

# AUDIT AND ACCOUNTS COMMITTEE



**Thursday, 24 November 2022**

**Democratic and Members' Services**

Fiona McMillan  
Monitoring Officer

**14:00**

New Shire Hall  
Alconbury Weald  
Huntingdon  
PE28 4YE

**Red Kite Room New Shire Hall PE28 4YE**  
**[Venue Address]**

## AGENDA

**Open to Public and Press**

1. **Apologies for absence and declarations of interest**  
*Guidance on declaring interests is available at*  
<http://tinyurl.com/ccc-conduct-code>
2. **Petitions and Public Questions**
3. **Minutes of the Audit and Accounts Committee held 29th September 2022** **5 - 16**
4. **Committee Action Log** **17 - 20**
5. **Consultants and Agency Worker Data - Quarter 4 2021-22 and Quarter 1 2022-23** **21 - 26**
6. **Financial Reporting and External Audit Update** **27 - 32**
7. **Pension Fund Annual Report and Statement of Accounts 2021-22** **33 - 180**

<b>8.</b>	<b>External Review of Compliance with Public Sector Internal Audit Standards (PSIAS)</b>	<b>181 - 202</b>
<b>9.</b>	<b>Internal Audit Progress Report</b>	<b>203 - 242</b>
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<b>12.</b>	<b>Audit and Accounts Committee Agenda Plan</b>	<b>271 - 272</b>

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The Audit and Accounts Committee comprises the following members:

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

Clerk Name:	Dawn Cave
Clerk Telephone:	01223 699178
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## Audit and Accounts Committee: Minutes

Date: 29<sup>th</sup> September 2022

Time: 2.00pm – 3.50pm

Place: New Shire Hall, Alconbury Weald

Present: Councillors C Boden, N Gay (Vice-Chair), A Sharp, S Taylor, A Whelan and G Wilson (Chair)

Officers: Ben Barlow, Dawn Cave, Mairead Claydon, Fiona Coates, Karl Foley, Neil Hunter, Tom Kelly, Fiona McMillan, Stephen Moir and Julian Patmore; Mark Hodgson (EY) (*officers attended for relevant items*)

### 81. Apologies for Absence and Declarations of Interest

There were no apologies for absence or declarations of interest.

The Chair congratulated Mairead Claydon, who had been confirmed as the Council's Head of Audit and Risk Management.

### 82. Petitions and Public Questions

There were no petitions or public questions.

### 83. Public minutes of the Committee meeting held 22<sup>nd</sup> July 2022

It was resolved unanimously to approve the minutes of the Committee meeting held 22<sup>nd</sup> July 2022, with the following change:

Item 77 - Draft Cambridgeshire County Council Statement of Accounts 2021/22:

With regard to the last bullet point on the second page of the minutes, the Committee agreed that this be amended to read: *"He suggested that specific mention be made in a future report about those allegations, which references that both the Committee, External Audit and officers were convinced that those allegations were without foundation."*

### 84. Committee Action Log

The Action Log was noted.

With regard to action 65 on the Action Log, a detailed response had been received on actions being taken to improve the accuracy of coding of consultancy spend:

The following actions were complete:

- A new Guide to Procuring Consultancy had been produced and marketed widely;
- Updates had been communicated to staff, with key messages about compliance.

The following actions were in progress:

- Improved clarity over language, of 272

- Analysis of Professional Fees and Hired Services Product codes spend;
- The creation of an e-form to cover all consultancy procurements valued over £25,000;
- Investigation into the possibility of a gateway on ERP that asks for confirmation of the various compliance rules;
- Breakdown in the quarterly spend reports to enable the directorate and the person approving the spend to be identifiable, which would be reported to the Corporate Leadership Team (CLT) quarterly on compliance.

With regard to minute 69 from the 31<sup>st</sup> May 2022 minutes, it was noted that there was a commitment by West Northamptonshire Council to provide a payroll report by 30 September 2022. Officers confirmed that the report had not yet been received, but a preliminary opinion of good assurance had been provided by the West Northamptonshire audit team, and the detailed report should be available at the November meeting. It was confirmed that this related to the 2021/22 payroll report.

## 85. Ernst and Young Audit Plan for Cambridgeshire Pension Fund 2021-22

The Committee considered the Cambridgeshire Pension Fund External Audit Plan for the year ended 31 March 2022. The Audit Plan identified the key risks and areas of auditor focus, and the Auditor's planned approach to these risk areas. These mainly related to assets which were more difficult to value than listed equities, specifically Level 3 investments and Cambridge & Counties Bank. The other main area was the planned materiality levels, where there were audit differences of £2.2M. Pension officers advised that their approach was to account for anything above or near the materiality levels. Members noted the timelines, and that the audit findings report would be available shortly.

Introducing the report, the External Auditor, Mark Hodgson of EY, drew attention to the risks identified in the Overview section of the report, which were largely consistent with previous years' report. The two main risks identified were the valuation of complex Level 3 investments, and pooled Level 2 investments, which were not as easy to value as listed equities. In addition, Cambridge & Counties Bank was a specialist vehicle requiring specialist valuations.

It was also noted that the date of valuation, 31 March 2022, coincided with a period of significant market volatility following the Ukraine invasion, making those assets harder to value due to unobservable data.

The External Audit process was almost complete, and the results would be presented to the November Committee meeting. Assurances had already been received on the Level 2 and Level 3 valuations. It was expected that a clean audit opinion would be issued.

Arising from the presentation:

- A Member sought reassurance that the issues relating to Cambridge & Counties Bank remained unchanged from previous years, and the extent to which assumptions made in the external valuation were subjective enough to affect materiality. The External Auditor confirmed that the valuation methodology was unchanged, and the valuation was based on expert advice

provided by Grant Thornton, who used a market multiple approach, based on a significant number of judgements and estimates which were inherently volatile, and therefore needed reviewing every year;

- A Member asked about the risks associated with the IAS 26 disclosure, which related to the actuarial present value of the retirements benefits. He asked if this was done on the basis of the information available at 31 March, or on what was known at the time the external audit was finally signed off? The External Auditor confirmed that the valuation was as at 31 March, but if in the period of time after that there was any material post balance sheet event, that would be included as a Note to account, and a view taken on whether it was an Adjusting or Non Adjusting Disclosure. It was included as a risk as the whole number could be of interest to a stakeholder or reader of accounts, but it did not have the same materiality as an IAS 19 disclosure would. The Member observed that the numbers involved were potentially very significant, and if the calculation had been done as at 31 March, the assumptions underlining NPV could be very different. The External Auditor commented that interest rates and inflation rates would be the key drivers, and it was based on audited position at 31 March, unless there was a factor to indicate that interpretation at 31 March was incorrect. The Member asked for an update to be provided at the November meeting. **Action required;**
- A Member asked what proportion of the portfolio was illiquid, and whether the Fund had sufficient liquidity. Officers reassured the Committee that both the cash and funding position of the Fund were both very strong.

Councillor Whelan, speaking as Pension Fund Committee Chair, thanked all officers and auditors for reaching this stage, and acknowledged the enormous challenges that the audit sector was currently facing. In response to a question, the External Auditor confirmed that if there was a non adjusting event, he would expect full disclosure as a note to the accounts, reflecting the position at the date the accounts were signed and authorised.

It was resolved unanimously to note the Cambridgeshire Pension Fund External Audit Plan.

*(With the agreement of the Committee, it was agreed to bring forward the section of the Internal Audit Report relating to PSN Certification)*

## 86. Internal Audit Progress Report

Members considered that part of the Internal Audit Report relating to the outstanding 'Essential' recommendation relating to the Council reobtaining its Public Service Network (PSN) certification. The Committee was reminded that at their July meeting, they had been advised that the Council's PSN application would be submitted to the Cabinet Office in August. The application had subsequently been rejected as having too many high severity vulnerabilities, meaning that the Council had not re-achieved its PSN certification. Given the current focus on cyber crime, the Chair had felt that was an important issue for the Committee to explore and understand.

The Head of Operational Services and Security Operations Manager from the Council's Customer & Digital Services were welcomed to the meeting. They

advised that the plan was to resubmit the application to the Cabinet Office in November. PSN certification could be granted when there were ten or fewer outstanding high actions which could be resolved within one month. Currently there were two actions that were unable to be resolved within one month. One related to a piece of hardware that it was not possible to upgrade, and which would be decommissioned within nine months. There were numerous outstanding actions on the IT Healthcheck, which were mainly due firstly to the pandemic, specifically IT infrastructure not being in place to enable staff to work from home for an extended period of time, and being able to access and update devices was difficult. A new solution was being rolled out to address this. Secondly there were supply chain issues: new versions of software and Operating Systems was not possible on some of the hardware staff had. That supply chain had been secured and those issues were being addressed. In addition, the focus in 2021 had been on the Data Centre Move, and as a result some 'line of business' systems could not be updated.

The Council was changing the way IT security was dealt with, and a new dedicated Security Operations centre had been established. A health check on both internal and external operations was being implemented. Both the Ukraine War and the China/Taiwan situation remained major threats in terms of IT security. New infrastructure was being introduced to assist with this process over the next six months.

Arising from the presentation, individual Members raised the following questions:

- noting that PSN Certification gave both the Council and Audit & Accounts Committee greater assurance that appropriate IT security systems were in place, asked if there was any negative impact of not having PSN Certification, e.g. in terms of relationships with government or other organisations. It was confirmed that as the Council did not broadcast services, but only consumed services, the connections were still open and the impact of not achieving certification was mainly reputational;
- noting the reference to "reobtaining" PSN certification, asked whether the certification had been granted previously but had subsequently been removed or expired? It was confirmed that the certification had expired;
- Queried if the twenty days allocated for Information Security on the Internal Audit Plan was sufficient. It was noted that PSN certification was not the focus of internal audit, which would be a wider review covering issues such as the adequacy of network vulnerability and scanning, penetration testing, training and insider threat. Additionally, a risk assurance review would take place in the third quarter;
- Asked if officers were confident that the Information Security systems the Council had in place currently were safe from hacking. Officers advised that even if a very high level of resource was allocated to Information Security, they could not offer guarantees that the Council was safe from cyber attacks, but there were many measures and mitigations in place. A key component was mandatory cyber security training for all staff, as a key risk was users clicking on the wrong links. All but one of the outstanding actions relating to PSN certification were internal facing. The Chief Executive advised that PSN certification was just one element of IT security, and a number of other public sector organisations did not achieve recertification annually, and many took a long time to put in place the appropriate remedial actions;

- noted that some other local authorities had reported greater vulnerability over the last 12-18 months in relation to Council issued devices such as mobile phones, and asked how alert officers were to this threat. Officers advised that they were very alert to this threat, explaining that risk related to laptops, mobile phones and all electronic devices, and all Council devices were covered by a service called Intune which provided security against data leakage. NCSC (National Cyber Security Centre) guidance was followed in terms of the way devices were configured, and the Council was also working with the Department for Levelling Up, Housing and Communities (DLUHC) with a view to adopting the Cyber Assessment Framework for Local Government.

The Chair thanked presenting officers.

## 87. Financial reporting and County Council Audit Plan

The Committee considered the Cambridgeshire County Council provisional External Audit Plan for the year ended 31 March 2022. The report also included an update on several items relating to the Council's financial reporting across several financial years, including the publication of the Council's draft financial statements for 2021/22, which were published at the end of July. The audited accounts for 2020/21 had also been published in July, further to the Committee's delegation. In relation to those accounts, it was noted that the City Deal grant was being recognised on a year by year basis, and there was a limitation of scope qualification relating to infrastructure assets.

Whilst most of the work relating to the objections received in 2017 and 2018 had been concluded by BDO, they had not provided a full statement of reasons confirming the outcome of their consideration. Progress had been made according to the timescales set out following the May committee until mid August, but one of the final stages related to a quality review by a different BDO partner, and this had been delayed due to IT issues. A further legal review and external review by PSAA also needed to be completed.

The Chair commented that the failure to conclude previous years' audits by BDO, despite assurances at previous Committee meetings, was extremely unsatisfactory. The Chief Executive agreed with the Chair, and commented that BDO's performance was nothing short of woeful, and that he would be writing to BDO's managing partner more formally on behalf of the Council, with the Section 151 Officer picking the issue up on behalf of the Committee. Regrettably, the sanctions and contractual controls available to the Council in response to external audit were limited.

Arising from the report, individual Members raised the following points:

- that the Committee had been rigorous on its challenge of the City Deal accounting, and the Member was satisfied with the resolution of that matter;
- commented on the issues around the depreciation of infrastructure assets, which were not unique to Cambridgeshire;
- In relation to the conclusion of the 2020-2021 accounts, and the limitation of scope for infrastructure assets, asked whether the effect of the proposed statutory override would relate to both 2020-2021 and 2021-22? It was

confirmed that limitation of scope was a last resort, which was why CIPFA had called on the government to operate a statutory override, which would validate the historic approach taken by local authorities. Statutory override, whilst not being retrospective, meant that any open accounts for years 2020-21, 2021-22 and 2022-23 would be at a Net Book Value level, and effectively remove the derecognition and accumulated depreciation issue. However, it would be constrained to those three financial years. The issue was whether evidence was available to support this International Reporting Standard from its inception in 2010-11. The Council only had the detailed information from 2014 onwards. It was difficult to say what the reporting route would be for 2021-22 at this stage;

- In response to a question on the change of accounting treatment of the City Deal, and whether previous years' accounts should be changed to reflect that, it was confirmed that this point had been considered but it had been concluded that prior year adjustments were not necessary.

The External Auditor advised with regard to City Deal, the need for prior year adjustments was considered as part of the audit, but it had been concluded that on balance, prior year adjustments were not required on the grounds of materiality. The External Auditor also set out, that a review of management motive/rationale for the accounting treatment deployed for the 2015-16 decision could be made – as those officers were no longer employed by the Council. The Committee was reassured that the treatment of the City Deal had no bottom line impact on the Council's ability to deliver services, as this funding was ringfenced.

The County Council accounts had been signed off on 29 July 2022. The Audit Plan for 2021/22 followed a very similar approach as previous years, and the risks were broadly similar to last year. The External Auditor drew Members' attention to two new audit risks this year:

(i) a significant risk around Debtors associated with this This Land, a wholly owned subsidiary. There had been national press coverage regarding This Land and similar Council subsidiaries, and their ability to repay borrowing. This Land's business plan and going concern assumptions needed to be reviewed to establish their ability to repay loans. Discussions would take place with management if there was any need for impairment due to recoverability issues.

(ii) Solar farms had been designated as an inherent risk, as it was valued on the energy prices, which were currently very volatile. There were two solar farms: one which was operational, in Soham (£9.8M) and one at Angle Farm, which was classified as under construction (£17.7M).

The External Auditor also brought the following points to the Committee's attention:

- the risk designation for Covid grants had reduced, from significant to inherent. This was because whilst Covid support was still being received, the likelihood of error was lower;
- the risk had been reduced for City Deal accounting, and a decision had been reached in respect of 2020/21 accounts. There was no expectation that accounting treatment would differ in subsequent years;

- Materiality remained at £19.7M, and any audit differences above £990,000 would be reported;
- there were two full scope audits, i.e. the Council and This Land Ltd. Instructions had been issued to This Land's auditors, RSM, which gave 100% coverage of the group position.

Arising from the presentation, individual Members raised the following points:

- regarding the VFM audits for previous years, a Member asked how this impacted on the current External Auditor in terms of resourcing? The External Auditor agreed that it was difficult to plan for resourcing previous years, and advised that some preparatory work had already been undertaken, but additional resources would be required eventually;
- with regard to This Land and the consolidation in terms of Going Concern, a Member noted that the Council's accounts would need to be signed off by February 2023, whereas the This Land accounts would need to be filed by 31 December 2022. The External Auditor confirmed that This Land had a separate auditor, RSM, and they had to provide certain assurances regarding risks for This Land before EY gave their audit opinion for Council. Once that audit opinion had been given, an updated letter of assurance would be required to cover the intervening period, which would provide sufficient assurance at a Group level;
- asked if any matters had been encountered on the VFM assessments for preceding years that would give cause for concern? In terms of the audit of financial statements, the External Auditor was expecting the audit and testing work to be completed in the first half of December, and an update would be provided to the November Committee meeting, with a full report to the February meeting. The VFM work in respect of 2021/22 was separate to that of preceding years, and completion was dependent on resource availability. The External Auditor would highlight any issues to the Committee once he had had chance to review the preparatory work;
- noting that in December 2021, DLUHC announced proposals to extend the deadline for the publication of audited accounts to 30 November 2022 for 2021/22 accounts, the External Auditor confirmed this was the date by which accounts and audit regulations state local government bodies should publish their accounts. It was noted that the deadline was not being met by a growing number of authorities each year. On VFM, officers confirmed that they were keen to ensure that these issues were completed as soon as possible, especially on Going Concern, contracts and procurement;
- with regard to This Land having a separate auditor, a Member commented that this type of arrangement was usually inefficient in audit terms, but in this case the independence of having a separate auditor was valuable given the risk identified with regard to that body;
- queried the correction of misstatements that occur after the accounts had been produced, where these were below the materiality level. The Section 151 Officer advised that it was dependent on the nature of the misstatement that arose, and its impact on resources and future years. Going forward, the Member suggested

that it would be helpful if a specific policy was developed on misstatements going forward, as it could avoid misunderstandings;

- a Member asked if the description of there being no threats in terms of self interest and 'other' threats was accurate. The External Auditor explained that advocacy, familiarity and intimidation were examples of threats that could arise, but he would review this section. He reassured the Committee that there were no independent threats currently.

It was resolved unanimously to approve the Initial Audit Plan for the 2021/22 draft financial statements.

## 88. Corporate Risk Register

The Committee considered the Corporate Risk Register, summarising activity over the previous three months. Members' views were sought on the risk management arrangement and the effectiveness of the risk management mitigations in place. It was noted that the Corporate Risk Register would also be considered at the Strategy & Resources Committee meeting on 30<sup>th</sup> September.

At the Corporate Leadership Team (CLT) meeting on the 22nd August 2022, the corporate risks were reviewed. One of the risks, relating to the Council not having enough budget to deliver agreed short and medium-term corporate objectives, was assessed to be in excess of the Council's risk appetite (rated 'red', in the range 16-25). CLT had also agreed that a potential new corporate risk around Climate Change would be drafted by the Executive Director of Place and Sustainability, although this may be appropriately addressed through climate change triggers in the existing corporate risks. It was also noted that since the last review, the Safeguarding risk had been divided into two (Adults and Children), and a new risk had been added, relating to cyber crime.

Public Health had its own Risk Register, which was presented to the Adults & Health Committee on a regular basis, but not CLT or the Strategy & Resources Committee. It had been agreed that CLT would receive the Public Health Risk Register on a quarterly basis in future, alongside the Corporate Risk Register.

The Chief Executive advised that rather than risks being considered only as a 'business as usual' item at CLT meetings, CLT were also having quarterly risk and assurance meetings. This would be an opportunity for senior managers to review in depth the Corporate Risk Register, and the controls and mitigations in place, embedding a more robust approach to risk management.

Noting Corporate risk 6 - The Council's human resources are not able to meet business need – a Member queried the residual risk scoring of 15, and asked if officers felt that was accurate? The Chief Executive advised that the situation varied between functions, and all employers were struggling nationally, as there were more job vacancies than economically active individuals available. Children's Services Social Care was a particular challenge, and some professional services like finance, procurement and Internal Audit were also struggling to fill vacancies.

In response to a question on Corporate Risk 3, the 'safety valve' process for DSG (dedicated schools grant) and the Council needing to fund high needs deficit, officers advised that the Council was in advanced negotiations with the Department for



Education. If the Council's safety valve application was not considered or failed, this would put the Council in an unviable position, and possible scenarios were outlined.

A Member asked if lack of funding increased the residual likelihood of some other risks increasing, i.e. if there was insufficient money to deliver statutory obligations, this increased the risk level faced? Officers advised that CLT would be reviewing each corporate risk with the risk owner, taking on board Member comments, and consider whether the current economic environment made some risks more likely. The Chair advised that he would be making a comment on this issue at the Strategy & Resources Committee meeting.

It was resolved to note and comment on the Corporate Risk Register.

## 89. Internal Audit Progress Report

Presenting the remainder of the Internal Audit Progress Report, the Head of Audit advised that the focus of the Internal Audit team had been on Grant audits, and was now moving to School audits, which included twelve school visits. She drew attention to the flexible audit plan and the follow up of agreed audit actions. In the short term, the number of unimplemented actions had increased, as many were due in September, but the number of long term unimplemented actions had reduced. Since the report had been produced, an additional five actions had been closed. Members noted the seven recommendations related to the DSG High Needs Block Audit, which linked in with the Safety Valve work.

Arising from the report:

- A Member sought clarity on school audits, it was confirmed this referred to maintained schools rather than Academies. The Head of Audit agreed to make this clearer in future reports. **Action required;**
- A Member queried the work undertaken by the Internal Audit team for the Combined Authority (CPCA). It was confirmed that the CPCA received grant monies, and were required to certify to the Department for Transport that that money has been spent in line with the DoT's terms and conditions. Around five days per certification was allocated for this work;
- With regard to Fees and Charges, a Member noted the comment "*Head of Finance has some reasonable concerns as to whether the completion of the exercise will garner any improvements to the current schedules.*" He believed that consistency in the way fees and charges were applied had been the intention? The S151 Officer commented that it did appear that there was a difference of opinion in what had been committed to, and he would follow that up, and it was likely that the recent restructuring charges would help resolve on this. **Action required.**

It was resolved to note the report.

## 90. Draft Anti-Fraud and Corruption Policy and Draft Anti-Money Laundering Policy

The Committee considered updated Anti-Fraud & Corruption and Anti-Money Laundering policies, which had been considered by both the Council's Corporate Leadership Team and Unions, and had been endorsed without changes.

Introducing the report, the Head of Audit advised that whilst the core of the policies had not changed, they had been revised and refreshed, and were now more reader friendly. These policies would be presented to Strategy & Resources Committee for approval.

Arising from the report, individual Members:

- suggested that email contacts within the report should be generic, and not specific officer emails;
- asked if the Council was registered for money laundering supervision. It was confirmed that the Council is not required to register for supervision and is not subject to Money Laundering regulations. The policy was in the spirit of Best Practice and developed in line with CIPFA guidance;
- discussed the apparent discrepancy between zero tolerance to fraud and corruption against "Police referral wherever appropriate". The Head of Audit explained that the policies set out the main principles, but not the detail on how issues would be dealt with. The decision to refer to the Police would be made by the relevant Director and the Head of Audit, and based on considerations such as the likelihood of prosecution. However, the Council was keen to promote a zero tolerance message;
- In response to a Member comment about the importance of ensuring that staff were all aware of these policies, and that training and refresher training was offered, it was confirmed that there was an e-learning module on fraud prevention, and once the policies were in place there would be promotional campaigns to staff, along with targeted training.

It was resolved to:

review and comment on the draft Anti-Fraud & Corruption Policy and draft Anti-Money Laundering Policy.

## 91. Annual Whistleblowing report 2021-22

Members considered a report which provided information on Whistleblowing cases received throughout the year, and also on the awareness raising campaign, including the staff whistleblowing survey. The response rate from the survey was consistent with that received in previous years.

A Member noted the statement in the report that *"5% of staff confirmed that they had thought about using the Whistleblowing Policy in the last 12 months"*. She asked if this had been followed with a question as to why they had not followed this through? The Head of Audit advised that that question had been asked, but there was no common response or theme. However, those responses had been passed on to the Chief Executive so that he could incorporate this in his review of the Whistleblowing Policy.

Whilst welcoming the report, a Member observed that whilst it was not really statistically significant, there was a slight reduction in terms of confidence which he felt was a potential warning sign. He also noted that the table showing the nature of outcomes from whistleblowing referrals indicated that three-quarters of referrals had had a positive outcome, and highlighting that to staff could be helpful. Officers agreed to incorporate that in the messaging around the Whistleblowing Policy to staff.

The Chief Executive advised that he would be bringing the new Whistleblowing Policy to the November meeting. He commented that there was a challenge around perception and language, as 'Whistleblowing' often had negative connotations in media, and noted that the NHS referred to Whistleblowing as "raising concerns", as it was important to not put people off.

It was resolved to note the report.

## 92. Audit and Accounts Committee Agenda Plan

Members noted the Committee Agenda Plan, which would be updated to include the following:

- An update on the External Audit Plan at the November meeting;
- The addition of Whistleblowing Policy to the November agenda;
- The regular addition of Corporate Risk Register, at dates to be determined.

The Chair also advised that he had raised the issue of the Independent Advisor to Committee with the Section 151 Officer, and this would be considered by the Independent Remuneration Panel in November, and a further update would be provided at the November Committee. **Action required.**



## Audit and Accounts Committee Minutes - Action Log

This is the updated action log at 16<sup>th</sup> November 2022 and captures the actions arising from the most recent Audit and Accounts Committee meeting and updates Members on the progress on compliance in delivering the necessary actions.

Minutes of 31 <sup>st</sup> May 2022					
Minute no	Item title	Responsible officer(s)	Action	Comments	Action status
65.	Consultants and Agency Worker Data - Quarter 2 2021-2022 and Quarter 3 2021-2022	Clare Ellis	Query on lack of clarity on how some of the consultants were counted, and whether they should be more appropriately coded to projects e.g. Bar Hill Surface water Alleviation Project. Officers agreed to review this point with Finance colleagues.	To be reflected in the next report (November 2022 Committee).	On agenda
69.	Internal Audit Annual Report	Tom Kelly/ Janet Atkin	Monitoring Payroll performance (West Northamptonshire Council)	<p>The internal audit of payroll was received from WNC (further details are recorded in the internal audit progress report). Planning for the current year's internal audit is underway.</p> <p>Payroll performance information is also being received on a quarterly basis and updates on payroll reconciliation improvement plan heard by the Lead Authority on a bi-monthly basis.</p>	Completed

## Minutes of 29<sup>th</sup> September 2022

Minute no	Item title	Responsible officer(s)	Action	Comments	Action status
85.	Ernst and Young Audit Plan for Cambridgeshire Pension Fund 2021-22	Fiona Coates/ Ben Barlow	Query around IAS 26 disclosure (actuarial present value of retirement benefits) – update to be provided to November Committee.	Response from Actuary received – see below.	In progress
89.	Internal Audit Progress Report	Mairead Claydon	For school audits, it was confirmed this referred to maintained schools rather than Academies.	The Head of Audit agreed to make this clearer in future reports.	Completed
89.	Internal Audit Progress Report	Tom Kelly	Noting comment under Fees and Charges <i>“Head of Finance has some reasonable concerns as to whether the completion of the exercise will garner any improvements to the current schedules.”</i> a Member believed that consistency in the way fees and charges were applied had been the intention? The S151 Officer commented that it did appear that there was a difference of opinion in what had been committed to, and he would follow that up, and it was likely that the recent restructuring charges would help resolve on this.	Updated fees & charges schedules are produced annually by services as part of business planning. That process is currently underway and is now overseen by the Head of Finance. Consistency checks are undertaken to ensure schedules are produced in the same way across all services, and schedules will be presented to relevant service committees. As part of setting detailed service budgets for the new financial year, some reconciliation work will be undertaken to ensure income budgets set by services are backed up where required by an entry on the relevant schedule.	Completed

92.	Audit and Accounts Committee Agenda Plan	Tom Kelly	Issue of the Independent Advisor to Committee, which would be considered by the Independent Remuneration Panel in November, and a further update would be provided at the November Committee.	Scheduled for February Committee.	In progress
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Minute no. 85: Response from Actuary – *We have a long term view for inflation. We set the pension increases assumption in line with our default Consumer Prices Index (CPI) assumption. As a market in CPI linked bonds does not exist, we need to estimate the long-term wedge between RPI and CPI to derive a CPI assumption for accounting purposes. Our estimate is based on analysis of past and emerging future trends in the gap between these indices. These assumptions are acceptable under the requirements of the Accounting Standard.*

*We are not aware of anyone putting in a post balance sheet note to capture general assumption changes (from general market movements) on an IAS26 report (which only values the obligations in any case). The IAS26 figures have to be based on financial assumptions as at 31 March 2022 and this is what we did (in line with assumptions adopted for the administering authority's IAS19).*





## Consultants and Agency Worker Data – Quarter 4 2021/22 and Quarter 1 2022/23

To: Audit and Accounts Committee

Date: 24<sup>th</sup> November 2022

From: Tom Kelly, Service Director Finance and Procurement

Recommendation: The Audit and Accounts Committee is asked to note the current data on the use of consultants and agency workers/interims.

### Officer contact:

Name: Tom Kelly  
Post: Service Director: Finance & Procurement  
Email: [tom.kelly@cambridgeshire.gov.uk](mailto:tom.kelly@cambridgeshire.gov.uk)  
Tel: 01223 703599

### Member contacts:

Names: Councillors Graham Wilson and Nick Gay  
Post: Chair/Vice-Chair  
Email: [graham.wilson@cambridgeshire.gov.uk](mailto:graham.wilson@cambridgeshire.gov.uk) / [nick.gay@cambridgeshire.gov.uk](mailto:nick.gay@cambridgeshire.gov.uk)  
Tel: 01223 70639

## 1.0 Introduction

- 1.1 Information covering the Council's usage of consultants, agency workers and interims is presented to Audit and Accounts Committee on a six-monthly basis. This report outlines information on the use of consultants, agency workers and interims in Quarter 4 2021-2022 (January, February and March 2022) and Quarter 1 2022/23 (April, May and June 2023).

## 2.0 Consultancy Expenditure

- 2.1 Consultancy spending is monitored in two ways, firstly by monitoring the number of consultants engaged through OPUS and secondly through the spend coded to the consultancy code (D4100).
- 2.2 OPUS have confirmed that no consultants have been engaged through them during the period covered by this report.
- 2.3 Previously the spend reported to this Committee has not included the consultancy spend through the contract with Milestone PR. However, this report does include that expenditure and so the totals will be higher than in previous reports.
- 2.4 In quarter 4 2021/22, the Council spent £404,617 through the consultancy account code of which £154,742 was with Milestone PR. In quarter 1 2022/23, the Council spent £565,455 of which £154,995 was with Milestone PR.
- 2.5 Taking out the Milestone expenditure, for comparison purposes, the average spend across the two previous quarters was £224,676. The average spend in the two quarters reported here is £330,167, an increase of 47%.
- 2.6 A summary of the spend is available in Appendix 1 to this report.

## 3.0 Agency worker/interims

- 3.1 Information is also presented to Audit and Accounts Committee on agency spend on a quarterly basis. This spend relates to agency workers and interims (an interim being an individual engaged to cover a senior role on a temporary basis). Information on the amount spent on agency workers/interims in quarter 4 2021/22 and quarter 1 2022/23 is given in the table below.

Period	Total spend on agency workers/Interims	Comparison to spending in the previous quarter	Comparison to spending in these quarters in 2020/2021
Q4 2021/2022	£3.42m	Decrease of £800,000 compared to Q3 of 2021/2022	Increase of £0.57m when compared with Q4 of 2020/21
Q1 2022/23	£2.49m	Decrease of £930,000 compared to Q4 of 2021/22	Decrease of £0.57m when compared with Q1 of 2021/22

3.2 Spending on agency workers/interims should be considered in the context of our overall workforce costs. Spending on agency workers in quarter 4 represents 8.6% of workforce costs and in quarter 1 2022/23 it represents 6.5% of workforce spending.

3.3 The highest level of agency worker use continues to be within services providing frontline social care in the Adults & Safeguarding and Children & Safeguarding services. This is in line with the position in all of the previous quarters considered and reflects the position in other local authorities.

#### 4.0 Improving Governance

4.1 We are currently updating the approval processes in relation to employees, consultants, interims and agency workers. Approval will be sought via an eform which will be reviewed by finance and the relevant senior manager. This will allow increased scrutiny of spending prior to the engagement of consultants, agency workers or interims.



### Consultancy Cost Code Expenditure Quarter 4 2021/23

Directorate	Description of Requirement	Total Spend
People and Communities	Domestic homicide reviews	£12,900.00
	Independent scrutineer fees 2021/22	£3,087.48
	Consultant HR services	£1,602.00
	Child safeguarding practice review panel report Jan/Feb 2022	£425.00
	Hosting virtual conference	£150.00
	Adult disability project	£7,200.00
	Consultancy	£14,475.00
	Children affected by domestic abuse grant	£9,758.33
	Community catalyst project	£19,852.00
	<b>Total</b>	<b>£69,449.81</b>
Place and economy	A21 design resource	£40,173.93
	Future parks stewardship client advice	£2,500.00
	NSIP advice for MVV Wisbech Medworth	£938.00
	Carbon assessment support Medworth energy from waste	£1,584.70
	Options appraisal for stewardship to new and existing green parks/spaces	£12,160.00
	Investigation of Upherd's Lane, Ely	£2,300.40
	Travel to work survey	£80.00
	Connecting Cambridgeshire technical assurance support	£22,325.00
	Map and Highways decision making training	£180.00
	Highways consultancy	£154,742.62
	<b>Total</b>	<b>£236,984.65</b>
Corporate Services	EEWARP subscription for EastNet	£4,000.00
	IT consultancy	£2,850.00
	Business plan consultation	£17,975.00
	This Land review	£60,105.90
	GCP Energy commission	£6,851.80
	Data centre and network refresh	£6,400.00
	<b>Total</b>	<b>£98,182.70</b>

### Consultancy Cost Code Expenditure Quarter 1 2022/23

Directorate	Description of Requirement	Total Spend
People and Communities	Consultant HR services	£1,402.00
	Community microenterprise programme	£19,852.50
	Consultancy	£3,300.00
	Domestic homicide reviews	£7,500.00
	Governance review	£700.00
	Libraries income project	£12,400.00
	Royal Yachting Association recognition fee	£280.00
	Social mobility consultancy	£1,500.00
	<b>Total</b>	<b>£46,934.50</b>
Place and economy	A21 design and related consultancy	£20,027.60
	NHT public satisfaction survey	£13,165.00
	Carriageway survey, footway survey and patching scheme work	£241,600.00
	Solar farm and energy project consultancy support	£15,287.58
	Broadband data sets	£1,200.00
	Options appraisal for stewardship to new and existing green parks/spaces	£3,040.00
	Proof reading of travel packs and website content	£567.50
	Connecting Cambridgeshire technical assurance support	£23,275.00
	Consultancy	£17,403.27
	Highways consultancy	£154,995.25
	HIRAM Support and Maintenance	£4,000.00
	<b>Total</b>	<b>£494,561.20</b>
Corporate Services	Data centre and network refresh	£16,460.00
	Mapping/gap analysis in respect of PCI standards	£7,500.00
	<b>Total</b>	<b>£23,960.00</b>

## Financial Reporting and External Audit Update

To: Audit and Accounts Committee

Meeting Date: 24 November 2022

From: Service Director: Finance & Procurement

Electoral division(s): All

Outcome: Committee will have considered an update on financial reporting, particularly the progress of the 2021-22 external audit and those of previous financial years.

Recommendation: To note and comment on the report.

### Officer contact:

Name: Stephen Howarth  
Post: Head of Finance  
Email: [stephen.howarth@cambridgeshire.gov.uk](mailto:stephen.howarth@cambridgeshire.gov.uk)  
Tel: 01223 507126

### Member contacts:

Names: Councillors Graham Wilson and Nick Gay  
Post: Chair/Vice-Chair  
Email: [graham.wilson@cambridgeshire.gov.uk](mailto:graham.wilson@cambridgeshire.gov.uk) / [nick.gay@cambridgeshire.gov.uk](mailto:nick.gay@cambridgeshire.gov.uk)  
Tel: 01223 70639

## 1. Background

- 1.1 This report primarily provides an update to the committee on progress on the Council's external audit of 2021/22's draft accounts, as well as on progress with accounts from previous years.

## 2. Main Issues

### 2.1 External Audit of 2021-22's accounts

- 2.1.1 The Council's draft statement of accounts was published at the end of July 2021. Under the current government regulations (The Accounts and Audit Regulations 2015, as amended) this should be subject to external audit, approved and published in final form by the end of November 2022. The Council's auditor for these accounts is EY.
- 2.1.2 At its September meeting, this committee agreed the audit plan submitted by EY, which would see the external audit taking place through mid-September to November.
- 2.1.3 Work commenced in line with that timetable and is progressing well. The large majority of pre-audit deliverables were provided on time, enabling the audit to commence as planned. At time of publishing this report all main areas of work have commenced, and most samples have been issued and have either been responded to or are in progress. Several samples are to be provided by the auditor and responded to in the near future.
- 2.1.4 The central Closedown Team is directly responding to a number of queries and is providing support in a risk-based way to other teams who have a part to play in responding to audit requests. There are no particular bottlenecks in responding to the audit at this stage. In particular, while not all samples have been issued yet, there are no significant outstanding items sitting with the Payroll service.
- 2.1.5 In relation to the two specific risk areas identified in the audit plan (This Land and the solar farm valuation), work is ongoing with nothing yet to report. There is also nothing else at this stage on the horizon that is a potential further risk (as infrastructure asset accounting was last year).
- 2.1.6 The audit will not have fully concluded, with final accounts published, in line with the statutory deadline of the end of November. This was a risk of the timing of our external audit and reflects a very challenging set of timescales set by government in the current external audit context. The Council will comply with the regulations by publishing a notice explaining that the audit is ongoing as at 30 November 2022 should that be the case.
- 2.1.7 With testing due to conclude in November, we expect to resolve outstanding queries and make any required adjustments in December with a view to reporting as soon as is practicable.
- 2.1.8 The Council has been copied into an objection sent to EY from an individual local government elector relating to these draft accounts. The 2022 objection is under three headings, principally covering the powers of the Council and This Land in relation to each other, the coding and validation of amounts expended with Opus People Solutions East and



extent of information provided during the inspection period. If the auditor accepts these matters as valid objections, these will be matters for EY to determine in due course. For its part, the County Council has set out its position and compliance with the relevant laws and governance related to the objection and made this available to EY.

## 2.2 Previous financial years' audits

2.2.1 The Council is awaiting the outcome of two objections submitted by a local government elector to BDO in 2017 and 2018. The main areas of objection mentioned in these years were: contract management (libraries, consultancy, transparency and governance), accountancy and governance in relation to the Cambridgeshire guided busway, officer conflict of interests and remuneration (particularly in relation to related Council companies), accounting for government grants and transparency in relation to the former Local Enterprise Partnership. Under legislation, valid objections should either concern a matter where the auditor could make a public interest report or apply for a declaration that items of account were unlawful. Determination of these objections is required before BDO will provide an audit completion certificate for the relevant years of account. This Committee heard from the BDO key audit partner assigned to this at its meeting in May 2022. The Committee expressed concern at the very long delay by that date and heard that a revised completion of 31 August 2023 was now targeted. Regrettably, that timeline was not met and frustration was reiterated by this Committee in September 2022.

2.2.2 At the date of drafting this report Officers do not have a further progress update from BDO. The Chief Executive wrote to Mr Scott Knight, BDO's UK Head of Audit & Assurance on 7 October registering dismay at the delays, requesting assurances that delivery of the determinations from BDO was imminent and requesting that a review of the complaint was undertaken. Having received no reply or acknowledge to this letter, a further chaser was sent on 28 October. Mr Paul Eagland, BDO's UK Managing Partner also received copies of these letters. The Service Director: Finance & Procurement has also requested updates from BDO's local office and met with Public Sector Audit Appointments Ltd (PSAA) to express the Council's frustrations. PSAA undertook to raise the matter in their upcoming monitoring meeting with BDO. We understand that BDO have chosen not to undertake work for principal local government bodies after the expiry of current contracts in 2023.

2.2.3 In relation to the 2020/21 objection, EY has informed the Council that it is now in a position to consider the matter in relation to prior year adjustments for City Deal grant accounting and will provide a decision as to whether to take any action on this front by 20 January 2023.

## 2.3 Other updates

2.3.1 Earlier in 2022 a national issue emerged in relation to accounting for infrastructure assets. This area has not historically been considered to be an area of significant audit risk in local government. However, recent concerns have been raised that authorities are not applying component accounting requirements with respect to these assets. Specifically, due to significant historical information deficits it is challenging to provide sufficient evidence of the value of replaced components of infrastructure assets (such as roads) when they are derecognised. This may also lead to issues relating to the reporting of gross historical cost and accumulated depreciation. An accounting solution has not been found that satisfies all

stakeholders for the amount to be derecognised. The government, therefore, undertook to review the necessity for an accounting statutory override whereby, under the Local Government Act 2003, it may make provision for local authority accounting practices. In October government began a consultation, proposing to put in place a statutory accounting override to allow local authorities to treat the value of any replaced component of infrastructure assets as nil, without the need to further evidence that this is the case. The override also removes the requirement for authorities to make prior period adjustments to infrastructure asset balances. The proposal is the override would continue until the 2024/25 financial year.

- 2.3.2 In February 2022, the Full Council opted into the PSAA arrangements for appointment of external auditors. PSAA have announced the national results of their procurement exercise and advised local government bodies to expect fee increases in the region of 150%. The strains on the audit market and the recommendations from the Redmond Review will be familiar to this Committee and provide context to the fee increases. PSAA are currently consulting on individual audit appointments for audited body and completing independence checks and we anticipate that the appointed auditor for Cambridgeshire County Council for 2023-28 will be announced later this calendar year.
- 2.3.3 At its September Committee, members requested clarification and codification of our approach to adjusting for immaterial audit differences. These are items identified during an external audit as at variance with the correct accounting treatment but that are below the auditor's materiality level; these are in management's discretion as to whether to adjust or not. The materiality limit applies to the total of all the accumulated differences added together rather than to each difference individually. We inform this Committee of all these differences. In our statement of accounts, our approach is to adjust for these differences unless there is a specific justification not to do so. In considering when it might be justified not to adjust, we would always bear in mind both the auditor's strict accumulated materiality threshold and our own assessment of materiality or significance to users of the accounts even where below that threshold. Examples of when we would retain discretion not to adjust include:
- Where the adjustment would impact on our outturn position. As this outturn will have been published in our management accounts, we try to avoid these ending up being different from our financial accounts. For financial planning purposes, often it is valuable to have certainty about outturn results and the opening planning basis/assumption as declared in a particular year rather than an unforeseen correction arising outside of the planning cycle as the audit concludes.
  - Where we cannot precisely calculate the adjustment needed. We may be able to estimate the adjustment, which would be reported as the difference, but in this case waiting until a point where the actual impact can be calculated in a later year.
  - Where processing an adjustment is significantly time consuming for little benefit to an ordinary user of the accounts

This sets out our approach to immaterial audit differences. Not all circumstances in which differences arise can be foreseen and importantly we retain discretion in this area for the section 151 officer's professional judgement up to the materiality limit.

### 3. Alignment with corporate priorities

#### 3.1 Environment and Sustainability

There are no significant implications for this priority.

#### 3.2 Health and Care

There are no significant implications for this priority.

#### 3.3 Places and Communities

There are no significant implications for this priority.

#### 3.4 Children and Young People

There are no significant implications for this priority.

#### 3.5 Transport

There are no significant implications for this priority.

### 4. Source documents guidance

#### 4.1 Source documents

[The Accounts and Audit \(Amendment\) Regulations 2022](#)  
[The Accounts and Audit Regulations 2015](#)



## Pension Fund Annual Report and Statement of Accounts 2021-22

To: Audit and Accounts Committee

Meeting Date: 24<sup>th</sup> November 2022

From: Ben Barlow – Investments and Fund Accounting Manager - Pensions

Recommendation: That the Audit and Accounts Committee:

1. Approve the Final Statement of Accounts and note Annual Report of the Pension Fund for the 2021-22 financial year.
2. View the findings of external audit documented in the ISA260.

Officer contact: Ben Barlow, Fund Accounting Manager  
[Ben.Barlow@westnorthants.gov.uk](mailto:Ben.Barlow@westnorthants.gov.uk)  
07896 890375

Member contacts: Councillors Graham Wilson and Nick Gay  
Chair and Vice Chair  
[graham.wilson@cambridgeshire.gov.uk](mailto:graham.wilson@cambridgeshire.gov.uk) [nick.gay@cambridgeshire.gov.uk](mailto:nick.gay@cambridgeshire.gov.uk)  
01223 706398

## 1. Background

- 1.1. The Pension Fund's Statement of Accounts (SOA) form part of the County Council's Statement of Accounts. These are audited by the County Council's external auditor Ernst and Young LLP (EY). The auditor confirms whether, in their opinion, the SOA reflect a true and fair view of the financial position of the authority (and the Fund within it) for the financial year 1st April 2021 to 31st March 2022 and that the SOA is free from material misstatement.
- 1.2. The Fund's Annual Report and SOA have been subject to audit fieldwork by the County Council's external auditor. Whilst EY perform a full audit of the SOA, their work on the Annual Report is limited to a review to ensure compliance with guidance and consistency with the SOA. EY's initial findings are noted in Section 3.
- 1.3. The accounts are based on transactions accounted for within the Fund's financial ledger, information received from Investment Managers and the Fund's Custodian, and assumptions and estimations utilising the professional judgement of officers and Fund professional advisers in order to give a true and fair statement of the Fund's financial position.
- 1.4. The Chartered Institute of Public Finance and Accountancy (CIPFA) issued the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22 (the Code), which governs the preparation of the financial statements for Local Government Pension Scheme funds. There were no changes in the Code that impacted on the Funds SOA. The latest CIPFA template is used each year to ensure that the reporting meets the requirements of the Code and is compliant with International Financial Reporting Standards (IFRS).
- 1.5. The publication of the Accounts is an essential feature of public accountability and stewardship as it provides information on how the Fund has used the members' funds for which it is responsible.
- 1.6. The structure and content of the Annual Report is governed by guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in compliance with Regulation 57 of The Local Government Pension Scheme Regulations 2013 (as amended).

## 2. Highlights

- 2.1. The Fund Account and the Net Asset Statement provide a summary of the financial activity with the notes to the accounts providing further information.
- 2.2. The net increase for the year was £407.2m, with the Fund's net assets rising to £4,305.4m reflecting strong financial growth during the year mainly due to the outperformance of pooled investments.
- 2.3. Contribution receipts have decreased from £154.5m to £134.6m. The decrease in contributions payments reflects multiple employers paying their three-year deficits in 2020-21 following the 2019 Valuation.
- 2.4. Benefit payments have increased from £109.6m to £118.3m. The increase in pension payments reflects the growth in the number of pensioners during the year and CPI uplifts to benefits in payment.
- 2.5. Management expenses are broken down in Note 11. Administration expenses have decreased from the previous year due to projects carried out and completed in 2020-21. Oversight and Governance costs have increased due to higher actuarial, ACCESS

and audit fees paid during 2021-22. Investment Management fees have increased during the year due to positive performance and the fees being based on increased assets under management (AUM).

- 2.6. The one-year investment return as at 31st March 2022 was a net market gain of £383m.
- 2.7. Investment income has decreased from £31.4m in to £30.7m mainly due to decreased income from pooled holdings. Investment income is impacted by market performance however the main returns are reflected in market value increases.

### 3. Findings and feedback from External Audit fieldwork

- 3.1. The Pension Fund Statement of Accounts has been subject to external audit fieldwork and EY have offered a separate audit opinion on the Pension Fund's Annual Report and Statement of Accounts within the ISA260 document, this is set out on page 16 of the Audit report.

"In our opinion the pension fund financial statements:

- Give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2022 and the amount and disposition of the fund's assets and liabilities as at 31 March 2022; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021-22"

- 3.2. There is one uncorrected misstatement identified during the audit. The investment asset balances included a number of estimated asset valuations for Level 3 assets, these are based on December 2021 actual valuations adjusted for cash flows to the 31 March 2022. The actual valuations received for these assets showed the investment asset balance was understated by £10.274m. This value is below materiality thresholds.
- 3.3. The Final version of the Annual Report and Statement of Accounts will be published on the Fund's website and circulated to members.

### 4. Source documents

- 4.1. Appendix 1 Annual Report and Statement of Accounts 2021-22
- 4.2. Appendix A ACCESS Annual Report
- 4.3. Appendix 2 ISA260 2021-22 Report

Have the resource implications been cleared by Finance? Yes

Name of Financial Officer: Tom Kelly

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or LGSS Law? Yes

Name of Legal Officer: Fiona McMillan







# **Cambridgeshire County Council Pension Fund Annual Report and Statement of Accounts Year Ended 31 March 2022**

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## Appendix A – ACCESS Annual Report

# Chair's Foreword

It gives me great pleasure to introduce the Cambridgeshire Pension Fund Annual Report and Statement of Accounts for 2021-22.

Staff responsible for the management and administration of the Cambridgeshire Pension Fund have striven to deliver continuing high standards of performance to our scheme members, scheme employers and other stakeholders throughout the year.

Our scheme members increased to over 92,000 active, pensioner and deferred members from the previous year's figure of just over 89,000. Scheme members rely on us to look after their valuable pension rights during their lifecycle of scheme membership.

The Fund has seen further growth of 10.4%, ending this year with a fund valuation of £4.3bn as of 31<sup>st</sup> March 2022, compared to £3.9bn as of 31<sup>st</sup> March 2021.

This is despite the volatile market situation caused by the Russian invasion of Ukraine at the end of the financial year. Whilst first and foremost a human tragedy, the ongoing war in Ukraine is likely to lead to high inflation and challenging times for the Fund over the next year, with the effects not fully felt during 2021-22.

The Fund has worked hard during the year to develop an enhanced responsible investment (RI) policy, which forms part of our overall investment strategy. The new RI policy sets out our approach to sustainable responsible investment and will help us manage the carbon and climate risks impacting our investments better.

The Fund has carefully chosen an ambitious decarbonisation pathway for its portfolio of investments that will enable the Fund to reach net zero carbon emissions by 2050 or earlier whilst still ensuring its ability to pay benefits when they fall do is not compromised. Further information on this important work can be found in section Investment Policy and Performance of this annual

report and within the investment pages on the Fund's website.

The Fund has continued to progress work within the ACCESS pool, increasing our pooled assets to 62% as of 31<sup>st</sup> March 2022, with further assets in the pipeline to be pooled in the future.

The Fund has also been busy preparing, collating and analysing data in preparation for the next 3 year valuation cycle.

After another successful year for the Fund, I would like to once again thank the hard work of the Pension Fund Committee and its Investment Sub-Committee, members of the Local Pension Board, the Chief Finance Officer, the Head of Pensions and all the staff involved in the administration and management of the Cambridgeshire Pension Fund.

Councillor Alison Whelan

Chair of the Cambridgeshire Pension Fund Committee

# Statement of Responsibilities

## Introduction

This Annual Report and Statement of Accounts sets out the arrangements by which the Local Government Pension Scheme operates, reports changes which have taken place and reviews the investment activity and performance of the Cambridgeshire County Council Pension Fund ("Fund") during the year.

The Statement of Accounts has been prepared in accordance with the CIPFA/LASAAC Code of Practice for Local Authority Accounting in the United Kingdom 2021-22.

The accounts summarise the transactions of the Fund and deal with the net assets at the disposal of the Pension Fund Committee members. The accounts do not take account of the obligation to pay future benefits which fall due after year end. The actuarial position of the Fund which takes into account these obligations is available on the Fund's website, [2019 Valuation Report](#)

## The Council's Responsibilities in respect of the Pension Fund

The Cambridgeshire County Council is required to:

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

## The Chief Finance Officer's Responsibilities

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

In preparing this statement of accounts, the Chief Finance Officer has:

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

The Chief Finance Officer has also:

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






























## Certificate of Accounts

I certify that this Statement of Accounts presents a true and fair view of the financial position of the Pension Fund at 31 March 2022 and of its income and expenditure for the year 2021-22, and authorise the accounts for issue.

## Mr T Kelly

Chief Finance Officer  
(Section 151 Officer)  
Dated: XXXXXXXXXXXX

# Scheme Management, Advisors and Partners

Partners		Asset Managers (Continued)	
	ACCESS (Pension Pool)		Dodge & Cox Funds*
	AON (Consultants)		Equitix Ltd
	Ernst & Young (Auditors)		Foresight Group
	Eversheds Sutherland (Legal Advisor)		Harbour Vest Partners (UK)
	Hymans Robertson (Actuary)		IFM Investors
	Mercer (Investment Consultants)		JO Hambro *
	NatWest (Bank)		JP Morgan
	Northern Trust (Custodian)		Link Fund Solutions (ACCESS)
	Pathfinder (Legal Advisor)		Longview Partners*
	Sam Gervaise-Jones (Ind. Advisor)		M&G Investments*
	Squire Patton Boggs (Legal Advisors)		Partners Group
Asset Managers			Schroders
	Adams Street Partners		USB Asset Management
	Allianz Global Investors	AVC Providers	
	Ares Asset Management		Prudential
	Blue Bay Asset Management		Utmost Life & Pensions

\*Sub-funds managed by link fund solutions in the ACCESS pool (page 31)



# Scheme Management & Key Officers

## The Key Officers of the Fund during the year were:

Mark Whitby – Head of Pensions

Ben Barlow – Investments and Fund Accounting Manager

Richard Sultana – Systems and Projects Manager

Akhtar Pepper – Operations Manager

Cory Blose – Employer and Communications Manager

Joanne Kent – Governance and Compliance Manager

Further information regarding the accounts and investments can be obtained from:

### **Ben Barlow**

Investments and Fund Accounting Manager,  
Pension Services

Email: [Ben.Barlow@westnorthants.gov.uk](mailto:Ben.Barlow@westnorthants.gov.uk)

Telephone: 07831 123167



Enquiries relating to management and administration should be directed to:

### **Mark Whitby**

Head of Pensions, Pension Services

Email: [Mark.Whitby@westnorthants.gov.uk](mailto:Mark.Whitby@westnorthants.gov.uk)

Telephone: 07990 556197



Registered Pension Scheme Number: 10038487

# Scheme Administration

## Introduction

Cambridgeshire County Council is responsible for administering the Cambridgeshire Pension Fund, which is available to employees of the County Council, organisations with a statutory right to be in the scheme (scheduled bodies) and organisations, such as charities, which the County Council has admitted under its discretionary powers (admitted bodies). As well as organisations that can admit their employees to the LGPS by passing their resolution (nominate employees for access to the LGPS).

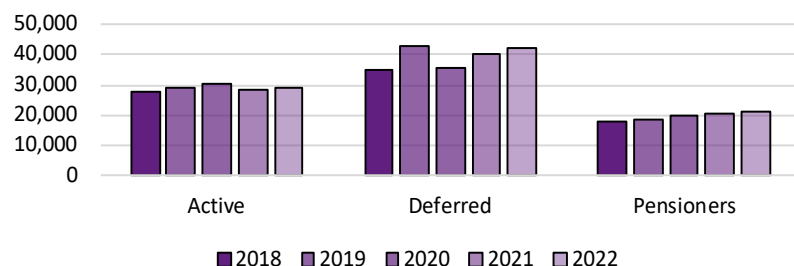
The Fund is a qualifying scheme under the automatic enrolment regulations and can be used by employers to automatically enrol eligible employees, and every three years re-enrol anyone who opts out of the scheme.

A shared service partnership between Cambridgeshire County Council and West Northamptonshire Council provides pension administration services to the Cambridgeshire Pension Fund.

## Membership

Membership of the Fund grew by 3.6% from the previous year.

On 31 March 2022 there were 28,911 active, 42,384 deferred and 21,340 pensioner members in the Fund. The deferred figure is inclusive of 11,011 open cases that may change status (undecided leavers).



## Pension Fund Administration

There are 77 staff members (73.56 full time equivalent) within the Pensions Team, providing all aspects of service to both the Cambridgeshire and Northamptonshire Funds, with an average staff to member ratio of 1:2,299 (total members for Northamptonshire and Cambridgeshire Pension Funds divided by full time equivalent staff members).

Internal audit perform risk based audit procedures to assess the effectiveness and efficiency of administration services, and the Pensions Team have been awarded the national standard for excellence in customer service (CSE) since 2016.

The requirements of the General Data Protection Regulations (GDPR) are recognised and feature in the design of the Fund's administration processes. The Fund has in place a GDPR compliant privacy notice, conducts privacy impact assessments for all new activities involving personal data and has in place a Register of Processing Activities and Information Asset Register.

## Scheme Administration Tools

The Pensions website contains detailed information for all the Fund's stakeholders and has dedicated pages for both members and employers. There is a comprehensive suite of forms and factsheets for members, prospective members and employers.

Support for members and employers can be accessed via the website or by contacting the Helpline on 01604 366537.

[Member Self Service](#) is an online platform which allows members to securely access their records, amend their personal information, perform benefit projections and view their annual benefits statement.

[Employer Self Service](#) is available to all employers in the scheme and gives access to the pension database remotely and securely, allowing them to view, create and amend their employees' data, run reports and perform benefit calculations.

i-Connect is a system used which allows employers to securely upload monthly payroll data into the pension database, improving efficiency and accuracy of data and ensuring timely record maintenance.

# Scheme Administration (continued)

## Scheme Framework

The Local Government Pension Scheme is a statutory funded pension scheme. The operation of the Cambridgeshire County Council Pension Fund is principally governed by the Local Government Pension Scheme Regulations 2013 (as amended) and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) which have been made within the context of the primary legislation of the Public Service Pensions Act 2013.

The Scheme covers eligible employees of the County Council, the Police Authority, Police and Crime Commissioner, Unitary, Combined Authority, District and Borough Councils and Academies within the county area other than teaching staff, police officers and fire-fighters for whom separate statutory arrangements exist. A number of other bodies are also members of the scheme.

Employers' contribution rates are set by the Fund's Actuary every three years following the valuation of the Fund, in order to maintain the solvency of the Fund. The last valuation took place as at 31 March 2019. The results of the valuation were a funding level of 100% and an average primary employer contribution rate of 18.4% (31 March 2016: 18.1%). The primary rate includes an allowance of 0.6% (31 March 2016: 0.6%) of the pensionable pay for the Fund's expenses. The average employee contribution rate is 6.3% (31 March 2016: 6.3%) of pensionable pay.

On 1 April 2014, the new Local Government Pension Scheme 2014 came into effect, allowing more flexibility around paying into the scheme and drawing benefits in comparison to the 2008 scheme. Normal pension age is linked to the state pension age but benefits can be drawn earlier or later, between age 55 and 75. The normal retirement age is the age a member can access their pension in full; if it is accessed before that date benefits will usually be reduced and if accessed after normal retirement age benefits may increase. All service built up to 31 March 2014 in the LGPS is fully protected and will continue to be based on a member's final year annual pay when the individual leaves the LGPS (2008 scheme).

Benefits built up before April 2014 also retain their protected Normal Pension Age, which for most members is 65, although certain members have a retirement age of 60 for all or part of their membership. There is an additional protection known as the 'underpin' for members who were active on 31 March 2012 and were within ten years of their Protected Normal Pension Age on 1 April 2012. These members will get a pension at least equal to the pension they would have received in the LGPS had it not changed on 1 April 2014, subject to meeting certain criteria.

In December 2018 the Court of Appeal ruled against the Government in two linked cases relating to the Judicial Pension Scheme and the Firefighters' Pension Schemes. This ruling is generally referred to as the McCloud judgment, or simply McCloud.

In essence, the Court held that the transitional protections afforded to older members of these schemes when their reformed schemes were introduced in 2015 constituted unlawful age discrimination.

The Government sought permission to appeal to the Supreme Court and it was announced on 27 June 2019 that the application had been refused.

A written ministerial statement followed on 15 July 2019 to confirm that, as transitional protection was provided in all public service schemes upon their reform, the McCloud judgment had implications for all those schemes, including the LGPS in England and Wales.

Primary legislation required in relation to the McCloud remedy has now been put in place as The Public Service Pensions and Judicial Offices Bill received Royal Assent in March 2022, becoming the Public Service Pensions and Judicial Offices Act 2022.

While there was a MHCLG (now DLUHC) consultation in 2020 on proposed amendments to the LGPS Regulations necessary to remedy the specific unlawful age discrimination in the LGPS, no actual amendments have been made as yet. A fresh DLUHC consultation, which will include draft LGPS amendment regulations, is expected to take place in Summer 2022. The intention is that these amendment Regulations will come into effect on 1 October 2023, retrospective to 1 April 2014 (i.e. when the reformed LGPS, and therefore the transitional protection, was introduced).



# Scheme Administration (continued).

The below table compares the 2008 and the 2014 schemes.

Schemes	LGPS 2008	LGPS 2014
<b>Basis of Pension</b>	Final Salary	Career Average Revaluated Earnings (CARE)
<b>Accrual Rate</b>	1/60 <sup>th</sup>	1/49 <sup>th</sup>
<b>Revaluation Rate</b>	Based on Final Salary	Consumer Prices Index (CPI)
<b>Pensionable Pay</b>	Pay excluding non contractual overtime and non pensionable additional hours	Pay including non-contractual overtime and additional hours
<b>Employee Contribution Rates</b>	Between 5.5% and 7.5%	Between 5.5% and 12.5%
<b>Contribution Flexibility</b>	No	Option to pay 50% contributions for 50% of pension benefit
<b>Normal Pension Age</b>	65	Equal to individuals state pension age
<b>Lump Sum Trade Off</b>	Trade £1 of pension for £12 lump sum	Trade £1 of pension for £12 lump sum
<b>Death in Service Lump Sum</b>	3 x Pensionable Pay	3 x Pensionable Pay
<b>Death in Service Survivor Benefits</b>	1/160 <sup>th</sup> accrual based on Tier 1 ill health pension enhancement	1/160 <sup>th</sup> accrual based on Tier 1 ill health pension enhancement
<b>Ill Health Provision</b>	<p>Tier 1 – Immediate payment with service enhanced to Normal Pension Age (65)</p> <p>Tier 2 – Immediate payment with 25% service enhancement to Normal Pension Age (65)</p> <p>Tier 3 – Temporary payment of pension for up to 3 years</p>	<p>Tier 1 – Immediate payment with service enhanced to Normal Pension Age</p> <p>Tier 2 – Immediate payment with 25% service enhancement to Normal Pension Age</p> <p>Tier 3 – Temporary payment of pension for up to 3 years</p>
<b>Indexation of Pension in Payment</b>	CPI (RPI for pre-2011 increases)	CPI
<b>Vesting Period</b>	3 months	2 years

# Scheme Administration (continued)

## Pension Fund Committee and Local Pension Board membership

The following table shows the attendance of Committee and Board members at applicable Pension Fund Committee, Investment Sub-Committee and Local Pension Board meetings during 2021-22, training undertaken in year, including; Training days, Conferences and Strategic Workshops.

Councillor/Member Name	Committee/Board	Meetings Attended	Training Undertaken (In person and virtual)
Councillor Alison Whelan	Pension Fund Committee Investment Sub Committee	4 meetings out of 4 2 meetings out of 3	10 sessions attended
Councillor Catherine Rae	Pension Fund Committee Investment Sub Committee	4 meetings out of 4 3 meetings out of 3	9 sessions attended
Councillor Ian Gardener	Pension Fund Committee Investment Sub Committee	4 meetings out of 4 3 meetings out of 3	10 sessions attended
Councillor Alan Sharp	Pension Fund Committee Investment Sub Committee	3 meetings out of 4 2 meetings out of 3	4 sessions attended
Councillor Chris Boden	Pension Fund Committee Investment Sub Committee	1 meetings out of 4 2 meetings out of 3	2 sessions attended
Lee Phanco	Pension Fund Committee Investment Sub Committee	3 meetings out of 4 2 meetings out of 3	2 sessions attended
John Walker	Pension Fund Committee Investment Sub Committee	4 meetings out of 4 2 meetings out of 3	10 sessions attended
Councillor Josh Schumann	Pension Fund Committee	1 meetings out of 4	0 sessions attended
Councillor Edna Murphy	Pension Fund Committee	3 meetings out of 4	9 sessions and 1 external conference
Councillor Andy Coles	Pension Fund Committee	3 meetings out of 4	4 sessions attended
Matthew Pink	Pension Fund Committee	3 meetings out of 4	10 sessions attended
Councillor Philippa Slatter	Pension Fund Board	3 meetings out of 3*	10 sessions attended
Councillor Simon King	Pension Fund Board	4 meetings out of 4	9 sessions attended and 1 external webinar
Councillor Denis Payne	Pension Fund Board	4 meetings out of 4	10 sessions attended and 4 webinars and 2 external conferences
Barry O'Sullivan	Pension Fund Board	4 meetings out of 4	10 sessions attended and 3 external webinars and one external conference
Val Limb	Pension Fund Board	4 meetings out of 4	10 sessions attended and 2 external webinars and 4 external conferences
Martin Dachs	Pension Fund Board	4 meetings out of 4	8 sessions attended and 1 external webinar

# Scheme Administration (continued)

## Policies and Strategy Statements

Information about the Fund's policies and procedures can be found on the Fund's website:

[Key Documents](#)

### The following policies were in place during the financial year

- Administering Authority Discretions
- Administration Strategy
- Admitted Bodies Scheme Employers and Bulk Transfers Policy
- Annual Business Plan & Medium Term Strategy 2021-2024
- Anti-Fraud and Corruption Policy
- Cambridgeshire Pension Fund Training Strategy
- Cash Management Strategy
- Communications Plan
- Communications Strategy
- Conflict of Interest Policy for Cambridgeshire Pension Fund Board
- Data Improvement Policy
- Employer Data Retention Policy
- Funding Strategy Statement
- Governance Policy and Compliance Statement
- Investment Strategy Statement
- Overpayment of Pension Policy
- Payment of Pension Contributions Policy
- Reporting Breaches of the Law to the Pensions Regulator Policy
- Risk Register
- Risk Strategy

### Statement/Policy Changes in 2021-22

The following strategies and policies have been reviewed and updated accordingly in 2021-22:

- Admission Bodies, Scheme Employers and Bulk Transfer Policy
- Anti-Fraud and Corruption Policy
- Communications Plan
- Training Strategies
- Investment Strategy Statement
- Payment of Employee and Employer Contributions Policy

The Fund also developed a Cyber Strategy during the year, however this is not published due to its sensitive nature.

# Management and Financial Performance

## The Team

The Pensions Service is based in Northampton and consists of the following teams:

- **Operations** – maintain member records, calculate benefits and pensions payable.  
Contact: [Pensions@westnorthants.gov.uk](mailto:Pensions@westnorthants.gov.uk)
- **Employers** – contact point for employers of the scheme and those wanting to join. Deliver training sessions to employers and payroll providers covering the systems available to assist them in efficiently participating in the Fund.  
Contact: [PenEmployers@westnorthants.gov.uk](mailto:PenEmployers@westnorthants.gov.uk)
- **Systems** – ensure internal systems are operating efficiently and provide support to maintaining accurate member records.  
Contact: [PenSystems@westnorthants.gov.uk](mailto:PenSystems@westnorthants.gov.uk)
- **Investments** – oversee the governance of Fund assets and support the Investment Sub-Committee.  
Contact: [PenInvestments@westnorthants.gov.uk](mailto:PenInvestments@westnorthants.gov.uk)
- **Governance** – support all Committees in governing the Fund effectively, develop and monitor policies and practices to improve data quality and ensure regulatory compliance.  
Contact: [Pensions@westnorthants.gov.uk](mailto:Pensions@westnorthants.gov.uk)
- **Accounting** – record and reconcile contributions paid into the Fund and accounts for fund expenses. Provide financial monitoring and reporting of functions such as debt management and cash requirements and investment accounting.  
Contact: [PenContributions@westnorthants.gov.uk](mailto:PenContributions@westnorthants.gov.uk)
- **Projects** – is responsible for delivering a wide range of projects that are required to be delivered across the service.  
Email: [PenProjects@westnorthants.gov.uk](mailto:PenProjects@westnorthants.gov.uk)

## Complaints

Should you have a complaint about the service, we will do our best to put things right. To access support, please contact [Pensions@westnorthants.gov.uk](mailto:Pensions@westnorthants.gov.uk), telephone 01604 366537, or write to:  
Pensions Service – Governance Team  
One Angel Square,  
Angel Street  
Northampton  
NN1 1ED

## Appeals

The LGPS regulations provide Internal Dispute Resolution Procedures (IDRP), details of which can be accessed via [the website](#).

Stage 1 disputes are decided by Head of Pensions if the complaint concerns an administering authority decision, or by an adjudicator appointed by the Employer if an Employer decision.

At Stage 2, the complaint is considered by Cambridgeshire County Council's Monitoring Officer, and if the complainant is still unhappy with the decision they may formally refer the case to The Pensions Ombudsman.

At any stage a scheme member may contact The Pensions Ombudsman for assistance with their complaint, but for a formal complaint to be raised with them both Stages of the IDRP would normally need to be completed first. More information can be found on [The Pensions Ombudsman website](#).

The following formal disputes have arisen and/or been resolved during the year:

Nature of dispute	Stage 1	Stage 2
Membership record issues leading to inconsistent details and delays	Upheld	In progress
Communication issues and incorrect payment of lump sum	Partially upheld	N/A
Refusal of transfer out due to age	Partially upheld	N/A
Delay in payment of deferred benefits on ill health grounds	Partially upheld	Partially upheld
Deduction of member pension contributions missed due to a payroll system error	Not Upheld	Partially upheld
Overstated Lump Sum with AVCs in estimate	Partially upheld	N/A
Refusal of transfer out due to age and GMP liability	Partially upheld	N/A
Delay in providing deferred pension award that may inhibit ability to transfer	In progress	N/A
Pension Credit following Pension Sharing Order lower than estimated	In progress	N/A
Transfer out reinstatement/compensation	Not Upheld (2020/2021)	In progress

# Management and Financial Performance (continued)

## Managing Decision Making

Cambridgeshire County Council has established a Pension Fund Committee (PFC) and Investment Sub-Committee (ISC) having strategic and operational investment decision making powers, respectively.

Membership of both bodies consist of elected members, and non-elected employer and scheme member representatives. All members of the ISC sit on the PFC.

The PFC's business covers all Fund matters with the exception of non-strategic investment issues, which are delegated to the ISC. Officers across the operations, investment, transactions, corporate and governance functions support the PFC and ISC as required. All meetings of the PFC and ISC are duly minuted.

PFC members and ISC members are required to attain a desired level of skills and knowledge, to ensure decisions being made on behalf of Cambridgeshire County Council Pension Fund are made with full understanding of the impact and therefore mitigating the risk of unfounded decisions.

The Committee members must at all times be conscious of their accountability to stakeholders. The PFC is responsible for determining the nature and extent of any significant risks taken on by the Administering Authority in the pursuit of its strategic objectives. Risk management should be dynamic and comprehensive, considering operational, reputational and environmental, social and governance (ESG) risks in addition to financial risks.

The Cambridgeshire Full Council has acknowledged the establishment of the ACCESS Joint Committee (AJC) delegating powers to this body in response to the Government's pooling agenda. The Chair of the PFC represent the Fund on the AJC, supported by Fund officers working in the ACCESS Officers Working Group (OWG).

The Local Pension Board (LPB) was established on 1 April 2015, providing an additional layer of governance for the Fund. The LPB is non-decision making but has the responsibility of assisting the Administering Authority to:

- Secure compliance with the Local Government Pension Scheme (LGPS) regulations and other legislation relating to the governance and administration of the LGPS and also the requirements imposed by the Pensions Regulator in relation to the LGPS; and
- Ensure the effective and efficient governance and administration of the LGPS.

The LPB has provided a separate annual report of its activities to Council for this financial year.

# Management and Financial Performance (continued)

## Risk Management

The Cambridgeshire Pension Fund has both a risk strategy and a risk register in place to identify, evaluate, mitigate and monitor risks associated with the activities that the Fund carries out. Risk is managed through regular reporting to both the Pension Fund Committee and Local Pension Board. Identified risks are recorded in the Risk Register, a copy of which can be found at: [Risk Register](#)

The aim of the Risk Register is to ensure that an informed decision can be made on whether a risk can, or should be accepted. Risk appetite is informed by an understanding of any existing controls and will also be influenced by the expected reward or outcome. Once risks have been identified the Fund assesses the impact and likelihood of a risk to enable effective decision making.

Risks recorded in the Risk Register are linked and managed in line with the Pension Fund objectives to ensure relevance and are reviewed by the Pension Fund Committee twice a year and the Local Pension Board quarterly. New risks are therefore identified promptly and current risks are monitored on a regular basis, with risk ratings revised where necessary. The accompanying Risk Strategy is reviewed on an annual basis to ensure it remains relevant to support the Risk Register.

Third party risks are managed through the Risk Register and associated policies, such as the Payment of Pension Contributions Policy. Mitigations are put in place to minimise third party risks and, in particular, the risks associated with Scheme Employers and effective covenant monitoring.

## Investment Risk

The Fund's Investment Strategy Statement, which is reviewed annually, sets out the Fund's investment strategy which incorporates evaluation of key investment risks.

In addition the Statement of Accounts section of this document, provides further information about Investment risks and how they apply to the Investment Assets held by the Fund.

There are many risks inherent in investments. The Fund addresses these in the following ways:

**Market Risk** – investments will reduce in value due to fluctuations in prices, interest rates, exchange rates and credit spreads.

The Fund invests in different markets across the world and in different types of investment to reduce the risk of the portfolio reducing in value due to adverse market conditions and to smooth returns.

**Price Risk** – investments may be incorrectly valued due to price fluctuations or estimates used in pricing.

Investments are valued at published prices, where available. Investments that are not sold on a market are valued by specialist Investment Managers. Notes 16, 17 and 18 in the Statement of Accounts give information about how investments are valued and give an indication of the value of investments subject to an element of estimation.

At year end all Investment Managers, including Link Fund Solutions who are the Operator of the ACCESS pool (page 31), are required to provide ISAE 3402 Service Organisation Control Reports which are made available to external audit.

## Risk Assurance

The objective of an internal audit is to educate management and employees about how they can improve business operations and efficiencies while giving reliability and credibility to the financial reports that go to Pension Fund Committee and the Local Pension Board. Internal audit awarded the Fund substantial assurance following its testing within the year.

# Management and Financial Performance (continued)

## Financial Performance

The financial performance of the Fund is monitored against budgeted performance on a regular basis throughout the year by the Pension Fund Committee.

Performance Indicators	2021-22 Forecast £000	2021-22 Actual £000
Contributions	119,000	134,643
Transfers in from other funds	23,000	11,532
<b>Total Income</b>	<b>142,000</b>	<b>146,175</b>
Benefits payable	-113,000	-118,306
Payments to and for leavers	-7,000	-8,754
<b>Total Benefits</b>	<b>-120,000</b>	<b>-127,060</b>
<b>Surplus of contributions over benefits</b>	<b>22,000</b>	<b>19,115</b>
Management Expenses		
Administrative Costs	-2,539	-2,602
Investment Management Expenses	-914	-22,130
Oversight and Governance Costs	-720	-901
<b>Total Management Expenses</b>	<b>-4,173</b>	<b>-25,633</b>
<b>Total Income less Expenses</b>	<b>17,827</b>	<b>-6,518</b>
Investment Income	34,000	30,719
Taxes on Income	0	0
Profit/(loss) on disposal and changes in market value of investments	150,000	382,996
<b>Net return on investments</b>	<b>184,000</b>	<b>413,715</b>
<b>Net increase/(decrease) in assets during the year</b>	<b>201,827</b>	<b>407,197</b>

Management expenses per active member are shown below:

	2020-21	2021-22
Active Members	28,711	28,911
	£	£
Administrative Cost	94.95	90.00
Investment Management Expenses	669.78	765.45
Oversight and Governance Costs	25.57	31.16

## Variance Analysis

- Investment Management expenses forecast is understated as this does not include pooled fees deducted from market value.
- The 2021-22 forecast for profit/loss on disposal and changes in market value of investments assumed the actuarial target would be achieved. The actual market experience is explained in the investments consultant's review (page 42).

Details of non-investment assets and liabilities of the Fund can be found in the Statement of Accounts in Notes 21 to 22.

# Management and Financial Performance (continued)

## Performance Indicators

The Fund has developed a number of Key Performance Indicators (KPIs) to monitor service delivery, these KPIs are reviewed internally on a monthly basis to monitor and inform where delivery is met or remedial action is required. The Pension Fund Committee receives quarterly performance updates within a Business Plan update.

The below table shows the number and trend of the top 7 types of scheme administration cases demonstrating both workload and efficiency in meeting internal KPI and external legal requirements.

Key Performance Indicators	Cases completed in the year	Cases completed within KPI target	% of Cases completed within KPI target
<b>Deaths</b> – initial letter acknowledging death of member <i>KPI: 5 working days, Legal requirement: 2 months</i>	615	615	100
<b>Deaths</b> – letter notifying amount of dependant’s pension <i>KPI: 5 working days, Legal requirement: 2 months</i>	361	359	99
<b>Estimates</b> – letter notifying estimate of retirement benefits to employee <i>KPI: 10 working days, Legal requirement: 2 months</i>	577	553	96
<b>Retirements</b> – process and pay pension benefits on time <i>KPI: 5 working days, Legal requirement: 2 months</i>	588	563	96
<b>Deferment</b> – calculate and notify deferred benefits <i>KPI: 15 working days, Legal requirement: N/A</i>	1,735	1,650	95
<b>Transfers in</b> – Letter detailing transfer in (actual) <i>KPI: 10 working days, Legal requirement: 2 months</i>	424	418	99
<b>Transfers out</b> – letter detailing transfer out (quote) <i>KPI: 10 working days, Legal requirement: 3 months</i>	420	416	99



# Management and Financial Performance (continued)

## Contributions

The Fund works closely with employers to collect contributions on time. The following table shows the amount of regular employee and employer contributions paid during the year and the value and percentage of which were paid both on time and after the deadline of the 19th day of the month following deduction.

Contributions	Total Paid in 2021-22 £000	Total Paid On Time £000	% Paid On Time	Total Paid Late £000	% Paid Late
Employer	104,015	103,753	99	262	1
Employee	30,628	30,549	99	79	1
<b>Total</b>	<b>134,643</b>	<b>134,302</b>	<b>99</b>	<b>341</b>	<b>1</b>

The Fund did not apply any additional charges or levies in respect of contributions received late, and no reports were made to The Pensions Regulator in respect of late contributions during the year.

## Recovery of Overpayments of Pension

The Fund participates in the National Fraud Initiative which is a biennial process undertaken in conjunction with the Audit Commission. The necessary recoveries arising from identified overpayments are being pursued.

Annual Pensioner Payroll (£) <sup>1</sup>	96,617,752
Total write off amount (£)	11,841
Write off amount as % of payroll	0.01

<sup>1</sup>Excludes additional pension awarded by the employer.

The following tables show the analysis of pension overpayments that occurred during the last five years:

Year	Overpayment £	Recovered/in progress £	Written Off £
2017-18	68,606	34,448	18,498
2018-19 <sup>2</sup>	344,153	282,908	61,245
2019-20	97,143	36,137	61,006
2020-21	19,846	4,895	14,951
2021-22	40,591	28,750	11,841

<sup>2</sup>Overpayments in 2018-19 and 2019-20 appear particularly high, as in addition to usual activity, the Fund undertook a significant reconciliation project during the year in which a number of overpayments were identified.

Overpayments identified with a value of under £250 are automatically written off, in line with the Fund's Overpayments Policy.

# Management and Financial Performance (continued)

## Contributors to the Fund

Active Employers as at 31<sup>st</sup> March 2022

Type Of Body	Number of Active Employers
Administering (AA)	1
Scheduled (S)*	236
Admitted (Ad)	112
<b>Total</b>	<b>349</b>

\*LEA schools are included within Scheduled Bodies but not in the above figures as they belong to their responsible local authorities, and in table below are shown in Body column as S\*

The table, left, shows employers in the fund as at the 31<sup>st</sup> March 2022, the breakdown of contributions by employer shown below will have different numbers of employers to the statement of accounts, as employers joined and left the fund throughout the year, an active or ceased column has been added to show this movement. Where contributions exist for ceased employers, this will be where prior year adjustments have been made within 2021-22, or contribution receipts recorded within the period.

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
(NHS) Cambridgeshire & Pboro CCG	14,456	64,671	79,128		Ad
Abbey College Academy	58,479	181,431	239,910		S
Abbotts Ripton School (CCC)	6,242	24,512	30,754		S*
ABM (Eynesbury Primary)	624	3,878	4,501		Ad
ABM (Priory Junior)	307	1,228	1,534	Y	Ad
ABM Catering (Brewster Avenue Infant School)	1,785	10,480	12,265		Ad
ABM Catering (Holywell)	992	3,970	4,962		Ad
ABM Catering (Oakdale Primary School)	944	3,808	4,752		Ad
ABM Catering (St Augustine's)	2,875	12,338	15,213		Ad
ABM Catering (Werrington)	812	3,481	4,293		Ad
ABM Catering Limited (Alderman Jacobs)	2,088	6,706	8,793		Ad
ABM Catering Limited (Bushmead Primary and Elsworth Primary)	1,062	4,061	5,123		Ad

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
ABM Catering Limited (Heltwater Primary and Marshfields Primary School)	274	1,174	1,448		Ad
ABM Catering Limited (St John's CE Primary School (Huntingdon))	1,337	5,906	7,243		Ad
ABM Catering Limited (The Beeches Primary and Hampton Hargate Primary)	1,940	8,255	10,195		Ad
ABM Catering Ltd (Great Paxton Primary School, Newton Community Primary School, Offord Primary School and Samuel Pepys School)	1,087	4,124	5,211		Ad
Active Learning Trust (HQ)	84,647	175,197	259,844		S
Advanced Cleaning Services (Burwell & Netherhall)	319	1,277	1,597		Ad
Alconbury C of E Primary (CCC)	17,011	66,583	83,595		S*
Alderman Jacobs Academy	39,652	130,250	169,902		S
Alderman Payne Primary (CCC)	7,104	28,417	35,521		S*

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
All Saints Inter Church Academy	15,176	68,500	83,676		S
All Saints' Primary School (PCC)	27,753	114,711	142,465		S*
Alliance in Partnership Limited	1,100	4,402	5,502		Ad
Aramark (Cambridge Regional College)	4,269	- 2,597	1,672		Ad
Arbury Primary School (CCC)	18,892	73,222	92,113		S*
Arthur Mellows VC Academy	88,484	275,549	364,033		S
Ashbeach Primary School (CCC)	10,885	42,758	53,643		S*
Aspens (Brampton Village Primary School)	385	1,540	1,925		Ad
Aspens (Hemingford Grey)	647	2,587	3,234		Ad
Aspens (The Harbour School)	855	3,418	4,273		Ad
Aspens Services Ltd (Cottenham VC)	1,587	5,119	6,706		Ad
Babraham C of E Primary Academy	4,363	18,934	23,297		S
Balfour Beatty	2,544	-	2,544		Ad
Balsham Parish Council	672	3,251	3,923		S
Bar Hill Community Primary School	16,489	62,461	78,950		S
Bar Hill Parish Council	1,465	6,085	7,551		S
Barnabas Oley C of E Primary School	8,009	31,842	39,851		S*
Barnack C of E Primary School (PCC)	10,524	43,487	54,011		S*
Barrington C of E Primary (CCC)	8,563	34,058	42,622		S*
Barton C of E (VA) Primary School	8,162	31,484	39,646		S*
Bassingbourn Primary (CCC)	21,012	83,350	104,362		S*
Bassingbourn V C Academy	21,663	70,630	92,294		S
Beaupre CP School (CCC)	14,298	54,945	69,242		S*
Bellbird School (CCC)	23,755	93,736	117,491		S*

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Benwick Primary School (CCC)	9,939	39,281	49,220		S*
Bewick Bridge C P Sch (CCC)	19,554	75,380	94,934		S*
Bishop Creighton Academy	15,054	46,713	61,767		S
Bottisham Community Primary Academy	15,630	69,724	85,354		S
Bottisham VC Academy	106,988	303,996	410,984		S
Bottisham Village College (CCC)	-	7,500	7,500	Y	S
Bourn Primary Sch-Academy	11,722	39,434	51,157		S
Brampton Village School (CCC)	31,193	122,673	153,866		S*
Braybrook Primary School Academy	14,030	58,512	72,542		S
Bretton Parish Council	3,180	10,519	13,699		S
Brewster Avenue School (PCC)	17,150	74,608	91,759		S*
Brington C of E Primary School (CCC)	7,382	29,141	36,523		S*
Brunswick Nursery School (CCC)	12,711	48,258	60,969		S*
Buckden C of E Primary Sch-Academy	28,581	94,200	122,781		S
Burnt Fen I D B	3,439	11,374	14,813		S
Burrough Green Primary (CCC)	5,877	23,251	29,128		S*
Burrowmoor Primary Academy	28,277	112,469	140,746		S
Burwell Parish Council	1,852	6,124	7,976		S
Burwell VC Primary (CCC)	17,210	79,925	97,134		S*
Bury C of E Primary Sch (MAT)	7,009	29,293	36,302		S
Bushmead Primary School (CCC)	25,198	98,797	123,995		S*
Busy Bee Cleaning Services Ltd (St Bede's Inter-Church School)	268	1,213	1,481		Ad
Caldecote Parish Council	19	73	92	Y	S
Caldecote Primary School (CCC)	10,815	41,831	52,646		S*
Cambourne Parish Council	22,873	73,752	96,625		S
Cambourne Village Coll. Acad. (MAT)	80,304	249,293	329,597		S

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Cambridge & Peterborough NHS Foundation Trust	14,431	69,049	83,480		Ad
Cambridge City Council	1,677,699	4,483,188	6,160,887		S
Cambridge Meridian Academy Trust (HQ staff)	150,402	404,987	555,389		S
Cambridge Regional College	536,635	2,052,151	2,588,786		S
Cambridgeshire and Peterborough Combined Authority	381,967	820,782	1,202,749		S
Cambridgeshire County Council	6,944,868	22,218,646	29,163,514		AA
Cambs & P'boro Fire Authority	406,160	1,493,630	1,899,790		S
Cambs Chief Constable	1,817,749	6,832,299	8,650,048		S
Cambs Police & Crime Commis'er	52,253	152,537	204,790		S
Care Quality Commisson	6,029	-	6,029		Ad
Castle Camps Primary (CCC)	7,175	28,440	35,614		S*
Castle School (CCC)	95,972	367,931	463,902		S*
Castor C of E Primary School (PCC)	11,795	50,229	62,024		S*
Caterlink (Active L T)	12,876	51,882	64,758		Ad
Caterlink (Anglian Learning)	1,535	6,124	7,659		Ad
CaterLink (Diamond Learning Partnership Trust)	4,994	20,715	25,708		Ad
Caterlink (Priory Park Infant School)	219	874	1,093		Ad
Caterlink (The Diamond L P)	2,539	15,602	18,141		Ad
Caterlink (Witchford VC Academy)	298	984	1,282	Y	Ad
Caterlink Ltd	345	1,302	1,647	Y	Ad
Caterlink UK Ltd (Ernulf Academy)	-	2,000	2,000		Ad
Caterlink UK Ltd (The Vine Inter-Church School)	1,287	5,022	6,308		Ad
Cavalry Primary School	37,910	141,520	179,430		S

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Caverstede Nursey School	21,612	88,858	110,471		S*
Chartwells (Netherhall School)	3,950	15,833	19,784	Y	Ad
Chatteris Town Council	3,185	11,065	14,250		S
Cherry Hinton Primary (CCC)	18,934	73,740	92,674		S*
Chesterton Community College	70,202	201,510	271,712		S
Chesterton Primary Acad. (MAT)	11,965	41,136	53,102		S
Cheveley Primary School (CCC)	5,463	21,850	27,312		S*
Churchill Contract Services	3,596	18,632	22,228		Ad
City College Peterborough (was PCAE) (PCC)	168,056	602,417	770,473		S
City Culture Peterborough Limited	33,768	97,076	130,843		Ad
City of Ely Council	25,241	82,311	107,552		S
City of Peterborough Academy (MAT)	53,659	162,298	215,957		S
Clarion Housing Association Limited	26,057	489,944	516,001		Ad
Clarkson Infants School (CCC)	19,069	73,305	92,373		S*
CMAT Educational Services Limited	-	14,611	14,611		S
Coates Primary School (CCC)	13,089	50,710	63,799		S*
Collections Trust	2,368	24,181	26,549		Ad
Colleges Nursery School (CCC)	15,132	58,396	73,528		S*
Colville Primary School (CCC)	19,797	76,453	96,250		S*
Comberton Academy Trust (HQ)	37,165	93,787	130,952		S
Comberton VC Academy	150,477	482,594	633,072		S
Compass (Anglian Learning Trust: Bassingbourne VC, Sawston VC and Netherhall)	1,252	3,870	5,122		Ad

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Compass (DEMAT)	25,523	97,499	123,022		Ad
Compass (Stephen Perse)	11,099	40,312	51,410	Y	Ad
Compass Contract Services	2,508	43,104	45,612		Ad
Compass Contract Services (Staploe ET)	4,394	14,697	19,091		Ad
Conservators of the River Cam	2,388	7,898	10,286	Y	Ad
Coton C of E Primary School (CCC)	8,658	34,206	42,864		S*
Cottenham Primary School (CCC)	33,510	129,893	163,403		S*
Cottenham VC Academy	58,716	137,287	196,002		S
CRCC - Cambridge Rape Crisis Centre	2,200	7,445	9,645		Ad
Cromwell Academy	11,788	45,491	57,279		S
Cromwell Comm College (Academy)	71,684	298,813	370,497		S
Cross Keys Homes Ltd	20,923	243,379	264,302		Ad
Crosshall Infants Academy	36,242	120,836	157,078		S
Crosshall Juniors Academy	33,728	111,821	145,549		S
Cucina Ltd (Arthur Mellows)	1,295	4,340	5,635		Ad
Diocese of Ely Multi Academy Trust (DEMAT) HQ Staff	29,875	102,418	132,293		S
Discovery Primary Academy	41,997	135,983	177,980		S
Ditton Lodge Primary School	13,573	50,929	64,502		S
Dogsthorpe Academy	24,765	115,670	140,435		S
Dogsthorpe Infant School	19,818	77,679	97,497		S
Downham Feoffees Primary Academy	6,602	26,005	32,607		S
Dry Drayton Primary (CCC)	5,546	21,217	26,763		S*
Duke of Bedford School (PCC)	20,457	86,975	107,432		S*

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Duxford Primary School (CCC)	16,875	66,530	83,405		S*
Earith Primary Academy	7,878	33,688	41,567		S
East Cambs District Council	369,568	1,438,842	1,808,410		S
East of England Local Government Association (EEDA/EERA)	75,110	246,982	322,092		Ad
Eastfield Inf and Nursery (CCC)	15,927	62,803	78,731		S*
Easy Clean (Arbury Primary School)	139	555	694	Y	Ad
Easy Clean (Godmanchester)	449	1,633	2,082	Y	Ad
Easy Clean (Grt Peterbor)	27	83	110	Y	Ad
Easy Clean (TDET)	10,065	46,937	57,002		Ad
Easy Clean (The Phoenix School - Phase 2 Secondary)	752	3,219	3,971		Ad
Easy Clean (Upwood Primary School)	345	1,527	1,872		Ad
Easy Clean Contractors (Milton Primary School)	281	1,160	1,441		Ad
Ecovert FM Ltd	1,412	-	1,412		Ad
Edwards & Blake Ltd (Coates Primary School)	389	1,555	1,943		Ad
Edwards and Blake (Godmanchester Community Education Trust)	456	1,660	2,116		Ad
Edwards and Blake (Stukeley Meadows)	581	2,326	2,907		Ad
Edwards and Blake Ltd (Bassingbourn Primary)	804	3,165	3,969		Ad
Elior Holdings UK (Bouygues)	2,869	20,055	22,924		Ad
Elior UK	828	-	828		Ad
Elm C of E Primary Academy	17,144	62,657	79,802		S

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Elm Road Primary School	13,498	52,174	65,672		S
Elsworth C of E (A) Primary School (CCC)	6,194	24,540	30,734		S*
Elton Church School (CCC)	9,475	39,922	49,397		S*
Ely (City of) College - Academy	56,988	184,575	241,563		S
Ely St John Primary (CCC)	24,253	94,483	118,736		S*
Ermine Street Church Academy	12,549	45,819	58,368		S
Ernulf Academy	41,219	127,988	169,207		S
Everyone Health Limited	7,315	21,538	28,853		Ad
Eye C of E Primary School (PCC)	36,836	147,151	183,987		S*
Eye Parish Council	554	2,054	2,608		S
Eynesbury C of E School (CCC)	13,387	52,968	66,355		S*
Eyrescroft Primary School	30,840	127,720	158,559		S
Family Psychology Mutual	12,134	35,839	47,973		Ad
Farcet C of E Primary Academy	9,007	37,043	46,050		S
Farcet Parish Council	677	3,097	3,774		S
Fawcett Primary School	33,579	128,142	161,722		S*
Fen Ditton Primary Academy	11,573	44,269	55,842		S
Fen Drayton Primary (CCC)	6,057	24,096	30,153		S*
Fenland District Council	572,820	1,524,651	2,097,471		S
Fenstanton Primary School (CCC)	14,161	54,245	68,406		S*
Fields Early Years Centre (CCC)	14,008	57,477	71,485		S*
Folksworth C of E Primary (CCC)	3,185	12,604	15,789		S*
Fordham Primary School (CCC)	16,607	65,118	81,725		S*
Fourfields Primary School (CCC)	31,059	126,950	158,009		S*
Fowlmere Primary School (CCC)	4,420	17,484	21,904		S*
Foxton Primary School (CCC)	6,034	23,689	29,723		S*

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Freedom Leisure (Fenland DC)	40,620	129,892	170,512		Ad
Friday Bridge Primary (CCC)	9,375	37,479	46,855		S*
Friends Therapeutic Community	59,987	359,451	419,438		Ad
Fulbourn Primary School (CCC)	19,544	73,804	93,348		S*
Fulbridge Academy	91,728	292,970	384,698		S
Fusion	786	2,501	3,286		Ad
Gamlingay First School Academy	27,158	114,502	141,660		S
Gamlingay Parish Council	4,486	15,614	20,100		S
Girton Glebe Primary School	9,706	37,956	47,662		S
Gladstone Primary Academy	37,837	139,725	177,562		S
Glebelands Primary Academy	25,929	103,856	129,785		S
GLL - Greenwich Leisure Ltd	6,541	32,062	38,603		Ad
Godmanchester Community & Bridge Academies	35,192	127,100	162,292		S
Gorefield Primary Academy	10,472	39,713	50,185		S
Goshen Multiservices Ltd	1,344	8,679	10,023		Ad
Granta School (CCC)	76,294	274,919	351,214		S*
Great Abington Primary (CCC)	7,465	29,405	36,871		S*
Great and LT Shelford (CCC)	15,313	61,008	76,321		S*
Great Gidding C of E Primary (CCC)	3,572	14,016	17,588		S*
Great Paxton C of E Primary (CCC)	8,952	39,272	48,223		S*
Great Staughton Academy (MAT)	5,985	26,689	32,674		S
Great Wilbraham Primary (CCC)	6,146	23,252	29,398		S*
Greater Peterborough UTC	18,121	52,743	70,864		S
Guilden Morden Academy	7,822	28,671	36,493		S
Gunthorpe C P School (PCC)	2,261	9,156	11,417	Y	S*
Guyhirn C of E Primary Academy (CCC)	7,143	29,999	37,141		S

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Haddenham Level Drainage Commissioners	1,809	5,983	7,792		S
Haddenham Parish Council	1,839	6,248	8,087		S
Hampton College Academy	110,787	338,118	448,905		S
Hampton Gardens Academy	40,504	122,535	163,039		S
Hampton Hargate Primary (PCC)	42,137	175,100	217,237		S*
Hampton Lakes Academy	9,499	33,579	43,078		S
Hampton Vale Primary Academy	46,779	155,591	202,370		S
Hardwick Primary (CCC)	36,714	142,327	179,042		S*
Harston and Newton Primary School (CCC)	11,194	44,324	55,518		S*
Hartford Infant School	13,158	47,972	61,130		S
Hartford Junior School	17,162	62,315	79,477		S
Haslingfield Primary (CCC)	9,611	38,126	47,737		S*
Hatton Park School (MAT)	15,277	57,599	72,876		S
Hauxton Primary School (CCC)	7,460	29,572	37,032		S*
Heltwate School (PCC)	79,507	322,508	402,015		S*
Hemingford Grey Primary School	19,020	74,988	94,009		S*
Heritage Park School (PCC)	14,467	60,126	74,593		S*
Hertfordshire Catering Limited (Barrington CofE VC Primary School)	1,555	5,871	7,426		Ad
Hertfordshire Catering Limited (Harston & Newton Community Primary School)	1,133	4,284	5,418		Ad
Hertfordshire Catering Limited (Hartford Infants, Hartford Junior and Gamlingay First School Academy)	1,588	6,298	7,885		Ad

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Hertfordshire Catering Limited (Hauxton Primary School)	1,051	3,969	5,020		Ad
Hertfordshire Catering Limited (Melbourn Primary School)	2,397	9,058	11,456		Ad
Hertfordshire Catering Limited (Meldreth Primary School)	1,264	4,892	6,156		Ad
Hertfordshire Catering Limited (Petersfield C of E Aided Primary School)	537	2,074	2,610		Ad
Hertfordshire Catering Limited (Thongsley Fields Primary)	387	2,204	2,591		Ad
Highfield Ely Academy	77,562	289,073	366,635		S
Highfield Littleport Academy	46,617	149,146	195,762		S
Highlees Primary School	27,095	123,227	150,322		S
Hills Road Sixth Form College	176,438	644,126	820,564		S
Hinchingsbrooke School	117,471	354,364	471,835		S
Histon and Imp. Infants (MAT)	15,869	60,222	76,091		S
Histon and Imp. Junior (MAT)	35,494	123,856	159,349		S
Histon and Impington Parish Council	5,078	17,285	22,363		S
Histon Early Years Centre (previously known as Histon Nursery School)	19,739	83,947	103,686		S*
Holme Church of England Primary Academy	9,231	39,487	48,718		S
Holywell C of E (C) School (CCC)	10,540	41,673	52,213		S*
Home Close	-	3,000	3,000		Ad
Homerton College	208,065	582,970	791,035		Ad
Homerton Early Years Centre (Nurse School) (CCC)	19,279	75,096	94,375		S*
Horizons Education Trust	77,580	310,563	388,143		S



# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Houghton Primary School (CCC)	16,907	66,133	83,040		S*
Huntingdon Nursey School (CCC)	20,284	77,768	98,052		S*
Huntingdon Primary School (CCC)	39,472	157,512	196,984		S*
Huntingdon Town Council	59,766	185,408	245,174		S
Huntingdonshire District Council	1,155,777	4,710,002	5,865,780		S
Icknield Primary (School (Anglian Learning Trust))	11,661	46,905	58,565		S
Impington Village College	125,540	365,377	490,917		S
Industrial Site Maintenance Ltd	2,123	11,496	13,619		Ad
Inspire Education Group	468,370	1,658,364	2,126,735		S
Isle of Ely Academy	23,242	74,804	98,046		S
Isleham Primary School (CCC)	13,869	53,494	67,363		S*
Jeavons Wood Primary Academy	32,113	108,069	140,182		S
John Clare Primary School (CCC)	717	3,020	3,737	Y	S*
Kelsey Kerridge S H	12,714	92,823	105,537		Ad
Ken Stimpson Community School (PCC)	67,375	263,801	331,176		S*
Kennett Community School (Academy)	5,370	20,610	25,980		S
Kettlefields Primary (CCC)	6,619	25,818	32,438		S*
Kimbolton Primary Acad (MAT)	6,858	23,447	30,305		S
Kimbolton School (Independent School)	31,874	179,993	211,868		Ad
Kinderley Primary School (CCC)	7,972	30,830	38,802		S*
Kings Hedges Primary (CCC)	41,954	154,586	196,540		S*
Kingsfield Primary School Academy	31,182	103,500	134,682		S
Lantern CP School Academy	23,809	95,074	118,883		S

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Leighton Primary School	21,098	85,988	107,087		S
Leverington Primary Academy	16,514	52,596	69,110		S
Lime Academy Abbotsmede	29,653	124,329	153,982		S
Lime Academy Orton	70,542	378,894	449,436		S
Lime Academy Parnwell	21,073	82,773	103,846		S
Lime Academy Watgall	30,225	110,430	140,655		S
Linton Heights Junior Academy	14,187	48,435	62,622		S
Linton Infants School (CCC)	16,217	64,290	80,507		S*
Linton Parish Council	1,685	8,074	9,759		S
Linton VC Academy	44,134	142,734	186,867		S
Lionel Walden School (CCC)	18,361	72,929	91,290		S*
Little Downham Parish Council	875	3,169	4,044		S
Little Paxton Parish Council	3,687	12,271	15,958		S
Little Paxton School (CCC)	25,673	100,321	125,994		S*
Little Thetford Primary (CCC)	8,026	30,877	38,903		S*
Littleport & East Cambridgeshire Academy	31,161	97,184	128,345		S
Littleport and Downham I D B	8,182	27,063	35,245		S
Littleport CP School (CCC)	30,794	121,342	152,136		S*
Long Road Sixth Form College	100,724	350,951	451,675		S
Longsands Academy	77,062	239,219	316,281		S
Luminus Group Limited	51,882	604,327	656,209		Ad
Lunchtime Company (CPET)	3,784	15,863	19,646		Ad
Lunchtime Company Ltd (Grove Primary)	1,739	1,934	3,673		Ad
Lunchtime UK (St Laurence's Catholic Primary School)	205	819	1,024		Ad
Lunchtime UK Ltd	103	412	515		Ad



# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Magistrates Court Committee	-	632,000	632,000	Y	Ad
Malco Services	438	1,755	2,193		Ad
Manea Primary School (CCC)	20,608	80,563	101,172		S*
Martin Bacon Academy	29,584	122,460	152,044		S
Mayfield Primary School (CCC)	28,838	112,698	141,537		S*
Meadow Primary School	12,554	42,312	54,867		S
Meadowgate Academy (CCC)	68,981	271,463	340,444		S
Mears Ltd	41,370	-	41,370		Ad
Mears Ltd (SCDC)	9,945	-	9,945		Ad
Medeshamsted Academy (MAT)	35,460	106,302	141,762		S
Melbourn Primary School (CCC)	29,421	114,007	143,429		S*
Melbourn VC Academy	51,116	167,284	218,399		S
Meldreth Primary School (CCC)	18,639	74,100	92,739		S*
Mepal & Wicham CofE Primary Academy	7,800	27,241	35,040		S
Meridian School (CCC)	10,216	40,421	50,637		S*
Middle Fen and Mere I D B	22,406	61,799	84,205		S
Middle Level Commissioners	79,894	203,072	282,966		S
Middlefield CP School (Academy)	11,924	43,137	55,061		S
Milestone Infrastructure Ltd (M Group Services)	13,453	33,499	46,951		Ad
Millfield Primary School	26,523	102,333	128,856		S
Milton Primary Academy	17,188	70,373	87,561		S
Milton Road Primary Sch (CCC)	21,968	85,940	107,908		S*
Mitie PFI Limited	1,785	587	2,372		Ad
Monkfield Park School (CCC)	31,637	77,019	108,656		S*
Morley Memorial School (CCC)	29,250	102,798	132,048		S*

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Mountain Healthcare Ltd	1,721	7,302	9,023		Ad
Multi-Active Holiday Courses LTD	713	2,465	3,177		Ad
Murrow Primary School Academy	10,252	32,673	42,925		S
Neale Wade Academy	88,778	356,084	444,862		S
Nene Park Academy (MAT)	53,654	167,697	221,351		S
Netherhall School Academy	44,941	174,201	219,141		S
New Road Primary School (MAT)	16,509	59,385	75,894		S
Newark Hill Primary Acad (MAT)	22,769	103,100	125,870		S
Newborough & Borough Fen Parish Council	810	3,166	3,975		S
Newborough Primary (PCC)	11,772	49,873	61,645		S*
Newnham Croft Primary (CCC)	14,920	57,597	72,517		S*
Nightingale Cleaning Limited - CMAT Schools	20,056	140,899	160,956		Ad
Nightingale Cleaning Limited - CPET Schools	674	2,697	3,372		Ad
North Cambridge Acad (MAT)	23,095	70,929	94,023		S
North Level IDB	45,426	136,732	182,158		S
Northborough Primary (PCC)	761	3,152	3,913	Y	S*
Northstowe Secondary College	17,580	66,349	83,930		S
Norwood Primary School (PCC)	17,092	67,931	85,024		S*
NPS Peterborough Ltd	2,561	-	2,561		Ad
Oakington CofE Primary School Academy	7,637	33,065	40,702		S
Offord Primary School	7,428	31,571	38,999		S
Old Fletton Primary School (PCC)	32,767	135,631	168,398		S*
Olive AP Academy - Cambridge	8,511	32,228	40,739		S
Olive AP Academy - Nene Valley	8,887	29,010	37,897		S

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Orchard Park Comm School (CCC)	13,419	51,534	64,953		S*
Orchards C of E Primary Academy	33,827	123,019	156,846		S
Ormiston Bushfield Academy	69,425	204,160	273,586		S
Ormiston Meadows Acad (MAT)	21,534	91,380	112,915		S
Orton Waterville Parish Council	844	3,909	4,753		S
Over Primary School (CCC)	15,091	59,534	74,625		S*
OWN Academy Trust	100,632	367,786	468,418		S
Oxford Archaeology	62,460	133,625	196,085		Ad
Pabulum (Morley Memorial Primary School)	2,214	7,076	9,289		Ad
Pabulum (St Bede's Inter-Church School)	2,522	10,432	12,953		Ad
Pabulum Ltd (Hardwick & Cambourne Community Primary School)	1,664	6,832	8,495		Ad
Park Lane Primary & Nursey School	34,541	130,726	165,267		S
Park Street C of E (A) Primary (CCC)	8,006	30,971	38,977		S*
Paston Ridings Primary (PCC)	40,816	172,404	213,220		S*
Pathfinder CofE Primary School	18,297	80,046	98,343		S
Pathfinder Legal Services Ltd (CCC)	160,868	500,776	661,644		S
Peakirk Cum Glinton Primary School (PCC)	19,201	80,535	99,736		S*
Peckover Primary School	38,101	155,107	193,208		S
Pendragon CP School (CCC)	24,980	98,818	123,797		S*
Peterborough City Council	2,796,498	7,736,716	10,533,214		S
Peterborough Investment Partnership LLP	10,247	18,009	28,256		Ad

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Peterborough Keys Academies Trust (comprising of Ravensthorpe Primary, Thorpe Primary, Jack Hunt, Longthorpe Primary, Middleton Primary)	261,765	960,284	1,222,049		S
Peterborough Ltd t/a Aragon Direct Services	164,641	449,191	613,831		Ad
Peterborough Regional College	66,126	244,853	310,979	Y	S
Petersfield Primary School (CCC)	6,413	25,345	31,758		S*
Priory Junior School (CCC)	14,379	56,151	70,529		S*
Priory Park Infants School (CCC)	25,667	100,755	126,422		S*
Queen Edith School (CCC)	35,970	139,159	175,129		S*
Queen Emma Primary School (CCC)	35,883	140,045	175,929		S*
Queen Katharine Academy (Previously known as The Voyager Academy)	85,429	292,453	377,882		S
Queens Drive Infant School	22,558	93,143	115,702		S*
Rackham C of E School (CCC)	20,803	81,397	102,201		S*
Radis (Ditchburn Place)	17,349	47,381	64,730		Ad
Radis Community Care	11,313	10,778	22,091		Ad
Ramnoth Junior School	20,869	73,539	94,408		S
Ramsey Junior School	14,577	58,191	72,768		S
Ramsey Spinning Infant School	16,077	70,316	86,392		S
Richard Barnes Academy	53,654	214,159	267,812		S
Ridgefield Junior (CCC)	18,162	70,294	88,456		S*
Riverside Meadows Academy	27,457	96,287	123,744		S
Robert Arkenstall Primary (CCC)	19,321	75,986	95,308		S*

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Romsey Mill Trust	317	1,003	1,320		Ad
Round House C. P. Sch (MAT)	25,513	79,549	105,063		S
Sacred Heart Catholic Primary School	14,386	62,534	76,920		S
Samuel Pepys School (CCC)	53,177	204,503	257,680		S*
Sanctuary Group	69,081	702,354	771,436		Ad
Sawston Parish Council	5,459	19,353	24,812		S
Sawston VC Academy	71,462	213,420	284,882		S
Sawtry Infants School (CCC)	13,632	53,906	67,538		S*
Sawtry Junior Academy	10,809	44,441	55,250		S
Sawtry Parish Council	3,907	13,839	17,746		S
Sawtry Village Academy	33,604	108,306	141,910		S
Serco Limited (PCC)	162,392	-	162,392		Ad
Shade Primary School (MAT)	18,396	58,367	76,763		S
Shirley Community Primary School and Pre-School (CCC)	35,500	167,897	203,397		S*
Sir Harry Smith Community College (Academy)	62,537	254,111	316,648		S
Skanska	1,277	803	2,080	Y	Ad
Soham Town Council	5,327	20,055	25,382		S
Soham VC Academy	83,695	257,723	341,417		S
Soke Education Trust	95,991	398,264	494,255		S
Somersham Parish Council	1,215	5,553	6,768		S
Somersham Primary School	16,929	74,497	91,426		S
South Cambridgeshire District Council	1,283,792	4,861,203	6,144,995		S
Southfields Primary School (PCC) (Was Southfields Junior School)	50,652	207,100	257,752		S*
Spaldwick Community Primary School	8,823	35,013	43,836		S*
Spinney Primary School (CCC)	10,648	42,206	52,854		S*

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Spring Meadow Infants (CCC)	24,248	113,669	137,917		S*
St Albans RC Primary (CCC)	10,689	42,280	52,969		S*
St Andrews C of E Academy (Soham, Ely)	28,099	122,055	150,154		S
St Anne's C of E Primary (CCC)	15,340	62,052	77,392		S*
St Augustines C of E Junior School (PCC)	16,971	70,275	87,246		S*
St Bedes Inter Church School (Academy)	39,263	155,877	195,140		S
St Botolphs C of E Primary Academy	28,470	105,977	134,446		S
St Helen's Primary School (CCC)	9,060	35,678	44,737		S*
St Ives Town Council	18,532	62,185	80,717		S
St Ivo School Academy	80,606	256,524	337,130		S
St John Fisher	50,993	200,248	251,240		S*
St John's Academy (Stanground)	12,541	53,520	66,062		S
St John's C of E Primary Academy (Huntingdon)	28,417	138,198	166,615		S
St Laurence Catholic Primary School	14,823	58,345	73,168		S
St Luke's C of E Primary School Academy	7,410	33,993	41,404		S
St Mary's C of E Junior Ely	21,702	89,181	110,883		S
St Marys St Neots Academy	10,820	42,780	53,599		S
St Matthew's Primary School (CCC)	38,395	148,999	187,394		S*
St Michaels C of E Prim Sch (PCC)	36,687	150,092	186,779		S*
St Neots Town Council	46,558	110,189	156,747		S
St Pauls C of E Primary (CCC)	8,712	33,397	42,109		S*
St Peters C of E Academy (Wisbech)	21,751	94,583	116,334		S

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
St Peter's School HD Academy	82,279	255,124	337,403		S
St Philips C of E Primary (CCC)	22,370	86,534	108,903		S*
St Thomas More Catholic Primary School	31,736	141,352	173,088		S
Stanground Academy (MAT)	65,897	279,829	345,726		S
Stapleford Primary Academy	13,352	47,135	60,487		S
Steeple Morden C of E (CCC)	9,855	62,524	72,379		S*
Stephen Perse Foundation	5,963	53,851	59,814		Ad
Stilton Church of England Primary School	11,448	49,586	61,033		S
Stretham Primary School (CCC)	11,218	44,621	55,838		S*
Stukeley Meadows School (CCC)	28,360	110,842	139,202		S*
Sutton C of E Primary School (CCC)	15,579	61,211	76,790		S*
Sutton Parish Council	2,297	7,597	9,894		S
Swaffham Bulbeck C of E Prim Academy	5,988	23,905	29,894		S
Swaffham Internal Drainage Board	2,180	7,210	9,390		S
Swaffham Prior C of E Prim Academy	11,884	34,784	46,669		S
Swavesey Parish Council	1,471	5,451	6,921		S
Swavesey Primary School (CCC)	28,111	107,296	135,408		S*
Swavesey VC Academy (MAT)	53,982	171,118	225,100		S
Taylor Shaw (CMAT)	10,744	65,940	76,683		Ad
Taylor Shaw (Elliott Foundation AT)	6,125	36,127	42,252		Ad
Taylor Shaw Ltd (Abbey College Academy)	2,637	11,239	13,876		Ad
Teversham C of E Primary (CCC)	20,851	81,252	102,103		S*

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
The Beeches Primary School (PCC)	30,622	123,232	153,855		S*
The Cavendish School	6,654	27,502	34,155		S
The Centre School Academy	5,092	13,813	18,906		S
The Edmund Trust	1,843	44,060	45,903		Ad
The Galfrid School	13,232	57,348	70,581		S
The Grove Primary School (CCC)	24,395	96,751	121,147		S*
The Harbour Sch Academy	28,969	109,322	138,290		S
The King's (Cathedral) School	72,520	231,721	304,241		S
The Nene Infant & Nursery School	32,713	109,408	142,121		S
The Newton Community Primary School (CCC)	4,957	19,947	24,904		S*
The Pathfinder C of E Primary School	12,583	48,238	60,821	Y	S*
The Weatheralls Primary School (Academy)	30,708	130,407	161,115		S
Thomas Clarkson Academy	62,323	247,036	309,360		S
Thomas Deacon Academy	201,069	675,447	876,517		S
Thomas Eaton Primary Academy	12,640	52,239	64,879		S
Thongsley Fields Primary and Nursery School	22,169	83,656	105,826		S
Thorndown Community Pri (CCC)	40,885	160,940	201,825		S*
Thorney Parish Council	4,141	14,535	18,675		S
Thriplow C of E Primary Academy	5,676	24,417	30,093		S
TNS Catering (Linton Cluster)	1,348	5,393	6,742		Ad
TNS Catering (WASP Cluster 2)	1,068	4,272	5,340		Ad
Townley Primary School (CCC)	12,559	49,928	62,487		S*
Trumpington Meadows Primary School	15,005	57,958	72,963		S*
Trumpington Park Primary Academy	19,167	62,388	81,556		S

# Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
TSG Building Services Ltd	5,802	-	5,802		Ad
United Learning (previously CAP)	96,211	382,346	478,557		S
University of Cambridge Primary School	30,548	100,047	130,595		S
Upwood Primary Academy	9,570	42,366	51,936		S
VEROHR Ltd	1,907	6,591	8,497		Ad
VHS Cleaning (Linton VC)	1,222	4,171	5,393		Ad
VHS Cleaning (Netherhall)	314	1,318	1,631		Ad
VHS Cleaning (Stapleford Community Primary School)	307	1,115	1,422		Ad
VHS Cleaning Services (Bassingbourn VC and Sawston VC)	1,406	4,851	6,257		Ad
VHS Cleaning Services (Bewick Bridge Community Primary School)	118	471	589	Y	Ad
Vine Inter Church School (CCC)	30,675	115,189	145,864		S*
Visit Cambridge and Beyond	144	379	523		Ad
Warboys Primary Academy	20,620	91,868	112,488		S
Waterbeach CP School (CCC)	24,097	94,410	118,507		S*
Waterbeach Level Internal Drainage Board	1,964	6,497	8,461		S
Waterbeach Parish Council	2,526	8,356	10,883		S
Welbourne Primary Academy	21,040	92,110	113,149		S
Welland Primary School (MAT)	30,144	112,184	142,328		S
Werrington Primary School (PCC)	1,799	7,536	9,335	Y	S*
West Town Primary (MAT)	19,855	81,491	101,346		S
Westfield Junior School (CCC)	22,090	87,465	109,555		S*

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Westwood Primary School	68,511	235,232	303,742		S
Wheatfields Primary School (CCC)	27,516	107,089	134,604		S*
Whittlesey Internal Drainage Board	2,221	7,347	9,568		S
Whittlesey Town Council	1,835	6,069	7,903		S
Wilburton C of E Primary (CCC)	10,668	41,724	52,392		S*
William De Yaxley CofE Academy	10,023	39,795	49,817		S
William Law C of E Primary School	47,720	186,959	234,679		S
William Westley C of E (CCC)	12,973	50,884	63,856		S*
Willingham Primary School (CCC)	25,143	96,627	121,770		S*
Wimblington Parish Council	652	2,549	3,201		S
Winhills Primary School (Academy)	44,553	138,801	183,354		S
Wintringham Primary Academy	3,029	10,971	14,001		S
Wisbech and Fenland Museum	2,137	15,059	17,196		Ad
Wisbech Grammar	-	55,225	55,225		Ad
Wisbech St Marys C of E Primary Academy	17,132	67,094	84,226		S
Wisbech Town Council	4,496	15,003	19,499		S
Witcham Parish Council	324	1,265	1,588		S
Witchford Village College	48,841	149,402	198,242		S
Wyton Primary School (CCC)	16,049	61,162	77,211		S*
Yaxley Infants School (CCC)	15,828	63,039	78,867		S*
Yaxley Parish Council	9,294	32,262	41,556		S
YTKO Limited	2,910	7,698	10,608		Ad
<b>Grand Total</b>	<b>30,627,860</b>	<b>104,014,719</b>	<b>134,642,579</b>		

# Investment Policy and Performance

## Introduction

The Fund's approach to its investment arrangements is set out in its Investment Strategy Statement, (ISS) as required by Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ("the Regulations") that requires the Fund to create and maintain an approach to investments that includes, amongst other things:

- a requirement to invest fund money in a wide variety of investments;
- the Fund's assessment of the suitability of different types of investments;
- the Fund's approach to risk, including the ways in which risks are assessed and managed;
- the Fund's approach to pooling investments;
- the Fund's policy on how social, environmental and corporate governance considerations are taken into account; and
- the Fund's policy on the exercise of the rights (including voting rights) attaching to investments.

The Pension Fund Committee (PFC) approves investment policies and strategy and an Investment Sub-Committee (ISC), which is supported by the Fund's Advisors, to implement these investment policies and strategy, which includes the appointment and dismissal of Investment Managers and monitoring of performance.

The Fund adopts a long-term perspective, focussing its investment strategy to generate sustainable returns on a risk adjusted basis to grow the Fund's assets to reflect its equally long-term future liabilities. The Pension Fund Committee, Local Pensions Board, Fund officers and professional advisors have worked hard to develop an enhanced responsible investment (RI) policy, which forms part of our overall investment strategy. The new RI policy sets out our approach to sustainable responsible investment and will help us manage the carbon and climate risks impacting our investments better.

The RI policy was agreed following a consultation that was open to scheme members and scheme employers. You can find a copy of the summary consultation responses and an updated investment strategy statement on our [key documents page](#).

The revised RI policy will inevitably mean some changes to our underlying investments over time. In February 2022, the Investment Sub Committee approved decarbonisation targets to reduce the carbon emissions of listed equities by 23% by 2024 and by 57% by 2030 together with a climate action plan for 2022, 2023 and beyond.

The Fund intends decarbonising the portfolio at the same rate as the European Policy Curve (EPC) meaning the Funds decarbonisation pathway would align with the Paris Accord and achieve the ambitions target to reach net zero by 2050 or earlier.

Progress against these targets will be reviewed regularly via a climate dashboard setting out key carbon metrics which will be measured and tracked over time. Regular communication will be provided on how the Fund is progressing on its journey to achieve net zero.

You can find copies of the Funds climate action plan, decarbonisation pathway, and climate dashboard on the [key documents page](#).

The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), which is a voluntary association of LGPS funds that seeks to protect and enhance the value of its members' shareholdings by way of shareholder engagement, by action on corporate governance issues and by seeking to promote the highest standards of corporate social responsibility at the companies in which LAPFF members invest. Through LAPFF, the Fund exercises its belief that engagement with company management to promote improvements in SRI practices is more powerful than divesting from the company's shares.

The Fund will continue to support the principles of the UK Stewardship Code (the "Stewardship Code") in the following year.

Information about Investment Manager voting is available at [Cambridgeshire Pension Fund Key Documents](#)



# Investment Policy and Performance (continued)

## Role of Investment Managers

Each Investment Manager relationship is governed by an Investment Management Agreement, which sets out how much they can invest, the asset class in which the Fund has employed them to invest, the expected target return and how much the Fund will pay for this service.

## Active focus

The Fund with the exception of the passive Global Equity mandate and passive index-linked bonds, favours “active” briefs to outperform agreed specific benchmarks.

## Custodian

The Fund’s Custodian is Northern Trust. The Custodian is responsible for ensuring that the Fund has good title to all investments, that all trades instructed by Investment Managers are settled on time and that all income due to the Fund is received and recorded accurately. Northern Trust also maintain the investment accounting records for the Fund.

## Asset Pooling

The Fund is working with ten like-minded LGPS funds to implement the ACCESS asset pool in response to the Government’s LGPS reform agenda. The main aim is to encourage LGPS Funds to work together to form asset pools to “pool investments to significantly reduce costs, while maintaining investment performance.” Individually, the participating funds have a strong performance history and potential for substantial benefits for a group of successful, like-minded authorities collaborating and sharing their collective expertise. Collectively as at 31<sup>st</sup> March 2022, the ACCESS Pool has significant scale with assets of £60bn (of which 58.5% has been pooled) serving 3,500 employers with 1.2 million members including 310,000 pensioners.

The roles and decision-making relationship between the eleven funds is informed by an Inter Authority Agreement. The ACCESS pool is governed by the ACCESS Joint Committee (AJC) comprising the Chair of the eleven constituent funds. The AJC have appointed Link Fund Solutions Ltd (Link) as operator of the pool and the LF ACCESS Authorised Contractual Scheme (ACS).

The Fund’s passive equity investments are invested with UBS Asset Management under a collaborative arrangement with fellow ACCESS funds, which has generated significant fee savings for the Fund.

On 31 March 2022, the Cambridgeshire Fund had invested £1,709.7m in sub-funds of the ACCESS Authorised Contractual Scheme and £959.7m in the UBS passive arrangement resulting in £2,669.4m of assets under pool management representing 62.3% of the Fund’s assets.

During 2022-23 the Fund expects further investment in fixed income sub-funds of the ACS when they become available. The focus for ACCESS in 2022-23 is to continue work performed in 2021-22 to develop a pooled solution for Alternative asset classes. In December 2021 MJ Hudson were appointed implementation advisor for the Pool’s alternative assets.

The ACCESS Support Unit (ASU) has been created to manage the Operator contract against specified KPIs and provide technical and secretariat support services to the AJC and Officer Working Group (OWG).

In addition to the savings in Investment Management fees through joint investments, there are other tangible benefits from pooling including a governance dividend (potential for reduced risk due to manager diversification achieved at pool level) and tax savings.

More information about the ACCESS asset pool can be found on their website: [ACCESS Pool](#). The ACCESS Annual Report can be found at Appendix A to the Annual Report.

# Investment Policy and Performance (continued)

## The Costs of Pooling

The costs of setting up the ACCESS pool and the operating costs of the pool are collected by a nominated ACCESS authority and re-charged in equal shares to the eleven ACCESS funds. Cambridgeshire's share of costs is reported within Oversight and Governance costs in Note 11 to the Statement of Accounts and comprises the following:

Operational Costs	2021-22	2015-16 to 2021-22
	£000	Cumulative £000
Strategic & Technical	32.6	161.6
Legal	15.0	112.0
Project Management	0.0	81.1
ACCESS Support Unit	44.9	160.5
Other	2.7	29.4
<b>Total Operational Costs</b>	<b>95.2</b>	<b>544.6</b>

## Cost Savings

The fee savings for the 2021-22 financial year resulting from the asset pooling agenda exceed £3.8m.

## Cost Transparency

The analysis below shows the investment expenses incurred during financial year 2021-22 between expenses incurred in respect of Pooled Assets held in the ACCESS Pool and those assets held outside of the pool. Direct costs include: invoiced costs and costs deducted from the value of fund, or from income generated, in accordance with the fee agreement in place with each manager and explicit transaction costs. Indirect costs include: implicit costs and third-party fees and charges. These are indicative estimates provided by Investment Managers as the reporting practices for the Cost of Transparency are still evolving.

## Cost Transparency - Continued

	Asset Pool			Non- Asset Pool			Fund Total
	Direct	Indirect	Total	Direct	Indirect	Total	
	£000	£000	£000	£000	£000	£000	£000
Investment Management Fee	7,745	271	8,016	8,132	1,825	9,957	17,973
Performance Fee	0	5,288	5,288	4,137	2,464	6,601	11,889
Broker commissions	0	348	348	18	6	24	372
Other explicit costs	0	91	91	604	793	1,397	1,488
Implicit/indirect transaction costs	0	4,304	4,304	0	738	738	5,042
Administration	295	0	295	525	758	1,283	1,578
Governance and Compliance	34	0	34	464	148	612	646
Other	-24	37	13	200	1,937	2,137	2,150
<b>Total</b>	<b>8,050</b>	<b>10,339</b>	<b>18,389</b>	<b>14,080</b>	<b>8,669</b>	<b>22,749</b>	<b>41,138</b>



# Investment Policy and Performance (continued)

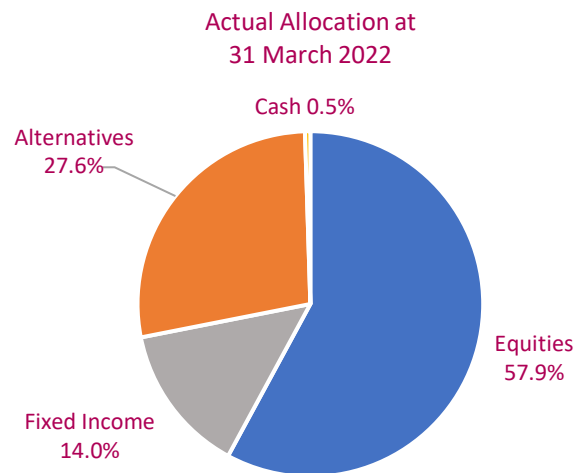
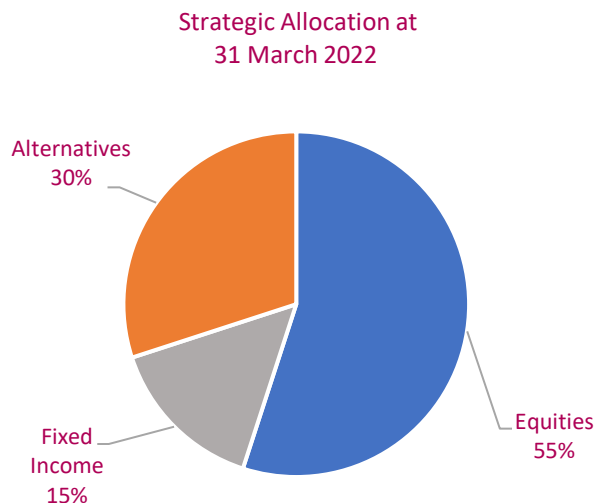
## Investment Allocation and Performance

The Pension Fund Committee is responsible for approving the Strategic Asset Allocation proposed by the Investment Sub-Committee (ISC). The ISC performed a full review of the Strategic Asset Allocation during 2018-19 in conjunction with the Fund's Investment Consultants, Mercer Ltd and independent Investment Advisor. The review assessed the appropriateness of the current strategy and any changes necessary to increase the likelihood of meeting the Fund's objectives, namely:

- To reach full funding and be in a position to pay benefits as they fall due; and
- To ensure contributions remain affordable to employers

The strategy approved by the Pension Fund Committee in March 2019 aimed to reduce the Fund's reliance upon, and the associated risks, of a large allocation to equities whilst retaining sufficient exposure to growth assets. The strategy focused on a reduction in equities and an increase in Alternative assets (such as Private equity and Infrastructure) and a flexible allocation to fixed income. The ISC subsequently reviewed the regional mix within the equity allocation and as a result reduced the exposure to UK Equities in conjunction with the roll-out of sub-funds offered by the ACCESS pool ACS. The Fund has a risk management strategy in place managed by Schroders (formerly known as River & Mercantile) with the objective of reducing equity risk.

The charts below show the Strategic Asset Allocation at the start and close of the financial year compared to the actual allocation of assets at 31 March 2022.



# Investment Policy and Performance (continued)

The value of the investments held by each of the Fund's Investment Managers on 31 March 2021 and 31 March 2022 is shown in the following table.

## Value of investments at the balance sheet date

Manager	31 March 2021		31 March 2022	
	£m	% of Total	£m	% of Total
UBS Passive UK Equity	85.0	2.2	91.3	2.0
Link Fund Solutions – ACCESS Global Equity (JO Hambro)	509.5	13.2	539.4	12.6
Link Fund Solutions - ACCESS Global Stock (Dodge and Cox)	486.7	12.6	562.5	13.1
Link Fund Solutions – ACCESS Global Equity (Longview)	362.1	9.4	414.8	9.7
Schroders	-15.3	-0.4	8.8	0.2
UBS Passive Global Equity	872.0	22.6	868.4	20.3
BlueBay Asset Management	183.4	4.7	197.8	4.6
M&G Investments	182.5	4.7	0.0	0.0
Link Fund Solutions – M&G Alpha Opportunities	157.0	4.1	193.0	4.5
Schroders	0.0	0.0	210.8	4.9
Schroders Property	252.7	6.5	300.8	7.0
Adams Street	131.9	3.4	178.5	4.2
Allianz	19.7	0.5	19.2	0.4
AMP debt	45.5	1.2	41.7	1.0
Cambridge and Counties Bank	76.0	2.0	85.0	2.0
Cambridge Building Society	15.0	0.4	15.0	0.3
Foresight	15.2	0.4	28.4	0.7
Equitix	32.2	0.8	20.6	0.5
HarbourVest	123.9	3.2	159.3	3.7
IFM Infrastructure	62.8	1.6	76.1	1.8
JP Morgan	59.2	1.5	59.6	1.4
M&G	119.0	3.1	138.5	3.2
Partners Group	41.8	1.1	50.0	1.2
UBS Infrastructure	10.7	0.3	8.9	0.2
Cash	36.4	0.9	19.3	0.5
<b>TOTAL</b>	<b>3,864.9</b>	<b>100.0</b>	<b>4287.7</b>	<b>100.0</b>

# Investment Policy and Performance (continued)

## Total Fund Performance

The total investment return for the Fund over the financial year was 9.9% net of fees compared with a weighted benchmark return of 11.0%. In the previous year the total investment return was 26.5% compared with a weighted benchmark of 27.7%. The Fund's total investment return was 9.9% p.a over the three years to 31 March 2022, 7.9% p.a over the five years to 31 March 2022, and 9.5% p.a over the ten years to 31 March 2022.

## Performance of Managers

The ISC continue to monitor the Investment Managers' performance against their benchmark at their quarterly meetings. All managers are measured against market-based performance benchmarks with bespoke outperformance targets set for active managers which are expected to be met over a three to five year period. Net of fees performance of each manager compared to benchmark over one, three and ten years is shown in the table below.

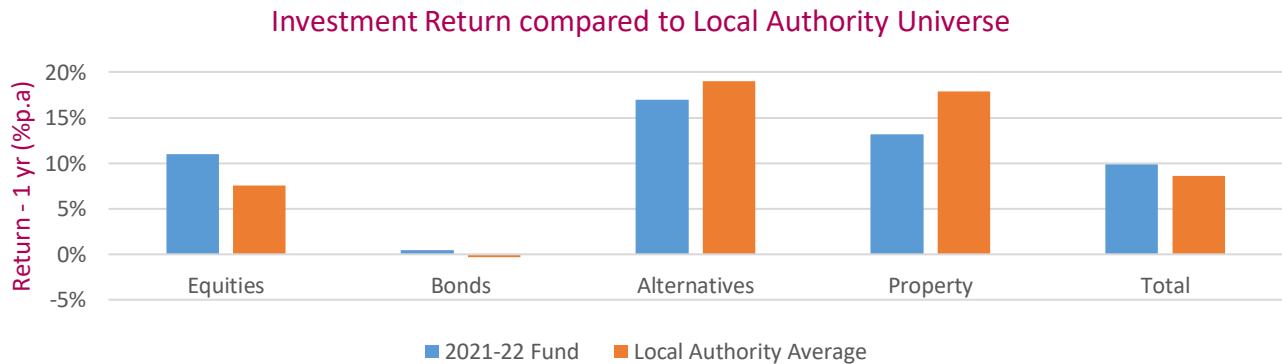
Asset Class /Manager	1 year (% p.a)			3 year (% p.a)			10 year (% p.a)		
	Return	Benchmark	Variance	Return	Benchmark	Variance	Return	Benchmark	Variance
UBS Passive	10.4	10.3	0.1	13.3	13.2	0.1	n/a	n/a	n/a
J O Hambro	5.9	12.4	-6.5	15.2	13.4	1.8	n/a	n/a	n/a
Dodge & Cox	14.7	14.8	-0.1	12.8	9.4	3.4	n/a	n/a	n/a
Longview	14.6	12.4	2.2	n/a	n/a	n/a	n/a	n/a	n/a
Schroders (formally know as River & Mercantile)	1.9	1.9	0.0	n/a	n/a	n/a	n/a	n/a	n/a
BlueBay Asset Management	-0.8	0.1	-0.9	n/a	n/a	n/a	n/a	n/a	n/a
M&G Alpha Opportunities	0.3	4.1	-3.8	n/a	n/a	n/a	n/a	n/a	n/a
Adams Street	53.4	19.8	33.6	35.5	19.8	15.7	n/a	n/a	n/a
Allianz	-6.9	4.0	-10.9	3.2	4.0	-0.8	n/a	n/a	n/a
AMP debt	11.1	10.0	1.1	5.6	10.0	-4.4	n/a	n/a	n/a
Equitix	-13.2	10.0	-23.2	2.4	10.0	-7.6	n/a	n/a	n/a
HarbourVest	70.3	19.8	50.5	33.1	19.8	13.3	n/a	n/a	n/a
Foresight	1.8	19.8	-18.0	n/a	n/a	n/a	n/a	n/a	n/a
IFM Infrastructure	21.2	10.0	11.2	n/a	n/a	n/a	n/a	n/a	n/a
JP Morgan	3.9	10.0	-6.1	n/a	n/a	n/a	n/a	n/a	n/a
M&G Residential Property	4.4	6.0	-1.6	2.4	6.0	-3.6	n/a	n/a	n/a
M&G Secured Loans	2.0	4.2	-2.2	2.9	4.5	-1.6	4.1	4.6	-0.5
M&G Shared Ownership	4.4	6.0	-1.6	n/a	n/a	n/a	n/a	n/a	n/a
Partners Group	17.9	10.0	7.9	11.8	10.0	1.8	n/a	n/a	n/a
UBS Infrastructure	-19.1	10.0	-29.1	-9.8	10.0	-19.8	n/a	n/a	n/a
Schroders Property	17.9	13.1	4.8	8.1	8.1	-1.3	7	8.1	-1.1

# Investment Policy and Performance (continued)

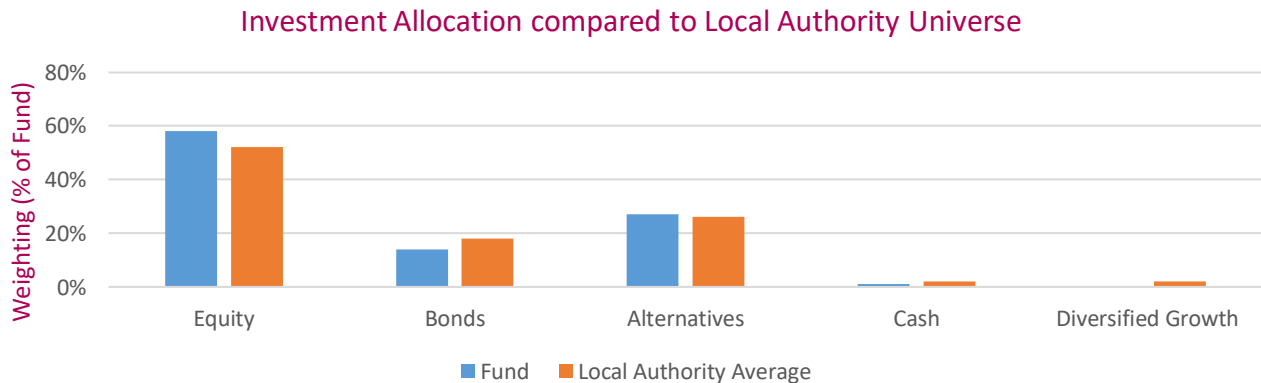
## Performance in Comparison with Local Authority Universe

The Local Authority Universe is a national scheme consisting of 63 pension funds collated by PIRC Ltd that provides benchmarking of local authority pension funds investment performance.

In 2021-22 the Fund’s performance of 9.9% net of fees over the financial year was ranked 26<sup>th</sup> percentile out of the 63 Funds participating in the Universe. The investment return achieved was influenced by the Fund’s holding of a higher proportion of Global Equities.



The Fund’s current strategy has a slightly higher allocation to Equities and Alternatives and a lower allocation to Bonds when compared to the Local Authority Universe.



# Investment Policy and Performance (continued)

## Climate Change Report

### Executive summary

The Fund recognises the systemic risk associated with climate change as well as the County Council's targets in this regard and the views and aspirations of other scheme employers and scheme members.

In order to manage this systemic risk and to align with its support of the Paris Agreement and a "just transition", the Fund currently expects that its investment portfolio will be net carbon neutral by 2050 at the latest, in line with UK Government's targets.

The Fund is working to produce climate change reporting that complies with the Task Force on Climate-Related Financial Disclosures (TCFD) framework, expected to become mandatory for LGPS Funds in the coming years. This report provides a summary of the Fund's position as it relates to climate change, assessed across the four pillars under the TCFD Framework:

- **Governance:** How the Pension Fund Committee maintains oversight and incorporates climate change into its decision making;
- **Strategy:** How potential future climate warming scenarios could impact the Fund;
- **Risk Management:** How climate-related risk is incorporated in the Fund's broader risk management processes; and
- **Metrics and Targets:** How the Committee measures, and monitors progress against different climate related indicators known as metrics and targets.

### Governance

The Administering Authority has delegated to the Pension Fund Committee ("Committee") the power to determine and maintain the

Fund's strategies, policies and procedures. Implementation of the strategy and the monitoring of performance is delegated to the Investment Sub-Committee ("ISC"), for which the membership is drawn from the Committee.

Research into how climate-related risks and opportunities impact financial markets is constantly evolving and expanding. The Committee or its ISC receives training on a regular basis to keep up-to-date with developments and will allocate time on meeting agendas to cover items such as climate-change scenario analysis or reporting of metrics.

During the Fund year, the Committee or ISC received various training sessions covering climate-related investment risks and reporting requirements in line with the TCFD recommendations. The Committee acknowledges that the reporting of climate-related risk is relatively new and the collective experience of the Committee and ISC will grow over time.

Climate change will form an explicit agenda item at least annually for the Committee or ISC when the Fund's annual climate change / TCFD report is updated. It will also be covered as part of other agenda items as part of a wider discussion of funding or investment strategy, or as part of the investment manager appointment and review discussions.

### Strategy

Given the uncertainty around the timing and impact of climate-related transition and physical risks, the ISC considered three climate scenarios or 'warming pathways' i.e. the expected degrees of warming of the atmosphere by the end of the century relative to pre-industrial levels, to help test the resiliency of the Fund's investment strategies at the strategic level.

# Investment Policy and Performance (continued)

Whilst a lower warming pathway (2°C scenario) is one in which governments, businesses and society should aim for as a minimum, there is a possibility that a failure to reduce GHG emissions quickly enough could set off irreversible feedback loops that significantly warms the planet (as modelled by 3°C and 4°C scenarios).

**The Fund will be impacted by climate change, regardless of the scenario that unfolds.**

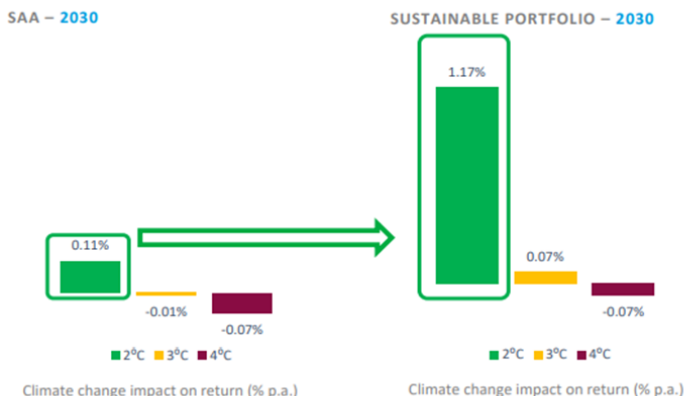
## Resilience of the Fund's investment strategy

The table below shows how a 2°C scenario leads to enhanced projected returns for the Fund's investment strategy versus 3°C or 4°C scenarios, with the greatest Impact over the period to 2030.

Warming pathway scenario	Year	Climate change impact on return (% per year)
2°C	2030	0.12%
2°C	2050	-0.06%
2°C	2100	-0.08%
3°C	2030	-0.01%
3°C	2050	-0.06%
3°C	2100	-0.10%
4°C	2030	-0.08%
4°C	2050	-0.14%
4°C	2100	-0.18%

## Transition opportunities emerge from a 2°C scenario

The graphic to the right illustrates the benefits of investing sustainably (i.e. in a portfolio broadly aligned with the Fund's investment strategy but where asset class exposures are mapped to sustainable equivalents).



Under the 2°C scenario, to 2030, the Sustainable Portfolio is expected to benefit by up to +16.2% on a cumulative basis, compared with the Fund's current investment strategy.

## Key findings of the analysis

Investing for a 2°C scenario is both an imperative and an opportunity the Fund should address.

- An imperative, since, for nearly all asset classes and timeframes, a 2°C scenario leads to enhanced projected returns versus 3°C or 4°C and a better investment outcome.
- An opportunity, since, although incumbents can suffer losses in a 2°C scenario, there are many notable investment opportunities enabled in a low-carbon transition, including sustainability themed investments in listed and private equities to infrastructure and fixed income.

Climate scenario analysis is an ever evolving space and, as such, the scenarios modelled and reported may be subject to review in future periods. It is important to note that the modelling may understate the true level of risk due to the uncertainty around the future economic impacts of climate change.

# Investment Policy and Performance (continued)

## Risk Management

This section summarises the primary climate-related risk management processes and activities carried out for the Fund. These assist with understanding the materiality of climate-related risks, both in absolute terms and relative to other risks that the Fund is exposed to.

Governance	<p>The Fund recognises the systemic risk associated with climate change as well as the County Council's targets in this regard and the views and aspirations of other scheme employers and scheme members.</p> <p>The Fund has acknowledged the risk to the Fund of climate change in its Risk Register: "As long-term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund's investments."</p> <p>The Officers maintain a Climate Action Plan which is reviewed and updated on a regular basis. This document forms part of the ISC's wider business plan and summarises the progress, actions and outcomes of scheduled climate-related investment projects and tasks.</p>
Strategy	<p>The Fund's advisers will take climate-related risks and opportunities into account as part of the wider strategic investment advice provided to the Committee and ISC. This includes highlighting the expected change in climate-risk exposure through proposed asset allocation changes, both from the top-down level (via climate scenario analysis) and bottom-up (via climate-related metrics).</p> <p>Climate scenario analysis for the investments of the Fund will be reviewed periodically.</p>

Reporting	<p>The ISC will receive an annual climate dashboard providing an update on climate-related metrics and progress against targets in respect of the assets held in the Fund. The ISC may use the information to engage with the Fund's investment managers.</p> <p>A quarterly stewardship monitoring report is being introduced in 2022-23 which summarises how the investment managers choose to vote and engage on climate-related issues (among other key engagement priorities).</p>
Manager selection and retention	<p>The ISC, with advice from its advisers, will consider an investment manager's firm-wide and strategy-specific approach to managing climate-related risks and opportunities when either appointing a new manager, in the ongoing review of a manager's appointment, or as a factor when considering the termination of a manager's appointment.</p>

### What are the climate-related risks and opportunities?

The Fund has considered two types of climate-related risks and opportunities in its climate scenario analysis:

#### 1. Transition risks and opportunities

This covers the potential financial and economic risks and opportunities from the transition to a low-carbon economy (i.e. one that has a low or no reliance on fossil fuels), in areas such as:

- Policy and legislation
- Market
- Technology
- Reputation

# Investment Policy and Performance (continued)

Risks include the possibility of future restrictions, or increased costs, associated with high carbon activities and products.

There are also opportunities, which may come from the development of low-carbon technologies. In order to make a meaningful impact on reducing the extent of global warming, most transition activities need to take place over the next decade and certainly in the first half of this century.

## 2. Physical risks and opportunities

The higher the future level of global warming, the greater physical risks will be in frequency and magnitude. Physical risks cover:

- Physical damage (storms; wildfires; droughts; floods)
- Resource scarcity (water; food; materials; biodiversity loss)

Physical risks are expected to be felt more as the century progresses though the extent of the risks is highly dependent on whether global net zero greenhouse gas emissions are achieved by 2050.

There are investment opportunities, for example, in newly constructed infrastructure and real estate that are designed to be resilient to the physical impacts of climate change, as well as being constructed and operated in a way that have low or no net carbon emissions. There are also opportunities for investment in those companies or industries that focus on energy conservation and resource efficiency.

## Metrics and targets

### Metrics

The primary metrics that are used by the Fund to measure climate-related impact are:

- Absolute emissions. This is the total emissions of seven major GHGs associated with the investments held (carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulphur hexafluoride and nitrogen trifluoride).

- Carbon footprint. This is the total emissions per million pounds invested.
- Weighted average carbon intensity (WACI). This is the total emissions per million pounds of sales

### *Limitations of emissions data*

The Fund is aware of issues around data quality, in particular carbon data for many private companies, governments and asset classes is not currently sufficiently robust to set targets against. The Fund has therefore focused on the listed equity portfolio initially, given data quality is more robust within this asset class and it comprises a majority of the Fund's strategic investment portfolio. The Fund will seek to include other asset classes in its carbon reporting as this data quality improves over time.

The Fund is also aware that Scope 3 emissions data, i.e. covering indirect emissions from the value chain such as those embedded in material inputs or freight, is an area that needs development and as such it is not included in the Fund's target-setting process. However, the Fund will continue to collect this data to inform its engagement with investment managers.

### *Targets*

The Fund's overall climate-related objective is to align its portfolio with a 'pursue efforts towards 1.5°C' objective - i.e. net zero by 2050 or earlier, with an aspiration of achieving a net zero position by 2045.

The Fund uses absolute emissions as the base line measure for a de-carbonisation pathway as it:

- Gives a 'real world' measure of the amount of carbon the Fund's portfolio is responsible for emitting
- Less likely to be susceptible to skews from carbon offsetting
- Less impacted by other external factors such as corporate sales due to changes in wholesale prices e.g. oil and gas prices



# Investment Policy and Performance (continued)

On this basis, the Fund has also set interim targets for the listed equity portfolio in order to make progress towards the Fund's overall climate objective:

1. Emissions reductions of 23% (from the 2021 baseline) by 2024
2. Emissions reductions of 57% (from the 2021 baseline) by 2030

## Carbon reporting dashboard

The Fund's metrics, initially measured in 2021 and to be used as a baseline for future targets, are set out in a publicly available carbon reporting dashboard<sup>1</sup>:

The 2021 metrics are based on Scope 1 and 2 emissions data for the listed equity portfolio.

The dashboard will be updated on an annual basis.

### Setting a de-carbonisation pathway Agreed Fund Climate Metrics\*

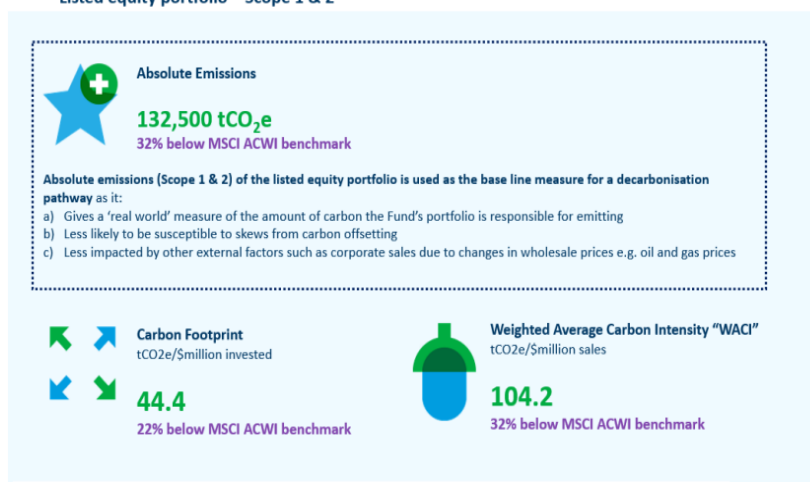
Listed equity portfolio – Scope 1 & 2

tCO<sub>2</sub>e = metric tonnes in carbon dioxide equivalent

Scope 1: "direct" emissions from owned or controlled sources

Scope 2: "indirect" emissions from the generation for purchased energy

Scope 3: indirect emissions from the value chain (e.g. embedded in material inputs, freight, etc.)



\* Agreed at 30 November 2021 ISC meeting  
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1 <https://pensions.northamptonshire.gov.uk/app/uploads/2022/04/CarbonReportingDashboardCPF.pdf>

# Investment Policy and Performance (continued)

## Independent Adviser's annual review – Twelve months to 31<sup>st</sup> March 2022

Sam Gervaise-Jones, CFA

May 2022

Twelve months ago, in my first investment review after taking on the role of independent adviser to the Cambridgeshire Pension Fund, we had been wrestling with the impact of COVID-19, Brexit, a change of US President, global climate disruption and continued social upheaval.

My outlook noted plenty of positives, mainly concerning the roll out of vaccines and the prospect of a return to economic growth, but also no shortage of uncertainty, particularly around the prospect of inflation brought on by years of unprecedented stimulus.

Tragically 2021 did not see the end of COVID-19, with a continued toll across both lives and livelihoods. The emergence of new strains, together with continued divergence in different countries' approaches to managing the pandemic, has contributed to continuing uncertainty. While in some ways life appears to be getting back to normal, in others we are more restricted than ever.

A year ago the geopolitics were dominated by the rise of China and a shift of direction in the Whitehouse. Now we face war in Europe, a cost of living crisis, supply chain challenges, rising inflation, the list goes on! Political and economic uncertainty is not going away, and so resilience in the Cambridgeshire Pension Fund continues to be highly desirable.

Here I take the opportunity to provide an investment review covering the financial year 2021/22, in addition to providing some thoughts for the future.

### Market Activity

#### Equities

The year started well globally, with equity markets continuing their upward trajectory during Q2 2021: Gains in most regions were supported by ongoing Covid-19 vaccine programs and increasing economic activity as countries

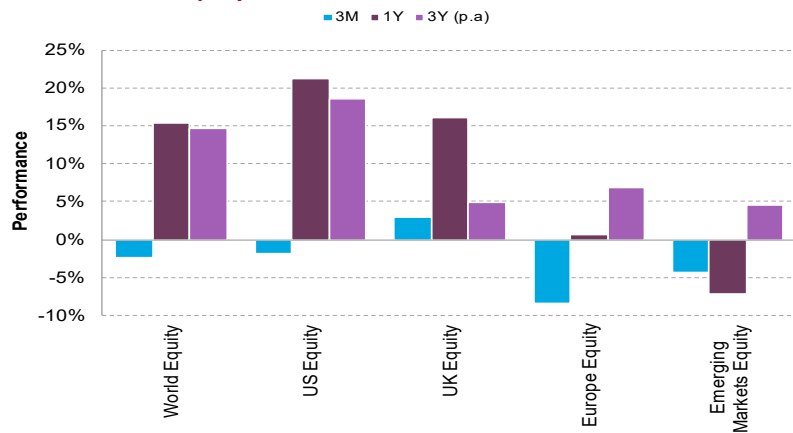
gradually reopened, which helped boost corporate earnings. US equity markets indices reached record highs. Growth in GDP, consumption, and industrial activity continued to strengthen; contributing to a significant jump in headline inflation risk as the US Consumer Price Index for All Urban Consumers rose to +5.4% year over year as of 30 June. With that risk firmly in view, investors watched markets wobble around the expected timing of interest rate increases and bond buybacks, or tapering, by the US Federal Reserve (the Fed).

European and UK equities gained although mixed economic and market results told a slightly different story at an individual country level. Supply chain disruptions, such as the semiconductor shortages that weighed on the automobile sector, affected production in a variety of industries. Emerging Markets were also varied: the MSCI EM Latin America Index rose +15.0% while emerging Asia was more muted, rising by +3.8%. Concerns over inflation, US dollar strength, and the Delta variant weighed somewhat on investor sentiment

Q3 saw developed markets equities broadly flat, as modest gains in July and August were erased in September. The threat of rising inflation, increasing global supply chain disruptions and the looming prospect of the US Federal Reserve (the Fed) tapering its bond purchases caused significant concern towards the end of the quarter. The recovery of European stocks slowed despite the significant progress made in rolling out vaccines: by the end Q3, most major European economies had fully vaccinated approximately 75% of their adult populations, enabling many restrictions to be lifted. However, worries emerged over increased inflation due to rising energy prices and supply-chain disruptions. Emerging market equities declined, losing -8.1% during Q3 amid a significant sell-off in Chinese stocks. Regulatory activity in China became a major concern during the quarter, which negatively affected the technology and property sectors and caused fears of potential contagion. Power shortages and supply-chain issues also negatively impacted the wider economy in Asia. In contrast, net energy exporters (Russia and the countries of the Gulf Cooperation Council (GCC), outperformed as energy prices continued to rise.

# Investment Policy and Performance (continued)

## Performance of Equity Markets to 31 March 2022



### Indices Used

World Equity: MSCI World NR (GBP), US Equity: S&P 500 TR (GBP), UK Equity: FTSE 100 TR (GBP), Europe Equity: Euro STOXX 50 NR (GBP), Emerging Markets Equity: MSCI EM NR (GBP)

Global developed equity markets gained ground in Q4 2021 ensuring that—for a third consecutive calendar year—the index reported double-digit gains, closing out the year +21.8% (in USD terms) higher than at the start. In the first half of 2021, the gradual reopening of the global economy, which was supported by loose fiscal and monetary policies, helped elevate earnings growth—particularly for cyclical sectors struggling to recover from 2020 pandemic-related lows

However, this upward trajectory was not without volatility: as the Omicron variant surged, collective fears about a potential return to rolling lockdowns triggered a sharp market decline in November. Rising inflation prompted concerns throughout the year as higher-than-expected input prices heightened pressures on central banks to normalise interest rates. The UK, which has seen resurgent inflation, surprised markets by hiking rates in December and the US Federal Reserve also hardened its stance, initiating and then accelerating its tapering program to reduce the volume of US government bond purchases.

Rising geopolitical risk pushed developed equity markets into risk-off mode in Q1 2022 and the MSCI World Index was down 5.2% (in USD terms) for the quarter. Negative sentiment drove deratings with volatility rising in January and February before interest rate hikes in developed markets helped dampen market noise in March, allowing developed equity markets to claw back some losses. Foreign sanctions levied on key commodities players in Russia led to increasingly constrained supply chains, especially in Europe, as well as a strong uplift in gas and energy prices. The Continent, with its close energy ties to Russia, was hit particularly hard as the Stoxx 50 closed down 11.4%. Higher commodities prices also contributed to a strong increase in inflation rates in the US, where inflation hit 8.5% for the 12 months ended 31 March 2022—the highest 12-month rate in more than four decades. Emerging markets fell during Q1 as the MSCI Emerging Markets returned -7.0%. Returns across constituent countries were broadly negative; in Asia, China had to contend with resurgent Covid-19 infections and fresh lockdowns. The only bright spot? Markets in Brazil performed strongly, where the MSCI Brazil Index closed Q1 up 36% on the strength of rising commodity prices and highlighting the volatile nature of some of these markets.

### Bonds

US Treasury yields declined in Q2, with further fiscal stimulus becoming less likely and the market coming around to the idea that inflation may have peaked. The 10-year Treasury fell but was still up YTD after its dramatic Q1 rise.

On the other side of the Atlantic, European government bonds underperformed US counterparts, driven by a growing optimism about recovery. US investment grade (IG) bonds posted positive performance of 3.4% in Q2—a dramatic change versus Q1—as rates rallied and earnings exceeded expectations, but remained in negative territory

Lower-rated bonds outperformed higher quality peers, with BBB-rated bonds gaining 0.44%. US high yield (HY) bonds posted a positive return of 2.8% in Q2 while yields fell to a record low in June (4.3% at end-Q2) and spreads rallied to their lowest levels since October 2018 as equities and Treasuries rallied.

# Investment Policy and Performance (continued)

After a rough Q1 for Emerging Market Debt, Q2 saw a significant—if not complete—reversal of losses. Hard Currency bonds were up 4.1% after falling 4.5% in Q1, despite concerns about Chinese growth and a rise in Covid-19 cases in Asia; IG and HY sectors were both positive. African and Latin American countries delivered stronger results, led by Venezuela (+46.8%). EM Corporate debt gained 2.1%, bringing YTD performance to 1.3%, with further spread compression and high-yield issuers outperforming investment grade. Oil and gas (+4.3%) was the top performer.

At the beginning of Q3, US Treasury yields continued their decline: The US 10-year Treasury yield hit a nine month low in early August before rising towards the end of the quarter, propelled by renewed concerns about inflation. In Europe, government bond yields followed the same path: With yields making a circular trip during the quarter, global credit saw little change. Returns were muted across geographies.

Headwinds in hard currency Emerging Markets (EM) came from China, with partial shutdowns of ports in reaction to rising Covid-19 cases. EM corporate debt generated a modestly positive performance of 0.25% during Q3. Investment grade issuers slightly outperformed their high-yield peers. Most sectors contributed, led by Transportation, Financials (0.9%), and Infrastructure (1.0%), while Real Estate (-2.8%) lost ground on the news about the potential default risk of China's second-largest property developer, Evergrande.

## Indices Used

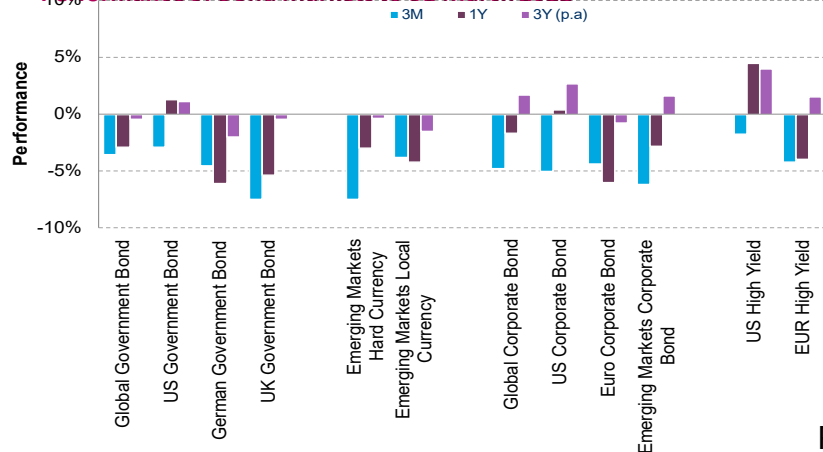
World Equity: Barclays GlobalAgg Treasury TR (GBP Unhedged), ICE BofA ML US Treasury (GBP Unhedged), ICE BofA ML German Government (GBP Unhedged), ICE BofA ML UK Gilt (GBP Unhedged), JPM EMBI GLOBAL DIVERSIFIED TR (GBP Unhedged), JPM GBI-EM Global Div TR (GBP Unhedged), Barclays Global Agg Corporate TR (GBP Unhedged), Barclays US Agg Corporate TR (GBP Unhedged), Barclays Euro Agg Corporate TR (GBP Unhedged), JPM CEMBI BROAD DIVERSIFIED TR (GBP Unhedged), ICE BofA ML US High Yield (GBP Unhedged), ICE BofA ML Euro High Yield (GBP Unhedged)

The final quarter of 2021 brought an eventful end to a tumultuous year. The Omicron variant put pressure on the global economic recovery, policymakers turned hawkish, the US Federal Reserve began tapering bond purchases and the US Treasury yield curve flattened as short-dated yields rose almost 0.5% (while the long end of the curve declined). European interest rates remained broadly unchanged. Short-end rates increased marginally against a slight decline in long-dated yields. In December, the European Central Bank reiterated its position that supportive monetary policy was still needed to stabilise inflation at the desired 2%—even as tapering began. December also saw the Bank of England increase rates for the first time in more than three years, raising rates from 0.1% to 0.25%.

US investment grade bonds posted marginal positive returns. European investment grade strategies experienced a challenging quarter, losing -0.67%. European high yield bonds fared worse than their US counterparts,

Hard Currency EM Debt lost -0.4% in the final quarter and finished 2021 in negative territory at -1.8%. Performance in Q4 was mainly the result of spreads widening as concerns grew about the sustainability of the global economic recovery. Sovereign bonds, which account for 75% of the market, were a source of weakness while lower-quality high yield issuers underperformed their IG counterparts. Sovereign debt issued by Ukraine and Turkey performed worst among emerging markets; Mexico and Indonesia performed best.

## Performance of Bond Markets to 31 March 2022



# Investment Policy and Performance (continued)

During Q1 2022, fixed income markets were affected by two negative macroeconomic risk factors: Russia's invasion of Ukraine and rising rates across yield curves. The US Fed has grown increasingly hawkish in recent months, causing US Treasury yields to rise and the curve to flatten dramatically. Currently, markets are pricing in a high probability of an additional rate hike of 50bps in June — and more increases may follow in the months to come. In Europe, interest rates have followed a similar trajectory: the German 2-year rate (Schatz) has risen the 0% mark for the first time in seven years, while the German 10-year rate (Bund) has jumped 73bps to reach 0.55%. US investment grade corporate bonds took the worst hit amongst global credit markets in Q1. Relatively long in duration, the market took the full blow of rising rates and declined by -7.7% in Q1. Although all industry sectors posted negative returns, Leisure, Retail and Transportation benefited from the Covid-19 economic recovery and limited their losses relative to other sectors.

European investment grade corporate bonds have fared slightly better than their US peers due to lower interest rate duration—despite war erupting in the region. As the Covid-19 recovery played out in Europe, Hospitality and Airlines provided the best relative performance by industry sector.

EM debt suffered its second-worst quarterly performance on record, clearly impacted by the war in Ukraine and ensuing sanctions against Russia. Both Ukraine and Russia were prominent EM debt index constituents before the conflict and the value of their debt was significantly marked down. JPMorgan removed Russia (and Belarus) from its suite of EM debt indices on 31 March 2022.

## Fund Activity

### Responsible Investment

Having consulted with stakeholders last summer, the Pensions Committee approved and adopted a new Responsible Investment policy, along with a revised Investment Strategy Statement. Since then, we have seen continued work looking at how best to implement the commitments made in the policy, in particular how to tackle the challenging topic of defining and monitoring progress towards a net zero carbon position, with all the implications that has for the investment portfolio and resourcing the management of the fund.

With a consultation expected from government imminently concerning mandatory reporting of investment portfolio carbon intensity this work will only get more important.

As ever, requirements will continue to evolve. Thankfully, having a modern, fit for purpose policy in place should put us in a strong position to meet these challenges as they arise.

### Fund Performance

The fund continues to perform well, seeing a significant increase in its funding ratio as well as asset value in the past year.

Our equity investments are in aggregate up 11%, slightly ahead of the passive benchmark and highly beneficial as the largest single asset class in the portfolio. Fixed income investments haven't fared quite as well, trailing the benchmark somewhat, which the fund's monitoring governance is managing. The growing alternatives portfolio has shown strong performance, comfortably ahead of benchmark.

As I have mentioned previously, the Fund has seen significant asset allocation change over the past couple of years with a substantial uplift in the target allocation to alternatives, funded by a reduction in equity investments.

# Investment Policy and Performance (continued)

These alternative investments, particularly those focused on infrastructure, are designed to enhance portfolio diversification – providing a return stream meaningfully different to that provided by the equity investments and also have potentially useful inflation proofing characteristics. Some, more exposed to economic activity such as ports and transport have seen challenges but the post-covid rebound in activity will be positive for them. Irrespective, these investments take time to build up, committing to managers who then go out and source appropriate assets over an investment period that can run to several years.

Taking all this into account, together with a fall in the estimated net value of pension liabilities, a robust improvement in funding level has been seen.

## Outlook

Inflation is here. Debate has raged for some time over potential catalysts for a rise in inflation. Whether its low interest rates, quantitative easing, other forms of stimulus, supply line interruptions, energy cost rises, covid, immigration changes or anything else, developed economies are facing inflation figures they have not seen in many years. While the fund has many asset investments that should keep up with inflation, any major shift in the investment environment can pose challenges for performance.

It's also important to note that Environmental concerns have not magically disappeared. The long-term risks to the fund, its beneficiaries, and wider society remain. Indeed, they are potentially enhanced should social inequality and financial stress reduce the world's ability to address the climate situation.

More positively, the next 12 months should see a number of substantial changes for the fund that will give us tools to face these challenges. I expect the ACCESS Pool private markets propositions to start to take shape, opening a series of avenues to invest in alternative asset classes in a more efficient and effective manner. In addition, we will make progress on implementing the fund's RI policy and net-zero commitments.

We await results of the triennial valuation but expect a healthy funding position that leaves us in a good place, with strong governance and a resilient portfolio, to face the future with confidence.

# Actuarial Information

## Cambridgeshire Pension Fund ("the Fund") Actuarial Statement for 2021-22

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

### Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated March 2020. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund using a prudent long-term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years.

Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 70% likelihood that the Fund will achieve the funding target over 20 years.

### Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2019. This valuation revealed that the Fund's assets, which at 31 March 2019 were valued at £3,193 million, were sufficient to meet 100% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £11 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1 April 2020 to 31 March 2023 were set in accordance with the Fund's funding policy as set out in its FSS.

### Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2019 valuation report.

#### Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.



# Actuarial Information (continued)

## Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value. The key financial assumptions adopted for the 2019 valuation were as follows:

Financial Assumptions	31 March 2019
Discount Rate	4.1%
Salary increase assumption	2.8%
Benefit increase assumption(CPI)	2.3%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's Vita Curves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long-term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	22.0 years	24.0 years
Future Pensioners*	22.7 years	25.5 years

\*Aged 45 at the 2019 Valuation.

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

## Experience over the period since 31 March 2019

Markets were severely disrupted by COVID 19 in March 2020, but over most of 2020-21 and 2021-22 they recovered strongly. However, due to the war in Ukraine, March 2022 markets were particularly volatile, which affects values as at the accounting date. All other things being equal, the funding level of the Fund as at 31 March 2022 is likely to be better than that reported at previous formal valuation as at 31 March 2019.

It is important to note that the formal triennial funding valuation exercise is as at 31 March 2022 and this may show a different picture when the finalised position is disclosed in next year's annual report. In particular, changes in Fund membership, changes in anticipated real investment returns, and changes in demographic assumptions will affect the valuation results. The Funding Strategy Statement will also be reviewed as part of the triennial funding valuation exercise.

Douglas Green FFA  
19 April 2022  
For and on behalf of Hymans Robertson LLP



# Actuarial Information (continued)

## Extract from the Actuarial Valuation Report

### Executive Summary

We have carried out an actuarial valuation of the Cambridgeshire Pension Fund ("the Fund") as at 31 March 2019. The results are presented in this report and are briefly summarized below.

### Funding Position

The table below summarizes the financial position of the Fund at 31 March 2019 in respect of benefits earned by members up to this date (along with a comparison at the last formal valuation at 31 March 2016).

Valuation Date	31 March 2016 (£m)	31 March 2019 (£m)
Past Service Liabilities	2,902	3,204
Market Value of Assets	2,277	3,193
Surplus/(Deficit)	(625)	(11)
Funding Level	78%	100%

The improvement in funding position between 2016 and 2019 is mainly due to strong investment performance over the inter-valuation period, coupled with the positive impact on the liabilities of actual pay and benefit growth being lower than expected.

### Contribution Rates

The table below summarizes the whole fund Primary and Secondary Contribution rates at this triennial valuation. The Primary rate is the payroll weighted average of the underlying individual employer primary rates and the Secondary rate is the total of the underlying individual employer secondary rates (before any pre-payment or capitalization of future contributions), calculated in accordance with the Regulations and CIPFA guidance.

Primary Rate (% of pay)	Secondary Rate (£)		
1 April 20 – 31 March 23	2020-21	2021-22	2022-23
18.4%	£19,425,000	£19,061,000	£19,082,000

The Primary rate also includes an allowance of 0.6% of pensionable pay for the Fund's expenses. The average employee contribution rate is 6.3% of pensionable pay.

The minimum contributions to be paid by each employer from 1 April 2020 to 31 March 2023 are shown in the Rates and Adjustment Certificate.

Douglas Green FFA

Robert McInroy FFA

15 March 2020

For and on behalf of Hymans Robertson LLP

# Audit Opinion

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# Audit Opinion (continued)

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# Audit Opinion (continued)

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# Fund Account

31-Mar-21 £000	Notes	31-Mar-22 £000
<b>Dealings with members, employers and others directly involved in the fund:</b>		
154,534 Contributions	Note 7	134,643
22,232 Transfers in from other pension funds	Note 8	11,532
<b>176,766</b>		<b>146,175</b>
-109,596 Benefits	Note 9	-118,306
-11,632 Payments to and on account of leavers	Note 10	-8,754
<b>-121,228</b>		<b>-127,060</b>
<b>55,538</b> Net additions/(withdrawals) from dealing with members		<b>19,115</b>
-22,690 Management expenses	Note 11	-25,633
<b>32,848</b> Net additions/(withdrawals) including fund management expenses		<b>-6,518</b>
<b>Returns on investments:</b>		
31,406 Investment income	Note 13	30,719
836,312 Profit and (losses) on disposal of investments and changes in the value of investments	Notes 14a and 17b	382,996
<b>867,718</b> Net return on investments		<b>413,715</b>
<b>900,566</b> Net increase/(decrease) in the net assets available for benefits during the year		<b>407,197</b>
2,997,669 Opening net assets of the scheme		3,898,235
<b>3,898,235</b> Closing net assets of the scheme		<b>4,305,432</b>

Notes on pages 55 to 85 form part of the financial statements.

# Net Asset Statement

31-Mar-21 £000		Notes	31-Mar-22 £000
3,913,043	Investment assets		4,290,145
-48,160	Investment liabilities		-2,445
<b>3,864,883</b>	<b>Total net investments</b>	Note 14	<b>4,287,700</b>
39,679	Current assets	Note 21	23,805
-6,327	Current liabilities	Note 22	-6,073
<b>33,352</b>	<b>Net Current Assets</b>		<b>17,732</b>
<b>3,898,235</b>	<b>Closing net assets of the scheme</b>	Note 17a	<b>4,305,432</b>

Notes on pages 55 to 85 form part of the financial statements.

Note: The Fund's financial statements do not take account of the liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 20.

# Notes to the Pension Fund Accounts

## 1. DESCRIPTION OF THE FUND

The Cambridgeshire County Council Fund is part of the Local Government Pension Scheme (LGPS) and is administered by Cambridgeshire County Council. The County Council is the reporting entity for this Pension Fund. The following description of the Fund is a summary only. For more detail, reference should be made to the Annual Report 2021-22 on pages 1 to 49 and the underlying statutory powers underpinning the scheme.

### General

The Fund is governed by the Public Services Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the LGPS Regulations 2013 (as amended);
- the LGPS (Transitional Provisions, Savings and Amendments) Regulations 2014 (as amended);
- the LGPS (Management and Investment of Funds) Regulations 2016;
- The Local Government Pension Scheme (Amendment) Regulations 2018.

The Fund is a contributory defined benefit pension scheme administered by Cambridgeshire County Council to provide pensions and other benefits for pensionable employees of Cambridgeshire County Council, the district councils in Cambridgeshire, and a range of other scheduled and admitted bodies within the county area. Teachers, Police Officers and Firefighters are not included as they come within other national pension schemes. The Fund is overseen by the Cambridgeshire Pension Fund Committee, which is a committee of Cambridgeshire County Council.

### Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme. Organisations participating in the Cambridgeshire Pension Fund include:

- Scheduled Bodies - local authorities and similar bodies whose staff are automatically entitled to be members of the Fund;

- Admitted Bodies - other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.
- Resolution/Designated bodies – These are organisations that can admit their employees to the LGPS by passing their resolution (nominate employees for access to the LGPS) Parish/Town Council are under this category.

As at 31 March 2022 there was 213 ( 2021: 217) active employers within the Cambridgeshire Pension Fund, including the County Council itself.

	31-Mar-21	31-Mar-22
Number of employers with active members	217	213

The Fund has over 92,000 individual members, as detailed below:

Number of employees in scheme:	31-Mar-21	31-Mar-22
County council	9,483	9,362
Other employers	19,228	19,549
<b>Total</b>	<b>28,711</b>	<b>28,911</b>

Number of Pensioners:		
County council	8,861	9,185
Other employers	11,519	12,155
<b>Total</b>	<b>20,380</b>	<b>21,340</b>

Deferred pensioners:		
County council	13,793	13,859
Other employers	17,112	17,514
<b>Total</b>	<b>30,905</b>	<b>31,373</b>

Undecided Leavers:		
County council	4,072	4,627
Other employers	5,339	6,384
<b>Total</b>	<b>9,411</b>	<b>11,011</b>

<b>Total members</b>	<b>89,407</b>	<b>92,635</b>
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# Notes to the Pension Fund Accounts (continued)

## Funding

Benefits are funded by contributions and investment earnings. Currently the level of contribution income is sufficient to fund regular benefit payments. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2022. Employers' contributions are set as part of the triennial actuarial funding valuation. The last such valuation was at 31 March 2019. Employers' contributions comprise a percentage rate on active payroll between 5.7% and 31.7% and deficit payments of fixed cash amounts set for each employer as part of the triennial funding valuation.

## Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below:

	Service pre 1 April 2008	Service 1 April 2008 to 31 March 2014
<b>Pension</b>	Each year worked is worth $1/80 \times$ final pensionable salary.	Each year worked is worth $1/60 \times$ final pensionable salary.
<b>Lump Sum</b>	Automatic lump sum of $3 \times$ pension. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

## Career Average Revalued Earnings (CARE)

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based upon their pensionable pay in that year at an accrual rate of  $1/49$ th or  $1/98$ th for those members who have taken up

the 50/50 option and pay proportionately lower contributions.

Accrued pension is updated annually in line with the Consumer Price Index.

There are a range of other benefits provided under the scheme including early retirement, ill health pensions and death benefits. For more details, please refer to the Full Guide which can be found in the member section on the Pension's Fund website. [Member - Pension Details](#)

## 2. BASIS OF PREPARATION

The statement of accounts summarises the Fund's transactions for the 2021-22 financial year and its financial position at 31 March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22 (the Code), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits that fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The pension fund has opted to disclose this information in Note 20.



# Notes to the Pension Fund Accounts (continued)

## Going Concern

The Funding Level as per the recent triennial valuation exercise (March 2019) was 100%. The Funding Level at year ending March 2022 was 114%.

There are 499 individual active employers as at March 2022. All employers are paying their contributions as per the rates and adjustment certificate. No employer has deferred their payments. Benefits paid for the year were approximately £118m, with contributions of approximately £134m, showing a net cash inflow.

The actual annual investment return for March 2022 was 9.9% and the Fund value had increased to £4.305 billion (subject to audit), meaning the fund has increase by £407.2 million during the year. At 31 March 2022 the Pension Fund has 58% of its investments allocated to equities and 14% allocated to Bonds, with £27.8 million in cash, which are all assets that could be liquidated quickly to pay benefits should the need arise.

The Pension Fund is satisfied that it is sufficiently liquid to conclude that it is a going concern, since the value of pension fund assets that can be liquidated at short notice if needed is £3.1 billion which significantly exceeds the annual expenditure of the fund.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Fund Account – Revenue Recognition

#### Contribution Income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis. Contributions from members are set in accordance with LGPS regulations and contributions from members are set at the percentage rate recommended by the actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the due date on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

## Transfers to and from Other Schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations (see Notes 8 and 10).

Individual transfers in/out are accounted for on a cash basis.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on an receipt basis and are included in Transfers In (see Note 8). Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

## Investment Income

### i) Interest income

Interest income is recognised in the Fund Account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

### ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

### iii) Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

# Notes to the Pension Fund Accounts (continued)

## Investment Income (continued)

### *iv) Movement in the net market value of investments*

Changes in the net market value of investments are recognised as income or expense and comprise all realised and unrealised profits/losses during the year.

## Fund Account – Expense Items

### Benefits Payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities and paid in the following month.

### Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

### Management Expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the Fund discloses its pension fund management expenses in accordance with CIPFA's Accounting for Local Government Pension Scheme Management Expenses (2016).

### Administrative Expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the pension's administration team are charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund in accordance with Council policy.

## Oversight and Governance Costs

All oversight and governance expenses are accounted for on an accruals basis. The costs of obtaining legal and consultancy advice are charged direct to the Fund. The cost of the Pool are charged direct to the Fund.

## Investment Management Expenses

Investment Management expenses are accounted for on an accruals basis.

Fees of external Investment Managers and the Custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

Investment fees are charged directly to the fund as part of management expenses and are not included in, or netted off from, the reported returns on investments. Where fees are netted off returns by investment managers, these expenses are grossed up to increase the change in value of investments.

Where an Investment Manager's fee note has not been received by the year end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the Fund Account. In 2021-22, £234k of fees are based upon such estimates (2020-21: £226K). In addition, manager fees deducted from pooled funds of £21.9m (2020-21: £16.8m) are based upon information received from fund managers.

# Notes to the Pension Fund Accounts (continued)

## Net Assets Statement

### Financial Assets

Financial assets are included in the Net Assets Statement on a fair value basis, except for loans and receivables.

Loans and receivables are assets for which the amounts receivable are fixed and determinable and where the Fund has not designated the asset at fair value through profit and loss. This includes contributions owing from employers and cash deposits. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset.

Investment assets, other than cash held by Investment Managers on the Fund's behalf, are initially recognised at fair value and are subsequently measured at fair value with gains and losses recognised in the Fund Account. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 16). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

### Foreign Currency Transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

### Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes (see Note 15).

## Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

### Financial Liabilities

The Fund initially recognises financial liabilities at fair value and subsequently measure them at amortised cost. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability.

## Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on an annual basis by the scheme actuary in accordance with the requirements of IAS19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (see Note 20).

## Additional Voluntary Contributions

The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. The Fund's AVC providers are Prudential and Utmost Life. AVCs are deducted from the individual member's pay and paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts, in accordance with section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, but are disclosed as a note only (see Note 23).

# Notes to the Pension Fund Accounts (continued)

## Contingent Assets and Liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of a narrative in the notes.

## 4. CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES

### Pension Fund Liability

The net Pension Fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

The estimated liability is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 19.

Actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant Investment Management policies, for example in terms of the balance struck between longer term investment growth and short-term investment yield/return.

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the Balance Sheet date and the amounts reported for the revenues and expenses during the year.

Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the Net Assets Statement as 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- **Actuarial Present Value of Promised Retirement Benefits Uncertainties:**

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rates at which salaries and pensions are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. An independent firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.

### Effect if Actual Results Differ from Assumptions:

The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability by approximately £115m. A 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £8m, and a 1 year increase in assumed life expectancy would increase the liability by approximately £224m. Although the example above is based on an increase, a decrease to discount rate and assumed life expectancy could also occur.

# Notes to the Pension Fund Accounts (continued)

- Cambridge and Counties Bank Uncertainties:**

Cambridge and Counties Bank is not publicly listed and as such there is a degree of estimation involved in the valuation. The Pension Fund has appointed an independent, professional valuer to advise a suitable valuation. The Fund's investment is valued on a market based approach with reference to price/earnings and price to book of comparable public companies.

**Effect if actual results differ from assumptions:** The investment in the financial statements is £85.0m. There is a risk that this investment may be under or overstated in the accounts. As set out in the independent, professional valuation report, the valuation of the Cambridge and Counties Bank is in the range of £81.7m to £89.1m. The mid-point of this valuation range has been applied within the Fund's accounts.

- Other Private Equity and Infrastructure Uncertainties:**

All other private equity and infrastructure investments are valued at fair value. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. See Note 16a.

**Effect if actual results differ from assumptions:** Total private equity and infrastructure investments (excluding Cambridge and Counties Bank – see above) at fair value in the financial statements are £714.7m. There is a risk that this investment may be under or overstated in the accounts. Note 18 gives a price sensitivity of Alternative investments of 23.7%, which indicates that Other private equity and infrastructure values may range from £545.3m to £884.1m.

## 6. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events since 31 March 2022, and up to the date when these accounts were authorised that require any adjustments to these accounts.

## 7. CONTRIBUTIONS RECEIVABLE

### By Category:

31-Mar-21		31-Mar-22
£000		£000
29,081	Employees' contributions	30,628
	<b>Employers' contributions:</b>	
89,914	Normal contributions	93,644
35,539	Deficit recovery contributions	10,371
125,453	<b>Total employers' contributions</b>	<b>104,015</b>
<b>154,534</b>		<b>134,643</b>

### By Authority:

31-Mar-21		31-Mar-22
£000		£000
28,127	Administering authority	29,164
120,606	Scheduled bodies	99,693
5,801	Admitted bodies	5,786
<b>154,534</b>		<b>134,643</b>

## 8. TRANSFERS IN FROM OTHER PENSION FUNDS

31-Mar-21		31-Mar-22
£000		£000
6,750	Individual transfers	10,865
15,482	Group transfers	667
<b>22,232</b>		<b>11,532</b>

# Notes to the Pension Fund Accounts (continued)

## 9. BENEFITS PAYABLE

### By category:

31-Mar-21	31-Mar-22
£000	£000
92,311 Pensions	96,636
14,081 Commutation and lump sum retirement benefits	19,444
3,204 Lump sum death benefits	2,226
<b>109,596</b>	<b>118,306</b>

### By authority:

31-Mar-21	31-Mar-22
£000	£000
35,867 Administering authority	36,422
64,819 Scheduled bodies	71,853
8,910 Admitted bodies	10,031
<b>109,596</b>	<b>118,306</b>

## 10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

31-Mar-21	31-Mar-22
£000	£000
998 Refunds to members leaving service	793
5,113 Group transfers	0
5,521 Individual transfers	7,961
<b>11,632</b>	<b>8,754</b>

## 11. MANAGEMENT EXPENSES

31-Mar-21	31-Mar-22
£000	£000
2,726 Administrative costs	2,602
19,230 Investment management expenses	22,130
734 Oversight and governance costs*	901
<b>22,690</b>	<b>25,633</b>

\*Base fees payable to External Auditors, included within Oversight and Governance costs were £17k during the year (2020-21 £17k). The scale fee variation will be communicated in due course.

# Notes to the Pension Fund Accounts (continued)

## 12. INVESTMENT MANAGEMENT EXPENSES

	Management fees	Performance related fees	Transaction costs	Other costs	Total
	£000	£000	£000	£000	£000
2021/22					
Bonds	257	0	0	0	257
Pooled investments	9,441	0	0	421	9,862
Pooled property investments	431	0	435	170	1,036
Private Equity/Infrastructure	5,748	4,137	187	883	10,955
Custody Fees	0	0	0	20	20
<b>Total</b>	<b>15,877</b>	<b>4,137</b>	<b>622</b>	<b>1,494</b>	<b>22,130</b>

	Management fees	Performance related fees	Transaction costs	Other costs	Total
	£000	£000	£000	£000	£000
2020/21					
Bonds	175	0	0	0	175
Pooled Investments	7,930	0	16	338	8,284
Pooled property investments	632	0	261	3	896
Private Equity/Infrastructure	5,021	3,092	0	1,762	9,875
Custody fees	0	0	0	0	0
<b>Total</b>	<b>13,758</b>	<b>3,092</b>	<b>277</b>	<b>2,103</b>	<b>19,230</b>

## 13. INVESTMENT INCOME

31-Mar-21	31-Mar-22
£000	£000
526 Income from bonds	780
3 Income from equities	0
11,975 Pooled investments – unit trusts and other managed funds	8,597
7,859 Pooled Property Investments	8,487
10,524 Private equity/infrastructure income	12,826
519 Interest on cash deposits	29
0 Other – securities lending income	0
<b>31,406</b>	<b>30,719</b>

# Notes to the Pension Fund Accounts (continued)

## 14. INVESTMENTS

31-Mar-21		31-Mar-22
£000		£000
<b>Investment assets</b>		
156,972	Bonds	210,791
2,761,795	Pooled investments	2,945,943
237,190	Pooled property investments	301,637
688,334	Private equity/infrastructure	799,689
66,353	Cash deposits	19,850
2,152	Derivatives contracts: Options	11,100
247	Investment income due	286
0	Amounts receivable for sales	849
<b>3,913,043</b>	<b>Total investment assets</b>	<b>4,290,145</b>
<b>Investment liabilities</b>		
-48,160	Derivatives contracts: Options	-2,410
0	Amounts payable for purchases	-35
<b>-48,160</b>	<b>Total investment liabilities</b>	<b>-2,445</b>
<b>3,864,883</b>	<b>Net investment assets</b>	<b>4,287,700</b>



# Notes to the Pension Fund Accounts (continued)

## 14(a). RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

	Market value 01-Apr-21	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31-Mar-22
	£000	£000	£000	£000	£000
Bonds	156,972	132,231	-81,155	2,743	210,791
Pooled investments	2,761,795	40,086	-112,164	256,226	2,945,943
Pooled property investments	237,190	45,014	-21,426	40,859	301,637
Private equity/infrastructure	688,334	75,093	-87,909	124,171	799,689
	<b>3,844,291</b>	<b>292,424</b>	<b>-302,654</b>	<b>423,999</b>	<b>4,258,060</b>
<b>Derivative contracts:</b>					
• Purchased/written options	-46,008	149,776	-53,073	-42,005	8,690
	<b>3,798,283</b>	<b>442,200</b>	<b>-355,727</b>	<b>381,994</b>	<b>4,266,750</b>
<b>Other investment balances:</b>					
· Cash deposits	66,353				19,850
· Investment income due	247				286
· Amount receivable for sales	0				849
· Amounts payable for purchases of investments	0				-35
<b>Net investment assets</b>	<b>3,864,883</b>				<b>4,287,700</b>

# Notes to the Pension Fund Accounts (continued)

## 14(a) Reconciliation of movements in investments and derivatives

	Market value 01-Apr-20	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31-Mar-21
	£000	£000	£000	£000	£000
Bonds	155,686	0	0	1,286	156,972
Equities	1	0	-1	0	0
Pooled investments	2,029,182	420,916	-499,538	811,235	2,761,795
Pooled property investments	225,063	15,821	-4,215	521	237,190
Private equity/infrastructure	500,810	137,005	-55,395	105,914	688,334
	<b>2,910,742</b>	<b>573,742</b>	<b>-559,149</b>	<b>918,956</b>	<b>3,844,291</b>
<b>Derivative contracts:</b>					
• Purchased/written options	36,582	0	0	-82,590	-46,008
	<b>2,947,324</b>	<b>573,742</b>	<b>-559,149</b>	<b>836,366</b>	<b>3,798,283</b>
<b>Other investment balances:*</b>					
· Cash deposits	31,585				66,353
· Investment income due	722				247
<b>Net investment assets*</b>	<b>2,979,631</b>				<b>3,864,883</b>

# Notes to the Pension Fund Accounts (continued)

## 14(b). Investments analysed by fund manager

Market value 31-Mar-21		Market value 31-Mar-22	
£000	% of net investment assets	£000	% of net investment assets
<b>Investments managed under Pool Governance:</b>			
1,358,174	35.1 Link Fund Solutions	1,709,669	39.9
957,079	24.8 UBS Global Asset Management	959,654	22.4
<b>2,315,253</b>	<b>59.9 Total Investments managed under Pool Governance</b>	<b>2,669,323</b>	<b>62.3</b>
<b>Investments managed outside Pool Governance:</b>			
131,898	3.4 Adams Street Partners	178,519	4.2
19,736	0.5 Allianz Global Investors	19,190	0.4
45,488	1.2 Ares Management	41,671	1.0
183,388	4.7 BlueBay Asset Management	197,832	4.6
76,000	2.0 Cambridge and Counties Bank	85,000	2.0
15,000	0.4 Cambridge Building Society	15,000	0.3
32,176	0.8 Equitix Investment Management	28,356	0.7
15,225	0.4 Foresight Group	20,565	0.5
123,900	3.2 HarbourVest Partners (UK)	159,331	3.7
62,786	1.6 IFM Infrastructure	76,081	1.8
59,218	1.5 JP Morgan	59,578	1.4
247,048	6.4 M&G Investments	81,036	1.9
54,400	1.5 M&G Real Estate	57,452	1.3
41,798	1.1 Partners Group (UK)	50,001	1.1
141,770	3.7 River and Mercantile Group*	0	0.0
252,654	6.5 Schroders Investment Management	520,488	12.1
10,710	0.3 UBS Infrastructure	8,946	0.2
36,435	0.9 Cash with custodian	19,331	0.5
<b>1,549,630</b>	<b>40.1 Total Investments managed outside Pool Governance</b>	<b>1,618,377</b>	<b>37.7</b>
<b>3,864,883</b>	<b>100.0 Net investment assets</b>	<b>4,287,700</b>	<b>100.0</b>

All the above companies are registered in the United Kingdom.

\* River and Mercantile Group were acquired by Schroders Investment Management in January 2022.

# Notes to the Pension Fund Accounts (continued)

The following investments represent more than 5% of the net assets of the scheme.

Security	31-Mar-21	% of total fund	31-Mar-22	% of total fund
	£000	%	£000	%
LF ACCESS Global Stock - Dodge and Cox	486,668	12.5	562,493	13.1
LF ACCESS Global Equity - J O Hambro	509,482	13.1	539,385	12.5
LF ACCESS Global Equity - Longview	362,023	9.3	414,792	9.6
UBS Asset Management Life USA Equity Tracker Hedged	209,901	5.4		
	<b>1,568,074</b>		<b>1,516,670</b>	

## 15. ANALYSIS OF DERIVATIVES

### Objectives and policies for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and the various investment managers.

#### • Futures

There were no outstanding exchange traded future contracts at 31 March 2022 or 31 March 2021.

#### • Forward foreign currency

The Fund's Investment Managers may enter into forward foreign currency contracts to secure current exchange rates in order to reduce the volatility associated with fluctuating currency rates.

There were no open forward currency contracts at 31 March 2022 or 31 March 2021. There is no specified requirement to use currency hedging within the Fund's Investment Management Agreements. Instead, the Fund managers use their discretion as to whether or not any currency hedging should be used to mitigate any potential risk.

# Notes to the Pension Fund Accounts (continued)

## •Options

In order to minimise the risk of loss of value through adverse equity price movements, equity option contracts can protect the Fund from falls in value in its main investment markets, principally the UK, USA and Europe.

Investment underlying option contract	Expires	Put/Call	Notional Holdings	31-Mar-21	Notional Holdings	31-Mar-22
Assets				£000		£000
Overseas equity purchased	One to three months	Put	158,099	2,152	132,999	11,100
<b>Total assets</b>				<b>2,152</b>		<b>11,100</b>
Liabilities						
Overseas equity written	One to three months	Put	-203,057	-285	-170,996	-1,485
Overseas equity written	One to three months	Call	-154,327	-47,875	-132,999	-925
<b>Total liabilities</b>				<b>-48,160</b>		<b>-2,410</b>
<b>Net purchased/written options</b>				<b>-46,008</b>		<b>8,690</b>

# Notes to the Pension Fund Accounts (continued)

## 16. FAIR VALUE

### Valuation of Financial Instruments Carried At Fair Value

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Transfers between levels are recognised in the year in which they occur. The Fund has adopted the classification guidelines recommended in the Practical Guidelines on Investment Disclosures (PRAG/Investment Association, 2016).

**Level 1** Assets and liabilities at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index-linked securities and unit trusts.

**Level 2** Assets and liabilities at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value. The price used is based upon inputs from observable market data.

**Level 3** Assets and liabilities at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which the Cambridgeshire Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines 2015, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

### 16a. Fair value hierarchy

The following tables provides an analysis of the financial assets at fair value through profit and loss of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable:

Value at March 2022	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	£000	£000	£000	£000
Bonds	210,791	0	0	210,791
Equities	0	0	0	0
Pooled Investments	13,089	2,932,854	0	2,945,943
Pooled Property Investments	0	0	301,637	301,637
Private Equity/Infrastructure	0	0	799,689	799,689
Derivatives	0	11,100	0	11,100
<b>Net Investment Assets</b>	<b>223,880</b>	<b>2,943,954</b>	<b>1,101,326</b>	<b>4,269,160</b>

Value at March 2021	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	£000	£000	£000	£000
Bonds	156,972	0	0	156,972
Equities	0	0	0	0
Pooled Investments	16,106	2,745,689	0	2,761,795
Pooled Property Investments	0	0	237,190	237,190
Private Equity/Infrastructure	0	0	688,334	688,334
Derivatives	0	2,152	0	2,152
<b>Net Investment Assets</b>	<b>173,078</b>	<b>2,747,841</b>	<b>925,524</b>	<b>3,846,443</b>

# Notes to the Pension Fund Accounts (continued)

All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date. The fair valuation of each class of investment asset is set out below.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
<b>Cash and cash equivalents</b>	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
<b>Quoted Bonds</b>	Level 1	Fixed interest securities valued at a market value based on current yields.	Not required	Not required
<b>Pooled investments – not exchange traded open ended funds</b>	Level 2	Closing bid and offer prices are published. Closing single price where a single price is published	NAV based pricing set on a forward pricing basis.	Not required
<b>Unquoted bonds and unit trusts</b>	Level 2	Average of broker prices	Evaluated price feeds.	Not required
<b>Pooled Property</b>	Level 3	Valued by investment managers on a fair value basis each year using PRAG guidance	NAV-based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date.
<b>Private equity and infrastructure- equity</b>	Level 3	Comparable valuation of similar companies	Price/Earnings or EBITDA multiple	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date.
<b>Private equity and infrastructure - other</b>	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	Share of net assets	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date, and by any differences between audited and unaudited accounts.

# Notes to the Pension Fund Accounts (continued)

## Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with independent investment advisers, the Fund has determined that the valuation methods described above are likely to be accurate within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2022.

Asset Type	Market Value as at 31-Mar-22 £000	Assessed valuation range (+/-)	Value on Increase £000	Value on Decrease £000
Private Equity	799,689	23.7	989,215	610,163
Property	301,637	15.0	346,883	256,391
<b>Total Assets</b>	<b>1,101,326</b>		<b>1,336,098</b>	<b>866,554</b>

## 16(b) Reconciliation of fair value measurements within Level 3

Period 2021-22	Market value 01- Apr-21 £000	Transfers in/out of Level 3 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Unrealised gains/(losses) £000	Realised gains/(losses) £000	Market value 31- Mar-22 £000
Pooled property investments	237,190	0	45,014	-21,426	44,918	-4,059	301,637
Private equity and infrastructure - equity	76,000	0	0	0	9,000	0	85,000
Private equity and infrastructure - other	612,334	0	75,093	-87,909	75,309	39,862	714,689
<b>Total</b>	<b>925,524</b>	<b>0</b>	<b>120,107</b>	<b>-109,335</b>	<b>129,227</b>	<b>35,803</b>	<b>1,101,326</b>



# Notes to the Pension Fund Accounts (continued)

## 17. FINANCIAL INSTRUMENTS

### 17a. Classification of financial instruments

The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the year.

31-Mar-21			31-Mar-22		
Fair value through profit and loss	Loans and receivables	Financial Liabilities	Fair value through profit and loss	Loans and receivables	Financial Liabilities
£000	£000	£000	£000	£000	£000
<b>Financial assets</b>					
156,972	0	0	210,791	0	0
2,761,795	0	0	2,945,943	0	0
237,190	0	0	301,637	0	0
688,334	0	0	799,689	0	0
2,152	0	0	11,100	0	0
0	90,818	0	0	27,877	0
0	247	0	0	1,135	0
0	15,214	0	0	15,778	0
<b>3,846,443</b>	<b>106,279</b>	<b>0</b>	<b>4,269,160</b>	<b>44,790</b>	<b>0</b>
<b>Financial liabilities</b>					
0	0	-48,160	0	0	-2,410
0	0	0	0	0	-35
0	0	-6,327	0	0	-6,073
<b>0</b>	<b>0</b>	<b>-54,487</b>	<b>0</b>	<b>0</b>	<b>-8,518</b>
<b>3,846,443</b>	<b>106,279</b>	<b>-54,487</b>	<b>4,269,160</b>	<b>44,790</b>	<b>-8,518</b>
<b>3,898,235 Total</b>					<b>4,305,432</b>

# Notes to the Pension Fund Accounts (continued)

## 17b. Net Gains and Losses on Financial Instruments

31-Mar-21		31-Mar-22
£000		£000
<b>Financial assets:</b>		
918,956	Fair value through profit and loss	423,999
5	Loans and receivables	1,360
0	Financial liabilities measured at amortised cost	
<b>Financial liabilities:</b>		
-82,590	Fair value through profit and loss	-42,005
-59	Loans and receivables	-358
0	Financial liabilities measured at amortised cost	
<b>836,312</b>	<b>Total gains/(losses)</b>	<b>382,996</b>

## 18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

### Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall Pension Fund Risk Management Programme.

Responsibility for the Fund's Risk Management Strategy rests with the Pension Fund Committee. Risk Management policies are established to identify and analyse the risks faced by the Council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions. [Risk Strategy Statement](#)

### a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's Risk Management Strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in two ways:

- the exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. The Fund entered into derivative contracts to manage the overweight in equities compared to the strategic allocation.

# Notes to the Pension Fund Accounts (continued)

## Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Fund Investment Strategy.

## Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisers, the Council has determined that the following movements in market price risk would have reasonably been possible for the 2021-22 reporting period.

The sensitivities are consistent with the assumptions contained in the investment adviser's most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Asset Type	Potential Market Movement +/- (%p.a.)
UK equities	19.9
Global equities	20.1
Index linked bonds	9.2
Pooled fixed interest bonds	8.1
Multi asset credit	7.4
Property	15.0
Alternatives	23.7
Cash and other investment balances	3.0

# Notes to the Pension Fund Accounts (continued)

Had the market price of the fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as follows:

<b>31-Mar-22</b>	<b>Value as at</b>	<b>% (rounded)</b>	<b>Value on</b>	<b>Value on</b>
<b>Asset Type</b>	<b>31-Mar-22</b>	<b>Change</b>	<b>Increase</b>	<b>Decrease</b>
	<b>£000</b>		<b>£000</b>	<b>£000</b>
UK equities	91,264	19.9	109,426	73,102
Global equities	2,385,060	20.1	2,864,457	1,905,663
Index linked bonds	210,791	9.2	230,184	191,398
Pooled fixed interest bonds	65,700	8.1	71,022	60,378
Multi asset credit	390,830	7.4	419,751	361,909
Property	301,637	15.0	346,883	256,391
Alternatives	799,689	23.7	989,215	610,163
Cash and other investment balances	42,729	3.0	44,011	41,447
<b>Total Assets</b>	<b>4,287,700</b>		<b>5,074,949</b>	<b>3,500,451</b>

<b>31-Mar-21</b>	<b>Value as at</b>	<b>% (rounded)</b>	<b>Value on</b>	<b>Value on</b>
<b>Asset Type</b>	<b>31-Mar-21</b>	<b>Change</b>	<b>Increase</b>	<b>Decrease</b>
	<b>£000</b>		<b>£000</b>	<b>£000</b>
UK equities	85,032	16.7	99,232	70,832
Overseas equities	2,230,221	17.4	2,618,279	1,842,163
Global pooled equities	156,972	7.5	168,745	145,199
Index linked bonds	64,500	8.0	69,660	59,340
Pooled fixed interest bonds	365,936	6.2	388,624	343,248
Property	237,190	14.2	270,871	203,509
Alternatives	688,334	23.5	850,092	526,576
Cash and Other investment balances	36,698	3.0	36,808	36,588
<b>Total Assets</b>	<b>3,864,883</b>		<b>4,502,311</b>	<b>3,227,455</b>

# Notes to the Pension Fund Accounts (continued)

## Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest rate risk is routinely monitored by the Council and its investment consultant in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks. The Fund's direct exposure to interest rate movements as at 31 March 2022 and 31 March 2021 is set out to the right. These disclosures present interest rate risk based on the underlying financial assets at fair value.

## Interest rate risk sensitivity analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. An 80 basis point (BPS) (i.e. 0.80%) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy. The Fund's investment consultant has advised that long-term average rates are expected to move less than 80 basis points from one year to the next and experience suggests that such movements are likely. The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS (1.0%) change in interest rates:

31-Mar-21	Asset Type	31-Mar-22
£000		£000
66,353	Cash and cash equivalents	19,850
24,465	Cash balances	8,027
156,972	Index-linked securities	210,791
430,436	Fixed interest securities	456,530
<b>678,226</b>	<b>Total</b>	<b>695,198</b>

Exposure to interest rate risk	Asset values 31-Mar-22 £000	Impact of 1% decrease £000	Impact of 1% increase £000
Cash and cash equivalents	19,850	19,850	19,850
Cash balances	8,027	8,027	8,027
Index-linked securities	210,791	212,899	208,683
Fixed interest securities	456,530	461,095	451,965
<b>Total change in assets available</b>	<b>695,198</b>	<b>701,871</b>	<b>688,525</b>

Exposure to interest rate risk	Asset values 31-Mar-21 £000	Impact of 1% decrease £000	Impact of 1% increase £000
Cash and cash equivalents	66,353	66,353	66,353
Cash balances	24,465	24,465	24,465
Index-linked securities	156,972	158,542	155,402
Fixed interest securities	430,436	434,740	426,132
<b>Total change in assets available</b>	<b>678,226</b>	<b>684,100</b>	<b>672,352</b>

# Notes to the Pension Fund Accounts (continued)

Exposure to interest rate risk	Interest receivable	Value on 1% increase	Value on 1% decrease
	2021-22		
	£000	£000	£000
Cash deposits, cash and cash equivalents	29	29	29
Index-linked securities	780	788	772
Fixed interest securities	1,950	1,970	1,931
<b>Total</b>	<b>2,759</b>	<b>2,787</b>	<b>2,732</b>

Exposure to interest rate risk	Interest receivable	Value on 1% increase	Value on 1% decrease
	2020-21		
	£000	£000	£000
Cash deposits, cash and cash equivalents	519	524	514
Index-linked securities	526	531	521
Fixed interest securities	1,989	2,009	1,969
<b>Total</b>	<b>3,034</b>	<b>3,064</b>	<b>3,004</b>

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances. Changes to both the fair value of the assets and the income received from investments impact on the net assets available to pay benefits.

## Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (GBP). The Fund holds both monetary and non-monetary assets denominated in currencies other than GBP.

The Fund's currency rate risk is routinely monitored by the Investment Sub Committee and its investment advisers in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

The Fund partially hedges its currency exposures on equity investments by transferring into currency hedged share classes of its passive equity funds.

# Notes to the Pension Fund Accounts (continued)

## Currency risk – sensitivity analysis

Following analysis of historical data with the Fund's advisers, the Council considers the likely volatility associated with foreign exchange rate movements to be 9.5% (the 1 year expected standard deviation). A 9.5% (31 March 2021: 9.8%) fluctuation in the currency is considered reasonable based on the Fund adviser's analysis of long-term historical movements in the month-end exchange rates over a rolling 36 month period. This analysis assumes that all other variables, in particular interest rates, remain constant. A 9.8% strengthening/weakening of the pound against the various currencies in which the fund holds investments would decrease/increase the net assets available to pay benefits as follows.

Assets exposed to currency risk	Value at	Potential market movement	Value on increase	Value on decrease
	31-Mar-22			
	£000	£000	£000	£000
Overseas equities - Hedged	536,846	0	536,846	536,846
Overseas equities - Unhedged	1,848,214	175,580	2,023,794	1,672,634
Overseas fixed income	456,530	43,370	499,900	413,160
Overseas cash fund	23	2	25	21
<b>Total</b>	<b>2,841,613</b>	<b>218,952</b>	<b>3,060,565</b>	<b>2,622,661</b>

Assets exposed to currency risk	Value at	Potential market movement	Value on increase	Value on decrease
	31-Mar-21			
	£000	£000	£000	£000
Overseas equities - Hedged	548,469	0	548,469	548,469
Overseas equities - Unhedged	1,681,752	164,812	1,846,564	1,516,940
Overseas fixed income	430,436	42,183	472,619	388,253
Overseas cash fund	1,046	103	1,149	943
<b>Total</b>	<b>2,661,703</b>	<b>207,098</b>	<b>2,868,801</b>	<b>2,454,605</b>

## b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipts that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties. Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency. Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council has also set limits as to the maximum percentage of deposits placed with any one class of financial institution.

# Notes to the Pension Fund Accounts (continued)

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectible deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2022 was £27.8m (31 March 2021: £90.8m). This was held with the following institutions:-

	Rating	31-Mar-21 £000	31-Mar-22 £000
<b>Money market funds</b>			
Northern Trust Global Investors Global Cash Fund	AAAm	23,878	1,249
<b>Bank deposit account</b>			
Barclays Bank	A	421	34
NatWest Bank	A	24,044	7,993
<b>Bank current accounts</b>			
Northern Trust custody accounts	A-1+	42,475	18,601
<b>Total</b>		<b>90,818</b>	<b>27,877</b>

## c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payroll costs; and also cash to meet investment commitments.

The Fund has immediate access to its cash holdings, with the exception of holdings that are for a fixed term when the deposit is placed. The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert in to cash. As at 31 March 2022 the value of illiquid assets was £1,101m, which represented 25.7% of the total Fund assets (31 March 2021: £925.5m, which represented 23.9% of the total Fund assets).

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy. All financial liabilities at 31 March 2022 are due within one year.

## d) Refinancing risk

A key risk for a Pension Fund is that it may be bound to replenish a significant proportion of its Pension Fund financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its investment strategy.



# Notes to the Pension Fund Accounts (continued)

## 19. FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019. The next valuation will take place as at 31 March 2022 and will be published in 2023.

The key elements of the funding policy are:

- To ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- To ensure that employer contribution rates are as stable as possible;
- To minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return;
- To reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so;
- To use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a maximum period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable. Where an employer's funding level is less than 100%, a deficit recovery plan is put in place requiring additional contributions from the employer to meet the shortfall.

At the 2019 actuarial valuation, the Fund was assessed as 100% funded (78.4% at the March 2016 valuation). This corresponded to a deficit of £11m (2016 valuation: £625m) at that time.

The Contribution Objective is achieved by setting employer contributions which are likely to be sufficient to meet both the cost of new benefits accruing and to address any funding deficit relative to the funding target over the agreed time horizon. A secondary objective is to maintain where possible relatively stable employer contribution rates. For each employer in the Fund, to meet the Contribution Objective, a primary contribution rate has been calculated in order to fund the cost of new benefits accruing in the Fund. Additionally, if required, a secondary contribution rate has also been calculated to target a fully funded position within the employer's set time horizon.

The table below summarises the whole fund Primary and Secondary Contribution rates at the 2019 triennial valuation. These rates are the payroll weighted average of the underlying individual employer primary and secondary rates, calculated in accordance with the Regulations and CIPFA guidance.

Primary Rate %	Secondary Rate		
1 April 2020 to 31 March 2023	2020-2021	2021-2022	2022-2023
18.4%	£19,425,000	£19,061,000	£19,082,000

The Primary rate above includes an allowance of 0.6% of pensionable pay for the Fund's expenses. The average employee contribution rate is 6.3% of pensionable pay. Full details of the contribution rates payable can be found in the 2019 actuarial valuation report and the funding strategy statement on the Fund's website.

# Notes to the Pension Fund Accounts (continued)

## Basis of valuation

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were:

## Financial assumptions

A summary of the main financial assumptions adopted for the valuation of members' benefits are shown below.

Assumption	31-Mar-16	31-Mar-19
Price Inflation (CPI)/ Pension increases	2.1%	2.3%
Pay increases	2.4%*	2.8%**

\*CPI plus 0.3%

\*\*2% until March 2020 followed by CPI plus 0.5%

## Mortality assumptions

Future life expectancy based on the actuary's fund-specific mortality review was:

Assumed life expectancy at age 65	Active and Deferred Members		Current Pensioners	
	Male	Female	Male	Female
2016 valuation	24.0	26.3	22.4	24.4
2019 valuation	22.7	25.5	22.0	24.0

Note that the figures for active and deferred members assume that they are aged 45 at the valuation date.

Various scaling factors have been applied to the mortality tables to reflect the predicted longevity for each class of member and their dependants.

## Other demographic valuation assumptions:

**a) Retirements in ill health** - Allowance has been made for ill-health retirements before Normal Pension Age.

**b) Withdrawals** - Allowance has been made for withdrawals from service.

**c) Retirements in normal health** - We have adopted the retirement age pattern assumption as used for the purpose of the 2016 LGPS cost cap valuation.

**d) Death in Service** - Allowance has been made for death in service.

**e) Promotional salary increases** - Allowance has been made for promotional salary increases.

**f) Family details** - A varying proportion of members are assumed to have a dependant at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. The dependant of a male member is assumed to be 3 years younger than the member and the dependant of a female member is assumed to be 3 years older than the member.

**g) Commutation** - 25% of future retirements elect to exchange pension for additional tax free cash up to HMRC limits for service to 1 April 2008 (equivalent 64% for service from 1 April 2008).

**h) 50:50 option** - 1.0% of members (uniformly distributed across the age service and salary range) will choose the 50:50 option.

# Notes to the Pension Fund Accounts (continued)

## 20. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year.

In order to assess the value of the benefits on this basis, the Actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 19). The actuary has also used valued ill health and death benefits in line with IAS 19.

31-Mar-21 £m		31-Mar-21 £m
-5,774	Present value of promised retirement benefits	-5,591
3,898	Fair value of scheme assets (bid value)	4,305
<b>-1,876</b>	<b>Net liability</b>	<b>-1,286</b>

As noted above, the liabilities are calculated on an IAS 19 basis and therefore will differ from the results of the 2019 triennial funding valuation (see Note 19) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

### Assumptions used

31-Mar-21 % p.a.	Assumption	31-Mar-22 % p.a.
2.85%	Inflation/pension increase rate assumption	3.20%
3.35%	Salary increase rate	3.70%
2.00%	Discount rate	2.70%

# Notes to the Pension Fund Accounts (continued)

## 21. CURRENT ASSETS

31-Mar-21	31-Mar-22
£000	£000
<b>Debtors:</b>	
2,326 Contributions Due – Members	2,602
6,079 Contributions Due – Employers	8,081
6,809 Sundry Receivables	5,095
<b>15,214</b>	<b>15,778</b>
24,465 Cash Balances	8,027
<b>39,679</b>	<b>23,805</b>

## 22. CURRENT LIABILITIES

31-Mar-21	31-Mar-22
£000	£000
4,823 Sundry Payables	5,146
1,504 Benefits Payable	927
<b>6,327</b>	<b>6,073</b>

## 23. ADDITIONAL VOLUNTARY CONTRIBUTIONS

31-Mar-21	31-Mar-22
£000	£000
8,173 Prudential	8,629
403 Utmost	320
<b>8,576</b>	<b>8,949</b>

## 24. AGENCY

Agency Services represent activities administered by the Fund on behalf of scheme employers which are not included within the Fund Account but are provided as a service and are fully reclaimed from the employer bodies.

31-Mar-21	31-Mar-22
£000	£000
3,539 Unfunded pensions	3,418
<b>3,539</b>	<b>3,418</b>

# Notes to the Pension Fund Accounts (continued)

## 25. RELATED PARTY TRANSACTIONS

### Cambridgeshire County Council

The Cambridgeshire County Council Pension Fund is administered by Cambridgeshire County Council. Consequently there is a strong relationship between the Council and the Fund. The Council incurred costs of £2.5m (2020-21: £2.0m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses.

The Council is also the single largest employer of members of the Pension Fund and contributed £29.1m, excluding Local Education Authority schools, to the Fund in 2021-22 (2020-21: £21.5m). At 31 March 2022 there was £7.2m (31 March 2021: £7.1m) due to the Fund by the Council.

### Governance

The following members of the Pension Fund Committee declared a personal interest due to either being a member of the scheme themselves or having a family member in the scheme:

Councillor Alan Sharp, Councillor Joshua Schumann, Councillor Ian Gardener, Matthew Pink and John Walker.

The following member is on the Board of an employer body in the Pension Fund:

Lee Phanco

County Council members have declared their interests in their Register of Members' Interests. Other members of the Pension Fund Board are required to declare their interests at each meeting.

### Cambridge and Counties Bank

The Fund is joint owner, along with Trinity Hall, Cambridge, of Cambridge and Counties Bank (CCB). As the Fund has no controlling interest in the Bank and it is included within the Fund's financial statements as a minority interest. Each shareholder is entitled to appoint one shareholder Non Executive Director to the Board of CCB. The Fund is represented by an Officer of the Pension Fund, for which CCB paid £52,250 during the year (2021-22 £52,250) to the Pension Fund (See Note 5).

## ACCESS Pool

The Fund is working with ten like-minded LGPS funds to implement the ACCESS asset pool in response to the Government's LGPS reform agenda. On 31 March 2022, the Cambridgeshire Fund had invested £1,709.7m in sub-funds of the ACCESS Authorised Contractual Scheme and £959.7m in the UBS passive arrangement resulting in £2,669.4m of assets under pool management representing 62.3% of the Fund's assets.

During 2021/22 a total of £95.2k was charged to the Pension Fund by ACCESS asset pool in respect of operating costs (£78.4k in 2020/21).

## 25(a) KEY MANAGEMENT PERSONNEL

The administration of the Fund is provided by West Northamptonshire Council in partnership with Cambridgeshire County Council. The Head of Pensions reports directly to Assistant Director of Finance at West Northamptonshire Council, whose costs are reported in the West Northamptonshire Council statement of accounts. Other key personnel include the Cambridgeshire Section 151 Officer, who is Treasurer to the Fund. The Section 151 Officer is remunerated for their services to the organisation as a whole and it is not possible to identify within the overhead charge from the proportion of costs relating to these services to the Fund.

## 26. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding contractual commitments at 31 March 2022 totalled £304.3m (31 March 2021: £303.3m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a period of between three and fifteen years from the date of each original commitment.

Eleven admitted body employers in the Cambridgeshire Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default, and usually only in the event of premature cessation.

# Glossary

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

**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.

**ACS** Authorised Contractual Scheme.

**ADMITTED BODIES** Voluntary and charitable bodies whose staff can become members of the Local Government Pension Scheme subject to certain terms and conditions and other organisations to whom Local Government employees have been transferred under the outsourcing of Local Government services.

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

**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.

**CASH EQUIVALENTS** Assets which are readily convertible into cash.

**CIPFA** Chartered Institute of Public Finance and Accountancy

**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.

**CONVERTIBLE** Unsecured loan stock (bond) which converts into equity of the issuing company. The UK Government also issues convertible gilts which convert into other government stock.

**COUPON** The regular payment made on bonds.

**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.

**CUSTODIAN** An external body responsible for ensuring Fund assets are registered in the name of the Fund, managing the settlement of trades entered into by the Fund, collecting income arising on Fund assets and reporting transactions and values to the Fund on a regular basis.

**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. Additionally, the Fund is in deficit when the liabilities are larger than assets.

**DERIVATIVE** A financial instrument derived from a security, currency or commodity, or an index indicator representing any of these, the price of which will move in a direct relationship to the price of the underlying instrument. 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]

**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.

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

**FIXED INTEREST CORPORATE BOND** A certificate of debt issued by a company or institution in return for a fixed rate interest with a promise of redemption to repay the original sum.

**FTSE-100 INDEX** The main UK index used to represent the approximate price movements of the top 100 shares.

# Glossary (continued)

**FTSE All Share Index** Summarises the state of the UK equity market. It covers some 900 of the major UK industrial, commercial and financial companies.

**FUTURES** Instruments which give a buyer the right to purchase a commodity at a future date.

**GMP** Guaranteed Minimum Pension.

**HEDGE** To protect a fund from a fall in prices. This is usually accomplished by the selling of futures.

**IDRP** Internal Dispute Resolution Procedures

**INDEX LINKED** Stock whose value is related directly to an index, usually the Retail Price Index and therefore provides a hedge against inflation.

**INTEREST YIELD** The annual coupon on a bond divided by the price of a bond which is quoted without accrued interest.

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

**ISC** Investments Sub-Committee.

**LOAN STOCK** Unsecured bonds, which may be convertible if they have a warrant attached.

**LPB** Local Pension Board.

**OFFER PRICE** The price at which market makers will sell stock.

**ORDINARY SHARES 'A'** Shares which confer full voting and dividend rights to the Owner.

**PENSION 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.

**PFC** Pension Fund Committee.

**PLSA** Pensions and Lifetime Savings Association.

**PORTFOLIO** A collection of investments. This can refer to the investments managed by a particular Investment Manager, or to describe the whole Fund's investments.

**RAG** Red, Amber and Green.

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

**SAB** Scheme Advisory Board.

**SCHEDULED BODIES** Local Authorities and similar bodies whose staff are entitled automatically to become members of the local Authority Pension Fund.

**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. Additionally, the Fund is in surplus when the assets are larger than liabilities.

**TRANSFER VALUES** Sums which are paid either to or received from other pension schemes and relate to new and former members' periods of pensionable employment with employers participating in the scheme.

**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.

**UNFUNDED** Pension benefits not funded by the Pension Fund. Benefits are fully reclaimed from the employer bodies.

**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 Investment manager to participate in a diversified portfolio. Unit trusts are subject to FSA investment and borrowing regulations.

**WARRANTS** Long dated options warrants give the holder the right to buy/sell a specified quantity of a particular stock, or any other asset, at a fixed price on or before a specified date.





# **ACCESS**

## **Annual Report**

### 2021/22

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# Foreword

**As Chairman of the ACCESS Joint Committee, I am pleased to introduce the latest Annual Report for the ACCESS Pool.**

The COVID-19 pandemic not only shaped the way we all work but also led to significant market volatility. This volatility has continued following the Russian invasion of Ukraine and that cruel and unwarranted event has exacerbated energy and other supply chain issues that have contributed to rampant inflationary pressures. All in all, a difficult time for investors everywhere.

The development of the ACCESS Pool continues at pace with an additional four sub-funds opened during the year to assist the authorities in achieving diversification within their investment strategies attracting an additional £3.2 billion investment into the Pool.

In January 2022 MJ Hudson were appointed as implementation adviser for the establishment of pool vehicles for illiquid assets, after a competitive call off utilising the National LGPS Frameworks.

As implementation advisor, MJ Hudson will provide support to the Pool in selecting individual investment opportunities and investment managers to build portfolios in a range of illiquid assets including private equity, private debt, infrastructure and initially, real estate.

Another key achievement during the year was the development of updated Responsible Investment guidelines for which the pool was partnered by Minerva Analytics. Once consultation has been completed the guidelines will be formally published.

In addition to its Annual Report, ACCESS also produced a Progress Update report in conjunction with its communication advisers MHP Mischief, to provide an insight to the Pool, key activities and future plans.

In the year ahead we welcome representatives of the Local Pension Boards to observe the future Joint Committee meetings. Two members from each Board will be able to attend a meeting at least once a year.

In closing I would like to thank my fellow ten Joint Committee members, each representing their respective Authorities, along with the officers who support them, and the ACCESS Support Unit.



**Cllr Mark Kemp-Gee**

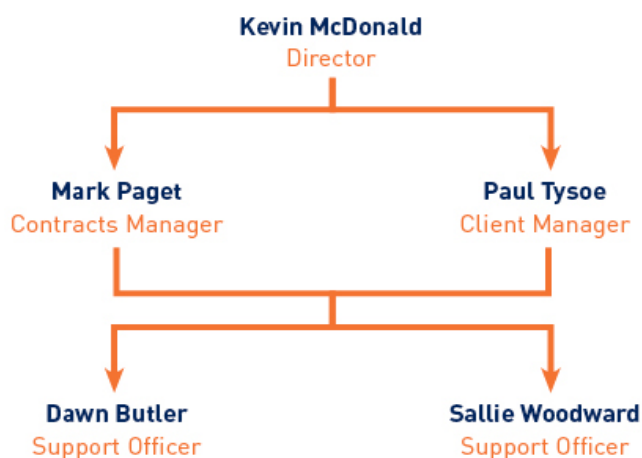
Chairman of the ACCESS Joint Committee

Chairman of the Hampshire Pension Fund Committee and Board

# Introduction

## It is my pleasure to introduce an overview of the work by the ACCESS Support Unit.

In 2018, the ACCESS Joint Committee agreed that a unit be established to provide day to day support for the work required to run the Pool, and that Essex County Council act as Host Authority. The ACCESS Support Unit (ASU) facilitates the Joint Committee (JC) and officer groups and has responsibility for programme management, client relationships, contract management/supplier relationships, administration and technical support services. The ASU's structure is set out below:



A business plan is developed and submitted for consideration by the JC ahead of the start of each year, prior to being recommended to each of the ACCESS Authorities. The business plan includes milestones across listed assets (both active and passive), non-listed assets and governance. The JC also determines an annual budget to support the activities within the business plan.

The ASU has responsibility to manage this development and implementation of the business plan, within budget, whilst assessing and managing the risks for the pool.

A central feature of ACCESS is the engagement of each of the eleven Authorities, and therefore the support and facilitation of stakeholder groups is key to the work of the ASU. The governance structure of the Pool ensures that dialogue with, and input from, Local Government Pension Scheme (LGPS) subject matter experts from each Authority, is gathered through the Officer Working Group (OWG) and various sub-groups. In turn, this enables the s151 Officer Group to form the recommendations that are ultimately considered by the JC.

It has long been recognised that considerable expertise exists within the LGPS officer community. The full time ASU staff are therefore supplemented by part-time Technical Leads whose work for ACCESS is part of the Pool's costs. In the last year this saw invaluable contributions from Sharon Tan, Suffolk (reporting); Samantha Andrews, Essex (budgeting) and Rachel Wood and Vickie Hampshire, West Sussex (Governance Manual).

The year ahead will see further sub-fund launches to meet the investment strategies of the Authorities, including emerging market equities, the start of the alternative asset investment platform with advice and guidance from MJ Hudson and the publication of the updated Responsible Investment guidelines.

I would like to thank my ASU colleagues, the technical leads and the officers of the Authorities for their enthusiasm, support and hard work towards the commendable progress of the Pool.



**Kevin McDonald**

Director of ACCESS Support Unit

# ACCESS Background

**ACCESS has its origins in 2016 when 11 Local Government Pension Scheme (LGPS) Authorities agreed to begin working collectively to address the requirements of the Government's agenda for pooling LGPS investments.**

The following strategic objectives are in place:

- 1** Enable the Councils to execute their fiduciary responsibilities to LGPS stakeholders, including scheme members and employers, as economically as possible.

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- 2** Provide a range of asset types necessary to enable those participating Authorities to execute their locally-determined investment strategies as far as possible.

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- 3** Enable the Councils to achieve the benefits of pooling investments, preserve the best aspects of what is currently done locally, and create the desired level of local decision making and control.

In order to achieve these objectives, the Councils have established a set of governing principles.

The governing principles are summarised below:

- Collaboration
- Objective evidence based decisions
- Professionalism
- No unnecessary complexity
- Value for money
- Risk management
- Equitable voice in governance
- Equitable cost sharing
- Evolution and innovation

**Implicit within the above principles is the democratic accountability and fiduciary duty of the Councils as Administering Authorities.**

# ACCESS LGPS Authorities

An overview of the Pool's governance structure is outlined below.



**3,500 Employers**  
**1.1 million Members**  
**310,000 Pensioners**



# Key Performance

Pooled Assets  
As at March 2022

**ACS (26 sub-funds)**

**£23.9<sub>bn</sub>**

Costs & Savings  
As at March 2022

**Gross Savings**

**£70.3<sub>m</sub>**

**UBS (1 jointly procured provider)**

**Costs**

**£11.2<sub>bn</sub>**

**£21.4<sub>m</sub>**

**Pooling Progress**

**Net Savings**

**59%**

**£48.9<sub>m</sub>**



# Savings

**A budget for ongoing operational costs is set by the Joint Committee and is financed equally by each of the eleven Authorities.**

2021/22 saw an underspend primarily due to lower than anticipated costs of external advice combined with an underspend in the technical lead recharge costs.

The table below summarises the financial position for 2021/22 along with the cumulative position since the commencement of ACCESS activity in early 2016.

	2021– 2022		2021 – 2022	
	Actual	Budget	Actual	Budget
	In Year	In Year	Cumulative	Cumulative
	£'000	£'000	to date	to date
			£'000	£'000
Set Up Costs	-	-	1,824	1,400
Transition Costs	2,664	4,408	3,338	6,907
Ongoing Operational Costs	1,046	1,247	4,117	4,795
Operator & Depositary Costs	4,845	4,787	12,149	11,364
<b>Total Costs</b>	<b>8,555</b>	<b>10,442</b>	<b>21,428</b>	<b>24,466</b>
<b>Pool Fee Savings</b>	<b>28,038</b>	<b>15,700</b>	<b>70,300</b>	<b>47,750</b>
<b>Net Savings Realised</b>	<b>19,483</b>	<b>5,258</b>	<b>48,872</b>	<b>23,284</b>

A budget for ongoing operational costs is set by the Joint Committee and is financed equally by each of the eleven Authorities. 2021/22 saw an underspend primarily due to lower than anticipated costs of external advice combined with an underspend in the technical lead recharge costs.

Operator and depositary fees are payable by each Authority in relation to assets invested within the Authorised Contractual Scheme established by Link Fund Solutions as pool operator.

The 2021/22 fee savings have been calculated using the CIPFA price variance methodology and based on the average asset values over the year. This approach highlights the combined level of investment fee savings, across all ACCESS Authorities stemming from reduced charges.

In summary, since inception ACCESS has demonstrated excellent value for money, maintaining expenditure broadly in line with the original submission to Government whilst delivering an enhanced level of savings ahead of the timeline contained in the original proposal.

# 2021-2022 Business Plan Milestones

**The Business Plan for 2021-22 was proposed by the ACCESS Joint Committee in January 2020 to the 11 LGPS Authorities.**

## Actively managed listed assets:

Further progress was made in pooling active listed assets within the Authorised Contractual Scheme (ACS) managed by the Pool's appointed Operator, Link Fund Solutions. Between July 2021 and February 2022, a further four sub-funds were launched.

Link's appointment of BlackRock expands the UK Equity capacity within the Pool, the appointment of Macquarie broadens the Global Equity coverage whilst the addition of ACS mandates for Fidelity and M&G extends the Fixed Income offering.

Six Authorities participated as original investors within these sub-funds which totalled £3.2bn.

## Alternative/non-listed assets:

In January 2022, following a procurement via the National LGPS frameworks, ACCESS announced the appointment of MJ Hudson as implementation adviser for the pooling of illiquid assets including private equity, private debt, infrastructure and real estate.

As implementation advisor, MJ Hudson will provide support to the Pool in selecting individual investment opportunities and investment managers to build portfolios in a range of illiquid assets.

## Passive assets:

Ongoing monitoring and engagement continued with jointly procured passive manager, UBS.

## Responsible Investment Guidelines:

Last year, following a procurement via National LGPS frameworks, ACCESS appointed Minerva Analytics as Environmental, Social & Governance (ESG) adviser.

Having reviewed the ESG policies of and engaged extensively with officers from each of the 11 ACCESS Authorities, Minerva Analytics drafted revised and updated Responsible Investment (RI) guidelines for the Pool.

# 2022-2023 Business Plan

**The Business Plan for 2022-23 was proposed by the ACCESS Joint Committee on 6th December 2021 to the 11 LGPS Authorities. This plan included:**

## Actively managed listed assets:

Further pooling active listed assets within the Authorised Contractual Scheme (ACS) managed by the Pool's appointed Operator, Link Fund Solutions which will include emerging market equity and further fixed income sub-funds.

## Alternative/non-listed assets:

Launch of the Pool's first illiquid asset investment vehicles. MJ Hudson will be undertaking procurement exercises to appoint a UK Core Manager and a Global Real Estate allocator.

Initial work will commence on the planning for other illiquid asset investment platforms.

## Passive assets:

Ongoing monitoring and engagement with jointly procured passive manager, UBS.

## Responsible Investment Guidelines:

Following consultation with the ACCESS Authorities the updated Responsible Investment Guidelines will be published.

Work will commence on establishing criteria to develop a matrix to report on key performance indicators to demonstrate how the responsible investment guidelines have been implemented.

# Environmental, Social & Governance

**The ACCESS Authorities believe in making long term sustainable investments whilst integrating environmental and social risk considerations, promoting good governance and stewardship.**

Whilst the participating authorities have an overriding fiduciary and public law duty to act in the best long-term interests of their LGPS stakeholders to achieve the best possible financial returns, with an appropriate level of risk they also recognise the importance of committing to responsible investment alongside financial factors in the investment decision making process.

## Responsible Investment:

ACCESS appointed Minerva Analytics as its Environmental, Social & Governance (ESG) adviser. Following a review of the ESG policies, and engagement with officers from each of the Authorities Minerva Analytics drafted consolidated Responsible Investment (RI) guidelines for the Pool.

Following a period of consultation, it is expected that finalised Guidelines will be adopted by the Pool during 2022.

## Voting:

The ACCESS pool has a set of voting guidelines which seeks to protect and enhance the value of its shareholdings by promoting good practice in the corporate governance and management of those companies.

The guidelines set out the principles of good corporate governance and the means by which ACCESS will seek its influence on companies. The voting activity is reported to the Joint Committee on a quarterly basis.

During the year ACCESS voted at 2,391 meeting on 32,834 resolutions.

## Engagement:

Link Fund Solutions arranges regular sessions with the Investment Managers to present to the Authorities Pension Fund Officers to demonstrate how they implement environmental, social and governance into their investment strategy and decision-making process.

These also give the investment manager the opportunity to discuss the engagement activities they have undertaken, what constructive dialogue was had and how they have used their influence to encourage the adoption of best practice.

For any enquiries, please contact the Access Support Unit (ASU) on  
[ASU@accesspool.co.uk](mailto:ASU@accesspool.co.uk)

**[accesspool.org](https://accesspool.org)**



# **Cambridgeshire Pension Fund Audit Results Report**

Year ended 31 March 2022

18 October 2022



18 October 2022

Audit and Accounts Committee and Pension Fund Committee  
Cambridgeshire County Council  
Shire Hall  
Castle Hill  
Cambridge



Dear Audit and Accounts Committee/ Pension Fund Committee Members

### 2021/22 Audit Results Report

We are pleased to attach our Audit Results Report, summarising the status of our audit for the forthcoming meeting of the Audit and Accounts Committee. This report summarises our preliminary audit conclusion in relation to the audit of Cambridgeshire Pension Fund for 2021/22.

The audit is designed to express an opinion on the 2021/22 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Cambridgeshire Pension Fund's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process.

This report is intended solely for the information and use of the Audit and Accounts Committee and Pension Fund Committee, other members of the Pension Fund, and senior management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Pension Fund Committee on the 25 October and at the Audit and Accounts Committee meeting on the 24 November 2022.

Yours faithfully

*MARK HODGSON*

Mark Hodgson

Associate Partner

For and on behalf of Ernst & Young LLP

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## 02 Areas of Audit Focus

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## 04 Audit Differences



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit and Accounts Committee, Pension Fund Committee, and management of Cambridgeshire Pension Fund in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Accounts Committee, Pension Fund Committee, and management of Cambridgeshire Pension Fund those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Accounts Committee, Pension Fund Committee, and management of Cambridgeshire Pension Fund for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



# 01 Executive Summary

## Executive Summary

### Areas of audit focus

In our Provisional Audit Plan we identified a number of key areas of focus for our audit of the financial report of Cambridgeshire Pension Fund. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

#### *Management Override: Misstatements due to fraud or error*

- ▶ We have completed our testing and found no indications of management override of controls.

#### *Management Override: Investment income and asset valuations - Investment Journals*

- ▶ We have completed our work in this area and have no matters to report.

#### *Unusual Investments (Cambridge and Counties Bank)*

- ▶ We have completed our work in this area and have no matters to report.

#### *Valuation of Complex Investments (L3 Unquoted investments)*

- ▶ We have completed our work in this area, We have highlighted one audit difference as a result of updated valuation information in respect of these investment assets, resulting in an understated valuation of £10.274 million. (See page 6 for further details). We have no other matters to report.

#### *Valuation of Level 2 investments (Pooled investments)*

- ▶ We have completed our work in this area and have no matters to report.

#### *IAS 26 disclosure - Actuarial value of promised retirement benefits*

- ▶ We have completed our work in this area and have no matters to report.

We request that you review these and other matters set out in this report to ensure:

- ▶ There are no residual further considerations or matters that could impact these issues;
- ▶ You concur with the resolution of the issue; and
- ▶ There are no further significant issues you are aware of to be considered before the financial report is finalised.

There are no matters, other than those reported by Management or disclosed in this report, which we believe should be brought to the attention of the Audit and Accounts Committee, the Pension Fund Committee, or Management.



## Executive Summary

### Scope update

In our Provisional Audit Plan report dated 15 July 2022, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan. We have not made any revisions to the audit risks and planned audit procedures set out within the Provisional Audit Plan.

Materiality has been set at £43.0 million, which represents 1% of the net assets of the scheme available to fund benefits per the 2021/22 draft financial statements. We will report all uncorrected misstatements relating to the primary statements (Net Assets Statement and Pension Fund Account) greater than £2.2 million.

### Status of the audit

Our audit work in respect of the Pension Fund opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report:

- ▶ Receipt of the Response to our Annual Enquiries Letter to Internal Audit.

#### Closing Procedures:

- ▶ Subsequent events review;
- ▶ Agreement of the final set of accounts;
- ▶ Receipt of signed management representation letter; and
- ▶ Final Manager and Engagement Partner reviews.

Details of each outstanding item, actions required to resolve and responsibility is included in Appendix D. Subject to satisfactory completion of the following outstanding items above, we expect to issue an unqualified opinion upon the Pension Fund Financial Statements in the form which appears at Section 3.

### Audit differences

#### Uncorrected differences

There is one uncorrected misstatement identified through our audit. The Investment asset balance within the Net Assets Statement included a number of estimated asset valuations for Level 3 assets. The value of these assets were based on December 2021 actual valuations adjusted for cash flows to the 31 March 2022. Subsequent to the preparation of the Pension Fund's Draft Statement of Accounts, actual valuations for these Level 3 assets were provided by the Fund managers for the 31 March 2022. This showed that the Investment asset balance was understated by £10.274 million.

## Executive Summary

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### **Audit differences (continued)**

#### **Corrected Differences**

There are no corrected misstatements to report.

#### **Disclosure Differences**

We also identified a limited number of minor audit disclosure differences in the financial statements, which have been adjustment by Management.

### **Other reporting issues**

We have no other matters to report.

### **Independence**

Please refer to Section 7 for our update on Independence.

### **Control observations**

During the audit, we did not identify any significant deficiencies in internal controls. We have taken a wholly substantive approach to the audit.



## 02 Areas of Audit Focus



## Areas of Audit Focus

### Significant risk

#### Misstatements due to fraud or error

##### What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error. As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

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

We have considered where this risk specifically manifests itself and this is in the posting of Investment Journals (see following slide).

##### What did we do?

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

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

##### What are our conclusions?

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

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

We did not identify any other transactions during our audit which appeared unusual or outside the Fund's normal course of business.





## Areas of Audit Focus

### Significant risk

#### Investment income and asset valuations - Investment Journals

##### What is the risk?

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

We have identified the main area being;

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

##### What did we do?

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

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

##### What are our conclusions?

Our testing has not identified any material misstatements within Investment Income or year end Investment Asset valuations - as a result of the journal postings from the Custodian Report to the financial ledger.

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

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





## Areas of Audit Focus

### Significant risk

#### Unusual Investments - Cambridge and Counties Bank (CCB)

##### What is the risk?

The Pension Fund's investment in Cambridge and Counties Bank (CCB) is a hard to value, Level 3 investment. This is because of a lack of observable inputs and prices which are not publicly available.

The CCB investment is based on valuations provided by a management specialist - Grant Thornton (GT). GT used a markets multiple approach in the prior year looking at price earnings ratio and price to book ratios, considering current and forecast earnings and ratios.

##### What did we do?

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

- ▶ Engaged with EY Transaction Valuation team who have undertaken a review of the valuation model provided by GT considering the appropriateness of the assumptions and inputs used in determining the valuation;
- ▶ Ensured that the CCB investment have been valued in accordance with the relevant accounting policies; and
- ▶ The audit team have tested the accounting entries made in the Statement of Accounts to ensure they are consistent with the valuation provided by Management's expert - GT.

##### What are our conclusions?

Managements Expert (GT) utilised a Market Approach to the valuation which gave rise to valuation within a range of £81.3 million to £88.6 million (Cambridgeshire Pension Fund share). Our valuation team used a Dividend Discount Model (DDM) as their valuation approach. The DDM approach is considered best practice and confirmed a fair valuation for the Pension Fund's share as being within a £77.0 million and £86.0 million range. The investment is held at £85.0 million within the Pension Fund's financial statements, which is therefore reasonable.

The two approaches do not provide significantly different ranges, hence we have concluded that the valuation of Cambridgeshire and Counties Bank is reasonable. We have not identified any instances of inappropriate judgements being applied, or bias in the application of assumptions or judgements.

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



## Areas of Audit Focus

### Significant risk

#### Valuation of Complex Investments (Level 3 - Unquoted Investments)

##### What is the risk?

The Fund's investments include unquoted pooled investment vehicles such as Private Equity, Infrastructure and Property Investments. The valuation of such investments are classified under IFRS 13 as Level 3 investments. As such the valuation of Level 3 Investments are based on 'unobservable' inputs. Judgements are made by the Fund Managers to value these investments whose prices are not publicly available. The material nature of this type of investment, means that any error in judgement could result in a material valuation error. Increasing market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could therefore have a material impact on the carrying value of the investments within the financial statements. In the 2021/22 draft accounts, approximately 26% of the overall Fund, totalling £1,101 million, is within this investment type. As these investments are more complex to value, we have identified the Fund's investments in private equity and pooled property investments as a higher risk estimate, as even a small movement in the valuation assumptions could have a material impact on the financial statements.

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

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

- ▶ Agreeing 100% of the investments to Custodian and Fund Manager reports
- ▶ Triangulating the valuation from Fund Manager reports, Custodian reports, and accounts for all investments
- ▶ Assessing the competence of Fund Managers as management experts;
- ▶ Obtaining copies of the Fund Managers and Custodian ISAE3402 reports over internal control for any control exceptions raised in relation to the valuation of investments; and
- ▶ For a sample of Level 3 investments, we calculated the expected year-end valuation based on the latest audited financial statements, the Pension Fund's percentage holding of that fund, and any purchases and sales in the intervening period.
- ▶ We have evaluated the audit report in the financial statements for the relevant Funds in our sample, ensuring there are no matters arising that highlight weaknesses in the funds valuation, or any modification, qualification, emphasis of matter, or issues raised around going concern
- ▶ For our sample of Level 3 investments, we also performed a benchmarking exercise with market indices to determine whether the movement in the market value of investments between the date of the latest audited financial statements and the 31 March 2022 was within our expectation.

##### What are our conclusions?

There is one uncorrected misstatement identified through our audit. The Investment asset balance within the Net Assets Statement included a number of estimated asset valuations for Level 3 assets. The value of these assets were based on December 2021 actual valuations adjusted for cash flows to the 31 March 2022. Subsequent to the preparation of the Pension Fund's Draft Statement of Accounts, actual valuations for these Level 3 assets were provided by the Fund managers for the 31 March 2022. This showed that the Investment asset balance was understated by £10.274 million.

We have not identified any other issues in the completion of our work.



## Areas of Audit Focus

### Other area of audit focus

#### Valuation of Level 2 Investments (Pooled Investments)

##### What is the risk?

The Fund's investments also include other Pooled Investment vehicles, totalling £2,932 million in the 2021/22 draft accounts. The valuation of such investments are classified under IFRS 13 as Level 2 Investments. As such the valuation of Level 2 investments are based on 'inputs from observable data'. Given this is an estimate, we have raised an Inherent risk in regard to the valuation of assets of this nature.

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

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

- ▶ Agreeing 100% of the investments to Custodian and Fund Manager reports
- ▶ Triangulating the valuation from Fund Manager reports, Custodian reports, and accounts for all investments
- ▶ Assessing the competence of Fund Managers as management experts;
- ▶ Obtaining copies of the Fund Managers and Custodian ISAE3402 reports over internal control for any control exceptions raised in relation to the valuation of investments; and
- ▶ For a sample of Level 2 investments, we have tested the values back to independent source data on security pricing
- ▶ We have evaluated the audit report in the financial statements for the relevant Funds in our sample, ensuring there are no matters arising that highlight weaknesses in the funds valuation, or any modification, qualification, emphasis of matter, or issues raised around going concern

##### What are our conclusions?

Our testing has not identified any material misstatements within the valuation of Level 2 investments.

We have not identified any instances of inappropriate judgements being applied, or bias in the application of assumptions or judgements.



## Areas of Audit Focus

### Other area of audit focus

#### IAS 26 disclosure - Actuarial Present Value of Promised Retirement Benefits

##### What is the risk?

The Fund's IAS 26 calculation shows that the present value of promised retirement benefits amount to £5,774 million as at 31 March 2021.

The figure is material and subject to complex estimation techniques and judgements by the Actuary, Hymans Robertson. The estimate is based on a roll-forward of data from the previous triennial valuation in 2019/20, updated where necessary, and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation and investment yields when calculating the liability.

There is a risk that the valuation uses inappropriate assumptions to value the liability as at the 31 March 2022.

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

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

- ▶ Assessing the competence of management experts, Hymans Robertson;
- ▶ Engaging with the NAO's consulting actuary and our EY Pensions Advisory Team to review the IAS 26 approach applied by the actuary are reasonable and compliant with IAS 26; and
- ▶ Ensuring that the IAS 26 disclosure is in line with the relevant standards and consistent with the valuation provided by the Actuary.

##### What are our conclusions?

We did not identify any issues with the competence of the actuary, Hymans Robertson.

There were no significant changes in the IAS 26 approach or methodology and the assumptions used in calculating the IAS 26 figure was considered reasonable and compliant with the requirements of the accounting standard.

The disclosure of IAS 26 (Note 20) was in line with the relevant standards and the valuation provided by the Actuary.

We will continue to review the need (up to the date of our audit opinion) for any further disclosure as a Post Balance Sheet Event (adjusting or non-adjusting) to reflect any significant impact on this estimate as a result of the current macro economic environment.



## 03 Audit Report



## Our proposed opinion on the financial statements

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAMBRIDGESHIRE COUNTY COUNCIL ON THE PENSION FUND'S FINANCIAL STATEMENTS

#### Opinion

We have audited the Pension Fund ("the Fund") financial statements for the year ended 31 March 2022 under the Local Audit and Accountability Act 2014 (as amended). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 27.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

In our opinion the pension fund financial statements:

- ▶ give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2022 and the amount and disposition at that date of the its assets and liabilities as at 31 March 2022; and
- ▶ have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

#### Basis for opinion

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

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

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of 12 months from when the Fund's financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Finance Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.



# Audit Report

# DRAFT

## Our proposed opinion on the financial statements

### Other information

The other information comprises the information included in the 'Statement of Accounts and Annual Governance Statement 2021-22', other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information contained within the 'Statement of Accounts and Annual Governance Statement 2021-22'.

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

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

We have nothing to report in this regard.

### Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

### Responsibility of the Chief Finance Officer

As explained more fully in the 'Statement of the Responsibilities, Certificate and Approval of Accounts' set out on pages 36 to 37, the Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, and for being satisfied that they give a true and fair view.



# Audit Report

# DRAFT

## Our proposed opinion on the financial statements

The Chief Finance Officer is also responsible for such internal control as the Chief Finance Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with Chief Finance Officer.

Our approach was as follows:

- ▶ We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are the Local Government Pension Scheme Regulations 2013 (as amended), and The Public Service Pensions Act 2013.
- ▶ We understood how the Fund is complying with those frameworks by making enquiries of the management. We corroborated this through our reading of the Pension Committee minutes, Pension Fund policies and procedures and other information.
- ▶ Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of the management for their awareness of any non-compliance of laws or regulations, inspecting correspondence with the Pensions Regulator and review of minutes.
- ▶ We assessed the susceptibility of the Fund's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements and documenting the controls that the Fund has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud.





# Audit Report

# DRAFT

## Our proposed opinion on the financial statements

- ▶ In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- ▶ To address our fraud risk we tested the consistency of the investment asset valuation from the independent sources of the custodian and the fund managers to the financial statements.
- ▶ The Fund is required to comply with The Local Government Pensions Scheme regulations, other legislation relevant to the governance and administration of the Local Government Pension Scheme and requirements imposed by the Pension Regulator in relation to the Local Government Pension Scheme. As such, we have considered the experience and expertise of the engagement team including the use of specialists where appropriate, to ensure that the team had an appropriate understanding of the relevant pensions regulations to assess the control environment and consider compliance of the Fund with these regulations as part of our audit procedures.

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

### Use of our report

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



## 04 Audit Differences



# Audit Differences

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

Materiality has been set at £43.0 million, which represents 1% of the net assets of the scheme available to fund benefits per the 2021/22 draft financial statements. We will report all uncorrected misstatements relating to the primary statements (Net Assets Statement and Pension Fund Account) greater than £2.2 million.

## Summary of adjusted differences

### Corrected differences

There have not been any corrected misstatements identified through our audit, with the exception of minor disclosure items.

### Disclosure differences

Our audit has identified a limited number of minor misstatements which our team have highlighted to management for amendment. These have been corrected during the course of the audit and relate to disclosure and presentational matters in both the Annual Accounts and Annual Report. We do not consider any of these following misstatements to be so significant as to merit bringing to your attention.

## Summary of unadjusted differences

### Uncorrected differences

There is one uncorrected misstatement identified through our audit. The Investment asset balance within the Net Assets Statement included a number of estimated asset valuations for Level 3 assets. The value of these assets were based on December 2021 actual valuations adjusted for cashflows to the 31 March 2022. Subsequent to the preparation of the Pension Fund’s Draft Statement of Accounts, actual valuations for these Level 3 assets were provided by the Fund managers for the 31 March 2022. This showed that the Investment asset balance was understated by £10.274 million.

We request that this uncorrected misstatements be corrected, or a rationale as to why it is not corrected, be considered and approved by the Audit and Accounts Committee and provided within the Letter of Representation.





## 05 Other reporting issues

01

## Other reporting issues

### Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Cambridgeshire Pension Fund Annual Report with the audited financial statements. We have reviewed the Pension Fund Annual Report and are satisfied that it is consistent with the financial statements. We have prepared and will issue a consistency statement to Management alongside our Audit Report.

### Other powers and duties

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

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

### Other matters

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

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

Other than those areas we have outlined in the previous section, we have nothing to report in respect of these matters.



06

## Assessment of Control Environment





# Assessment of Control Environment

## Financial controls

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

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

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

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



07

## Independence



## Relationships, services and related threats and safeguards

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

There are no relationships from 1 April 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

### Services provided by Ernst & Young

The next page includes a summary of the fees that are due to us in respect of the year ended 31 March 2022, in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are shown within that table.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted. We confirm that we have not undertaken non-audit work.

## Other communications

### EY Transparency Report 2021

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2021:

[https://www.ey.com/en\\_uk/about-us/transparency-report-2021](https://www.ey.com/en_uk/about-us/transparency-report-2021)

## Relationships, services and related threats and safeguards

### Services provided by Ernst & Young

Description	Final Fee 2021/22 £'s	Scale Fee 2021/22 £'s	Final Fee 2020/21 £'s
Total Fee - Code work	17,256	17,256	17,256
Changes in work required to address professional and regulatory requirements and scope associated with risk (Note 1)	TBC	-	56,305
Additional work required for specific additional procedures (including revised estimates standard) (Note 2)	TBC	-	10,674
Additional Audit Fee in respect of work on behalf of Admitted Body auditors (recharged to the Pension Fund) (Note 3)	8,800	-	8,000
<b>Total fees</b>	<b>To be confirmed</b>	<b>17,256</b>	<b>92,235</b>

*All fees exclude VAT*

**Note 1:** For 2020/21 and 2021/22 the scale fee has been re-assessed to take into account a number of risk factors in addressing the risk profile of the Pension Fund and additional work to address the increase in regulatory standards. This additional fee is subject to formal approval by PSAA Ltd.

**Note 2:** In 2020/21, we had to perform additional procedures to address the risks resulting from Covid-19, as well as increased work to address the new ISA540 auditing standard, and involvement of EY experts for assistance on the valuation of Cambridge and Counties Bank. These are subject to formal approval by PSAA Ltd.

We cannot quantify the impact of any work resulting as a response risks in 2021/22 at this point. We will provide an update on the additional fee implications at the conclusion of the audit.

**Note 3:** We anticipate charging an additional fee of £8,800 in 2021/22 to take into account the additional work required to respond to IAS19 assurance requests from admitted bodies and their auditors. The Pension Fund can recharge this fee to the relevant admitted bodies.



## 08 Appendices

## Appendix A

# Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.




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

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

Net Assets Statement category	Audit Approach in current year	Audit Approach in prior year	Explanation for change
Investment Assets and Liabilities	Substantively tested all relevant assertions	Substantively tested all relevant assertions	N/A
Debtors	Immaterial - Substantively tested assertion for presentation and disclosure	Immaterial - Substantively tested assertion for presentation and disclosure	N/A
Cash in hand	Substantively tested all relevant assertions	Substantively tested all relevant assertions	N/A
Creditors	Immaterial - Substantively tested assertion for presentation and disclosure	Immaterial - Substantively tested assertion for presentation and disclosure	N/A

## Appendix B





### Summary of communications

Date 	Nature 	Summary 
Various	Meetings	Regular calls held with the Audit Manager and members of the management team to discuss matters relevant to the planning of our audit work.
15 July 2022	Report	The Audit Partner issued the Provisional Audit Plan. Our report included confirmation of independence.
29 September 2022	Meeting	The Audit and Accounts Committee were presented with our Provisional Audit Plan and discuss our audit strategy for 2021/22.
Various	Meetings	Regular calls held with management, the Partner and Audit Managers to discuss any emerging issues throughout the audit process, and specifically during the Execution phase throughout August and September.
19 September 2021	Meetings	The Audit Partner and Audit Manager met with senior members of the management team to discuss the Audit Results Report (ISA260).
10 September 2021	Report	The Audit Partner issued the Audit Results Report (ISA260)
24 November 2022	Meeting	The Partner met with the Audit and Accounts Committee and senior members of the management team to discuss the Audit Plan and Audit Results Report (ISA260).





## Appendix C

# Required communications with the Audit and Accounts Committee

There are certain communications that we must provide to the those charged with governance of UK entities. We have detailed these here together with a reference of when and where they were covered:

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Audit and Accounts Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Provisional Audit Plan - 29 September 2022 - Audit and Accounts Committee / 25 October 2022 - Pension Committee
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Provisional Audit Plan - 29 September 2022 - Audit and Accounts Committee / 25 October 2022 - Pension Committee
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit Results Report - 24 November 2022 - Audit and Accounts Committee

## Appendix C

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty related to going concern</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The appropriateness of related disclosures in the financial statements</li> </ul>	Audit Results Report - 24 November 2022 - Audit and Accounts Committee
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit Results Report - 24 November 2022 - Audit and Accounts Committee
Subsequent events	<ul style="list-style-type: none"> <li>▶ Enquiry of the Audit and Accounts Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	We have asked management and those charged with governance. We have not identified any subsequent events.







## Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Fraud	<ul style="list-style-type: none"> <li>Enquiries of the Audit and Accounts Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ul style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ul> </li> <li>The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>Any other matters related to fraud, relevant to Audit and Accounts Committee responsibility.</li> </ul>	We have asked management and those charged with governance about arrangements to prevent or detect fraud. We have not become aware of any fraud or illegal acts during our audit.
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>Non-disclosure by management</li> <li>Inappropriate authorisation and approval of transactions</li> <li>Disagreement over disclosures</li> <li>Non-compliance with laws and regulations</li> <li>Difficulty in identifying the party that ultimately controls the entity</li> </ul>	We have no matters to report.
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>The principal threats</li> <li>Safeguards adopted and their effectiveness</li> <li>An overall assessment of threats and safeguards</li> <li>Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	<p>Provisional Audit Plan - 29 September 2022 - Audit and Accounts Committee / 25 October 2022 - Pension Committee</p> <p>Audit Results Report - 24 November 2022 - Audit and Accounts Committee</p>



## Appendix C

		 Our Reporting to you
Required communications	 What is reported?	  When and where
	<p>Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> <li>▶ Relationships between EY, the company and senior management, its affiliates and its connected parties</li> <li>▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence</li> <li>▶ Related safeguards</li> <li>▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees</li> <li>▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit</li> <li>▶ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy</li> <li>▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard</li> <li>▶ The Audit and Accounts Committee should also be provided an opportunity to discuss matters affecting auditor independence</li> </ul>	
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	We have no matters to report.
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>▶ Enquiry of the Audit and Accounts Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Accounts Committee may be aware of</li> </ul>	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.




## Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>Significant deficiencies in internal controls identified during the audit.</li> </ul>	Audit Results Report - 24 November 2022 - Audit and Accounts Committee
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit Results Report - 24 November 2022 - Audit and Accounts Committee
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit Results Report - 24 November 2022 - Audit and Accounts Committee
Auditors report	<ul style="list-style-type: none"> <li>Key audit matters that we will include in our auditor's report</li> <li>Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit Results Report - 24 November 2022 - Audit and Accounts Committee

## Appendix D

# Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item 	Actions to resolve 	Responsibility 
Response to Annual Letter to Internal Audit	Response to Annual Enquiries Letter to Internal Audit	Management
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report.	EY and Management
Management Representation Letter	Receipt of signed management representation letter.	Management
Agreement of Final set of Accounts	Agree all changes made to draft accounts are updated in the final set of accounts.	EY and Management
Final Review Procedures	Final review of areas listed above.	EY

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion, subject to these final procedures. A draft of the current opinion (with outstanding areas highlighted) is included in Section 3.



# Appendix E – Request for a Management Representation Letter

## Request for a Management Representation Letter



Ernst & Young LLP  
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Tel: 01223 394400  
Fax: 01223 394401  
www.ey.com/uk

19 October 2022

Tom Kelly  
Chief Finance Officer  
Cambridgeshire County Council  
Shire Hall  
Castle Hill  
Cambridge  
CB3 0AP

Dear Tom,

### Cambridgeshire Pension Fund – 2021/22 financial year Request for a letter of representation

International Standards on Auditing set out guidance on the use by auditors of management representations (ISA (UK&I) 580) and on possible non-compliance with laws and regulations (ISA (UK&I) 250). I have interpreted this guidance as it affects Local Government bodies and I expect the following points to apply:

- auditors may wish to obtain written representation where they are relying on management's representations in respect of judgemental matters (for example the level of likely incidence of a claim), which may not be readily corroborated by other evidence;
- auditors are likely to request written representations on the completeness of information provided;
- auditors may wish to obtain written representation on issues other than those directly related to the Statement of Accounts;
- the letter is dated on the date on which the auditor signs the opinion and certificate;
- the letter is signed by the person or persons with specific responsibility for the financial statements; and
- the letter is formally acknowledged as having been discussed and approved by the Audit Committee, as those charged with governance of the Pension Fund.

I would expect the letter of representation to include the following matters.

#### General statement

That the letter of representations is provided in connection with our audit of the financial statements of Cambridgeshire Pension Fund ("the Fund") for the year ended 31 March 2022.

That you recognise that obtaining representations from you concerning the information contained in this letter is a significant procedure in enabling us to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the period from 1 April 2021 to 31 March 2022 and of the amount and disposition of the Fund's assets and liabilities as at 31 March 2022, other than liabilities to pay pensions and benefits after the end of the period, have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited. A list of members' names is available for inspection at 1 More London Place, London SE1 2AP, the firm's principal place of business and registered office. Ernst & Young LLP is a multi-disciplinary practice and is authorised and regulated by the Institute of Chartered Accountants in England and Wales, the Solicitors Regulation Authority and other regulators. Further details can be found at <http://www.ey.com/UK/en/home/Legal>.



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That you understand that the purpose of our audit of the Fund's financial statements is to express an opinion thereon and that our audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent we considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, you make the following representations, which are true to the best of your knowledge and belief, having made such inquiries as you considered necessary for the purpose of appropriately informing yourselves:

#### A. Financial Statements and Financial Records (See Note B)

1. That you have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
2. That you confirm that the Fund is a Registered Pension Scheme. You are not aware of any reason why the tax status of the scheme should change.
3. That you acknowledge, as members of management of the Fund, your responsibility for the fair presentation of the financial statements. You believe the financial statements referred to above give a true and fair view of the financial position and the financial performance of the Fund in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, and are free of material misstatements, including omissions. That you have approved the financial statements.
4. That the significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
5. As members of management of the Fund, you believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 that are free from material misstatement, whether due to fraud or error.
6. That you have disclosed to us any significant changes in your processes, controls, policies and procedures that you have made to address the effects of the COVID-19 pandemic on your system of internal controls.
7. That you have disclosed to us any significant changes in our processes, controls, policies and procedures that you have made to address the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus on your system of internal controls. That you do not believe that there are any significant changes.
8. That you believe that the effects of any unadjusted audit differences, summarised in the Audit Results Report, accumulated by us during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.



# Appendix E – Request for a Management Representation Letter

## Request for a Management Representation Letter



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That you have not corrected these differences identified and brought to your attention by us because (please specify the reasons for not correcting the misstatements).

Or,

That there are no unadjusted audit differences.

### B. Non-compliance with laws and regulations including fraud

1. That you acknowledge that you are responsible for determining that the Fund's activities are conducted in accordance with laws and regulations and that you are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. That you acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. That you have disclosed to us the results of your assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. That you have not made any reports to The Pensions Regulator, nor are you aware of any such reports having been made by any of your advisors.
5. That there have been no other communications with The Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of non-compliance with any legal duty. That you have drawn to our attention all correspondence and notes of meetings with regulators (if applicable).
6. That you have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Fund (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
  - Involving financial improprieties
  - Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Fund's financial statements
  - Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund, its ability to continue, or to avoid material penalties
  - Involving management, or employees who have significant roles in internal control, or others
  - In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.



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### C. Information Provided and Completeness of Information and Transactions

#### 1. That you have provided us with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters.
- Additional information that you have requested from us for the purpose of the audit.
- Unrestricted access to persons within the entity from whom we determined it necessary to obtain audit evidence.

#### 2. That we have been informed of all changes to the Fund rules.

#### 3. That all material transactions, events and conditions have been recorded in the accounting records and are reflected in the Group and Council financial statements, including those related to the COVID-19 pandemic and to the conflict and related sanctions in Ukraine, Russia and/or Belarus.

#### 4. That you have made available to us all minutes of the meetings of members of the management of the Fund and committees of members of the management of the Fund (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date (X February 2023).

#### 5. That you confirm the completeness of information provided regarding the identification of related parties. You have disclosed to us the identity of the Fund's related parties and all related party relationships and transactions of which you are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.

#### 6. That you confirm the completeness of information provided regarding annuities held in the name of the members of the management of the Fund.

*Where members of the management of the Fund have determined that annuity policies are not material the following statement may be added: The Scheme holds annuity policies which have not been recognised and recorded as an asset of the Scheme in the financial statements as they are not considered material in relation to the net assets. These policies have an estimated value of £xxx.*

#### 7. That you have disclosed to us, and the Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

#### 8. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.

#### 9. That you believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.



# Appendix E – Request for a Management Representation Letter

## Request for a Management Representation Letter



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10. That from the date of your last management representation letter to us, through the date of this letter you have disclosed to us any unauthorized access to your information technology systems that either occurred or to the best of your knowledge is reasonably likely to have occurred based on your investigation, including of reports submitted to you by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to your information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

### D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to us and are appropriately reflected in the financial statements.
2. You have informed us of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. You have recorded and/or disclosed, as appropriate, all liabilities relating to litigation and claims, both actual and contingent, and have disclosed in Note [X] to the financial statements all guarantees that we have given to third parties.
4. No other claims in connection with litigation have been or are expected to be received.

### E. Subsequent Events

1. That other than the disclosure described in Note 6 (Events after the balance sheet date) to the Group and Council's financial statements, there have been no events, including events related to the COVID-19 pandemic, or related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

### F. Other information

1. You acknowledge your responsibility for the preparation of the other information. The other information comprises the "Cambridgeshire Pension Fund Annual Report and Accounts 2021/22".
2. You confirm that the content contained within the other information is consistent with the financial statements.

### G. Independence

1. You confirm that, under section 27 of the Pensions Act 1995, no members of the management of the Fund of the Scheme is connected with, or is an associate of, Ernst & Young LLP which would render Ernst & Young LLP ineligible to act as auditor to the Scheme.

### H. Derivative Financial Instruments

1. You confirm that all investments in derivative financial instruments have been made after due consideration by the members of the management of the Fund of the limitations in their use imposed by The LGPS Management and Investment of Funds Regulations 2016.



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The Fund's Investment Strategy Statement has been duly reviewed to ensure that such investments comply with any limitations imposed by its provisions. The financial statements disclose all transactions in derivative financial instruments that have been entered into during the period, those still held by the members of the management of the Fund at the Fund's year end and the terms and conditions relating thereto.

2. Management has duly considered and deemed as appropriate the assumptions and methodologies used in the valuation of 'over the counter' derivative financial instruments which the Fund is holding, and these have been communicated to you.

### I. Pooling investments, including the use of collective investment vehicles and shared services

1. You confirm that all investments in pooling arrangements, including the use of collective investment vehicles and shared services, meet the criteria set out in the November 2015 investment reform and criteria guidance and that the requirements of the LGPS Management and Investment of Funds Regulations 2016 in respect of these investments has been followed.

### J. Actuarial valuation

1. The latest report of the actuary [Name] as at [Date] and dated [Date] has been provided to us. To the best of your knowledge and belief you confirm that the information supplied by you to the actuary was true and that no significant information was omitted which may have a bearing on his report.

### K. Use of the Work of a Specialist

1. You agree with the findings of the specialists that you have engaged to value Private Equity Investments / IAS26 disclosures and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. You did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

### L. Estimates

#### Valuation of Investments

1. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the applicable financial reporting framework (the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22).
2. You confirm that the significant assumptions used in making the valuation of investments appropriately reflect your intent and ability to carry out specific courses of action on behalf of the entity.
3. You confirm that the disclosures made in the financial statements with respect to the accounting estimate(s) are complete including the effects of the COVID-19 pandemic, or related to the conflict and related sanctions in Ukraine, Russia and/or Belarus on the valuation of investments and made in accordance with the applicable financial reporting framework.



## Appendix E – Request for a Management Representation Letter

### Request for a Management Representation Letter



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4. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic, or related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.

#### M. Going Concern

1. That Note 2 to the financial statements discloses all the matters of which you are aware that are relevant to the Fund's ability to continue as a going concern, including significant conditions and events, your plans for future action, and the feasibility of those plans.

#### N. Specific Representations

We do not require any further specific representations in addition to those above.

I would be grateful if you could provide a letter of representation, which is appropriately signed and dated (by the Fund Administrator, Chair of the Pension Committee and Chair of Audit Committee) on the proposed audit opinion date (to be confirmed with you) on formal headed paper.

Yours sincerely

Mark Hodgson  
Associate Partner  
For and on behalf of Ernst & Young LLP

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ED None

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## External Review of Compliance with Public Sector Internal Audit Standards (PSIAS)

To: Audit & Accounts Committee

Meeting Date: 24<sup>th</sup> November 2022

From: Mairead Claydon, Head of Internal Audit & Risk Management

Outcome: This report presents a copy of the recent external assessment of Cambridgeshire County Council Internal Audit's compliance with Public Sector Internal Audit Standards, for information.

Recommendation: Audit & Accounts Committee are requested to review and comment on the external assessment of Internal Audit's compliance with Public Sector Internal Audit Standards.

### Officer contact:

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### Member contacts:

Names: Councillors Graham Wilson and Nick Gay  
Post: Chair/Vice-Chair  
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## 1. Background

- 1.1 The Public Sector Internal Audit Standards (PSIAS) were introduced in April 2013. Their aim was to promote robust governance and audit within public bodies, and to assist stakeholders in obtaining assurance that the internal audit function is performing effectively.
- 1.2 PSIAS recommends that public sector bodies should undertake an external review of their audit procedures at least once every five years. The Cambridgeshire Internal Audit team conducts an internal self-assessment against PSIAS standards every year, but last had a full external assessment in 2016/17, with a follow-up external assessment in 2017/18. It was therefore agreed to commission another external assessment in 2022.

## 2. Main Issues

- 2.1 This external assessment has been conducted as a 'peer-to-peer' review, completed by Steve Crabtree, Head of Internal Audit at Peterborough City Council, during 2022. It has been completed in line with CIPFA's Local Government Application Note Checklist, as recommended for peer-to-peer reviews.
- 2.2 The Cambridgeshire and Peterborough Internal Audit teams agreed a joint working and information sharing protocol in March 2021. This allows us to share the outcomes of audit work undertaken on services which are shared between the two authorities; reduce the risk of duplication across the two teams; and place assurance on one another's work.
- 2.3 In line with this agreement, it was agreed that the CCC and PCC Internal Audit teams would conduct reciprocal peer-to-peer PSIAS reviews. This allows each team to obtain greater assurance that they can place reliance on the work of the other.
- 2.4 The conclusion of the assessment of Cambridgeshire's PSIAS compliance is that the CCC Internal Audit team fully conforms to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note. There is one attribute standard where an element of partial conformance was noted, but it was confirmed that this did not have a material impact on the assessment.
- 2.5 Following on from the assessment, several actions were agreed to further improve the service's compliance and effectiveness. Some of these were completed prior to conclusion of the review, including the re-introduction of a new electronic customer satisfaction questionnaire, and the implementation of the new risk assurance process. The remaining actions have been incorporated into the team's Quality Assurance & Improvement Plan, and the intention is to complete all actions by May 2023.
- 2.6 The full report on Cambridgeshire's PSIAS compliance assessment is attached as Annex A to this report.

### 3. Alignment with corporate priorities

#### 3.1 Communities at the heart of everything we do

There are no significant implications for this priority.

#### 3.2 A good quality of life for everyone

There are no significant implications for this priority.

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

There are no significant implications for this priority.

#### 3.4 Cambridgeshire: a well-connected, safe, clean, green environment

There are no significant implications for this priority.

#### 3.5 Protecting and caring for those who need us

There are no significant implications for this priority.

### 4. Source documents guidance

#### 4.1 Source documents

External Review of Compliance with Public Sector Internal Audit Standards (PSIAS)

#### 4.2 Location

Annex A of this report.



## **PUBLIC SECTOR INTERNAL AUDIT STANDARDS**

### **External Quality Assessment: Cambridgeshire County Council Internal Audit Service**

**October 2022**

## INTRODUCTION

Internal Audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS). These have been in place since 1 April 2013 (and subsequently revised in 2016 and 2017). All public sector internal audit services are required to measure how well they are conforming to the standards. This can be achieved through undertaking periodic self-assessments, external quality assessments, or a combination of both methods. However, the standards state that an external reviewer must undertake a full assessment or validate the internal audit service's own self-assessment at least once in a five-year period.

This review of Cambridgeshire County Council Internal Audit Service (CCC IAS) has been undertaken by Steve Crabtree, Chief Internal Auditor at Peterborough City Council during 2022 as part of a reciprocal arrangement between the two authorities.

The co-operation of the previous, and new Head of Internal Audit and Risk Management and staff at CCC IAS in providing the information requested for this External Quality Assessment is appreciated. Further support was provided by those Senior Officers and Members consulted through questionnaires and subsequent follow up interview with the Executive Director of Finance and Resources (s.151 Chief Financial Officer).

This report has been prepared to meet the requirements of the PSIAS five yearly assessment. All matters raised within the report are only those that came to my attention during the review. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, I have only been able to base findings on the information and documentation provided.

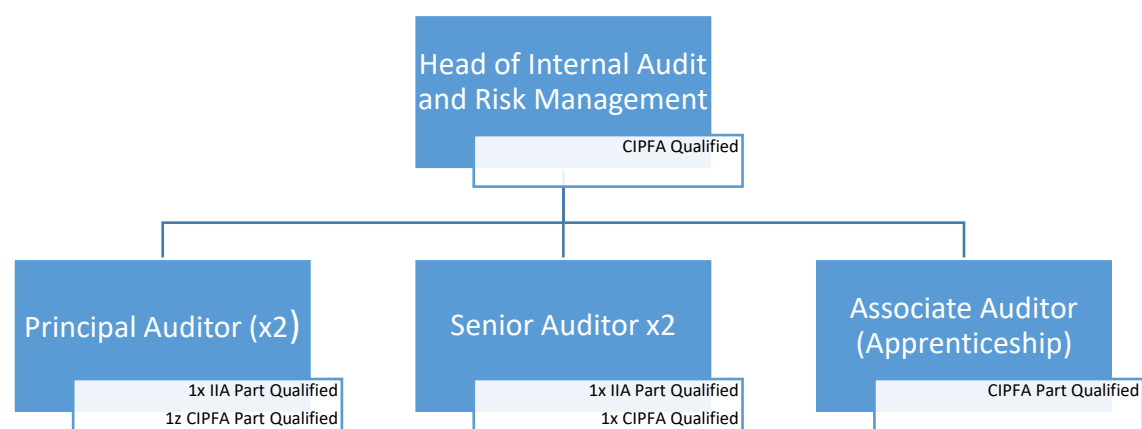
Finally, the report is solely for the use of CCC IAS, including the senior management and Members of the Audit and Accounts Committee (AAC).

Steve Crabtree, CPFA, MAAT

BACKGROUND

The Cambridgeshire County Internal Audit Service (CCC IAS) provides internal audit services to Cambridgeshire County Council. There is a separate contract in place to deliver audit services to Pathfinder Legal Services – a co-owned company between CCC and other local authorities. Previous arrangements for the delivery of audit services through the Local Government Shared Service (LGSS) have ceased although there are a number of shared reports produced for West Northamptonshire, North Northamptonshire and Milton Keynes in relation to the ongoing shared systems of debtors, creditors and debt recovery.

The CCC IAS is managed by the Head of Internal Audit and Risk Management (HoIA) and is made up of permanent CCC staff as well as various secondments from Finance. The additional resources from Finance are currently represented by x2 Financial Management Associates (Apprentices). The current structure and qualifications are detailed below.



The service also has a number of vacant posts which are subject to review / restructure.

The length of service / experience of team confirm several members of the team have extensive local government internal audit experience, and some are able to bring knowledge and experience to the team that they have gained from internal auditing elsewhere in specific disciplines.

From an operational perspective, CCC IAS reports directly to the Executive Director of Finance and Resources (s.151 Officer), although this will shortly change to the Executive Director of Strategy and Partnerships. With the existing arrangements, the s.151 Officer fulfils the role of “senior management” and the AAC the role of “the board” as defined by the Public Sector Internal Audit Standards. The HoIA also has direct access to the Council’s Chief Executive Officer, the Corporate Leadership Team as well as the Chair of the AAC.

Regular reports on the audit plan, progress on delivering the plan and the annual opinion and outturn is made on approximately a quarterly basis to the Leadership Team and AAC.

CCC IAS has been operating under PSIAS since its launch in 2013, and this is the second external quality assessment that they have commissioned, the previous one being in 2017. The previous assessment was as part of the service delivered in line with Milton Keynes Council and the LGSS.

CCC IAS has an audit manual that is comprehensive and regularly refreshed. It is clearly laid out and provides appropriate guidance for auditors, whether experienced or new to the service. Standard templates are used across the work cycle from Terms of Reference templates, working papers and testing schedules, through to the audit reports. Each assignment is managing to ensure that staff time is spent appropriately with effective supervision.

For effective checks on the service being provided, CCC IAS has a quality assurance process. The Quality Assurance and Improvement Programme (QAIP) is monitored and reported internally on a monthly basis as well as reported on to the AAC as part of the Annual Opinion.

## VALIDATION PROCESS

The self-assessment validation comprised a combination of:

- External review of the evidence provided by CCC IAS;
- Review of a sample of completed internal audits for CCC, chosen by the assessor;
- Questionnaires sent to and officers / members at CCC; and
- Follow up interview with the Chief Finance Officer

CCC IAS provided a comprehensive range of documents that they used as evidence to support their self-assessment and these were available for examination prior to and during this validation review. These documents included:

- Self-assessment against the standards;
- Evidence file to support the self-assessment;
- Audit Charter;
- AAC papers, including annual plans, progress reports and the annual audit opinion;
- Audit Manual;
- Selection of audit working papers for a series of completed audits.

(Where sensitive data was identified within audit files, it was confirmed that these would not be provided so as not to breach data protection rules). The following audit files were reviewed as part of the process:

Audit Files Selected (from the Audit Opinion report 2021 / 2022	
Key Financials (Treasury Management)	Annual Key Policies and Procedures Review
Schools: Schools Payroll 2020 / 2021	Procurement Compliance
Schools Audit: Little Paxton	Code of Corporate Governance
Declarations of Interest (Employees)	

The validation process was carried out by PCC Chief Internal Auditor. The initial focus has involved initial discussions with the HoIA a review of the documents provided and the issuing of the



questionnaire to self-identified officers and members. The full results for the questionnaires are set in the Appendices to this report (anonymised).

## OPINION

It is my opinion that CCC IAS's self-assessment is accurate and as such conclude that they **FULLY CONFORM** to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note. The table below shows CCC IAS's level of conformance to the individual standards assessed during this external quality assessment:

Standard / Area Assessed	Level of Conformance		
	Full	Partial	No
Mission Statement	X		
Core principles	X		
Code of ethics	X		
Attribute standard 1000	X		
Attribute standard 1100	X		
Attribute standard 1200	X		
Attribute standard 1300	X		
Performance standard 2000	X		
Performance standard 2100		X	
Performance standard 2200	X		
Performance standard 2300	X		
Performance standard 2400	X		
Performance standard 2500	X		
Performance standard 2600	X		

There is one standard – Standard 2100 – where it was identified that there is a element of partial conformance but this does not materially impact on the overall assessment.

## STATUS LEVELS OF CONFORMANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS

### Mission Statement and Definition of Internal Audit

- The mission statement and definition of IA from the PSIAS are included in the audit charter.

### Core Principles for the Professional Practice of Internal Auditing

*The Core Principles, taken as a whole, articulate an internal audit function's effectiveness, and provide a basis for considering the organisation's level of conformance with the Attribute and Performance standards of the PSIAS.*

- The clear indication from the EQA is that the Core Principles are embedded in the Audit Manual. It should be concluded that from the evidence supplied and reviewed that CCC IAS is a competent and professional service that conforms to the Core Principles.
- There are a number of examples in place which sees for the promotion of the service across organisation. Evidence was provided which sets out its approach to following up reports to confirm that actions are being implemented. Further evidence has demonstrated proactive works as a result of the audit conclusions.

Proactive Works to Raise IA Profile / Value
This has included a communications campaign in the staff newsletter was run to raise awareness of the need to declare outside interests following an audit review of Employee Declarations of Interest.
A formal complaint was made to the professional institute of a temporary contractor following an audit investigation.
New debt KPIs and reporting were put in place following a review of Accounts Receivable and Debt Recovery.
A number of updates were made to the Council's Agency Workers & Interims Policy following an audit investigation.
Developing a Direct Payments Fraud & Misuse Policy after noticing a consistent pattern of alleged fraud/misuse of direct payments. This is being developed in conjunction with a number of teams across the Council, partly to call on expertise but also to get buy in.
Liaison with District Councils to implement data-matching to detect Council Tax fraud

### Code of Ethics

*The purpose of the IIA's Code of Ethics is to promote an ethical culture in the profession of internal auditing, and is necessary and appropriate for the profession, founded as it is on the trust placed in its objective assurance about risk management, control, and governance. The Code of Ethics provides guidance to internal auditors and in essence, it sets out the rules of conduct that describe behavioural*

*norms expected of internal auditors and are intended to guide their ethical conduct. The Code of Ethics applies to both individuals and the entities that provide internal auditing services.*

- The indication from the assessment that CCC IAS conforms to the Code of Ethics. It is enshrined within its Audit Manual.
- It is part of their overarching culture and underpins the way the Service operates.

#### **Attribute Standard 1000 – Purpose, Authority and Responsibility**

*The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and the Definition of Internal Auditing). The internal audit charter must be reviewed regularly and presented to senior management and the audit panel for approval.*

- CCC IAS has an Audit Charter which is embedded in its Audit Manual. Previously this was linked with LGSS / Milton Keynes but has now been identified separately and approved by AAC.
- Based on current analysis, the Audit Charter remains a full document which sets out the processes and arrangements to carefully deliver on the audit service and is in line with standards.

**I am therefore satisfied that they conform to attribute standard 1000 and the LGAN.**

#### **Attribute Standard 1100 – Independence and Objectivity**

*Standard 1100 states that the internal audit activity must be independent, and internal auditors must be objective in performing their work.*

- The need for independence and objectivity is covered within the Audit Manual. All reports issued are within their own name.
- Corporate Leadership Team have sight of progress reports for information prior to their submission to AAC. This aids in obtaining overall executive ownership of the outputs from CC IAS.
- All employees sign a declaration of interest and confidentiality agreement (this is annually refreshed). These are provided to the HoIA who reviews declarations. Any issues are recorded against audits so as to avoid conflict. With the use of apprenticeships, they also complete these forms and are kept separate from any areas which they may have worked on in placements elsewhere. The declaration of interest for the HoIA is sent to the Executive Director for confirmation.
- HoIA also has risk management remit – albeit facilitation rather than a responsibility to manage risk. While this limits any level of impairment it would be appropriate that any audit reviews in this area are undertaken independently and oversee by others within the Team. It is noted at the time of the review and the subsequent appointment of the new HoIA that work is ongoing to review risk management responsibilities in order to reduce any impairment. **(Observation 1).**

- In reviewing the audit files selected, it was noted that there were no separate impairments identified.

**CCC IAS conforms with attribute standard 1100 and the LGAN.**

#### **Attribute Standard 1200 – Proficiency and Due Professional Care**

*Attribute standard 1200 requires CCC IAS's engagements are performed with proficiency and due professional care, having regard to the skills and qualifications of the staff, and how they apply their knowledge in practice.*

- In reviewing the EQA it is clear that there is a strong, professional and experienced service.
- Nevertheless, the service does suffer from recruitment and retention. There has been a high level of turnover in the last 18 months which has seen the loss of 2x Principal Auditors, 1x Senior Auditor and 2x Trainees). Furthermore there has been a change in the HoIA but there has been some business continuity with a successful internal appointment. While the majority of resignations resulted in promotions to other organisations it has also impacted on the service delivery. It may also have some merit in changes in the public sector post pandemic.
- With a strong trainee scheme in place across CCC, the impact on CCC IAS has to some extent been masked and mitigated as they have had the ability to call on those resources to provide cover. Previous attempts at permanent recruitment has not been so fruitful. At the time of the review, there are plans to take on additional trainees in Autumn 2022 to look to maintain appropriate succession planning.
- There is a strong qualification mix across the Team and the HoIA holds a CCAB qualification (CIPFA). Others have embarked on formal qualifications either through CIPFA or IIA. As part of regular reviews of the structure, the various job descriptions and person specifications are refreshed. Routine 1-2-1 meetings and performance appraisals also cover assessments of staff skills and knowledge so as to maintain appropriate and up to date information to deliver an ever-changing Council. Specialist areas, such as IT, may require additional resources which it is understood would be required in appropriate situations.
- While the service does not have a separate audit software package, it does make use of SharePoint to hold standard information which is available to all.
- It has been identified that the service – due to current resourcing levels – tends to be more reactive than proactive. The service, subject to resources, should look to develop in the area of data analytics. This would cover such areas as ongoing compliance / continuous auditing within systems. Similarly, the impact of these reviews to inform Managers / AAC could also be better presented by the use of Power BI to improve on its reporting and analysis and this is an area that CCC IAS could look to exploit. Reporting of findings to Senior Managers / Committee Members could be developed to improve the visualisation of outcomes (findings on a page). This could assist in management being able to focus clearly on the key points to action. The finer detail would still be available within the report. (**Observation 2**). (NB: The assessor provided a number of examples for consideration.)

**CCC IAS conforms with attribute standard 1200.**

### Attribute Standard 1300 – Quality Assurance and Improvement Programmes

*This standard requires the Head of Internal Audit to develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.*

- The HoIA undertakes a review of the QAIP and the annual assessment is referred to AAC for consideration, appropriate action if needed and finally approval. No such changes were required at the last referral to AAC.
- There is a robust and effective quality assurance process that ensures engagements are performed to a high standard within the available resources.
- As part of the review, analysis was undertaken in relation to the Key Performance Indicators. These have not been reviewed for some time and it is considered appropriate for these to be refreshed and agreed with AAC during 2022 (**Observation 3**).

**Conforms to attribute standard 1300 and the LGAN.**

### Performance Standard 2000 – Managing the Internal Audit Activity

*The remit of this standard is wide and requires the Head of Internal Audit to manage the internal audit activity effectively to ensure it adds value to its clients. Value is added to a client and its stakeholders when internal audit considers their strategies, objectives, and risks; strives to offer ways to enhance their governance, risk management, and control processes; and objectively provides relevant assurance to them. To achieve this, the Head of Audit must produce an audit plan for each client, and communicate this and the Service's resource requirements, including the impact of resource limitations, to senior management and the Audit Committees at each client for their review and approval. The Head of Internal Audit must ensure that CCC IAS's resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.*

*The standard also requires the Head of Internal Audit to establish policies and procedures to guide the internal audit activity, and to share information, coordinate activities and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimise duplication of efforts.*

*Last, but by no means least, the standard requires the Head of Internal Audit to report periodically to senior management and the Audit Committees on internal audits activities, purpose, authority, responsibility and performance relative to its plan, and on its conformance with the Code of Ethics and the Standards. Reporting must also include significant risk and control issues, including fraud risks, governance issues and other matters that require the attention of senior management and/or the audit panels.*

- CCC IAS has an Audit Manual which is regularly reviewed and updated to ensure that it remains fit for purpose.
- As part of each audit assignment, there is appropriate supervision in place of all auditors. Reviews of the audit files have identified that issues arising have been addressed and reflected in final reports. All have been suitably documented and addressed.
- In line with best practice, planning processes for the audit plan and the completion of audits have a clear focus on risks. Risks are identified based on the knowledge of staff as well as managers in the departments together with reference to the vision / objectives for the Council.

- CCC IAS use to have an assurance map however that has been moved away from following discussions at AAC. Nevertheless, the IA Plan does reflect on how the service will gain assurance from other areas of the Council and as a result influences the level of risk that can be placed on the area. Where there is limited assurance within the Council, those are seen as higher risk and attract the attention as to being included within the Audit Plan.
- Details of the completed audits and the risk and control issues found, together with the progress being made on delivering the audit plans and the performance of CCC IAS, is reported to AAC along with an annual opinion
- At the time of the review it was noted that plans are in hand to develop a rolling process whereby assurance on corporate risks, the risk register and associated controls are ascertained (**Observation 4**).

**Conforms to attribute standard 2000.**

#### **Performance Standard 2100 – Nature of Work**

*Standard 2100 covers the way the internal audit activity evaluates and contributes to the improvement of the organisation's risk management and governance framework and internal control processes, using a systematic, disciplined and risk-based approach.*

- The approach adopted to oversee performance is set out in the Audit Manual. However, due to the disaggregation of LGSS no Customer Service Questionnaires have been issued in the last 12 months. Data from previous questionnaires are held on previous partners systems and are not accessible. This should be reintroduced as a matter of urgency to ensure that the opinions / views of clients are obtained (**Observation 5**). *NB: During the assessment, issues identified were raised with the HoIA in order to provide early insight into any areas for consideration / attention. This observation was acted upon and addressed prior to issue of the final report. This is reflected upon in the recommendations.*
- Based on survey conducted as part of this review, senior management value the work the Service does and often turn to them for advice and guidance when faced with emerging risks or are developing or changing systems.

**AREA TO IMPROVE.. Partial compliance**

#### **Performance Standard 2200 – Engagement Planning**

*Performance standard 2200 requires internal auditors to develop and document a plan for each engagement, including the engagement's objectives, scope, timing and resource allocations. The plan must consider the organisation's strategies, objectives, and risks relevant to the engagement.*

- CCC IAS sets out its approach in the Audit Manual and overall supervision practices to ensure requirements are met. In reviewing the sample of audits requested, this was clearly laid out and delivered.

**Full compliance against standard 2200.**

### Performance Standard 2300 – Performing the Engagement

*Performance standard 2300 seeks to confirm that internal auditors analyse, evaluate and document sufficient, reliable, relevant and useful information to support the engagement results and conclusions, and that all engagements are properly supervised.*

- CCC IAS sets out its approach in the Audit Manual and overall supervision practices to ensure requirements are met. In reviewing the sample of audits requested, this was clearly laid out and delivered.

**Conforms to attribute standard 2300.**

### Performance Standard 2400 – Communicating Results

*This standard requires internal auditors to communicate the results of engagements to clients and sets out what should be included in each audit report, as well as the annual report and opinion. When an overall opinion is issued, it must take into account the strategies, objectives and risks of the clients and the expectations of their senior management, the audit panels and other stakeholders. The overall opinion must be supported by sufficient, reliable, relevant, and useful information. Where an internal audit function is deemed to conform to the PSIAS, reports should indicate this by including the phrase “conducted in conformance with the International Standards for the Professional Practice of Internal Auditing”.*

- CCC IAS sets out its approach in the Audit Manual and overall supervision practices to ensure requirements are met. In reviewing the sample of audits requested, this was clearly laid out and delivered.
- In addition, reviewing the reports submitted to AAC – Progress and Annual Opinion reports – established a consistent approach from the audit assignment outputs to that sent to AAC. Overall this conformed to the standards and CCC IAS’s own internal procedures.
- It was established that there is an onus on recommendations getting agreement in all cases. This can take time if there are contentious areas which are not fully accepted. Some cases may be referred to AAC for information. This should be spelt out in the Audit Manual. (Observation 6).

**Conforms to attribute standard 2400.**

### Performance Standard 2500 – Monitoring Progress

*Performance standard 2500 seeks to confirm that the Head of Internal Audit routinely monitors progress (follow ups) and reports appropriately across the business.*

- There is a comprehensive follow-up process with a focus on those issues seen as “essential” and “important” issues. Progress reports monitor the implementation of agreed actions which are recorded on spreadsheets (consideration to an overarching automated system).
- The results of the follow-up reviews are reported to AAC. AAC have noted areas which have been less than quick to respond and resolve areas of concern. It is noted that such an example

related to the an audit review relating to Capital Project Governance and a separate report on progress was requested and submitted to AAC in May 2022.

**Conforms to attribute standard 2500.**

#### **Performance Standard 2600 – Communicating the Acceptance of Risk**

*Standard 2600 considers the arrangements which should apply if the Head of Internal Audit has concluded that a client's management has accepted a level of risk that may be unacceptable to the organisation.*

- Situations of this kind are extremely rare. The process sets out that this would be reported through to Directors / AAC.
- From the Committee reports reviewed together with discussions with the HoIA, this has not occurred in the last three years so is unable to be evidenced but is clearly identified within the process.

**Conforms to attribute standard 2600.**



**AREAS OF PARTIAL CONFORMANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS AND THE CIPFA LOCAL GOVERNMENT APPLICATION NOTE**

Unable to demonstrate that client views are received following completion of an audit assignment. Reintroduce customer service questionnaires. (Full details are set out within the Observations table overleaf)

**AREAS OF NON-CONFORMANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS AND THE CIPFA LOCAL GOVERNMENT APPLICATION NOTE**

There are no areas of non-conformance with the Public Sector Internal Audit Standards.

## ISSUES FOR MANAGEMENT ACTION

Observation 1:	Review risk management responsibilities in order to reduce any impairment
Action:	Discussions are in train to look at the risk management arrangements to look to minimise the impact on the service
Timeline:	March 2023
Responsibility:	HoIA / Executive Director

Observation 2:	Consideration to be given to developing the use of Power BI to improve on the reporting of findings to Officers / Members. By reporting as a “single page” this should focus attention / enhance the awareness of the findings to be addressed.
Action:	A review of presenting reports (both to officers and Members) will look initially at the Annual Audit Opinion due in May 2023.
Timeline:	May 2023
Responsibility:	HoIA

Observation 3:	Review Key Performance Indicators
Action:	These will be re-evaluated, data collated and reported to AAC as part of the Annual Audit Opinion
Timeline:	May 2023
Responsibility:	HoIA

Observation 4:	Establish appropriate arrangements to provide continuous assurance to AAC
Action:	CCC IAS has now introduced a risk assurance report and the first one was issued in August 2022. This analysed individual risks to provide continuous assurance over risk management.

	This will continue to be developed as further risks are assessed – the next one to considered will be in Quarter 3.
Timeline:	September 2022 (and ongoing)
Responsibility:	HoIA

Observation 5:	Reintroduce customer service questionnaires
Agreed Action:	<p>It is acknowledged that due to issues within the service provision across a number of organisations and the subsequent break up of those arrangements that it was impractical to issue questionnaires.</p> <p>Following this issue being raised early within the assessment we have now reintroduced the customer feedback questionnaire process with a new online feedback form. This is issued with all final reports as well as to CLT at year end. Data produced is available to the HoIA.</p>
Timeline:	July 2022. <i>(Confirmation that this has already been implemented)</i>
Responsibility:	HoIA

Observation 6:	Document within the Audit Manual the approach in relation to non-agreed / implemented recommendations
Action:	As part of the regular review of the Audit Manual this will be evaluated.
Timeline:	December 2022
Responsibility:	HoIA

**SUMMARY OF SURVEY RESULTS**

As part of the EQA process, a questionnaire to obtain the views of key stakeholders – officers and members. Following discussion with the (previous) Head of Internal Audit the questionnaire was sent to a total of 12 stakeholders and 3 (25%) completed questionnaires were returned.

No.	Question	Percentage (%)			
		Agree	Partially Agree	Not Agree	N/A
1	The internal audit service is seen as a key strategic partner throughout the organisation.	2	1		
2	Senior managers understand and fully support the work of internal audit.	3			
3	Internal audit is valued throughout the organisation.	1	2		
4	The internal audit service is delivered with professionalism at all times.	1	1		1
5	The internal audit service responds quickly to changes within the organisation.	1	1		1
6	The internal audit service has the necessary resources and access to information to enable it to fulfil its mandate.	1		1	1
7	The internal audit service is adept at communicating the results of its findings, building support and securing agreed outcomes		2		1
8	The internal audit service's recommendations consider the wider impact on the organisation	1	1		1
9	The internal audit service ensures that recommendations made are proportionate, commercial and practicable in relation to the risks identified.	1	1		1
10	There have not been any significant control breakdowns or surprises in areas that have been positively assured by the internal audit service	2			1
11	The internal audit service includes consideration of all risk areas in its work programme.		2		1
12	Internal audit advice has a positive impact on the governance, risk management, and the system of control of the organisation.	1	1		1
13	Internal audit activity has enhanced organisation-wide understanding of governance, risk management, and internal control.	1	1		1
14	The internal audit service asks challenging and incisive questions that stimulate debate and improvements in key risk areas.	1	1		1

15	The internal audit service raises significant control issues at an appropriate level and time in the organisation.	2			1
16	The organisation accepts and uses the business knowledge of internal auditors to help improve business processes and meet strategic objectives.	1	2		
17	Internal audit activity influences positive change and continuous improvement to business processes, bottom line results and accountability within the organisation	1	1		1
18	Internal audit activity promotes appropriate ethics and values within the organisation	2			1



## Internal Audit Progress Report

To: Audit & Accounts Committee  
Date: 24<sup>th</sup> November 2022  
From: Mairead Claydon, Head of Internal Audit and Risk Management

### Officer contact:

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## 1. Purpose

- 1.1 To report on the main areas of audit coverage for the period to 15<sup>th</sup> November 2022.
- 1.2 Audit & Accounts Committee is requested to review and comment on the proposed plan of Internal Audit work for the next four quarters, outlined at Section 6 of the report.

## 2. Background

- 2.1 The role of Internal Audit is to provide the Audit & Accounts Committee and Management independent assurance on the effectiveness of the controls in place to ensure that the Council's objectives are achieved. Internal Audit coverage is planned so that the focus is upon those areas and risks which will most impact upon the Council's ability to achieve these objectives.
- 2.2 The annual Audit Plan is split out into two elements: the 'core' plan, comprising key areas of assurance that are reviewed every year and audit support work (e.g. to working parties or panels) which is ongoing throughout the year; i.e. the areas of audit coverage that vary from year to year, with planned coverage based on a risk assessment process. More information on this approach is available at Section 6 of the main report, which presents the proposed flexible audit plan for the next four quarters.

## 3. Outstanding Audit Actions

- 3.1 Annex B details all 49 outstanding audit recommendations as at 15<sup>th</sup> November 2022 when this report was produced. Narrative updates on actions where the current target date is after 15<sup>th</sup> November have not been followed-up by Internal Audit in this reporting cycle and will be reported in the next Progress Report.
- 3.2 There is only one current outstanding 'Essential' recommendation which passed its target date at the end of November 2021. This recommendation relates to the completion of the IT Health Check that is required for the Council to obtain Public Services Network (PSN) certification. The IT service is hoping to re-submit an application for certification at the end of November, although achieving this target date is dependent on a major roll out of new devices across the Council.

## 4. Investigations Caseload

- 4.1 Section 9 of the Progress Report summarises the open whistleblowing cases currently under review by the Internal Audit Team, as well as updates on other counter-fraud work.
- 4.2 This includes a summary of the outcomes of the Council's Money Laundering Risk Assessment and an investigation of a Related Parties relationship.



- 4.3 This section also includes an update on progress with the current round of the National Fraud Initiative. Internal Audit have been co-ordinating the upload of various datasets from across the Council for the NFI, and this work was completed in advance of the 18<sup>th</sup> November deadline.

## 5. Audit Forward Planning

- 5.1 Section 6 of the Progress Report provides the current proposed Internal Audit Plan for the next four quarters, for comment and challenge by the Committee.
- 5.2 As usual, the Plan has been updated to reflect changing risk priorities, but also to reflect the current reduced capacity in the Internal Audit team, which is now likely to continue into Q4 2022/23.



# Internal Audit & Risk Management

Cambridgeshire County Council

*Update report*

*As at 15<sup>th</sup> November 2022*

## *Section 1*

### **1 INTRODUCTION**

- 1.1 A summary of the content of the key sections of this report is provided below, for reference:

SECTION 1: Introduction

SECTION 2: Internal Audit Reporting Process

SECTION 3: Finalised Assignments

SECTION 4: Summaries of Completed Audits with Limited or No Assurance

SECTION 5: Internal Audit Activity

SECTION 6: Audit Forward Planning: Next Four Quarters

SECTION 7: Follow Up of Agreed Audit Actions

SECTION 8: Risk Management

SECTION 9: Fraud and Corruption Update

SECTION 10: Key Financial Systems Update

ANNEX A: Internal Audit Plan Progress 2022/23

ANNEX B: Outstanding Agreed Actions

## 2 INTERNAL AUDIT REPORTING PROCESS

### 2.1 THE REPORTING PROCESS

2.1.1 This quarterly report provides stakeholders, including Audit & Accounts Committee and CCLT, with a summary of internal audit activity for the second quarter of the 2022/23 financial year.

### 2.2 HOW INTERNAL CONTROL IS REVIEWED

2.2.1 There are three elements to each Internal Audit review. 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.

2.2.2 However, controls are not always complied with, which in itself will 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 element of the review enables internal audit to give an opinion on the extent to which the control environment, designed to mitigate risk, is being complied with.

2.2.3 Finally, where there are significant control environment weaknesses or where the controls are not being complied with and only limited assurance can be given, internal audit undertakes further substantive testing to ascertain the impact of these control weaknesses.

2.2.4 At the conclusion of each audit, Internal Audit assigns three opinions. The opinions will be:

- Control Environment Assurance
- Compliance Assurance
- Organisational Impact

2.2.5 The following definitions are currently in use:

	Compliance Assurance	Control Environment Assurance
<b>Substantial Assurance</b>	The control environment has substantially operated as intended although some minor errors may have been detected.	There are minimal control weaknesses that present very low risk to the control environment

<b>Good Assurance</b>	The control environment has largely operated as intended although some errors have been detected.	There are minor control weaknesses that present low risk to the control environment.
<b>Moderate Assurance</b>	The control environment has mainly operated as intended although errors have been detected.	There are control weaknesses that present a medium risk to the control environment.
<b>Limited Assurance</b>	The control environment has not operated as intended. Significant errors have been detected.	There are significant control weaknesses that present a high risk to the control environment.
<b>No Assurance</b>	The control environment has fundamentally broken down and is open to significant error or abuse.	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment OR it has not been possible for Internal Audit to provide an assurance due to lack of available evidence.

2.2.6 Organisational impact is reported as major, moderate or minor. All reports with major organisation impacts are reported to CLT, along with the appropriate Directorate's agreed action plan.

<b>Organisational Impact</b>	
<b>Level</b>	<b>Definitions</b>
<b>Major</b>	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
<b>Moderate</b>	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
<b>Minor</b>	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 FINALISED ASSIGNMENTS

3.1 Since the last Internal Audit Report in September 2022, the following audit assignments have reached completion, as set out below in Table 1.

**Table 1: Finalised Assignments**

No.	Directorate	Assignment	Compliance Assurance	Systems Assurance	Organisational impact
1.	Public Health	Drug & Alcohol Treatment Contract	Moderate	Moderate	Minor
2.	Cross-Cutting	Money Laundering Risk Assessment	N/A	Good	Minor
3.	Cross-Cutting	Related Parties Assurance	Assurance report provided.		
4.	People & Communities	Disabled Facilities Grant	Grant Certification provided.		

3.2 Summaries of any finalised reports with limited or no assurance (excluding individual school audits) are provided in Section 4.

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

**Table 2: Draft Reports**

No	Directorate	Assignment
1.	Schools (Financial Governance)	Cherry Hinton Primary School
2.	Schools (Financial Governance)	Duxford Primary School
3.	Schools (Financial Governance)	Homerton Children's Centre
4.	Schools (Financial Governance)	Isleham Primary School
5.	Schools (Financial Governance)	Milton Road Primary School
6.	Schools (Financial Governance)	Newnham Croft Primary School
7.	People & Communities	Consolidated Direct Payments Suspected Fraud & Misuse Report
8.	People & Communities	Stretham Communities Capital Fund

9.	Resources	Fire Risk Assessments
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- 3.4 Further information on work planned and in progress may be found in the Audit Plan, attached as Annex A.



**4     *SUMMARIES OF COMPLETED AUDITS WITH LIMITED OR NO  
ASSURANCE***

4.1     N/A – no reports have been issued with limited or no assurance in this period.

## 5 *INTERNAL AUDIT ACTIVITY*

### 5.1 SCHOOL AUDITS

5.1.1 To provide assurance regarding the efficacy of financial management in schools, Internal Audit are planning to undertake a programme of visits to 12 local schools to review the operation and compliance with local financial management and governance controls in these settings, including payroll and purchasing processes. Schools are selected for audit on the basis of identified risk factors, which includes schools where there are existing concerns about finance or governance, or schools where there has been a change of leadership or finance personnel.

5.1.2 Visits to schools are underway and all visits are planned to be completed by the 15<sup>th</sup> December, with draft reports issued before Christmas. Feedback from schools visited to date has been positive, with comments from Headteachers including:

- “Thank you for making our audit such a supportive experience”.
- “Many thanks to the two auditors for helping myself and my finance officer to understand what needs sorting”.

5.1.3 An overarching report will also be produced to summarise common findings and themes from the schools visits, which will then be used to inform communications with schools in the spring term.

### 5.2 ADVICE & GUIDANCE:

5.2.1 Internal Audit also provide advice, guidance and support to the organisation on governance, assurance and related issues. This work is undertaken on an ad-hoc basis as when required. Some of the key areas of support provided since the previous Progress Report include:

- Internal Audit provided advice to the Public Health Commissioning Team regarding potentially erroneous payments. Internal Audit investigated and determined that the payments were not erroneous, and had been made to a legitimate supplier that was another arm of the same organisation. As such there was no need to recall the payments. Internal Audit provided advice on how to ensure such occurrences did not happen in the future and how to mitigate the risk of duplicate payments occurring from this incident.
- Internal Audit has been requested to provide input to the development of a risk matrix in the new Contract Management Toolkit.

## 6. *AUDIT FORWARD PLANNING: NEXT FOUR QUARTERS*

- 6.1 Core audit work is progressing in line with the agreed Audit Plan 2022/23. Progress on work underway is detailed at Annex A to this report.
- 6.2 The proposed 'flexible' Internal Audit Plan for the next four quarters (Q4 2022/23 – Q3 2023/24) is set out below, showing the current risk profiling of Internal Audit reviews over the next year. These are new jobs proposed to commence in the period, i.e. ongoing work is not included.
- 6.3 This programme of work is indicative only, and is subject to change to ensure that the Audit Plan can be reactive as well as proactive about providing assurance over emerging risk areas. The Audit Plan has been rebalanced since it was last presented to Committee in September 2022, primarily to reflect actual team resourcing, as the service currently has two vacancies and is planning to recruit in November. This has resulted in reprofiling lower priority reviews to take place later in the audit planning period.

<b>Proposed Flexible Audit Plan for Q4 22/23:</b>		<b>120</b>	<b>(Jan – Mar 2023)</b>	<b>Q4</b>
Project Management Framework and Project Assurance	20	Review of the implementation and development of Council-wide project management framework and project assurance arrangements.		Q4
Mosaic System Uploads, Data Integrity and Key Controls	20	A review of key controls in the Mosaic system with regards to security and payment controls, and how data integrity is maintained from feeder systems.		Q4
Budget Setting and Demand Forecasting	20	Review of processes for forecasting high demand demographically-driven budgets across People & Communities to ensure processes are robust and budget setting is accurate.		Q4
Financial Regulations Monitoring & Compliance, including Delegated Authorities	20	Review to ensure that budget variations are approved in line with the requirements of the Financial Procedure Rules and the Constitution.		Q4
ICT Information Security & Records Management	20	Review of information security and records management controls within the Council's IT systems, in particular focusing on controls relating to: starters/leavers; systems access and the associated management arrangements and controls; and compliance with information governance and records management policies and requirements within the IT system.		Q4

Supplier Resilience Reviews	20	Review of a sample of key strategic suppliers, with a focus on suppliers of care and transport to vulnerable service users, to identify assurances in place over supplier resilience and continuity planning.	Q4
<b>Proposed Flexible Audit Plan for Q1 23/24: 190 (Apr – Jun 2023) Q1</b>			
Adult's Social Care Commissioning Strategies	20	Review of strategic planning for commissioning and contracting across Adults Social Care, to provide assurance that commissioning is pro-active, considers demand and how this may be managed, and takes into account the condition of local markets.	Q1
Contract Management - Residential & Short Break Care for Children and Young People with a Disability	30	Review of this key contract with an annual value of £2.35m.	Q1
Projects Assurance (Non-Capital)	40	Provision of assurance over a sample of key non-capital projects and review of the efficacy of extant assurance processes.	Q1
Management of Consultants and Interims	20	Review of the use of consultants and interims at the Council to gain assurance over compliance with contract procedure rules, appropriate use of employment status, and effective contract management.	Q1
Capital Programme Projects Assurance	40	Review of a sample of individual capital programme projects, to provide assurance over compliance with the project management controls agreed by the MID Project Assurance Group.	Q1
ICT Strategy	20	The ICT service is in the process of a major refresh of strategy and governance. This review will aim to work collaboratively with the service to consider progress to date and suggestions for ongoing strategy development.	Q1
Rental Income	20	Ensuring that the Council maximises the value of its property, including farms and other properties.	Q1
<b>Proposed Flexible Audit Plan for Q2 23/24: 190 (Jul – Sept 2023) Q2</b>			
Contract Management	20	Noted as a risk area. This would review contract management guidance and training available to managers in the organisation, and implementation of contract management processes.	Q2
ICT Security	20	Review of ICT security strategy and compliance with key measures such as PSN etc.	Q2

Contract Management - Connecting Cambridgeshire Superfast Broadband	20	Review of this key contract with an annual value of £7.5m.	Q2
Information Security	20	Review of arrangements for controlling information security risk, with a focus on: policies and procedures; compliance with legislative requirements; communication and staff awareness; compliance monitoring; and incident handling.	Q2
Client-side Review of Pathfinder Legal Services	20	Client-side review of Cambridgeshire's Pathfinder Legal Services contract for legal provision.	Q2
Business Planning	30	Review of high-level governance, compliance, management and monitoring, and benefits realisation.	Q2
Direct Payments Support Service	20	Review of the contract with CCC's DPSS and other DPSS currently in use by service users in receipt of Direct Payments, to assess the level of contractual responsibility placed on these organisations to identify and flag any excessive or unusual expenditure and review information sharing arrangements.	Q2
Less Than Best Property Awards	20	Review of process to control property awards made at 'less than best' value and compliance with the process.	Q2
Safe Recruitment	20	Review of Council-wide safer recruitment policies and compliance with the policies in practice.	Q2
<b>Proposed Flexible Audit Plan for Q3 23/24:</b>		<b>195 (Oct – Dec 2023)</b>	<b>Q3</b>
Decentralised Corporate Controls	15	A review looking at key corporate controls which are delegated to individual managers (such as declarations of interest, vehicle and driver license checks, corporate induction completion etc), to identify which controls are delegated to budget managers and the extent of corporate oversight and control over compliance and completion.	Q3
Investment Properties	20	The Council holds a number of investment properties. Review of the management and monitoring of these investments, income streams etc.	Q3
Demand management strategies	20	Review how the Council is working to reduce and manage demand for high-cost services.	Q3
Grants to Voluntary Organisations Policy & Compliance	20	Review of the Grants to Voluntary Organisations Policy and compliance with the policy in practice.	Q3
Contract Management - Minor Works Framework	20	Review of Minor Works Framework contract with an estimated annual value of £8m.	Q3

Contract Management - Public Transport, Park & Ride, and Guided Busway Contract	30	Review of this contract with an annual value of £3m.	Q3
Children's Social Care Commissioning Strategies	30	Review of strategic planning for commissioning and contracting across Children's Social Care, to provide assurance that commissioning is pro-active, considers demand and how this may be managed, and takes into account the condition of local markets.	Q3
ICT Asset Inventory	20	Review of how physical ICT assets are inventoried and managed throughout the Council, especially with the move to increased remote working.	Q3
ICT Procurement	20	Review of ICT procurement function including commissioning, contract management, efficiencies etc.	Q3

## 7. FOLLOW UP OF AGREED AUDIT ACTIONS

- 7.1 The outstanding management actions from Internal Audit reports as at 15<sup>th</sup> November 2022 are summarised in the table below. This includes a comparison with the percentage implementation from the previous report (bracketed figures).
- 7.2 In line with the new rolling audit plan, implemented recommendations only includes those closed within the last five quarters. Any recommendations that were closed more than five quarters ago are not included in the figures below.

**Table 4: Implementation of Recommendations**

	Category 'Essential' recommendations		Category 'High' recommendations		Category 'Medium' recommendations		Total	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total
<b>Implemented</b>	0 (1)	0% (0.67%)	10 (9)	6.76% (6%)	89 (88)	60.14% (58.67%)	99 (98)	66.89% (65.33%)
<b>Actions due within last 3 months, but not implemented</b>	0 (0)	0.00% (0.00%)	1 (6)	0.68% (4%)	9 (7)	6.08% (4.67%)	10 (13)	6.76% (8.67%)
<b>Actions due over 3 months ago, but not implemented</b>	1 (1)	0.68% (0.67%)	4 (0)	2.70% (0%)	8 (12)	5.41% (6.04)	13 (13)	8.78% (8.67%)
<b>Capital Programme Actions<sup>1</sup> due over 3 months ago, but not implemented</b>	0 (0)	0.00% (0.00%)	0 (0)	0.00% (0.00%)	26 (27)	17.57% (17.33%)	26 (27)	17.57% (17.33%)
<b>Totals</b>	<b>1</b>		<b>15</b>		<b>132</b>		<b>148</b>	

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<sup>1</sup> These 26 actions related to a review of capital project management. Audit & Accounts Committee received a full update on implementation of these actions on 31<sup>st</sup> May 2022 from the Place & Economy service. Internal Audit is conducting a full follow-up audit of these actions in Q3 2022/23 to assess their implementation; as such further updates on implementation will not be provided until the audit is complete.

- 7.3 There are currently 49 management actions outstanding. Further detail on outstanding actions is provided at Annex B.
- 7.4 There is only one current outstanding 'Essential' recommendation which passed its target date at the end of November 2021. This recommendation relates to the obtainment of Public Services Network (PSN) certification. The CCC PSN application was submitted 2<sup>nd</sup> August 2022 and this application contained a Remediation Action Plan (RAP) containing a list of High and Medium severity vulnerabilities. The CCC PSN application failed the validation stage and was therefore rejected by the Cabinet Office on 23<sup>rd</sup> August 2022. The IT Service are planning to re-apply in November, although this is dependent on a successful roll-out of new devices to replace older systems.
- 7.5 26 of the outstanding recommendations relate to the 2020/21 audit review of the Capital Programme within the Major Infrastructure Delivery (now Project Delivery) service. At conclusion of this review, 26 recommendations were made and agreed. Given the number of recommendations, it was subsequently agreed that a follow-up Internal Audit review would be undertaken in the third quarter of the 2022/23 financial year to ensure that all the previously made recommendations are fully implemented, embedded, and operating effectively in practice. A Terms of Reference for this work has since been agreed by the service and initial audit planning is currently being undertaken, in advance of the agreed audit start date in early December.
- 7.6 Table 5, below shows the number of outstanding recommendations in each directorate:

**Table 5: Outstanding Actions By Directorate**

Directorate		Outstanding recommendations
Customer and Digital		4
People and Communities		7
Place and Economy	<i>Capital Programme</i>	26
	<i>Other</i>	1
Resources		9
Public Health		2



## 8.0 *RISK MANAGEMENT*

- 8.1 The Council's Corporate Leadership Team (CLT) held its first CLT Risk and Assurance meeting on the 4<sup>th</sup> October. This is a new quarterly process being introduced to ensure regular detailed senior management oversight of the corporate and directorate risk registers, to reflect on feedback from Committee, and to develop corporate oversight of risk and key independent assurances.
- 8.2 CLT reviewed and commented on a draft Terms of Reference for the group and undertook a complete review of the current Corporate Risk Register. CLT also considered feedback from Strategy & Resources Committee and Audit & Accounts Committee regarding the previous update of the Risk Register.
- 8.3 A number of actions were identified as a result of the meeting, in particular a range of updates to the Corporate Risk Register. These included:
- It was proposed and agreed to add a new risk around climate change to the corporate risk register. A draft version of the risk was reviewed and challenged.
  - Discussion focused on whether Risk 5 ("the Council does not deliver its statutory or legislative obligations") should be considered a trigger rather than a risk in its own right. It was also felt that this risk duplicated some of the content from Risk 10 ("the Council fails to comply with Information Governance legislation and industry standards"). It was agreed to consider adding this as a trigger to each of the Directorate risk registers, at which point the risk could be removed from the corporate risk register. Feedback on this will be considered at the next CLT Risk & Assurance review.
  - It was agreed to re-review Risk 7 ("insufficient infrastructure to deliver Council services") and Risk 8 ("failure to deliver key Council services"), and to consider re-developing these risk areas as a single risk with a focus on infrastructure and assets.
  - It was agreed to further review and amend the proposed Terms of Reference for the Risk & Assurance meetings and re-present this for approval.
- 8.4 The next CLT Risk & Assurance meeting will be held on 21<sup>st</sup> December. The intention is that these meetings will align with the Council's risk management cycle. Directorate risk meetings will take place first in every cycle, with the outcomes of these feeding up into the CLT meetings before updates are taken on to Audit & Accounts Committee.

## 9 FRAUD AND CORRUPTION UPDATE

### 9.1 WHISTLEBLOWING REFERRALS / FRAUD INVESTIGATIONS

- 9.1. The current Internal Audit caseload of investigations is summarised below in Table 7. As at the 15<sup>th</sup> November 2022, Internal Audit has received 16 whistleblowing referrals in the 2022/23 financial year, similar to the number of referrals received by the same point in 2021/22 (12 cases).

**Table 7. Current Internal Audit Investigations Caseload**

All Cases Reported in 2022/23 To Date		Open	Closed	Total
Fraud & Theft	Direct Payments Fraud	0	1	1
	Phishing Fraud	0	1	1
	Theft	0	1	1
	Third Party Fraud	1	4	5
Governance	Internal Governance Issue	2	0	2
	Schools Governance	1	1	2
	Conflict of Interest	2	0	2
Health & Safety	Health & Safety	0	1	1
External <sup>2</sup>	Referred externally	0	1	1
<b>Total</b>		<b>6</b>	<b>10</b>	<b>16</b>

- 9.1.2 It should be noted that the Internal Audit team records all whistleblowing referrals we receive; however Internal Audit normally act as the investigating service only for referrals relating to theft, fraud, corruption and governance concerns. Where whistleblowing referrals relate to e.g. safeguarding or HR issues, the referrals are passed on to the appropriate service to investigate and respond.

- 9.1.3 Summaries of the current open whistleblowing and investigation cases are provided below:

- **Conflict of Interest (2 open cases)** – One possible conflict-of-interest case has been identified via the National Fraud Initiative and is currently being investigated by Internal Audit. Initial indications are that this is not a true conflict-of-interest, but further work needs to be completed before closing the case. A second allegation of a conflict-of-interest has been made to the whistleblowing inbox and is being investigated by HR.

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<sup>2</sup> This relates to cases which are reported to the Council but are not within its powers to investigate. In these cases, allegations will be referred to the appropriate external agency.

- **Third Party Fraud (1 open case)** – Internal Audit are currently reviewing an alleged fraud by an interim worker.
- **Internal Governance Issue (2 open cases)** – Internal Audit are reviewing two separate concerns raised about financial governance.
- **Schools Governance (1 open case)** – A concern regarding a school has been reported to the Whistleblowing inbox and is at the earliest stage of investigation.

## 9.2 RELATED PARTIES ASSURANCE

- 9.2.1 Internal Audit conducted a review to provide assurance regarding how the Related Parties process was handled in respect of a declared related party relationship with the former Executive Director of People & Communities and, specifically, a proposed corporate project with the related party organisation. Following termination of the project in March 2022, a light-touch review into the process for declaring Related Parties interests in the accounts and the arrangements to manage the conflict in this instance was conducted.
- 9.2.2 The review confirmed that the related party relationship had been declared appropriately in the Council's accounts other than in 2018/19; this omission appeared to be an oversight given declarations were made appropriately in preceding and subsequent years. While some weaknesses in the Related Parties process were identified, most of these had already been identified, with actions agreed to address them, in a previous Declarations of Interest audit that was issued in January 2021. Three further recommendations have been made following this review, to strengthen the Council's control environment and to maximise transparency within the Related Parties process.
- 9.2.3 These actions include reviewing nil returns received in the Related Parties process where previous declarations have been made to confirm that there has been a change of circumstances and not an oversight or error in completing the declaration; formally documenting expected checks to be undertaken when a Related Parties interest is declared, and retaining evidence of completed checks to support disclosure judgements; and introducing a checking mechanism within Project Management Office gating or within project commissioning working procedures, that requires commissioning officers/project managers to consider whether related party and/or conflict of interest declarations apply to their project and, if they do, document a plan for managing this. These actions have been agreed with the Service Director of Finance & Procurement and the Head of Policy Design & Delivery, with a target date for implementation of June 2023.
- 9.2.4 These actions will be added to the Internal Audit action log. The actions will be followed up and their implementation reported to Committee in line with usual practice.

### 9.3 MONEY LAUNDERING RISK ASSESSMENT

- 9.3.1 Internal Audit conducted a risk assessment of the Council's exposure to money laundering risk and the controls in place to address this risk. This was completed in conjunction with the recent review of the Anti-Money Laundering Policy and in line with CIPFA guidance on Combating Financial Crime.
- 9.3.2 The assessment resulted in a 'good' assurance over the control environment in place and confirmed controls in place across a wide range of services to reduce the risk and improve the chance of detecting money laundering activity. The assessment did not look at compliance with controls, which will be covered in a future review.
- 9.3.3 As part of the assessment, a short action plan was developed to further strengthen the Council's control environment around money laundering. Actions include an update to the Scheme of Financial Management to reflect a new, lower limit on cash transactions; updating the Council's Fraud Prevention eLearning module; This Land Ltd to develop an Anti-Money Laundering Policy; and the Pension Fund to review its Anti-Fraud & Corruption Policy and Risk Register to provide more information on how the Fund mitigates the risk of money laundering.
- 9.3.4 These actions will be added to the Internal Audit action log. The actions will be followed up and their implementation reported to Committee in line with usual practice.

### 9.4 NATIONAL FRAUD INITIATIVE (NFI)

- 9.4.1 The NFI compares different data sets provided nationally by local authorities and partner organisations, for the purpose of detecting and preventing fraud.
- 9.4.2 The current NFI exercise commenced in October 2022. The work is co-ordinated by the Internal Audit service and the team has been working with services across the Council to obtain various datasets including Payroll, Pensions, Trade Creditors and more. The team also check that datasets provided are in line with data specifications. All datasets required were obtained and uploaded to the national database by the 18<sup>th</sup> November deadline.
- 9.4.3 The matches identified from this data will then be released by the NFI in January 2023 for the Council to review.

## 10 *KEY FINANCIAL SYSTEMS UPDATE*

### 10.1 2021/22 PAYROLL TRANSACTIONAL TESTING REPORT

10.1.1 The final 2021/22 Payroll Transactional Testing report was issued to Cambridgeshire by West Northamptonshire Internal Audit on 14<sup>th</sup> October 2022. The review sought to provide assurance that:

- Key payroll standing data such as pay scales, spinal points, and superannuation rates have been set up correctly.
- Entries onto the payroll system for starters, leavers, and variations, are appropriately authorised, processed accurately, and actioned on a timely basis.
- Payroll deductions are appropriately authorised (where applicable) and processed accurately.
- Appropriate controls exist to ensure the completeness and accuracy of payroll payments.

10.1.2 The report gave good assurance over the control system in place and good assurance over compliance with controls. Key recommendations included a need for Payroll to provide client HR teams with periodic reports on the level of overpayments due to late submission of data by service managers, and the need to maintain complete audit trails of checks undertaken on payroll control reporting.

10.1.3 This review did not provide assurance over payroll control accounts or control account reconciliations, and did not cover overtime payments or expenses.

### 10.2 2022/23 KEY FINANCIAL SYSTEMS AUDITS

10.2.1 The Lead Authority Board agreed on the 24<sup>th</sup> August that for the 2022/23 financial year, Cambridgeshire's Internal Audit team will continue to deliver the Accounts Payable, Income Processing and Debt Recovery audits for the Lead Authority partners. West Northamptonshire's Internal Audit team will deliver the Payroll and Pensions audits.

10.2.2 The Cambridgeshire Internal Audit team has prepared Terms of Reference for the audits it is delivering and shared these with the other Lead Authority Heads of Internal Audit for comments and input. The Terms of Reference have now been circulated to the Lead Authority Chief Finance Officers for formal approval. Detailed planning and initial work on these reviews will commence in November.



## Annex A

### Internal Audit Plan Progress

#### 2022/23

Progress to 15<sup>th</sup> November 2022 with the core Internal Audit Plan 2022/23 and the agreed Q1 – 4 ‘flexible’ plan, on the basis of individual reviews completed, is summarised as follows:

Audit Plan 22/23 Progress In-Year		
Total Completed & Closed Reviews	28	28%
Ongoing Work (i.e. which will not 'close' until the end of the financial year)	17	17%
Draft Report Issued	9	9%
Fieldwork In Progress	18	18%
Reviews at Terms of Reference (ToR) stage and before	5	5%
22/23 Planned reviews yet to start	25	25
Reviews on hold/paused at Director request	0	0%

Detail of the agreed Core and Q1 - 4 ‘flexible’ Internal Audit Plan 2022/23, including progress to 31<sup>st</sup> October 2022, is provided below:

AUDIT TITLE	Directorate	TYPE OF WORK	PROGRESS
Financial Assessments	P&C	Audit	Fieldwork
Fostering Payments	P&C	Audit	Fieldwork
Budgetary Control	Resources	Audit	Fieldwork
Contract Management - Healthy Child (Section 75)	P&C	Audit	Complete
Procurement Compliance	CCC	Audit	Complete
Street Lighting PFI	P&E	Audit	Fieldwork
Schools Finance Audits 2021 - 22	P&C	Audit	Complete
Bank Reconciliation	CCC	Audit	Fieldwork
Accounts Receivable (21/22)	CCC	Audit	Complete
Purchase to Pay (21/22)	CCC	Audit	Complete
Debt Recovery (21/22)	CCC	Audit	Complete
Aged Debt & Income Raising	CCC	Audit	Complete
Annual Key Policies & Procedures Review	CCC	Audit	Complete
VAT	CCC	Audit	Fieldwork
ICT Change Management	C&D	Audit	Fieldwork
Client Funds & Deputyships	P&C	Audit	Fieldwork
Fire Safety Checks	Resources	Audit	Draft Report
FOI and SAR	C&D	Audit	Fieldwork
ICT Incident & Problem Management	C&D	Audit	Fieldwork
Early Years Funding Process	P&C	Audit	Fieldwork
Accuracy of Coding on the Ledger	CCC	Audit	Fieldwork
Purchase Cards	CCC	Audit	Fieldwork
Capital Project Management Assurance	CCC	Audit	Fieldwork
Transparency Code Policy & Compliance	CCC	Audit	Fieldwork

Integrated Drug and Alcohol Treatment System Contract	PH	Audit	Complete
Schools Capital Programme	P&C	Audit	Fieldwork
Highways Contract	P&E	Audit	Complete
Lifestyle Services Contract	PH	Audit	Fieldwork
Troubled Families	P&C	Grant claim	N/A
Local Transport Capital Block Funding	P&E	Grant claim	Complete
Pothole and Challenge Fund	P&E	Grant claim	Complete
Disabled Facilities Grant	P&C	Grant claim	Complete
Test Track and Trace Grant	PH	Grant claim	Complete
Contain Outbreak Management Fund	PH	Grant claim	Complete
Adult Weight Management Grant	PH	Grant claim	Complete
Universal Drug Treatment Grant	PH	Grant claim	Complete
National Fraud Initiative	CCC	Support	N/A
Fraud Investigations Review Process	CCC	Support	N/A
Related Parties Assurance	P&C	Investigation	Complete
Direct Payments Suspected Fraud Case 083	CCC	Investigation	Complete
Direct Payments Suspected Fraud Case 087	CCC	Investigation	Complete
Consolidated Direct Payments Fraud & Misuse Review	CCC	Investigation	Draft Report
Contractors Appointment Assurance	CCC	Investigation	Complete
Early Years Funding Investigation	P&C	Investigation	Complete
Investigation Case 096	P&C	Investigation	Draft Report
Interim Investigation Case 097	P&E	Investigation	Fieldwork
FACT/HACT Follow Up	CCC	Support	N/A
Council Tax NFI Project	CCC	Support	N/A
Anti-Fraud & Corruption Policy Review	CCC	Support	Complete
Anti-Money Laundering Policy Review	CCC	Support	Complete
Direct Payments Fraud Policies	CCC	Support	N/A
Money Laundering Risk Assessment	CCC	Support	Complete
Annual Governance Statement/Code of Corporate Governance	CCC	Support	Complete
Whistleblowing Policy Annual Review	CCC	Audit	N/A
Public Sector Internal Audit Standards (PSIAS) Review	CCC	Support	Complete
Sustainability Panel	CCC	Support	N/A
Information Management Board	CCC	Support	N/A
Cherry Hinton Primary School Audit	Schools	Audit	Draft Report
Duxford Primary School Audit	Schools	Audit	Draft Report
Homerton Children's Centre Audit	Schools	Audit	Draft Report
Isleham Primary School Audit	Schools	Audit	Draft Report
Milton Road Primary School Audit	Schools	Audit	Draft Report
Newnham Croft Primary School Audit	Schools	Audit	Draft Report
Strategic Risk Management Assurances	CCC	Risk Management	N/A
Risk Management	CCC	Risk Management	N/A
Compliance - Corporate and Key Directorate Risks	CCC	Risk Management	N/A
Risk Assurance Review – Contracts & Partnerships Risk	CCC	Risk Management	Complete



Risk Assurance Review – Cyber Crime	CCC	Risk Management	Fieldwork
Advice & Guidance	CCC	Support	N/A
Freedom of Information Requests	CCC	Support	N/A
Follow-Ups of Agreed Actions	CCC	Support	N/A
Committee Reporting	CCC	Support	N/A
Management Reporting	CCC	Support	N/A
Audit Plan	CCC	Support	N/A



## ANNEX B *Summary of Outstanding Recommendations*

(Recommendation status as at 15.11.2022).

### *Essential Recommendations overdue*

Audit	Risk level	Summary of Recommendation	Target Date	Status
ICT Light Touch Security	E	<p>A target date for CCC re-obtaining PSN certification is agreed and JMT is kept updated of progress towards this target.</p> <p>In view of management's comments on the draft report, we recommend two separate target dates be agreed:</p> <ul style="list-style-type: none"><li>• One for the completion of an ITHC and the submission of an appropriate Remediation Plan to PSN (if needed). Perhaps the target for this could be August 2021</li><li>• And the other target being for the completion of (at least the high priority elements of) the new Remediation Plan. We suggest this target date could be 3-6 months after the above.</li></ul>	30/11/2021	<p>The service intends to re-submit the application for PSN certification to the Cabinet Office at the end of November. This will reflect the work completed against the service's Remediation Plan since the previous submission in August.</p> <p>A key dependence for re-submission is that outstanding high-severity vulnerabilities must have a target resolution date within 30 days of the PSN submission date. In order to achieve this, the team need to replace a large volume of devices, but at the time of writing the service have not been able to reach their maximum capacity for deploying replacement devices. This is due to complexities with the device build process and difficulties arranging device replacements with users. As such, achieving the end of November target date for this action will be pressured, but this remains the team's goal.</p> <p>Revised target date: 30/11/2022</p>

## Recommendations overdue – under 3 months

Audit	Risk level	Summary of Recommendation	Target Date	Status
DSG - High Needs Block Demand Management	I	A detailed written training package should be developed and implemented by the local authority and distributed to schools and special educational needs coordinators (SENCO), with information on how to conduct an annual review meeting and how to amend an EHCP after an annual review has taken place. The service should also seek to identify schools which repeatedly supply annual review forms that do not meet the standard requirements expected by CCC and retrain them, in addition to challenging paperwork sent by schools if it is not completed correctly.	01/09/2022	<p>A new temporary training post is being created. Alongside managers, the postholder will develop an Annual Review plan and also train Schools/SENCO's on how to complete Annual Reviews. The service hope this will make Reviews more consistent and also inform Schools on the importance of meeting the deadlines. The post was advertised during October and the service hope to have the training package in place by the end of January.</p> <p>Revised target date: 31/01/2023</p>
Healthy Child Programme	H	Linked to the previous recommendation, Public Health should conduct an exercise to scrutinise all non-staffing costs in the CCS/Cambridgeshire element of the Section 75 Agreement and seek to bring these more in line with the CPFT costs, with particular challenge to the cost of estates and overheads. The Section 75 Agreement permits the cost of the contract to be varied each year as agreed in the Annual Development Plan, so the service should seek to agree a reduction to non-staffing costs to be implemented in the 2023/24 Annual Development Plan (or sooner if agreement can be reached with the provider).	31/08/2022	The service report that work to scrutinise non-staffing costs has been underway from the Provider side, specifically focussing on the highest cost estate in Huntingdon, where they have negotiated a new lease price. The provider is now in a state to review expenditure by each service operating out of the site and wider work is underway to explore opportunities for shared use of estates across a broader range of partners. The service note that the Provider has flagged the increased associated costs with Estates Management, linked to the inflation and

				<p>higher energy costs, which will impact on buildings across Cambridgeshire &amp; Peterborough.</p> <p>Revised target date: 31/12/2022</p>
Healthy Child Programme	M	<p>Include greater detail on forecast outturn projections in the quarterly financial reporting with information on the assumptions underlying the forecast.</p>	31/08/2022	<p>The service were expecting to receive the new detailed forecast outturn reporting in the 6 Month Finance Meeting, originally scheduled for 6th October. However, the 6 Month meeting has been re-scheduled by the provider to align with their accounting timescales and has therefore been delayed to the 17th November. The service are now hoping to have a final agreed format for the detailed forecast reporting in place by the end of November.</p> <p>Revised target date: 30/11/2022</p>
Procurement Compliance	M	<p>The Assistant Director for Property should review the arrangement in place to reduce CCC's exposure to contractor failure risk and legal ramifications should any works undertaken be found to be defective in the future.</p> <p>Any similar arrangements where CCC pays suppliers directly for works for a third party should be similarly reviewed as appropriate to limit the level of contractor failure risk CCC is exposed to.</p>	30/09/2022	<p>The Assistance Director of Property has confirmed that "The arrangement was set up specifically to meet the requirements of both authorities and was the subject of detailed discussion and formal advice at the outset of the contract to protect CCC. As CCC provides a project management function in addition to the access to the contractor, CCC retains liability for contractor issues or problems irrespective of payment processes. This is a key risk in the contract and is part of the overall service that CCC have been providing. It is not simply access to a framework contractor. CCC has put suitable</p>

				<p>insurance cover in place to cover this and similar risks. As the contract ends on 30 November no further action is required."</p> <p>Internal Audit are awaiting a copy of the contract and insurance to close the action.</p>
Overall Schools Report	M	The School Finance Team should amend existing CCC regulations for schools to clearly specify areas where schools need to formulate their own internal policies in addition to the CCC regulations for schools. These include a Scheme of Financial Delegation and the other policy areas listed in Annex A to this report.	30/09/2022	Internal Audit has been liaising with the Schools Finance Team and has produced a series of draft model procedure documents that will be shared with schools. these model policies cover separation of duties and approval in purchasing and payroll, and scrutiny and review of specific payroll reports. These model procedures will be used a basis for updating the Council's corporate documents that govern aspects of financial management in schools.
Overall Schools Report	M	<p>"Where CCC regulations for schools allow for varying proportionality of controls such as separation of duties, the Schools Finance Team should consider clarifying in what situations it is acceptable to deviate from best practice, and to what degree. This could include setting a financial threshold above which schools must be able to evidence separation of duties in purchasing.</p> <p>It should also be made clearer in the regulations what constitutes sufficient separation of duties at different stages of the purchasing process. For example, can the same person approve a purchase order and then raise it on the system (such as the Headteacher)?"</p>	30/09/2022	<p>A revised target date has not yet been confirmed for these recommendations to be implemented as the Schools Finance Team have been focussing on priority work including the Safety Valve Intervention Programme, Schools Financial Health and Business Planning.</p> <p>Revised target date: TBC</p>
Overall Schools Report	M	The School Finance Team should amend CCC regulations for schools to state that the Payroll Costing Report and Previous Pay Comparison Report should be used to identify all variances and illustrate the full cost of the payroll to be signed off. If these two reports are used, the Payroll Validation Reports and EPM Variance reports are not necessary and schools are able to conduct more	30/09/2022	

		detailed scrutiny of their payroll.		
Overall Schools Report	M	The School Finance Team should consider amending CCC regulations for schools to include a requirement that a second officer must authorise individual payroll amendments. This would require schools to apply separation of duties in all individual payroll amendments, which if not demonstrated increases the risk of payroll fraud.	30/09/2022	
AP 21/22	M	Accounts Payable should consider writing a documented process to give clear guidance on the Fiscal duplicate payment checking process, including how potential duplicates are reviewed and assessed, how the results of investigations are recorded, and what steps should be taken to prevent payments being made. This will ensure that any new or less experienced Payables Officers have specific documented guidance on how to best undertake this important process.	30/09/2022	<p>The Council's Duplicate Payment Software is changing from March 23. As part of the transition to Go Live, detailed guidance notes will be produced. This will be part of the project, as testing has not yet commenced. The team are expecting to have documented processes in place by the end of February, as the solution must be live by 23 March 2023.</p> <p>Revised target date: 28/02/2023</p>
AR Income 21/22	M	<p>The service should consider further developing reporting to provide both current and rolling historical data in relation to unapplied items, as is currently provided for suspense account items.</p> <p>This would allow for improved performance analysis in relation to the clearing of items on customer accounts.</p> <p>Reporting of unapplied items should be at least monthly but given that established suspense account reporting is fortnightly this could be best achieved through incorporation into that process.</p> <p>Consideration should be given to developing and</p>	30/09/2022	<p>Unapplied Items are now reported and discussed at Service Review meetings to raise the profile of aged receipts that have not been allocated. This then drives further support via Finance Business Partners.</p> <p>Statement Style reminder letters implemented from November should also start to improve the situation with customers making contact in respect of payments made for debts that are still being shown within letters received.</p> <p>Enhanced functionality with the new IM system should also drive some efficiencies with recurring</p>

		implementing KPIs for unapplied items.		<p>incorrectly referenced payments being managed within the system through user definable rules. Resource efficiencies that reduce manual allocations should reduce manual errors and also allow for better use of resources to look at aged credits.</p> <p>Revised target date: 28/02/2023</p>
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### *Summary of Outstanding Recommendations – over 3 months*

Audit	Risk level	Summary of Recommendation	Target Date	Status
Consultancy Contracts Assurance	H	Reporting on consultancy expenditure to Committee should include whether or not an e-form has been completed for each separate consultancy assignment, to request approval to use consultants.	31/07/2022	<p>HR and Procurement have confirmed that this reporting will be implemented for the next Audit &amp; Accounts meeting once the new consultancy e-form is in place and has been fully communicated (see action below).</p> <p>Revised target date: 09/02/2023</p>
Consultancy Contracts Assurance	H	When the new recruitment panel process for consultancy expenditure is implemented, HR should conduct a communications campaign to ensure staff are aware of the process for correctly procuring consultancy resource. This should include targeted communications to Procurement officers and Finance officers, to ensure they are also able to signpost colleagues to the correct process if they are made aware of plans to procure consultants.	31/07/2022	<p>The consultancy approval eform has been developed/tested and is now available. Procurement, rather than HR are taking a lead on the actions around developing a new consultancy approval process, and as such are also leading on the communication to launch the eform.</p> <p>A communications campaign is being undertaken in late November to launch this eform. The</p>



				<p>Consultancy Policy has been updated with a more refined definition of a consultant and reference to the eform approval process – this is now hosted on the Procurement pages, with a sign post back to it from the HR pages.</p> <p>Revised target date: 31/12/2022</p>
Fees and Charges	H	<p>The Director of Resources should commission a piece of work to reconcile from the fees and charges income code (J100) in ERP against the published schedules to ensure that all statutory and discretionary charges are published accurately. In addition, the following types of reduced charge/free services should be identified:</p> <ul style="list-style-type: none"> <li>• Subsidised fees,</li> <li>• Charging exemptions,</li> <li>• Concessions,</li> <li>• Statutory prohibition.</li> </ul>	30/06/2022	<p>Updated fees &amp; charges schedules are produced annually by services as part of business planning. That process is currently underway and is now overseen by the Head of Finance. Consistency checks are undertaken to ensure schedules are produced in the same way across all services, and schedules will be presented to relevant service committees.</p> <p>As part of setting detailed service budgets for the new financial year, some reconciliation work will be undertaken to ensure income budgets set by services are backed up where required by an entry on the relevant schedule.</p> <p>Revised target date: 31/01/2023</p>
Fees and Charges	H	<p>Following the update of the policy and guidance, a communication strategy should be developed which raises awareness and embeds the policy and best practice guidance across the organisation.</p>	30/06/2022	<p>Ownership of this action has been handed over to Head of Procurement and Commercial from 1<sup>st</sup> September following the corporate leadership team restructure. The former Head of Commercial confirmed this action is underway, and advised a revised target date of December 2022 to align with business planning timescales, as the work forms part of an overall suite of policies and strategies to</p>

				<p>aid delivery of a coherent and robust business plan.</p> <p>Revised target date: 31/12/2022</p>
DSG - High Needs Block Demand Management	I	<p>The service has indicated that there are already plans to review and update the Personal Budget policy. The service should ensure as part of this update that guidance is clear that where any provision is to be secured by a Personal Budget, Section J of the EHCP should include: details of how the Personal Budget will support particular outcomes; the specific provision it will be used for, including any flexibility in its usage; and the arrangements for any direct payments for education, health and social care.</p>	01/04/2022	<p>The service has appointed a Casework Officer for Personal Budgets (PBs), who is undertaking a full 'deep dive' review of all Cambridgeshire PBs. Not only will a review of current PBs be completed, this role will also ensure all PBs are thoroughly monitored and transitions into adulthood are well planned and co-produced with all services.</p> <p>Once the PB Deep Dive has been completed, the PB policy will be reviewed as part of the EHCP Improvement Plan. The service is aiming to have the Personal Budget Policy review completed by March 2023 following significant co-production with parent/carers and stakeholders. Roll out of PB guidance will then be completed by September 2023.</p> <p>Revised target date: 31/03/2023</p>
Interim Team Leader MID Investigation	I	<p>The service should review all current contracts with interim workers and ensure that contracts include complete mechanisms for the Council to withhold payment in the event of late or absent delivery of expected services.</p>	31/01/2022	<p>The service is taking this action forward with HR to explore the extent to which the Council would legally be able to withhold payment from interim workers. HR advice on form of contracts is still being explored as there is a distinction between workers inside and outside IR35. In principle, the service agreed to implement the action for new interim contracts going forwards, but felt that it would risk relationships with interims to attempt to implement</p>

				<p>this retrospectively for existing contracts. Instead the aim will be to implement this for existing contracts at the point of contract renewal or negotiation.</p> <p>Revised target date: 31/01/2023</p>
DR 20/21	I	<p>Detailed best practice procedures should be developed, communicated, and embedded to govern effective debt recovery activity across all three clients. These best practice procedures should be continually assessed to ensure they are proportionate, efficient, and effective. The procedures should be documented and cover:</p> <ul style="list-style-type: none"> <li>• Recovery activities and associated timescales (including timescales for DCA to recover debts and timescales for sending back to the client if debts are not recovered)</li> <li>• Guidance on how to undertake recovery activities</li> <li>• How activity should be evidenced and recorded to maintain complete and consistent case notes</li> <li>• All recovery strategies and guidance on decision making, specifically on criteria for unrecoverable debt</li> <li>• Procedures in relation to dealing with services over disputed debt/debt managed outside of the debt teams</li> <li>• Write off processes</li> <li>• How debts are allocated to Recovery Officers and how these should be prioritised</li> <li>• How ERP Gold workflows and functionality will be best utilised</li> <li>• Use of complaint codes</li> </ul>	30/09/21	<p>The Income Policy has been reviewed and updated for all clients and came into effect from April / May 2022. The policies set out the key principles in respect of billing and income recovery. Additionally to support staff responsible for debt recovery there are a number of working documents and crib sheets that are provided to staff as part of their induction or following training.</p> <p>It is recognised however that it would be good for the individual documents to be incorporated into a single guidance document that all staff can make reference to as part of their role.</p> <p>Guidance notes are in draft format and are current being reviewed.</p> <p>Revised target date: 31/12/2022</p>

		<ul style="list-style-type: none"> <li>Deceased cases recovery processes</li> </ul>		
Soham Library Preschool Investigation	M	Consideration should be given to the accounting treatment for any Less Than Best lease arrangements (including rent holidays) with the 'cost' of any subsidy being recognised as a nominal cost to a service's accounts to reflect the community benefit invested in these arrangements.	31/10/21	<p>The Sector Development and Funding Manager confirmed that this complex proposal is currently being discussed with colleagues in Finance and Education to identify how it could be progressed. As this is a notional accounting entry it is technically complex, and the specific staff from Finance who are needed to progress this action are currently working full time on preparing the draft accounts, so there has not been capacity to progress this further.</p> <p>Revised target date: TBC</p>
Key Policies and Procedures	I	<p>Policy Framework: A policy framework document should be drafted which includes:</p> <ul style="list-style-type: none"> <li>A definitive list of CCC's key policies</li> <li>links to each policy or where to find them</li> <li>The update schedules for each</li> <li>Whether any particular legislation must be taken into account when updating</li> <li>Whether legal advice is needed on updating (to prevent misinterpretation of legislation)</li> <li>Who is responsible for updating each policy</li> <li>Who needs to approve changes to the policy (e.g. JMT or service committees)</li> <li>Templates and Guidelines for the creation of new policies (e.g. is an Equalities impact assessment)</li> </ul>	30/04/21	<p>Policy and Strategy Manager has confirmed that all DMT's have now reviewed the draft framework. It is scheduled to return to CLT for final approval in November.</p> <p>Following approval, the service plan to run a communications campaign to notify colleagues that it can be found on Camweb. The service are also working on a beta version of the Policy Library, which they hope will be much more interactive and nuanced. The plan is for this to be "live" on Camweb before the end of March 2023.</p> <p>Revised target date: 30/11/2022</p>

		needed)"		
This Land	I	<p>Governance arrangements: A formal document is produced and presented to C&amp;IC (as Shareholder) containing governance arrangements of:</p> <ul style="list-style-type: none"> <li>• Reporting to Shareholder;</li> <li>• Corporate performance indicators for delivery against the benefits identified;</li> <li>• Business plan;</li> <li>• Financing the company;</li> <li>• Reserved matters;</li> <li>• Risk, Audit, and internal control</li> </ul> <p>This could be a development of the drafted Memorandum of Understanding or a separate document which should be discussed and agreed by the committee, with changes made if necessary. Implementation of this recommendation would substantially increase the audit opinion.</p>	01/06/21	<p>Reporting to the shareholder has continued and has included the latest annual submission and receipt of the business plan (including confirmation of the financing of the company) at the Strategy &amp; Resources Committee meeting in September 2022 link.</p> <p>The external solicitors, Freeths LLP, have now completed a review of the company's governance documents and suggest that the shareholder's agreement would benefit from minor changes to address the role, responsibilities and rights of the shareholder. A revision to the shareholder agreement will be agreed to address these recommendations</p> <p>Revised target date: 6<sup>th</sup> January 2023</p>
AP 20/21	I	<p>Supplier Review:</p> <p>A review of suppliers in ERP should be undertaken to identify any further instances where the same company is set up as both a commercial and non-commercial supplier. Each case should be reviewed to establish if the existence as both supplier types is appropriate and if not if should be determined which supplier instances should be deleted or disabled.</p>	30/06/21	<p>To mitigate this risk the New Supplier Request form advises the user to check that a supplier record does not exist in ERP and the Suppliers team is required to complete further checks to prevent duplicate supplier records being set up in ERP.</p> <p>A Duplicate Suppliers report is now available in ERP to identify suppliers with duplicate payment sites and this will be used to undertake an exercise to identify and review any existing suppliers that are set up as both commercial and non-commercial types.</p>

				<p>Requirement will form part of procurement of new duplicate payment checker solution to be procured during 2022/23, thereby ensuring that the solution implemented manages and reports such duplicate to facilitate data cleansing across all clients.</p> <p>Revised target date: 31/01/2023</p>
Capital Programme Governance Review	I	There are 26 recommendations in the Capital Programme Governance Review report that became due for implementation on 30 June 2021.	30/06/2021	The implementation of these will be verified by an audit in Q3 2022/23. The Terms of Reference for this review has been agreed and the planned start date is early December.
General Ledger	I	Urgent action is taken in conjunction with the Payroll and HR Transactions Manager to address the weaknesses in the quality and accuracy of payroll control accounts.	30/09/2021	<p>This action continues to be progressed via the Lead Authority Board which has a Payroll and HR Transaction Service Improvement Plan. Meetings have taken place with all the partner finance teams as part of the work to clear control accounts. The Service Director for Finance &amp; Procurement has requested an update on timelines for reviewing the overpayments control accountant Cambridgeshire and detail regarding the division of responsibilities for clearing this payroll account between Payroll, Finance and Business Systems. A further update will be provided at the next Lead Authority Board meeting.</p> <p>Revised target date: TBC</p>

## Audit and Accounts Committee Annual Report 2021-22

To: Audit & Accounts Committee

Meeting Date: 24<sup>th</sup> November 2022

From: Mairead Claydon, Head of Internal Audit & Risk Management

Outcome: The Audit & Accounts Committee presents an annual report to Full Council, outlining the work the Committee has undertaken throughout the year.

Recommendation: Audit & Accounts Committee are being asked to review and comment on the Annual Report of the Committee in advance of its presentation to Full Council on 13<sup>th</sup> December 2022.

Audit & Accounts Committee are also being requested to consider and approve the proposal to undertake a review of the Committee's Terms of Reference and a self-assessment of the Committee's effectiveness in line with CIPFA guidance, as set out at Section 4 of the report.

### Officer contact:

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### Member contact:

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# Audit and Accounts Committee

## Annual Report 2021 - 22

### 1. Introduction

- 1.1 The Audit and Accounts Committee exists to provide independent assurance on the adequacy of the Council's risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. Audit and Accounts Committees within Local Authorities are necessary to satisfy the wider statutory requirements for sound financial management as part of best practice so that the Council can meet its duties under the Accounts and Audit Regulations.
- 1.2 The Audit and Accounts Committee plays a vital role in ensuring that the residents of Cambridgeshire County Council are getting good-quality services and value for money, i.e. economy, efficiency and effectiveness.
- 1.3 The Audit and Accounts Committee currently has seven members and met six times in the 2021-22 financial year. Following the local elections in May 2021, a new Committee was formed with a new Chairperson, and an induction and training session for the new Committee was held on 1<sup>st</sup> June 2021.
- 1.4 Audit & Accounts Committee meetings in 2021/22 were held in public, other than one meeting which was scheduled in addition to the normal Committee calendar, on 18<sup>th</sup> March 2022. This meeting was held in private session, on the grounds that the agenda contained exempt information under Paragraphs 1, 2 & 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and that it would not be in the public interest for this information to be disclosed.
- 1.5 The Committee has been structured around the following responsibilities:
  - Considering and approving the Annual Statement of Accounts;
  - Ensuring that the financial management of the Council is adequate and effective;
  - Ensuring that the Council has a sound system of internal control, which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk;
  - Reviewing annually the Council's system of internal control and agreeing an Annual Governance Statement;
  - Ensuring that the Council has an adequate and effective Internal Audit function.
- 1.6 While outside the core time period covered by this report, it is noted that at their meeting on 22<sup>nd</sup> July 2022 the Audit & Accounts Committee received a report detailing how independent appointees could be co-opted to the Committee, utilising the existing Constitutional arrangements. The proposed approach would support the Committee's objectives and is in line with the



recent CIPFA position statement on Audit Committees and the emerging national policy direction. The Committee resolved to support the appointment of two independent, apolitical persons to the Committee in line with the proposals in the report. Implementation of this proposal is currently being pursued by the Monitoring Officer and Chief Finance Officer, in consultation with three Members of the Committee.

## 2. The Committee's relationship with Internal Audit

- 2.1 A key part of the Committee's role is to both challenge and support the Internal Audit service. The Committee has supported a flexible approach from the Internal Audit team, which ensures that planned coverage is continually re-assessed to direct audit resource towards areas of emerging risk, rather than a static plan agreed some months before. The Committee has taken a proactive role in this approach, both by suggesting pieces of work for Internal Audit, contributing ideas towards the detailed brief, and requesting updates from Internal Audit and Council services on implementation of actions.
- 2.2 In May 2022, the previous Head of Internal Audit & Risk Management took on a new position within the Council as Head of Diligence & Best Value, focusing on supporting the Council to achieve best value from its contractual arrangements. The service's Audit Manager was appointed to act up to the post on a temporary basis from May 2022, before obtaining the permanent position in October 2022 following an open recruitment process.
- 2.3 In its role of overseeing the work of Internal Audit, every ordinary meeting of the Audit & Accounts Committee was provided with updates on progress in delivering the agreed Annual Audit Plan. For the 2021/22 financial year, the former Head of Internal Audit produced an Annual Report setting out his annual opinion on the Council's control environment, which was presented to the Committee on 31<sup>st</sup> May 2022. The annual opinion is summarised as follows:

*On the basis of the audit work undertaken by Cambridgeshire's Internal Audit team during the 2021/22 financial year, a satisfactory assurance opinion has been reached.<sup>1</sup> My opinion is derived from an assessment of the range of individual opinions arising from work completed in 2021/22 by the Cambridgeshire Internal Audit team, taking account of the relative materiality of each area under review, and considering management's progress in addressing control weaknesses.*

*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;*

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<sup>1</sup> A "satisfactory" assurance indicates that the Council's control environment has mainly operated as intended, and that there are some control weaknesses presenting a medium risk to the control environment.

- *The reviews of Key Financial Systems for which Cambridgeshire County Council is the Lead Authority consistently demonstrating a good or moderate assurance across all systems.*
- *The continuing, positive, 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;*
- *Contract management remains a key area of focus for Cambridgeshire County Council and this has been reflected in the Internal Audit plan and work completed throughout the year. A number of initiatives to improve contract management in key areas are due for implementation during the 22/23 financial year.*

*The opinion of satisfactory has reduced from last year's 'strong satisfactory' because of a current known issue with payroll control accounts.*

*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.*

- 2.4 The issue referenced in the Head of Audit opinion regarding payroll control accounts is outlined in more detail in the full Annual Internal Audit report. Assurance over the payroll system is currently provided by the Internal Audit team at West Northamptonshire Council under arrangements managed via the Lead Authority Board. In 2022/23, the Audit & Accounts Committee is continuing to receive regular updates on payroll system assurances via Internal Audit.
- 2.5 Following the disaggregation of Cambridgeshire's Internal Audit & Risk Management service from LGSS, the Committee reviewed and approved an updated Internal Audit Charter for the team at its meeting on 7<sup>th</sup> March 2022.

### 3. Proactive Work of the Committee

The following section provides a summary of the proactive work undertaken by the Committee over the last year. This aspect of the Committee's work is vital, and has assisted in improving the effectiveness of the Council's overall corporate governance arrangements.

#### 3.1 Corporate Governance

- 3.1.1 The Council's Annual Governance statement is compiled on the basis of the findings of Internal Audit reviews throughout the year, assurance statements

from executive and corporate directors, and input from senior management and members of the Committee. The 2021/22 Annual Governance Statement was reviewed by the Committee on 31<sup>st</sup> May 2022, prior to final sign-off and inclusion in the Council's annual Statement of Accounts.

## 3.2 Council Finance and Statement of Accounts

- 3.2.1 Throughout 2021/22, the Committee has maintained its oversight of Council finances, reviewing the quarterly Integrated Finance Monitoring Reports to assess progress in delivering the Council's Business Plan. The Committee regularly inquires and follows-up on areas which have overspends or other issues, and receives reports on specific risk areas. In 2021/22, this included reports on debt management and consultants and interims.

### Cambridgeshire County Council Statement of Accounts:

- 3.2.2 The Committee considers and approves the annual Statement of Accounts for Cambridgeshire County Council. During 2021/22, the Committee received and approved the Council's audited financial statements for the year ending 31 March 2021, the third year in which EY has been our appointed external auditor.
- 3.2.3 The draft Statement of Accounts 2020/21 was presented to Committee on 21st July 2021, allowing comment from the Committee prior to their publication. The Committee received a further report on progress with the annual audit of the accounts alongside a provisional audit results report on 7<sup>th</sup> March 2022, and agreed to delegate the final signing of the accounts to the Chief Finance Officer and the Chair of the Audit & Accounts Committee. The accounts were then signed on 29<sup>th</sup> July 2022.

### Outstanding External Audit Objections & Value for Money Conclusions:

- 3.2.4 The Council's former External Auditors, BDO, had received objections from a local elector in respect of the 2017/18 and 2016/17 Statements of Accounts. As the appointed auditors, BDO were required to look into these objections and determine whether or not they are valid, and to consider any impact of the objections on their Value for Money opinion.
- 3.2.5 On 25<sup>th</sup> November 2021, the Committee considered a report on work undertaken regarding Value for Money issues by the former auditors, BDO. The report identified weaknesses in the procurement arrangements in place at the Council for the year ended 31<sup>st</sup> March 2018. On the same date, the Committee received a report from the Council's Section 151 Officer, setting out the Council's response to BDO's findings and highlighting that many aspects of the Council's procurement arrangements had been significantly strengthened since 2018. A further follow-up report on the Council's response to the 2017/18 Value for Money opinion was provided to the Audit & Accounts Committee on 31<sup>st</sup> May 2022.

- 3.2.6 Although BDO have issued financial statement and value for money opinions for the 2016/17 and 2017/18 financial years, they have yet to determine their response to the outstanding objections, and as such the completion of these audits has yet to be certified.
- 3.2.7 The Committee has been considerably frustrated by the progress in responding to the outstanding objections, and is continuing to pursue the completion of this outstanding work as a matter of priority. This has included the Committee Chair, Chief Finance Officer and Chief Executive engaging directly with BDO about the delayed work and slippages in delivery.
- 3.2.8 The Council's current External Auditors, EY, have commenced their Value for Money work. However, making further progress and reporting on the outcomes of this work is dependent on the conclusion of BDO's work on the 2017/18 objection. This is because EY will follow up on BDO's findings and assess any impact this has on their own Value for Money conclusions.

#### Pension Fund:

- 3.2.9 The Committee reviews and approves the Cambridgeshire Pension Fund Annual Statement of Accounts, alongside the Annual Report of the Pension Fund. The Fund's audited Statement of Accounts for the year ending 31<sup>st</sup> March 2021 was presented to the Committee on 28<sup>th</sup> September 2021 and approved.

### 3.3 Whistleblowing Referrals

- 3.3.1 The Committee received periodic updates on all referrals received under the Whistleblowing Policy in the quarterly Internal Audit Progress reports throughout 2021/22. In all completed cases, the Committee was satisfied that robust action was taken as appropriate.
- 3.3.2 Audit & Accounts Committee approved an updated version of the Council's Whistleblowing Policy at their meeting on 22<sup>nd</sup> July 2021.

### 3.4 Farms Audit

- 3.4.1 On 5th March 2021, the Audit and Accounts Committee received an independent review of the County Council's Internal Audit Investigation into Manor Farm, conducted by Mazars LLP. Due to the nature of the review and legal advice received, this meeting was held in private session; however, the Committee determined that the section of the Mazars report on the County Farm Service process and procedures and the 31 recommendations in the relevant audit should be made public and considered first by the Committee, as these sections did not contain exempt information.
- 3.4.2 At its meeting on 26th March 2021, the Committee received an update from the Assistant Director: Property on the actions being taken in relation to the 31 recommendations. The Committee also agreed that eleven recommendations from Mazars for further action to be considered in relation to financial,

transparency and conduct issues should be referred on for further consideration under other processes. This included a referral to the Constitution & Ethics Committee under the Member's Code of Conduct.

- 3.4.3 The outcome of this was an investigation under the Member's Code of Conduct, which was conducted by Wilkins Chapman LLP solicitors and presented to the Constitution & Ethics Committee on 25<sup>th</sup> February 2022. Following legal advice, the Constitution & Ethics Committee resolved at that meeting to publish the investigation report.
- 3.4.4 Following on from this conclusion of the Code of Conduct referral to the Constitution & Ethics Committee, the Audit & Accounts Committee considered whether the Mazars LLP report should also be made public in full. On 31<sup>st</sup> May 2022, the final report of the independent audit firm Mazars, which had been appointed in December 2020 to complete the audit, was released into the public domain, with redactions of personal data in line with legal advice.

### 3.5 Risk Management

- 3.5.1 Under the Council's Constitution, the Strategy & Resources Committee is responsible for the development and oversight of the Council's risk management strategy and process. The Audit & Accounts Committee also has important functions in relation to risk, including considering the effectiveness of the risk management arrangements and associated control environment and to seek assurances that appropriate action is being taken in response to risk.
- 3.5.2 During 2021/22, the Joint Management Team/Corporate Leadership Team and Directorate Management Teams formally considered risk on a quarterly basis. The Audit & Accounts Committee received updates on the risk management approach adopted via reporting from Internal Audit. At its meeting on 31<sup>st</sup> May 2022, the Committee also received and reviewed an updated Risk Management Policy and Risk Appetite Statement, following a full review of the policy and procedures.

### 3.6 This Land Ltd

- 3.6.1 Across several of the headings above, the Committee is cognisant of the oversight activity in relation to This Land (the Council's wholly-owned property development company).
- 3.6.2 The Council's Group Accounts, considered by this Committee, consolidate the This Land financial position. The company's full statutory accounts signed by the component independent auditor are published annually each Autumn. The Chair and Vice-Chair of the Committee have attended a number of shareholder briefings undertaken by This Land during the course of the year, as part of an enhanced engagement and monitoring programme.
- 3.6.3 From the corporate governance perspective, it was reported in the Annual Governance Statement that the Strategy and Resources Committee had

received a detailed report from an external reviewer of This Land in January 2022. Their report has enhanced the wider understanding of the company, and therefore the Council's risk exposure, and is leading to improved controls. There were subsequent progress updates on the implementation of recommendations at the March 2022 and September 2022 Strategy and Resources Committee meetings, this included confirmation from the reviewer that risk management arrangements inside the company have improved detailed and visibility.

- 3.6.4 The County Council's own risk register, received by the Committee, also reflects review of the risks in relation to This Land.

## 4. Terms of Reference for the Committee

- 4.1 Having been fully reviewed and revised in 2016/17, the Terms of Reference for the Audit & Accounts Committee were reviewed by the Committee in May 2018 and retained with no changes. The Terms of Reference of the Committee were also reviewed at the induction training session for the new Committee, held on 1<sup>st</sup> June 2021.
- 4.2 As it has been some years since the Committee's Terms of Reference was subject to a formal review, the Committee are planning to undertake a review of their Terms of Reference in 2023.
- 4.3 Linked to this, CIPFA have recently issued an updated Position Statement on Audit Committees in Local Authorities and Police, setting out the Audit Committee practice and principles that local government bodies in the UK should adopt. This has included a set of documents to enable Audit Committees to complete a self-assessment against good practice and to evaluate the impact and effectiveness of the Audit Committee.
- 4.4 It is therefore proposed that the Audit Committee will conduct a self-assessment against the updated CIPFA Position Statement in 2023. This will be undertaken alongside the review of the Committee's Terms of Reference.

## Alignment with corporate priorities

- 5.1 Environment and Sustainability
- 5.2 Health and Care
- 5.3 Places and Communities
- 5.4 Children and Young People
- 5.5 Transport

There are no significant implications for these priorities.

## 6. Significant Implications

### 6.1 Resource Implications

There are no significant implications within this category.

### 6.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications within this category.

### 6.3 Statutory, Legal and Risk Implications

There are no significant implications within this category.

### 6.4 Equality and Diversity Implications

There are no significant implications within this category.

### 6.5 Engagement and Communications Implications

There are no significant implications within this category.

### 6.6 Localism and Local Member Involvement

There are no significant implications within this category.

### 6.7 Public Health Implications

There are no significant implications within this category.

### 6.8 Environment and Climate Change Implications on Priority Areas:

#### 6.8.1 Implication 1: Energy efficient, low carbon buildings. Neutral status

#### 6.8.2 Implication 2: Low carbon transport. Neutral status

#### 6.8.3 Implication 3: Green spaces, peatland, afforestation, habitats and land management. Neutral status

#### 6.8.4 Implication 4: Waste Management and Tackling Plastic Pollution. Neutral status

#### 6.8.5 Implication 5: Water use, availability and management: Neutral status

#### 6.8.6 Implication 6: Air Pollution. Neutral status

6.8.7 Implication 7: Resilience of our services and infrastructure, and supporting vulnerable people to cope with climate change.

Neutral status

Have the resource implications been cleared by Finance? N/A

Name of Financial Officer: Tom Kelly

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the Head of Procurement and Commercial? N/A

Name of Officer: Clare Ellis

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or Pathfinder Legal? N/A

Name of Legal Officer: Fiona McMillan

Have the equality and diversity implications been cleared by your EqIA Super User? N/A

Name of Officer: N/A

Have any engagement and communication implications been cleared by Communications? N/A

Name of Officer: Christine Birchall

Have any localism and Local Member involvement issues been cleared by your Service Contact? N/A

Name of Officer: N/A

Have any Public Health implications been cleared by Public Health? N/A

Name of Officer: Kate Parker

## 6. Source Documents

### 6.1 Audit and Accounts Committee agendas and minutes.

[Audit and Accounts Committee - Agenda and Minutes](#)



## Whistleblowing Policy Review

To: Audit and Accounts Committee

Meeting Date: 24 November 2022

From: Chief Executive

Electoral division(s): All

Key decision: No

Outcome: The committee is asked to note and comment upon the Chief Executive's review and associated advice in respect of the Council's Whistleblowing Policy and to re-approve the Council's Whistleblowing Policy.

Recommendation: It is recommended that the committee re-approves the County Council's Whistleblowing Policy.

### Officer contact:

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### Member contacts:

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## 1. Background

- 1.1 The Whistleblowing Policy was last updated in 2021 and was approved by the Audit and Accounts Committee on the 22 July 2021. In 2022, the Chief Executive committed to personally review the Whistleblowing Policy and ensure that he was satisfied with its operation and robustness. The outcomes from this review are summarised in this paper.
- 1.2 The Council's Internal Audit and Risk Management team produces an annual report on the Council's Whistleblowing Policy. This seeks to identify any trends or patterns of concern in whistleblowing activity and gives the results of the annual staff survey on whistleblowing.

## 2. Main Issues

- 2.1 A staff survey was conducted in June 2022, to gauge staff awareness of the Whistleblowing Policy. A copy of the current Policy is appended at Annex A to this report. One hundred randomly selected members of staff were asked to complete an online survey, and 40 responses were received. This was broadly in line with 42 responses received in 2020 and 43 in 2019.
- 2.2 The survey showed a steady increase in awareness of the policy since the last time it was carried out; however, this year has shown a reduction in staff confidence in raising concerns via the policy or other appropriate routes.
- 2.3 The Whistleblowing Policy was discussed by the Corporate Leadership Team (CLT) in September 2022. Key areas considered included:
  - The interface between this policy and the Respect at Work policy. There may be some confusion between the two policies, as employment related concerns can be raised through the Whistleblowing Policy and vice versa. The Whistleblowing Policy includes a flowchart on the third page, which seeks to clarify this by setting out how the Whistleblowing Policy interacts with other Council policies and processes, and how staff can raise any type of concern.

The key principle is that the Council seeks to encourage staff to raise issues through any route; staff can use the Whistleblowing Policy to raise any type of concern, and these will be referred to be dealt with under the relevant policy if they do not technically count as 'whistleblowing' under the Public Interest Disclosure Act.

- There are some negative connotations around the term 'whistleblowing' and this was raised as part of the survey. It was discussed at the CLT that re-naming the policy 'Raising Concerns' might be more appropriate. On the other hand, the Council does have a 'Resolving Workplace Concerns' policy, so renaming the Whistleblowing Policy could create confusion between these policies. There are certain protections which a whistle-blower receives under the law, and the Council would therefore need to be cautious if that word was removed.

- 2.4 The Chief Executive has conducted a personal review of the policy to consider its suitability. In conclusion, the findings were that the policy is robust and adopts practice evident in other public bodies. Alongside this, there is a clear commitment to a continuous process of improvement; this includes the annual staff surveys and reviews of the policy which already take place.
- 2.5 Based upon the results of the recent annual survey undertaken by Audit and Risk Management, a further session on the whistleblowing policy as part of Cambridgeshire Conversations, led by the Chief Executive, will be undertaken to support engagement activity.
- 2.6 Given that the policy is subject to annual review, it is the advice of the Chief Executive that the Council should consider engaging with Protect, formerly known as Public Concern at Work, to undertake an externally validated benchmarking of the County Council's policy and approach to the management of whistleblowing. This benchmarked approach will draw upon comparative practice, experience, and processes across a range of employers and will also enable feedback in respect of the Council's organisational culture, which is critical to any approach to effective whistleblowing and 'speaking up'.

### 3. Alignment with corporate priorities

#### 3.1 Environment and Sustainability

There are no significant implications for this priority.

#### 3.2 Health and Care

There are no significant implications for this priority.

#### 3.3 Places and Communities

There are no significant implications for this priority.

#### 3.4 Children and Young People

There are no significant implications for this priority.

#### 3.5 Transport

There are no significant implications for this priority.

### 4. Significant Implications

#### 4.1 Resource Implications

There are no significant implications within this category.

#### 4.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications within this category.

- 4.3 Statutory, Legal and Risk Implications  
There are no significant implications within this category.
- 4.4 Equality and Diversity Implications  
There are no significant implications within this category.
- 4.5 Engagement and Communications Implications  
There are no significant implications within this category.
- 4.6 Localism and Local Member Involvement  
There are no significant implications within this category.
- 4.7 Public Health Implications  
There are no significant implications within this category.
- 4.8 Environment and Climate Change Implications on Priority Areas (See further guidance in Appendix 2):  
There are no significant implications within this category.

Have the resource implications been cleared by Finance? Yes

Name of Financial Officer: Tom Kelly, Service Director: Finance and Procurement

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the Head of Procurement? No.

Name of Officer:

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or Pathfinder Legal? Yes

Name of Legal Officer: Fiona McMillan, Director of Law and Governance

Have the equality and diversity implications been cleared by your EqIA Super User?

Yes

Name of Officer: Fay McCarthy, Equality, Diversity and Inclusion Business Partner

Have any engagement and communication implications been cleared by Communications?

Yes

Name of Officer: Christine Birchall, Head of Communications

Have any localism and Local Member involvement issues been cleared by your Service Contact? Yes or No

Name of Officer:

Have any Public Health implications been cleared by Public Health?

Yes or No

Name of Officer:

If a Key decision, have any Environment and Climate Change implications been cleared by the Climate Change Officer?

Yes or No

Name of Officer:

## 5. Source documents guidance

### 5.1 Source documents

Cambridgeshire County Council's Whistleblowing Policy

### 5.2 Location

The current policy is available on the County Council's external website:  
[Whistleblowing Policy - Cambridgeshire County Council](#)



# 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	
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Post:	Head of Audit and Risk Management
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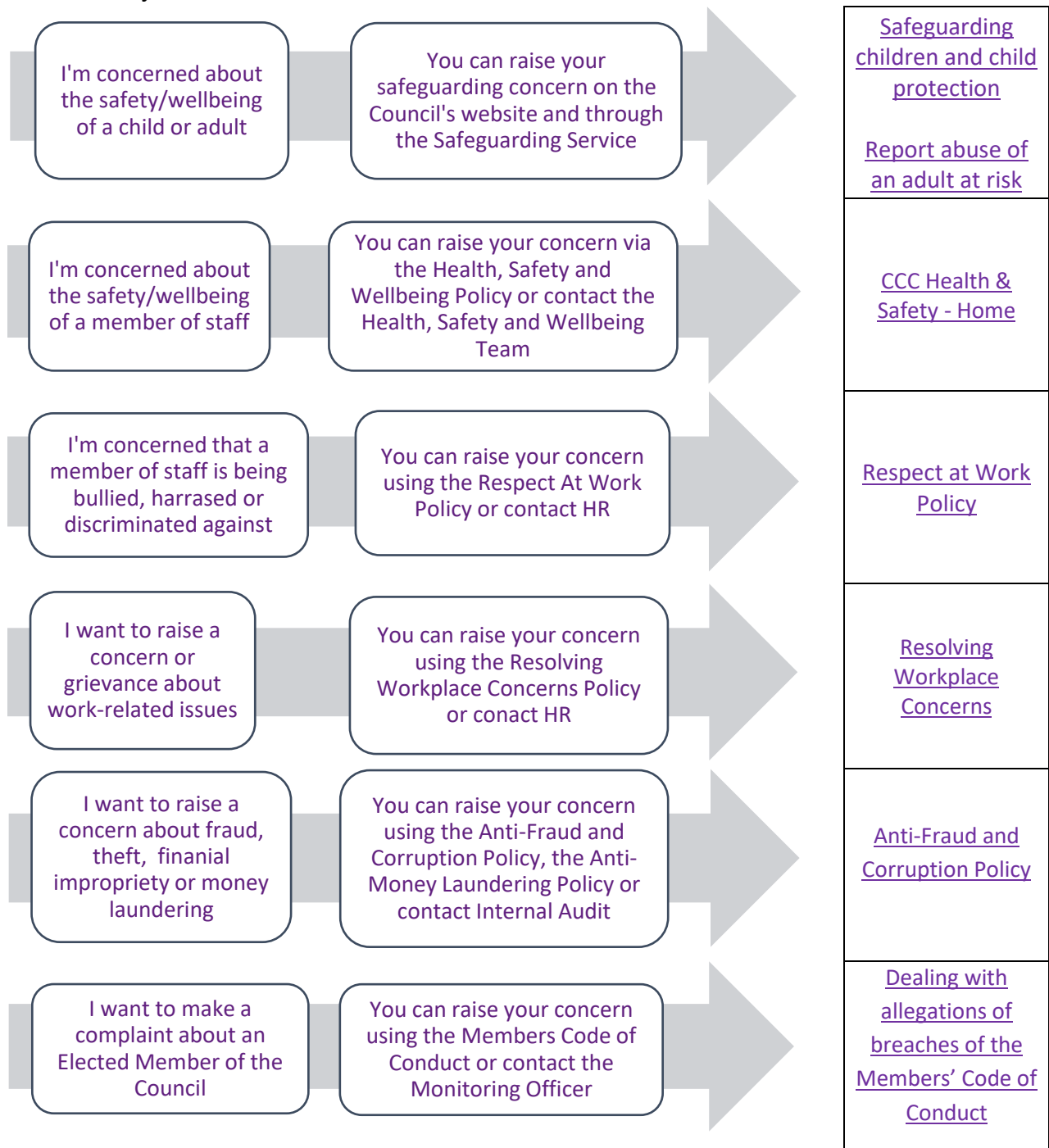
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## 1. ROUTES TO REPORT CONCERNS

- 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.



- 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](mailto:whistleblowing@cambridgeshire.gov.uk). This mailbox will be monitored by Internal Audit who will ensure that referrals made to this address are considered via the appropriate process.
- 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 Council 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 refers 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:

- Mairead Claydon, Head of Audit and Risk Management, 01223 715542
- Janet Atkin, Assistant Director: Human Resources, 07775 024309
- Sue Grace, Executive Director of Strategy and Partnerships, 01223 715680
- Stuart Wood, Strategic Health and Safety Manager, 07789 397291
- Linda Walker, Interim Service Director: Legal and Governance, 01223 699188
- Tom Kelly, Service Director: Finance and Procurement, 01223 703599
- Stephen Moir, Chief Executive, 07501 508258
- Or E-mail [whistleblowing@cambridgeshire.gov.uk](mailto: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 County Council 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 share their name as part of raising a concern or 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](mailto: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.<sup>1</sup>
- 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 Human Resources if the alleged harassment is by an officer; the

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<sup>1</sup> 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.

Service Director: Legal and Governance where the alleged harassment is by an elected member; or the Head of Audit and Risk Management 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 breach of the relevant Code of Conduct and could result in formal disciplinary action being taken.

#### **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.<sup>2</sup> Dependent on the nature of the concern, investigations may be referred to or carried out in conjunction with relevant directorate management, Human Resources, Audit and Risk Management, 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.

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<sup>2</sup> 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.

- 4.6 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).
- 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 Assistant Director: Human Resources or the Head of Audit and Risk



Management, 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 Audit and Risk Management 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 will be approved by the Service Director: Legal and Governance as the Council's Statutory 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](mailto: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 (HR) 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 Service Director: Legal and Governance (Statutory 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 Executive 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. Executive 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 and 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 new County Councillors shall be provided a copy of the policy.

## 8. REVIEW

- 8.1 Audit and Risk Management 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 and Accounts Committee. Any significant amendments will be subject to consultation with Trade Union representatives.

## Audit and Accounts Committee Forward Agenda Plan

Updated 16<sup>th</sup> November 2022

The following are standing agenda items which are considered at every Committee meeting:

- Minutes of previous meeting and Action Log
- Financial Reporting and Related Matters Update – Monitoring at each meeting, covering Integrated Finance Monitoring Report. Lead officers: Tom Kelly/Stephen Howarth/Michelle Parker/Eleanor Tod.
- Internal Audit Progress Report including progress of Implementation of Management Actions, Internal Audit Plan Update, Update on the value of the National Fraud Initiative and Risk Register. Relevant officers to attend the Committee to be invited by Head of Internal Audit where management actions have gone beyond the next agreed target date. Lead Officer: Mairead Claydon
- Agenda Plan/Training

Meeting Date/ (report deadline)	Report title	Frequency of report	Director/ responsible officer	Report author
24/11/22 (16/11/22)	Whistleblowing Policy		Chief Executive	Stephen Moir
	Annual report of the Audit Committee to Full Council		Head of Internal Audit	Mairead Claydon
	External Review of Compliance with Public Sector Internal Audit Standards (PSIAS)		Head of Internal Audit	Mairead Claydon
	Consultants and Agency Worker Data - Quarter 4 2021-2022 and Quarter 1 2022-2023	Six monthly	Head of Procurement	Clare Ellis
	External Audit Update (included with Financial Reporting Update)		Head of Finance	Stephen Howarth
	Pension Fund Annual Report and Statement of Accounts 2021-22		Head of Pensions	Ben Barlow Fiona Coates

Meeting Date/ (report deadline)	Report title	Frequency of report	Director/ responsible officer	Report author
09/02/23 (01/02/23)	External Audit Annual Plan	Annual	Ernst Young	Mark Hodgson
	Debt Management Six Monthly Progress Update	Six monthly	Head of Revenue & Benefits	Alison Balcombe
	Governance Update		Service Director: Finance & Procurement	Tom Kelly

Date tbc:

Corporate Risk register		Head of Diligence & Best Value	Neil Hunter
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+ = indicates Exempt report

#### REPORTS TO BE PROGRAMMED AS SUBJECT TO ONGOING INVESTIGATIONS/ADDITIONAL WORK

FACT, HACT and ESACT Recovery of Monies  This is currently the subject of a Police investigation	One-off Report  When the report comes forward it may require a separate confidential appendix if it contains commercially sensitive information for the Council and other parties. This is being led by FACT and so until negotiations are concluded, any updates remain commercially sensitive.	Director of Resources and Chief Financial Officer / Service Director Highways and Finance	Tom Kelly
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