alleged harassment is by an officer; the Monitoring Officer where the alleged harassment is by an elected member; or the Head of Internal Audit where the alleged harassment is by a contractor or member of the public. The Chief Executive will also be made aware of any instances of alleged harassment.

3.5 The Council openly encourages whistleblowing done in good faith. Anyone who makes an allegation in good faith, which is not subsequently confirmed by the investigation, will continue to have protection under this policy from victimisation or harassment.

3.6 Whistleblowing is an important part of organisational governance and must be treated as such. Appropriate action may be taken against an individual who makes malicious or vexatious allegations, which may be considered a disciplinary offence.

[1] This does not mean that if a whistleblower is already the subject of disciplinary or redundancy procedures, that those procedures will be halted as a result of raising a concern under this policy. The disciplinary and whistleblowing processes would remain separate.

4. HOW THE COUNCIL WILL RESPOND

4.1 Where you provide contact details, the Council will write to you within 5 working days to confirm receipt of your concern.

4.2 The Council will then conduct an initial review to decide whether a full investigation is appropriate and, if so, what form it should take.[2] Dependent on the nature of the concern, investigations may be referred to or carried out in conjunction with relevant service management, HR, Internal Audit, External Audit, or the Police.

4.3 Where a disclosure falls outside the scope of this policy, the whistleblower will be advised of this (where possible) and whether the disclosure has been referred for consideration under other appropriate procedures.

4.4 Where possible, after the initial review, the Council will write to you within 10 working days to indicate how we intend to proceed. The Council will tell you whether any initial enquiries have been made; whether further investigations will take place and, if not, why not.

4.5 The Council is committed to the wellbeing of its employees, and therefore where whistleblowing concerns are raised by officers, you will also be supplied with information on staff support mechanisms.

4.6 Every effort will be made to resolve the matters raised as soon as possible, in the interests of the Council, the whistleblower, and person(s) being investigated.

4.7 The amount of contact between the officers considering the issues and the whistleblower will depend on the nature of the concern, any legal constraints, and the clarity of the information provided. Further information may be sought from the whistleblower where necessary to assist the investigation.

4.8 Where any meeting is arranged, whistleblowers have the right to be accompanied by a trade union or professional association representative or a work colleague (who is not implicated in the whistleblowing complaint, nor bringing their own concerns as part of this whistleblowing referral).

[2] It should be noted that some concerns may be resolved without the need for investigation. Equally some issues may be investigated without the need for initial enquiries. If urgent action is required, this would be taken before any investigation is conducted.

4.9 The Council will take appropriate steps to minimise any difficulties, which a whistleblower may experience as a result of raising a concern and provide advice and support should they be required to give evidence, e.g. at a disciplinary hearing.

5. HOW THE MATTER CAN BE TAKEN FURTHER

5.1 The Council hopes that whistleblowers will be satisfied with the way their concerns are treated and any investigations that may be carried out. However, if they are not satisfied and feel it right to take the matter outside the Council, the matter can be raised with:

- Protect on 020 3117 2520 or contact the Protect Advice Line
- Relevant professional bodies or regulatory organisations
- A solicitor.

5.2 Similarly, if you feel you cannot approach anyone in the Council in the first instance, you may wish to report your concerns through Protect on 020 3117 2520 or contact the Protect Advice Line. Protect are an independent charity, and information provided to Protect is protected under the Public Interest Disclosures Act. Their lawyers provide confidential advice free of charge.

5.3 In taking advice from sources outside the Council, a person must ensure that, so far as possible, concerns are raised without confidential information being divulged.

5.4 If an individual wishes to complain to the Council about how the investigation of their concerns was carried out, they should address their complaint directly to the Head of Human Resources or the Head of Internal Audit, who will then: notify the Chief Executive that a complaint has been made regarding a whistleblowing investigation; determine which service is best placed to deal with the complaint; and appoint an appropriate officer to deal with the complaint. This is specific to whistleblowing investigations and separate to the Council's corporate complaints procedure.

5.5 Further to this policy, any individual has the right and responsibility to refer a concern to the Police if they suspect a criminal act.

6. ROLES AND RESPONSIBILITIES

6.1 Cambridgeshire County Council operates within legal requirements and regulations and expects its employees, contractors, partners, agency staff and other stakeholders including members to adhere to all laws, regulations, policies, and procedures – including the Whistleblowing Policy.

6.2 In all contracts of employment there is an implied understanding of mutual trust and confidence between the employer and employee. All employees, therefore, have a responsibility to raise concerns about work and they may do so in the manner described in this policy.

6.3 Executive Directors are responsible for ensuring all staff, including agency workers and contractors, are fully aware of this policy and how they may raise concerns.

6.4 Internal Audit and Human Resources will jointly help ensure that investigations are swift and effective and undertaken by officers with relevant skills and experience.

6.5 All services that deal with whistleblowing will maintain their own log of the referrals they deal with, including the outcomes of investigations. Services must report the outcomes of whistleblowing referrals to the Audit and Accounts Committee on at least an annual basis. These reports should be cleared by the Monitoring Officer.

6.6 Internal Audit will lead on all whistleblowing referrals relating to fraud and corruption, and financial impropriety. Internal Audit will also manage the corporate **whistleblowing@cambridgeshire.gov.uk** email address and ensure that referrals made to this address are forwarded for consideration via the appropriate process.

6.7 Human Resources will lead on allegations regarding serious misconduct of Council employees, agency staff, consultants and contractors and partners. The HR team will advise and support employees involved in the investigation process, to ensure that such processes are fair and supportive to all those involved.

6.8 The Monitoring Officer will lead on allegations regarding misconduct of Councillors and be consulted on any issues where there is alleged unlawfulness or criminality.

6.9 Directors and Managers must create an open and fair culture within their area of responsibility and ensure that staff concerns are listened to and action taken where necessary. Directors and Managers are responsible for ensuring that there is a safe environment for staff to raise their concerns and that there is no retribution for doing so. The 'Whistleblowing – Manager's Guidance' document (Whistleblowing - Manager's Guidance) provides further guidance for managers who receive a whistleblowing referral and/or are required to undertake an investigation into a whistleblowing allegation.

7. HOW THE POLICY WILL BE MONITORED

7.1 The Audit & Accounts Committee has delegated responsibility to maintain oversight of the Whistleblowing Policy, including approving any changes to the policy.

7.2 The Council has a responsibility for registering the nature of all concerns raised and to record the outcome. Each service dealing with whistleblowing cases will produce an annual report to the Audit and Accounts Committee, which will identify any patterns of concern and assess the effectiveness of the policy.

7.3 This policy will be publicised via the Council's website and specifically:

- Every new employee will be advised to familiarise themselves with the policy when joining the Council;
- Every contract or partnership arrangement will require the contractor to communicate the policy to their staff and adopt its provisions when working for the Council; and
- All newly elected Members shall be provided a copy of the policy.

8. REVIEW

8.1 Internal Audit will complete an annual review of the Whistleblowing Policy to ensure it continually complies with legislation and is effective in practice. Outcomes of this review will be reported to the Audit & Accounts Committee. Any significant amendments will be subject to consultation with staff representatives.